

Decision No. 89270 AUG 22 1978

**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 between San Francisco, Angel Island, and Tiburon.

Application No. 57767  
(Filed December 28, 1977)

In the Matter of the Application of HARBOR CARRIERS, INC., a corporation, for authorization to cease scheduled operations as a common carrier of passengers by vessel between Berkeley and Angel Island and between Berkeley and Tiburon.

Application No. 57768  
(Filed December 28, 1977)

Vaughan, Paul & Lyons, by John G. Lyons, Attorney at Law, for applicant.  
Gary T. Ragghianti, Attorney at Law, for City of Tiburon and City of Belvedere; and Harold Edelstein, for City of Tiburon; protestants.  
Deborah A. Weldon, for Department of Parks and Recreation, State of California, interested party.  
William C. Bricca, Attorney at Law, for the Commission staff.

O P I N I O N

Harbor Carriers, Inc. (applicant), is a common carrier by vessel engaged in the transportation of persons and property between points on San Francisco, San Pablo, and Suisun Bays.

By Application No. 57767, applicant seeks authority to increase its passenger fares on its commute service between San Francisco and Angel Island and between San Francisco and Tiburon. By Application No. 57768, applicant seeks authority to cease passenger operations between Berkeley, on the one hand, and Angel Island and Tiburon, on the other hand. Application No. 57767 was protested by the cities of Belvedere and Tiburon.

Applicant's rates were last adjusted pursuant to Decision No. 85725 dated April 20, 1976 in Application No. 55714.

Public hearing was held before Administrative Law Judge Banks at San Francisco on May 22, 1978 at which time the matter was submitted. At the hearing, applicant requested that Application No. 57768 be withdrawn.

Evidence and testimony was presented relative to the sought increases by applicant and protestants.

Applicant's present and proposed fares are:

Statement of Present and Proposed Rates and Fares

| <u>Local Passenger Tariff No. 11<br/>Item No. 100</u>               | <u>Present<br/>Fare</u> | <u>Proposed<br/>Fare</u> | <u>Percent<br/>Increase</u> |
|---|-------------------------|--------------------------|-----------------------------|
| Between S.F. and Angel Island                                       |                         |                          |                             |
| Adult Fare (round trip)   | \$ 3.00                 | \$ 4.00                  | 33                          |
| Child Fare (round trip)   | 1.50                    | 2.00                     | 33                          |
| Between S.F. and Tiburon  |                         |                          |                             |
| Fare (round trip)   | \$ 3.00                 | \$ 4.00                  | 33                          |
| Fare (one way)  | 1.50 <sup>1/</sup>      | 2.00                     | 33                          |
| Commute Book - 10 round-trip<br>tickets between S.F. and<br>Tiburon | \$20.00                 | \$25.00                  | 25                          |
| Bicycles (accompanying<br>passenger) between S.F. and<br>Tiburon    |                         |                          |                             |
| Fare (round trip)   | \$ 1.00                 | \$ 1.00                  | -                           |
| Fare (one way)  | .50                     | .50                      | -                           |

There is no proposed fare increase for trips between San Francisco and Alcatraz.

In its application, it is alleged that since rates were last adjusted in 1976, applicant has experienced substantial increases in costs of operations. Exhibit C attached to the application indicated that increases that have been incurred or will be incurred in various expense items for the test year ending December 31, 1978 are:

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<sup>1/</sup> We take note that the Golden Gate Transit bus fare between Tiburon and San Francisco is \$1.25 single fare and the Golden Gate Transit ferry fare between Larkspur and San Francisco is \$1.50 single fare. ✓

| <u>Item</u>              | <u>Percent Increase</u> |
|--------------------------|-------------------------|
| Wages                    | 7.6                     |
| Employee Welfare         | 7.6                     |
| Union Pension Fund       | 7.6                     |
| Operating Supplies       | 8.8                     |
| Fuel                     | 11.3                    |
| Repairs                  | 8.1                     |
| Insurance                | -                       |
| Administrative           | 10.0                    |
| Other Operating Expenses | 8.8                     |
| Taxes and Licenses       | -                       |
| Social Security          | 7.6                     |
| Depreciation             | -                       |

Applicant's witnesses testified that applicant's exhibits were prepared from function statements kept by applicant in the regular course of business. Function statements were described as basically cost statements with revenue determined by location, operating costs, and various administrative costs assigned to that function through the accounting system. Stated differently, function statements are statements based on actual trips in the company's operation allocating expenses to those trips.

The basis for the function statement used to allocate the income and expense was introduced as Exhibit 3 entitled "Yearly Trips Between San Francisco and Tiburon". In preparing this exhibit, the witness stated he considered a trip to Angel Island equivalent to a trip to Tiburon. Taking the amount of trips from San Francisco to Tiburon and San Francisco to Angel Island, a percentage of the equipment operating time was calculated. It was determined that 74 percent of the time the equipment operates between San Francisco and Tiburon and 26 percent of the time between San Francisco and Angel Island.

Exhibit 2 shows applicant's results of operations for 12 months ending September 30, 1977 to be:

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|                            | <u>Revenue</u> | <u>Expenses</u> | <u>Operating Ratio</u> |
|----------------------------|----------------|-----------------|------------------------|
| San Francisco/Angel Island | \$173,554      | \$215,947       | 124.4%                 |
| San Francisco/Tiburon      | 350,901        | 614,614         | 175.2                  |
| San Francisco/Alcatraz     | 787,452        | 620,986         | 78.9                   |

With the proposed fares, the estimated results for the test year 1978 are:

|                            | <u>Revenue</u> | <u>Expenses</u> | <u>Operating Ratio</u> |
|----------------------------|----------------|-----------------|------------------------|
| San Francisco/Angel Island | \$231,406      | \$233,132       | 100.7%                 |
| San Francisco/Tiburon      | 449,450        | 663,526         | 147.6                  |
| San Francisco/Alcatraz     | 787,452        | 669,892         | 85.1                   |

Exhibit 2 also shows an overall operating ratio of 113.8 percent for the period ending September 30, 1977 and 108.7 percent for the test year ending December 31, 1978.

Applicant's operating witness also testified that he expected no attrition in the number of passengers carried if the increases proposed become effective and that the granting of this application would not have a significant effect on the environment.

Protestants presented Mr. Harold Edelstein, mayor of the city of Tiburon. In testifying Mr. Edelstein stated he wished to emphasize that the city was not opposed to an overall increase in revenues for the applicant, but rather to the inequitable manner in which it is proposed to be distributed among the routes, that applicant is a fine example of an enterprise which is run efficiently and economically and that the city supports applicant's efforts to earn a reasonable return.

Mr. Edelstein sponsored Exhibit 4 which states that the proposed fare increase will have negative impacts on public transportation, parking, traffic, and air pollution, that the revenues and costs should be allocated on a passenger/trip basis rather than a route basis, that an inequity exists between the fare charged commuters and the fare charged tourists to Alcatraz and Angel Island, and that "...we do not believe that the spirit or the letter of CEQA [California Environmental Quality Act] have been fulfilled by the brief Negative Declaration Statement filed by the applicant, particularly since he is not the lead agency."

The evidence and testimony does not support the conclusion that the increase proposed would have a negative impact on public transportation, parking, traffic, and air pollution. The proposed fifty-cents increase for a round-trip ticket (\$0.25 one way) would have little impact on the decision of a commuter who must elect whether or not to use applicant's service. We believe commuters using applicant's service are sufficiently sophisticated to compare any increase in cost with the overall cost of commuting to San Francisco by automobile.

With respect to the allocation of revenue and costs on a passenger/trip basis rather than a route basis as suggested by protestants, such an allocation may be desirable, but we would point out that applicant is obligated to operate certain trips with varying numbers of passengers and must receive revenues to cover expenses reasonably incurred. The expenses incurred in reasonable, efficient operations govern applicant's revenue needs.

With respect to inequity, we note that applicant's present operations to Alcatraz are profitable and no increase in those fares is requested. Further, as shown in Exhibits 1 and 2, applicant's overall operations involved will result in continuing losses even if the application is granted. We conclude there is no inequity in the fares charged the commuters and those charged visitors and tourists to Angel Island and Alcatraz.

Finally, with regard to the protestants' statement that applicant's brief Negative Declaration does not fill the spirit or the letter of CEQA, we believe the imposition of a 33 percent increase in applicant's San Francisco/Tiburon passenger fares would generate only a minor, if any, diversion of traffic and, therefore, the environmental effect with respect to changes in traffic, air and water pollutants, and noise and fuel consumption is expected to be insignificant. Further, as enunciated in Decision No. 81237, 75 PUC 134, although the policy provisions of CEQA apply to rate proceedings, the Environmental Impact Report (EIR) provisions do not.

Findings

1. Applicant's present rates and fares between San Francisco and Angel Island and between San Francisco and Tiburon were last increased effective May 22, 1976 pursuant to Decision No. 85723.

2. Applicant's balance sheet and income statement for the year ending December 31, 1976 show a retained earnings deficit of \$1,462,474 and a net operating loss of \$323,751.

3. For an adjusted rate year ending September 30, 1977, applicant experienced a \$93,364 net operating loss from all ferry operations on the San Francisco, San Pablo, and Suisun Bays resulting in a before income tax operating ratio of 113.8 percent.

4. Since applicant's rates and fares were last adjusted, applicant has experienced increases in various operating expenses, especially for labor, fuel, and repairs. For test year ending December 31, 1978, applicant shows operating expenses increasing by \$122,055 over the expenses for the 12 months ending September 30, 1977.

5. Applicant seeks authority to increase passenger fares for its ferry commute service between San Francisco and Angel Island and between San Francisco and Tiburon by 33 percent. No fare increase is proposed for ferry service between San Francisco and Alcatraz.

6. For the adjusted year ending December 31, 1978, the proposed fares will generate \$156,401 in additional revenue resulting in an overall operating ratio of 108.7 percent.

7. The increase in fares authorized by this decision is justified and reasonable.

8. The granting of this application will not have a significant impact on the environment.

Conclusions

1. Application No. 57767 should be granted.

2. Application No. 57768 should be dismissed without prejudice.

3. This is an application for a rate increase; the EIR provisions of CEQA do not apply to rate proceedings.

4. In view of the extreme operating losses, even with the increased fares, this order should be made effective on the date it is signed.

O R D E R

IT IS ORDERED that:

1. Harbor Carriers, Inc., is authorized to establish the increased fares proposed in Application No. 57767. Tariff publications authorized to be made as a result of this order shall be filed not earlier than the effective date of this order and may be made effective not earlier than five days after the effective date of this order on not less than five 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.

3. Application No. 57768 is dismissed without prejudice.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 22nd day of AUGUST, 1978.

Robert Bateman  
President  
William Symons, Jr.  
Thomas L. Sturgeon

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Commissioners

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

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.