

Decision 89 11 044 NOV 2 2 1989

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
BALBOA ISLAND FERRY, a California)
corporation, for an order authorizing)
it to increase rates for the)
transportation of passengers and)
motor vehicles across Balboa Bay)
between Balboa and Balboa Island in)
the City of Newport Beach,)
California.)

ORIGINAL

Application 89-05-050
(Filed May 22, 1989)

Thomas W. Allen, Attorney at Law, for
Balboa Island Ferry, applicant.
M. Matsumura, for the Transportation
Division.

O P I N I O N

Balboa Island Ferry, a California corporation, is a vessel common carrier ferry service transporting persons and motor vehicles across Balboa Bay between Balboa and Balboa Island in the City of Newport Beach (Decision (D.) 57647, January 13, 1959, Application (A.) 40683). Its present fares were authorized by D.83-04-045, April 6, 1983.

Applicant requests authority to increase virtually all of its fares by 5 cents each passage. Examples: The fare for each adult passenger will increase from 20 cents to 25 cents; the fare for each passenger car will increase from 35 cents to 40 cents. Gross revenue for calendar year 1988 was \$669,102, and projected gross revenue for test year 1989 is \$815,249. The requested increase is \$146,147 or 22 percent over 1988 fare income.

Transportation Division staff requiring further information on the projected income statement attached to the application, a duly noticed public hearing was held before Administrative Law Judge Orville I. Wright in Newport Beach on

August 17, 1989, and the matter was submitted upon the receipt of staff's Cost Study Report and Recommendation (Staff Report) on September 14, 1989.

Staff Report

Table 1 of the Transportation Division Staff Report shows present and proposed one-way fares and charges of applicant.

TABLE 1

Between Balboa and Balboa Island, Newport Beach

Fares and Charges

	<u>Present</u>	<u>Proposed</u>
Car	\$0.35	\$0.40
Commuter	\$0.20	\$0.25
Motorcycle	\$0.15	\$0.20
Bicycle	\$0.10	\$0.15
Adult	\$0.20	\$0.25
Child	\$0.10	\$0.10

Table 2 sets forth the estimated results of operations under present and proposed passenger fares for the test year ending December 31, 1989.

TABLE 2

Test Year Ending December 31, 1989

Fares and Charges

	<u>Present</u>	<u>Proposed</u>
Operating Revenue	\$669,102	\$815,249
Operating Expenses	699,723	774,790*
Operating Income (Loss)		
Income Before Tax	(621)	40,459
Operating Ratio		
Before Income Taxes	100.08%	95.04%

*Excludes donations that amounts to \$2,300.

Staff finds the proposed operating ratio and fare increases to be reasonable and acceptable.

Income Statement Adjustments

Several adjustments to applicant's income statement, as filed with its application, were made at the hearing or by late-filed exhibits and are included in the figures shown in Table 2 of the Staff Report.

Projected income was decreased from \$881,205 to \$815,249 by applicant, the revised estimate being based upon actual income for the first six months of 1989 as compared with the same period of 1988. The more current figures were not available at the time the application was filed.

Maintenance cost for the ferry boats and docks was increased by reason of U.S. Coast Guard requirements to install new decking on two of the carrier's ferry boats and substantial repairs having been found necessary to the ferry's terminal docks. These costs were amortized over a period of four years.

Applicant's late-filed exhibit substantiating insurance costs resulted in that estimate being reduced from \$85,000 to \$56,192 for the test year.

In making its calculations, staff excluded \$2,300 in donations, expressing the opinion that donations should be disregarded in rate structure computations.

Transportation Division staff states that applicant's franchise and lease expenses have increased by more than 100 percent since its last rate setting. Its report also notes that the ferry service is experiencing increased costs in fuel, repairs, maintenance, and rent.

Based upon evidence adduced at the hearing and late-filed exhibits, the Transportation Division Staff Report recommends that the application be granted.

Waiver of Proposed Decision

Together with its late-filed exhibits, applicant filed a written motion to waive the filing of and comment on the proposed decision (Rule 77.1, Rules of Practice and Procedure.)

Transportation Division staff concurring, the motion is granted.

Findings of Fact

1. Applicant seeks authority to increase its passenger and vehicle fares by approximately 23% to offset increased operating expenses.

2. Applicant's present fares were authorized by D.83-04-045, dated April 6, 1983.

3. Applicant's operations in the test year ending December 31, 1989 under present fares would be at a loss of \$621 with an operating ratio of 100.08%.

4. The proposed fares will result in annual operating revenues of \$815,249 and an annual operating revenue increase of \$146,147 with an operating ratio before income taxes of 95.04%.

5. The requested fares are necessary and justified.

6. Applicant is operating at a loss and therefore requests immediate rate relief.

Conclusions of Law

1. The fares requested in A.89-05-050 are just and reasonable and should be granted.

2. Because the applicant is operating at a loss, the order should be effective today.

ORDER

IT IS ORDERED that:

1. Balboa Island Ferry is authorized to establish the increased passenger fares proposed in Application 89-05-050. Tariffs shall be filed on or after the effective date of this

order. They may go into effect 5 days or more after the effective date of this order on not less than 5 days' notice to the Commission and to the public.

2. This authority shall expire unless exercised within 90 days after the effective date of this order.

3. In addition to the required posting and filing of tariffs, applicant shall give notice to the public by posting in applicant's vessels a printed explanation of the fares. Such notice shall be posted not less than 5 days before the effective date of the fare changes and shall remain posted for a period of not less than 30 days.

4. The application is granted as set forth above.

This order is effective today.

Dated NOV 22 1989, at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.

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Wesley Franklin
WESLEY FRANKLIN, Acting Executive Director
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