Decision No. 92809 MAR 17 1981 ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of HARBOR CARRIERS, INC., a corporation, for interim and permanent authorization to increase rates between San Francisco, Angel Island, Tiburon and Sausalito.	Application No. 59773 (Filed June 26, 1980)

Edward J. Hegarty, Attorney at Law, for Harbor Carriers, Inc., applicant.
Gary T. Ragghiant, Attorney at Law, and Dennis Rockey, Councilman, for the Town of Tiburon; Henry Hill, Attorney at Law, for CLOUT (Consumers Lobby Opposing Unwarranted Tariffs); and Hugh Dougherty, Attorney at Law, for Marin-Sonoma Commuters Committee; protestants.
Richard Brozosky, for the Commission staff.

OPINION

Harbor Carriers, Inc. (Harbor) applies for a fare increase for its passenger ferry service between San Francisco, Angel Island, Tiburon, and Sausalito. The proposed rate increases range from approximately 10 percent to 39 percent and are estimated by Harbor to generate approximately $343,000 in additional revenue, based on an assumed 5 percent to 10 percent increase in passenger traffic. This decision, with certain conditions, awards the relief requested.

Harbor is a California corporation and a wholly owned subsidiary of Harbor Tug and Barge Company, which is, in turn, a wholly owned subsidiary of Crowley Maritime Corporation. Its principal office is in San Francisco.

A prehearing conference was held before Administrative Law Judge (ALJ) Meaney in San Francisco on October 28, 1980. The Town of Tiburon (Tiburon), Consumers Lobby Opposing Unwarranted Tariffs (CLOUT), and Marin-Sonoma Commuters Committee (MSCC) appeared as protestants. At that time, the protestants indicated that there was considerable controversy over the rate increase proposal and that in order to accommodate members of the public, as well as expert witnesses, one of the hearing dates should be scheduled for Tiburon. The ALJ scheduled a total of three hearing dates in January 1981 and three in February 1981 with one of the February dates an evening hearing in Tiburon.

Between the prehearing conference and the opening date of hearings, January 26, 1981, the protestants and the Commission staff inspected the books and records of Harbor. This resulted in the protestants' and the staff's determining that the rate relief requested was justified (with certain conditions discussed hereafter).

At the opening of hearings on January 26, the protestants which had requested the evening hearing in Tiburon stated that other hearing dates, including the evening Tiburon hearing, could be canceled. The protestants reported that no service complaints needed the Commission's attention at this time. Accordingly, the ALJ canceled the remaining hearing dates. The prepared testimony and accompanying exhibits of the staff and Harbor's witnesses were received by stipulation.

Harbor is a common carrier of passengers and property by vessel between points on San Francisco, San Pablo, and Suisun Bays under prescriptive operative rights and also under certificates issued by this Commission or transferred to it by Commission decision. Passenger ferry service is currently operative between Tiburon and San Francisco, and between Tiburon and Angel Island. While Harbor is authorized to operate service between San Francisco and Sausalito, it has been frustrated in its attempts to secure passenger landing facilities at Sausalito. Harbor requests that its Sausalito fare also be increased in case such facilities become available. Harbor also offers service to Alcatraz under contract with the federal government. Harbor operated emergency service between San Francisco and Berkeley when the Bay Area Rapid Transit tubes were closed because of a fire.

Revenue Requirement

The staff, after investigation, stated that it does not oppose the fare increase. The staff made a detailed investigation of cost allocations, which are more complex than usual because Harbor is a sub-subsidiary of Crowley Maritime Corporation. The staff determined that the separations and allocations procedures were reasonable (see Exhibits 13 and 14). In order to expedite future similar proceedings, these procedures will be followed; and any party advocating a change in the methodology bears the burden of showing why changes are necessary.

Both direct and allocated costs are developed in detail in attachments to the application. The staff (Exhibit 14, pp. 12-16) tested Harbor's calculations under a number of assumptions and determined that in all conditions conceived, Harbor will continue to suffer losses on its ferry service. This is illustrated in the following table from Exhibit 14:

HARBOR CARRIERS, INC.'S RATE OF RETURN AND OPERATING RATIO

Conditions	Revenue 1000s	Expenses 1000s	Net Income 1000s	Rate Base 1000s	Rate of Return	Operating Ratio
1979 actual	$1,079	$1,235	$-156	$700	-22.3%	1.14
1979 excluding Berkeley and Sausalito	695	1,056	-361	(b)	unk.	1.52
October 1980 - September 1981 Harbor Carriers' forecast, with fare increase	1,038	1,284	-246	714	-34%	1.24
October 1980 - September 1981 Same patronage as in 1979, same expenses, with fare increase	951	1,284	-333	714	-47%	1.35
October 1980 - September 1981 Patronage and expenses forecast by Harbor Carriers, no fare increase	803	1,284	-481	714	-67%	1.60

b. Not provided in A. 59773.

The most serious cost increases have occurred in crew wages, fuel, and certain maintenance categories. Crew wages alone are 60 percent to 65 percent of total vessel operating expense. In three years since 1977, these have increased (depending on employee category) from 27 percent to 32 percent. Paint is a major expense item for this operation. Since 1977 its cost has risen from $24 gallon to $35. Fuel for the ferries cost 38.7¢ per gallon in September 1977 and 90.5¢ per gallon in March 1980. Harbor points out that while it was granted a fuel cost offset in Decision No. 90731, this decision was based on projected fuel costs of 62.3¢ per gallon.

Harbor is attempting to recoup some of its losses by sharply increasing its unregulated fares and charges for vessel charters and for its Bay Cruise (see Exhibit 11). For its regulated service it requests the following:

HARBOR CARRIERS, INC.

STATEMENT OF PRESENT AND PROPOSED FARES

	PRESENT FARE		PROPOSED FARE (See Note 1)	
	OW	RT	OW	RT
Between San Francisco and Angel Island:				
Adult	$ -	$4.25	$ -	$5.00
Child (ages 5-11)	-	2.25	-	2.50
Child (under age 5)	No Charge		No Charge	
Between San Francisco and Tiburon:				
Fare	2.15	4.25	2.50	5.00
Commute books containing 20 one-way tickets between San Francisco and Tiburon	27.50		39.00	
Between San Francisco and Sausalito:				
Adult	2.00	4.00	2.50	5.00
Child (ages 5-11)	1.00	2.00	1.25	2.50
Child (under age 5)	No Charge		No Charge	
Between Angel Island and Berkeley				
Adult	1.75	3.50	-	5.00
Child (ages 5-11)	.90	1.75	-	2.50
Child (under age 5)	No Charge		No Charge	

Note 1 - Rates published herein do not include any charge, fee or cost of landing permit imposed by State or Municipal governmental bodies.

Although Harbor filed its application estimating a 10 percent passenger increase over the coming year, the Tiburon counts have actually declined for the last year. Totals for 1978, 1979, and 1980 were 308,450, 318,114, and 291,563, respectively.

Conditions Requested by
Certain Protestants

Between the prehearing conference and the hearing, Tiburon, CLOUT, and MSCC worked out a memorandum summarizing certain understandings regarding future operation of the Tiburon-San Francisco service (Exhibit 7). It is self-explanatory and a copy of it is attached to this decision as Appendix A. The handwritten entries represent late changes acceptable to the parties. There is nothing objectionable in it from our standpoint and we will order the parties to abide by it.

Tiburon put forward additional recommendations which were, and are, not part of the memorandum of understanding. Harbor opposes all of them. These are:

1. That we should order Harbor to conduct a study comparing present cost allocations with one based on a "single pool" with revenues and costs apportioned on a passenger-mile basis. We disapprove this recommendation. The record in this proceeding demonstrates that separations and allocations based on Exhibits 13 and 14 are reasonable.

2. That we include the Alcatraz service as part of the regulated (PUC-jurisdiction) service for revenue purposes. This issue was not properly developed on the record in this proceeding. We have no jurisdiction over fares, schedules, etc. for Alcatraz; they are regulated under contract with the federal government. Whether we may include costs and revenues of nonregulated service when setting rates (so long as we do not unreasonably burden interstate commerce) should be an issue reserved for a future proceeding, and any party advocating that this be done bears the burden of proof that it is lawful.

3. That we phase in the increased rates in two steps. This is unreasonable when Harbor is losing money on the service and the sole

purpose of the proposed increase is to reduce the losses, not to make a profit.

4. That we consider invoking a surcharge on tourist-oriented services to offset losses on commuter operations. To do so for the Alcatraz service is beyond our jurisdiction. Regarding the other services, we agree with Harbor that the recommendation presents serious questions of fairness. As mentioned previously, Harbor has recently raised its nonregulated sightseeing and charter rates substantially.

Tiburon also submitted a one-page document entitled "Further Action by Town of Tiburon" stating it would (1) appoint a citizens committee concerning ferry service; (2) pursue possible federal subsidy applications; and (3) investigate a possible San Francisco Muni connection. We have no objection to any of these proposals but they are not within our jurisdiction and therefore we will make no order upon them.

Findings of Fact

1. The methods for separations and allocations and expense allocations as set forth in Exhibits 13 and 14 are reasonable.

2. Assuming present fares remain in force, Harbor will experience, for the period beginning October 1980 and ending September 1981, a rate of return of minus 67 percent and an operating ratio of 1.60. Assuming proposed fares are placed into effect, it is reasonable to estimate an operating ratio of minus 47 percent and an operating ratio of 1.35 for the remainder of this period.

3. The understandings reached and summarized in the memorandum attached hereto as Appendix A are reasonable.

4. The "Additional Town [of Tiburon] Recommendations For PUC Consideration" (part of Exhibit 7) are unreasonable for the reasons set forth in the opinion section of this decision.

5. Harbor's proposed fares are reasonable.

Conclusions of Law

1. Harbor is in need of rate relief in order to reduce operating losses on its regulated ferry operations.

2. We should make this decision effective the date it is signed and allow Harbor to institute its proposed fares on five days' notice to the public, in order to reduce Harbor's operating losses.

3. We should order Harbor and the protestants to abide by the understandings contained in Appendix A to this decision.

4. The methods for separations and allocations and expense allocations in Exhibits 13 and 14 should be used in future similar proceedings, and any party wishing to change such methodology should bear the burden of proof of the reasonableness of such changes.

O R D E R

IT IS ORDERED that:

1. Harbor Carriers, Inc. (Harbor) is authorized to increase its fares for its San Francisco Bay ferry routes to those set forth as proposed fares in the discussion section of this decision.

2. Tariff publications authorized to be made as a result of this order may take effect on not less than five days' notice to the Commission and to the public. Such notice to the public shall be given by posting the new fare schedules conspicuously on vessels used in the service and at the terminals not less than five days before the effective date of the fare changes and shall remain posted for a period of not less than thirty days.

3. Harbor and the protestants shall abide by the understandings contained in Appendix A to this decision.

4. For ratemaking purposes, the separations and allocations procedures and the expense allocation methods set forth in Exhibits 13

and 14 shall be used in future similar proceedings, and any party advocating changing such methods shall bear the burden of proving why the changes should be adopted.

The effective date of this order is the date hereof.

Dated MAR 17 1981, at San Francisco, California.

President

Commissioners

January 21, 1981

MEMORANDUM SUMMARIZING THE
CONCLUSIONS AND UNDERSTANDINGS OF
HARBOR CARRIERS, INC., TOWN OF TIBURON
CLOUT AND THE
MARIN-SONOMA COMMUTERS COMMITTEE

1) Subject to the terms and conditions of this Memorandum of Understanding, the Town of Tiburon does hereby withdraw, effective January 26, 1981, its protest previously filed and supports Harbor Carriers, Inc. application for a rate increase.

2) In order to provide a better public service and to enable more efficient analysis of future rate increase applications, Harbor Carriers has agreed:

   (a) That if the rates for service between San Francisco and Tiburon are increased in the near future as proposed by the Applicant, Harbor Carriers, Inc. will continue to maintain the current level of scheduled service for the Tiburon ferry, at least through 1981.

   (b) That in connection with future rate increase applications involving the Tiburon ferry:

      (1) Proposed increases shall be posted on the ferry vessels and published in the ARK so that passengers may be informed of the proposed increase in sufficient time to oppose or otherwise comment prior to the time any increase may be granted,

      (2) Costs of providing the Tiburon service should be segregated from Angel Island costs or other passenger vessel service costs so that an independent analysis may be made,

      (3) The application should contain a Statement of Income and Expense for the two calendar years prior to filing along with an interim period statement of Income and Expense to the latest available date. In addition, a one year, ~~calendar year end~~ proforma Statement of Income and Expense should accompany the application. If appropriate, this shall be a calendar year-end proforma.

      (4) Certain non-financial operating data should be included for the same periods covered by the financial data, such as:

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(a) Passenger count monthly and annually,

(b) Current fare structure plus dates of last change,

(5) The application should adequately explain any income or expense category that materially changes (10% or greater) during the periods covered by the Statements of Income and Expense filed with the application, and

(6) Any material change in the cost allocation system or in the accounting practices of Crowley Maritime Corporation should be clearly explained in the application. ~~Such change, where appropriate, should be reflected as a restatement of historical financial data previously submitted~~. A management analysis, as described above in item 2) (b) (5), should accompany any future change in accounting practices.

3) Harbor Carriers will establish an improved means of communciation with present ferryboat patrons and will establish programs and publicity in an effort to attract increased ferry passenger patronage. Harbor Carriers will ~~publish~~ make available ridership figures for every month (including a comparison of the monthly volumes for the prior two years) at least quarterly.

4) Should a Citizens Committee be established relative to matters of interest to the Tiburon passengers, Harbor Carriers will cooperate with such Committee in connection with future rate applications or other ferry service matters.

5) By appropriate surveys or questionnaires, Harbor Carriers will periodically solicit comments from ferry passengers regarding service, scheduling and other matters of mutual interest.

6) Harbor Carriers supports the Town of Tiburon's desire to secure Federal and State grants to help support operating costs of the Tiburon ferry and will assist Tiburon in its attempt to obtain such grants.