

Decision No. 85723

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of HARBOR CARRIERS, INC., a  
corporation, for authorization  
to increase rates.

Application No. 55714  
(Filed June 2, 1975)

Vaughan, Paul & Lyons, by John G. Lyons, Attorney  
at Law, for applicant.

Edgar Bruce Ross, City Counsel, for City of Tiburon,  
and Charles S. Wills, for himself, interested  
parties.

Elmer Sjoström, Attorney at Law, and Milton J.  
DeBarr, for the Commission staff.

O P I N I O N

Harbor Carriers, Inc. is a common carrier by vessel engaged in the transportation of persons and property between points on San Francisco, San Pablo, and Suisun Bays. It seeks authority to increase the water taxi rates for ordinary and special services contained in its Local Freight Tariff No. 8 and Local Passenger Tariff No. 10. Applicant also requests authority to increase the passenger fares and bicycle charges named in its Local Passenger Tariff No. 11.

Public hearing was held before Examiner Gagnon at San Francisco on September 22, 1975 and January 5, 1976. One of applicant's patrons urged that no increase in the present bicycle charges be authorized. Applicant and the Commission staff both presented a series of exhibits and testimony relative to the sought increase.

Applicant's present and proposed rates and fares are:

TABLE 1

## HARBOR CARRIERS, INC.

Statement of Present and Proposed Rates and Fares

	<u>Present Rate Or Fare</u>	<u>Proposed Rate Or Fare</u>
(1) Local Freight Tariff No. 8 and Local Passenger Tariff No. 10 Item No. 25 (Ordinary Service)	\$10.50 per quarter hour or fraction thereof	\$15.00 per quarter hour or fraction thereof
Where an additional crewman is requested or required, an additional charge will be made at the rate of \$30.00 per trip, per crewman added to the regular crew.		
(2) Local Freight Tariff No. 8 and Local Passenger Tariff No. 10 Item No. 30 (Special Service)	\$11.75 per quarter hour or fraction thereof, minimum charge of \$47.00	\$16.25 per quarter hour or fraction thereof, minimum charge of \$65.00
Where an additional crewman is required, an additional charge will be made at the rate of \$30.00 per trip, per crewman added to the regular crew.		
(3) Local Passenger Tariff No. 11 Item No. 100		
Between San Francisco and Angel Island		
Adult Fare (round trip)	\$2.00	\$3.00
Children's Fare (round trip)	1.00	1.50
Between San Francisco and Tiburon		
Fare (round trip)	2.00	3.00
Fare (one way)	1.00	1.50
Commute Books containing 10 round-trip tickets between San Francisco and Tiburon	15.00	20.00

(Continued)

TABLE 1  
(Continued)

	<u>Present Rate Or Fare</u>	<u>Proposed Rate Or Fare</u>
Bicycles (accompanying a passenger) between San Francisco and Tiburon		
Charge (round trip)	\$0.75	\$1.00
Charge (one way)	0.50	0.50
Between Berkeley and Angel Island		
Adult Fare (round trip)	2.00	3.50
Children's Fare (round trip)	1.00	1.75
Between Berkeley and Tiburon		
Adult Fare (round trip)	2.75	3.50
Children's Fare (round trip)	1.40	1.75

Applicant's rates (except rates for service between Berkeley and Angel Island or Tiburon) were last increased effective March 7, 1974, pursuant to Decision No. 82431 dated February 5, 1974 in Application No. 53906. The passenger fares for services between Berkeley and Angel Island or Tiburon have been in effect since January 5, 1972 when they were established pursuant to Decision No. 79092 dated August 31, 1971 in Application No. 52621. Since applicant's rates and fares were last adjusted, it has experienced substantial increases in costs of operations. Applicant's Exhibit 1 indicates that the increases it has or will incur in various operating expense items as of July 31, 1976 amount to:

TABLE 2

<u>Expense Items</u>	<u>Increase as of 7-31-76</u>
Wages - Per Union Contract	
Water Taxis	14%
Ferries	17
Employees Union Pension Fund	
Water Taxis	25
Ferries	19
Operating Supplies	10
Fuel	12
Repairs	15
Insurance	15

Applicant's 1974 results of operations are shown in Exhibit A attached to the application and staff Exhibit 2. Its balance sheet for 1974 shows a retained earnings deficit of \$976,000. The 1974 income statement indicates an overall operating loss amounting to \$513,000. After allowances for operating loss tax benefits and other miscellaneous income, applicant sustained a net loss of some \$263,000 for the year 1974.

The staff of the Commission's Finance and Accounts Division has reviewed the accounting procedures employed by applicant to demonstrate its need for additional revenues. A summary of the staff analysis (Exhibit 8) follows:

1. Company Statements v Function Statements. Harbor Carriers, Inc. is one of many companies comprising the Crowley Maritime Corporation. Company accounting statements reflect all the activities of an individual company. Function statements are prepared as supplementary financial statements to reflect the allocation of company revenues and expenses to each individual function performed by the company. Intercompany charges reflected in applicant's company

accounting statements were adjusted prior to allocation to the function statements for ratemaking purposes. For example, intercompany charter expenses were eliminated from applicant's function statements and, in lieu thereof, depreciation and insurance expenses, as they relate to the usage of various vessels, were substituted in the function statement.

2. Allocation of Costs. In the performance of its various functions, applicant incurs expenses related to vessels used in the various services. These expenses, such as wages, benefits, fuel, repairs, depreciation, etc., are charged to the function performed during the month based on a percentage of operating time in which the vessel has been involved during the month. The dispatcher's daily operations report is used to compute the applicable percentages.

3. Staff Conclusions. The staff did not attempt to determine the reasonableness of charter costs charged by affiliates. However, the elimination of affiliated charters and the substitution of ownership costs was proper. The other major difference between "company" and "function" statements is due to the adjustment for administrative and general expenses. Based on a time study, applicant has reduced the administrative expenses chargeable to its various functions. The staff has not reviewed in any detail the results of the study prepared to allocate district and corporate administrative expenses.

4. Staff Recommendations. The staff is of the opinion that the recast of the general ledger figures of applicant reflected in supplementary financial records, commonly referred to as "function" statements, are proper records and are usable for ratemaking purposes.

In Exhibit 5 the results of applicant's operations for the year ending July 31, 1975, as reflected in its general ledger accounts, is reconciled with and adjusted prior to the allocation thereof to specific activities performed by applicant. A summary of Exhibit 5 is presented in Tables 3 and 4.

TABLE 3

## HARBOR CARRIERS, INC.

Reconciliation of General Ledger to Function Statements  
 Year Ending July 31, 1975

<u>Account Items</u>	<u>Reconciliation</u>		
	<u>Per General Ledger</u>	<u>Adjustments</u>	<u>Total All Functions</u>
Revenue	\$2,621,838	\$ 2,035 (4)	\$2,623,873
<u>Expenses</u>			
Wages	740,190	1,730 (4)	741,920
Employees Welfare	37,958	102 (4)	38,060
Union Pension Fund	75,918	168 (4)	76,086
Operating Supplies	82,984	14,767 (4)	97,751
Fuel	224,419	(4,099) (4)	220,320
Repairs	162,405	35,500 (4)	197,905
Insurance	17,330	85,802 (2)	103,132
Rented Equipment	27,948	(968) (4)	26,980
Social Security	94,896	220 (4)	95,116
Subtotal	1,464,048	133,222	1,597,270
Taxes & Licenses	6,747	(337) (4)	6,410
Administrative	1,241,872	(345,876) (3)	895,976
Depreciation	10,717	172,352 (2)	183,069
Charter	435,690	(414,221) (1)	21,469
Total Expenses	3,159,074	(418,880)	2,704,194
Net Income (Loss)	(537,236)	456,915	(80,321)

Explanation of Adjustments

- (1) Charter reduction is caused by the elimination of inter-company charters.
- (2) Depreciation & insurance increases are caused by the substitution of these items in place of intercompany charters.
- (3) Administrative expense is decreased--allocation to function statements based on separate study.
- (4) Repairs, supplies, & other accounts were increased because certain charges paid by Golden Gate for repairs, etc., on the ferry boats were not billed back to Harbor Carriers.

TABLE 4

## HARBOR CARRIERS, INC.

Adjusted Results of Operations for  
Various Functions Performed During  
Year Ending July 31, 1975

<u>Account Items</u>	<u>Water Taxis Function</u>	<u>S.F./ A.I. Function</u>	<u>S.F./ TIB Function</u>	<u>Berk/ A.I. Function</u>	<u>Berk/ TIB Function</u>	<u>Bicy- cles</u>	<u>Total Per Appli- cation</u>	<u>Long Beach Ferries Function</u>	<u>Alcatraz Function</u>	<u>Total All Functions</u>
Revenue	\$209,183	\$132,319	\$318,650	\$28,237	\$2,979	\$2,500	\$693,868	\$1,332,664	\$597,341	\$2,623,873
<u>Expenses</u>										
Wages	118,800	55,499	134,496	11,343	1,216		321,354	305,656	114,910	741,920
Employees Welfare	6,105	2,846	6,897	582	62		16,492	15,675	5,893	38,060
Union Pension Fund	12,176	5,692	13,794	1,163	125		32,950	31,350	11,786	76,086
Operating Supplies	7,785	7,103	17,214	1,452	156		33,710	46,092	17,949	97,751
Fuel	24,056	10,598	25,684	2,166	233		62,737	144,701	12,882	220,320
Repairs	30,752	13,498	32,710	2,759	296		80,015	56,767	61,123	197,905
Insurance	17,115	6,052	14,666	1,237	132		39,202	52,339	11,591	103,132
Rented Equipment		2,258	5,472	462	50		8,242	3,184	15,554	26,980
Social Security	<u>15,229</u>	<u>7,116</u>	<u>17,243</u>	<u>1,454</u>	<u>156</u>		<u>41,198</u>	<u>39,186</u>	<u>14,732</u>	<u>95,116</u>
Subtotal	232,018	110,662	268,176	22,618	2,426		635,900	694,950	266,420	1,597,270
Taxes & Licenses	350	98	238	20	2		708	-	5,702	6,410
<u>Administrative</u>										
District	32,034	43,886	104,109	8,809	3,365		192,203	480,635	128,136	800,974
Corporate	7,488	4,748	11,403	967	467		25,073	48,285	21,644	95,002
Depreciation	14,859	7,149	16,570	1,461	157		40,196	141,190	1,683	183,069
Charter	-	-	-	-	-		-	21,469	-	21,469
Total Expenses	286,749	166,543	400,496	33,875	6,417		894,080	1,386,529	423,585	2,704,194
Net Income (Loss)	(77,566)	(34,224)	(81,846)	(5,638)	(3,438)	2,500	(200,212)	(53,865)	173,756	(80,321)

Tables 3 and 4 indicate that for the year ending July 31, 1975 applicant experienced an adjusted net operating loss of \$80,321 from all functions including the Alcatraz and Long Beach operations. It will be noted that only the Alcatraz function experienced an adjusted operating profit of \$173,756. The several northern California operations (excluding Alcatraz), for which applicant now seeks additional revenues, are shown in Table 4 to have sustained an adjusted total net operating loss of \$200,212 resulting in an operating ratio of 128.9 before income taxes (Exhibit 6).

The adjusted operating revenues for the year ending July 31, 1975 earned by those individual functions covered by applicant's rate and fare proposals amounted to \$693,868 (Table 4). It is estimated (Exhibits 6 and 7) that for a projected rate year ending July 31, 1976 applicant's rate and fare proposal would generate \$299,589 in additional revenues, thereby increasing the total operating revenues of applicant's individual functions covered by the application to \$993,427. Under the sought relief Exhibit 6 also shows that for the projected rate year applicant's individual functions covered by the fare and rate proposal would still experience a net operating deficit of \$9,193 resulting in an operating ratio of 100.9 before income taxes.

Applicant's ferry service between San Francisco and Alcatraz Island was inaugurated on November 5, 1973 pursuant to contractual agreement with the federal government. No increase in rates or fares is proposed in connection with applicant's service to Alcatraz. For this, and other reasons not material to the issues involved in this proceeding, applicant initially excluded the results of its Alcatraz operations from its function statements employed to justify the sought relief. The staff, on the other hand, strongly argues that applicant's sought relief should be evaluated on the basis of its results of operations from all functions employing common facilities. It has been



established that applicant's Alcatraz service is an integral part of its overall operations contributing to and sharing in the economic benefits derived from greater utilization of common facilities.

The adjusted estimated results of operations under present and proposed rates and fares for applicant's various northern California functions, including its Alcatraz service, is shown in Exhibit 10. This added information is presented so that the Commission may be fully advised of the merits of applicant's sought relief. A summary of applicant's revised function statement follows:

TABLE 5

## HARBOR CARRIERS, INC.

Estimated Adjusted Results of Operations for  
Various Functions, Including Alcatraz Service  
For Rate Year Ending July 31, 1976

<u>Account Items</u>	<u>Under Proposed Fares</u>				
	<u>Water Taxis</u>	<u>Ferries</u>	<u>Bicycle</u>	<u>Alcatraz</u>	<u>Totals</u>
<u>Revenue</u>					
Water Taxis	\$294,111	\$	\$	\$	\$
San Fran./Angel Is.		198,479			
San Fran./Tiburon		449,792			
Berkeley/Angel Is.		43,604			
Berkeley/Tiburon		3,783			
Bicycles			3,688		
Alcatraz				597,341	
Total	294,111	695,658	3,688	597,341	1,590,798
<u>Expenses</u>					
Operating Expense	262,540	460,201		299,702	1,022,443
<u>Administrative</u>					
District	35,237	176,187		140,950	352,374
Corporate	8,237	19,344		23,808	51,389
Operating Taxes	350	358		5,702	6,410
Depreciation	14,859	25,337		1,683	41,879
Total	321,223	681,427		471,845	1,474,495
Net Income Before Taxes					116,303
Income Taxes					58,152
Net Income					58,151
Operating Ratio					92.7%

Exhibit 10 shows that with the inclusion of its Alcatraz function applicant's adjusted results of operations for all functions would reflect an operating ratio of 102.0 for the year ending July 31, 1975 under present rates and fares in lieu of 128.9 (Exhibit 6) when operating results for the Alcatraz service are excluded. Under proposed rates and fares Table 5 indicates that applicant's results of operations from all functions for a projected rate year ending July 31, 1976 will reflect an operating ratio of 92.7 percent, before income taxes. For reasons previously stated herein, the results of applicant's Alcatraz operations should be fully considered in any evaluation of its present request for authority to increase rates and fares.

#### Findings

1. Applicant's present rates and fares (except for service between Berkeley and Angel Island or Tiburon) were last increased effective March 7, 1974 pursuant to Decision No. 82431. The passenger fares applicable between Berkeley and Angel Island or Tiburon have been in effect since January 5, 1972 pursuant to Decision No. 79092.
2. Applicant's balance sheet and income statement for the year 1974 show a retained earnings deficit amounting to \$976,000 and a net operating loss of \$263,000 for 1974.
3. For an adjusted rate year ending July 31, 1975 applicant experienced a \$200,212 net operating loss from all its vessel operations (excluding the Alcatraz ferry service) on the San Francisco, San Pablo, and Suisun Bays, which resulted in an operating ratio of 128.9 percent, before income taxes. The Alcatraz ferry service, on the other hand, realized a net operating income of \$173,756; thereby reducing applicant's overall net operating loss to \$26,456 producing an operating ratio of 102.0 percent, before income taxes, for all functions during the same test year.

4. Since applicant's rates and fares were last adjusted, it has experienced substantial increases in various operating expenses, especially for labor, fuel, repairs, and insurance. For the projected rate year ending July 31, 1976 applicant has shown that its operating expenses will increase by \$108,570 if the Alcatraz function is excluded and by \$156,830 when the Alcatraz service is included.

5. Applicant seeks authority to increase rates and fares applicable to all its functions on the San Francisco, San Pablo, and Suisun Bays, except for the Alcatraz ferry service, by an overall 40 percent. No fare increase is proposed for ferry service between San Francisco and Alcatraz Island.

6. For an adjusted future rate year ending July 31, 1976 applicant has shown that its rate and fare proposal will generate \$299,589 in additional revenues.

7. Under proposed rates and fares applicant's operating losses will be reduced to \$9,393 resulting in an operating ratio of 100.9, before income taxes, for all functions except the Alcatraz service. When the Alcatraz results of operations are included, applicant shows that its results of operations for all functions will reflect a net operating income of \$116,303 resulting in an operating ratio of 92.7 percent, before income taxes, for the same projected rate year ending July 31, 1976.

8. For ratemaking purposes it has been shown that all of applicant's functions, including the Alcatraz ferry service, should be considered in any evaluation of its revenue requirements to perform reasonable and efficient common carrier vessel operations on the San Francisco, San Pablo, and Suisun Bays.

9. Applicant has demonstrated that, with or without an evaluation of the comparative results of its Alcatraz ferry operations, the various sought increases in rates and fares are justified.

The Commission concludes that Application No. 55714 should be granted.

O R D E R

IT IS ORDERED that:

1. Harbor Carriers, Inc. is authorized to establish the increased rates and fares proposed in Application No. 55714. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than ten days after the effective date of this order on not less than ten days' notice to the Commission and to the public.

2. The authority shall expire unless exercised within ninety days after the effective date of this order.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 20<sup>th</sup>  
day of APRIL, 1976.

William Synovius President  
Vernon L. Stangen  
Robert Bateman  
Commissioners

Commissioner D. W. Holmes, being  
necessarily absent, did not participate  
in the disposition of this proceeding.