

ALJ/JCM/mrj

Mailed 7/23/98

Decision 98-07-083 July 23, 1998

ORIGINAL

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of Blue & Gold Fleet, L.P., a Limited Partnership, to Increase Fare Levels for the Transportation of Passengers in Vessel Common Carrier Service between the Alameda Gateway Area and the Port of Oakland, on the One Hand, and Authorized Points in San Francisco, on the Other Hand.

Application 98-03-043  
(Filed March 27, 1998)

**O P I N I O N**

**Summary**

This decision grants authority for Blue & Gold Fleet, L.P., (Blue & Gold, or Applicant) to increase its fares for transporting passengers in vessel common carrier service between the Alameda Gateway area in Alameda and the Port of Oakland, on the one hand, and authorized points in San Francisco, on the other (Alameda/Oakland ferry service). The new rates may be made effective on less than 30 days' notice.

**Background**

Blue & Gold (VCC-77) is a Delaware limited partnership which in 1997 took over the assets and services of affiliate Blue & Gold Fleet, Inc., and certain assets of Red and White Fleet, Inc., pursuant to Decision (D.) 97-06-066. Part of that transfer was Blue & Gold's assumption of Alameda/Oakland ferry service for which the Commission in 1991 issued Blue & Gold's predecessor a certificate of public convenience and necessity and authorized its rates (D.91-07-049). As an inducement to provide the service, the City of Alameda (City) contracts with the carrier to pay an operating subsidy. The contract notwithstanding, authority for

certification and approval of rates on the route remains with this Commission. No other carrier currently has scheduled passenger vessel operating authority between the specific points constituting the Alameda/Oakland ferry service that is the subject of this Application.

Blue & Gold's present contract with the City was executed on March 28, 1995, for an initial term of one year with automatic renewals for up to three additional one-year terms, subject to, among other considerations, negotiations on fare levels, schedules, and the amount of operating subsidy the City would provide to supplement fare box revenues. The 1995 agreement was renewed in 1996 and 1997, and the third and final renewal of the original agreement was approved by the Alameda City Council on March 3, 1998. By this Application, Blue & Gold requests Commission authorization under Public Utilities (PU) Code § 454 to increase fares to the levels it has negotiated with the City as set forth in Appendix A to this decision. Further, Blue & Gold asks that the Commission grant these fare revisions on less than 30 days' notice as permitted in PU Code § 491.

Notice of the Application appeared in the Commission's Daily Calendar on April 1, 1998, and Blue & Gold within 10 days after filing mailed notice to those required to be informed under the Commission's Rules of Practice and Procedure, Rule 24. By Resolution ALJ-176-2990, the Commission pursuant to Rule 6.1 preliminarily determined this to be a ratesetting application expected to go to hearing. The assigned Administrative Law Judge (ALJ) conducted a prehearing conference on May 4, 1998, at which Applicant's representative appeared. There were no other appearances, and no protests to the Application have been received. After due consideration, the assigned Commissioner on May 13, 1998, determined in his scoping memo ruling that a hearing was not necessary. On June 18, 1998, the Commission confirmed that determination in its

Interim Opinion, D. 98-06-066, ordering that this proceeding did not require hearings be held.

### Discussion

Blue & Gold represents that it operates the Alameda/Oakland ferry service at a significant loss despite the subsidy it receives from the City, and it has provided with the Application a series of financial statements to support that position. In Application Appendix 3, it shows a before-tax net loss of \$221,017 on its unaudited income statement for the service during calendar year 1996, widening in Appendix 4 to \$488,350 for 1997. Without rate relief, Applicant projects in Appendix 5 that its loss will reach \$599,935 for calendar year 1998.

Appendix 7 presents Alameda/Oakland ferry service's historical monthly passenger volumes from March, 1990, through December, 1997. In Appendix 6, Applicant has used projected 1998 passenger volumes to estimate that it would realize \$147,574 in additional revenue for 1998 at its requested rates, still leaving it in a pre-tax net loss position for the service.

In response to the assigned ALJ's prehearing conference request, Blue & Gold has filed and served supplementary information including a declaration by Alameda City Manager James M. Flint confirming that the 1998/1999 subsidy will continue at the same \$486,528 annual level reflected in Appendices 3, 4, and 5, and will not vary depending on the number of passengers or other variables. Thus Applicant cannot look to increases in the subsidy to further offset its projected operating loss for the service during the coming year.

All of Applicant's financial statements properly exclude recovery of interest and depreciation costs associated with the excess over book value paid for Red and White Fleet, Inc.'s assets last year, as the Commission required in D.97-06-066.

In further support of its request, Blue & Gold points out that the fares it is proposing have been the subject of extensive negotiations with the City, with the result that they have been endorsed by the Alameda City Council at its public meeting of March 3, 1998.

Considering the City's endorsement, the lack of any protests or opposition after notice and a prehearing conference, and Applicant's uncontested showing of financial shortfalls in providing the service, we will grant the request.

### **Findings of Fact**

1. Blue & Gold is authorized to provide Alameda/Oakland ferry service pursuant to a certificate of public convenience and necessity issued by, and at rates established by, the Commission.
2. The City, by contract with Blue & Gold, provides \$486,528 annually in operating subsidy payments as an inducement for Blue & Gold to provide Alameda/Oakland ferry service.
3. After negotiations, the City has renewed its subsidy contract with Blue & Gold for the 1998/1999 year and endorses the rates Blue & Gold requests in this Application.
4. Blue & Gold's unaudited financial statements show a pre-tax net loss for its Alameda/Oakland ferry service in each of the 1996 and 1997 calendar years, and that its loss would continue in calendar year 1998 even at the rates requested in this Application.
5. There is no known opposition to authorizing the increased rates Blue & Gold requests.
6. The Commission has determined that no hearing is necessary.

### **Conclusions of Law**

1. Blue & Gold has shown that the increased rates for which it requests approval in the Application are justified.

2. Blue & Gold should be authorized under PU Code § 491 to implement the changes approved in this decision on less than 30 days' notice.

3. The order that follows should be made effective immediately so as not to exacerbate the losses Blue & Gold is already experiencing.

## **O R D E R**

### **IT IS ORDERED that:**

1. Blue & Gold Fleet, L.P., (Blue & Gold) is authorized to increase its fares for the transportation of passengers in vessel common carrier service between the Alameda Gateway area in Alameda and the Port of Oakland, on the one hand, and authorized points in San Francisco, on the other hand, to the levels proposed in Application 98-03-043.

2. To implement the rates authorized in this order, Blue & Gold shall file in accordance with General Order 117 Series the revised tariff sheets included as Appendix A hereto on or after the effective date of this order. The effective date of the revised sheets and the rates listed in them shall be no earlier than 5 days after the date of filing.

A.98-03-043 ALJ/JCM/mj

3. This proceeding is closed.

This order is effective today.

Dated July 23, 1998, at San Francisco, California.

RICHARD A. BILAS

President

P. GREGORY CONLON

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

Commissioners

Appendix A

BLUE & GOLD FLEET, L.P.  
VCC-77

Cal. P.U.C. No. 1

Second Revised Page 6(a)  
Cancels Replacement  
Page 6(a) of Blue &  
Gold Fleet (VCC-51)

Service between the San Francisco Ferry Building and Pier 39 in San Francisco, on the one hand, and Port of Oakland and Alameda Gateway area, on the other hand.

	One Way	Round Trip	10 Ticket Book	20 Ticket Book	Monthly Pass
FARES (in dollars)					
Adult .....	4.50	9.00	35.00	60.00	115.00
Child (under 5)....	Free				
Child (5-12).....	1.75	3.50	.....	.....	.....
Senior (65+).....	2.75	5.50	.....	.....	.....
Disabled.....	2.75	5.50	.....	.....	.....
Active Military....	3.25	6.50	.....	.....	.....

Fares are subject to the following terms or conditions:

1. Seniors must show valid I.D., Regional Transit Connection or Medicare Card.
2. Military personnel must show military I.D.
3. Disabled persons must show a Regional Transit Connection Card.
4. The ten ticket book yields 5 round-trip rides. The 20 ticket book yields 10 round-trip rides.
5. Children under 5 years of age ride free when accompanied by an adult.
6. A condition of sale of the monthly pass is that the pass must be used only during the one-month period for which it is stated to be valid.

Issued under the authority of Decision No. 98-\_\_\_\_\_ in  
Application No. 98-03-043

Issue Date: \_\_\_\_\_ Effective Date: \_\_\_\_\_

Issued By:  
Ron Duckhorn, President  
Pier 41, Fisherman's Wharf  
San Francisco, CA 94133

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**BLUE & GOLD FLEET, L.P.**  
**VCC-77**

Cal. P.U.C. No. 1

Second Revised Page 6(b)  
Cancels Replacement  
Page 6(b) of Blue &  
Gold Fleet (VCC-51)

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Service between the San Francisco Ferry Building and Pier 39 in San Francisco, on the one hand, and Port of Oakland and Alameda Gateway area, on the other hand. (continued)

7. In additional to the above-stated fares, on midday, weekday schedules, special school group fares are \$1.50 on a one-way basis for each student and each accompanying teacher or chaperon.

8. For the convenience of the public, passengers may purchase a separate ticket for "short hop" passage between the Port of Oakland and the Alameda Gateway or between the San Francisco Ferry Building and Pier 39 in San Francisco upon the payment of a fare of \$1.00. This fare is not applicable to passengers paying the regular fare and traveling between any point in Alameda/Oakland and any point in San Francisco.

Note: The Alameda/Oakland Ferry Service is provided under the terms and conditions of a written agreement with the City of Alameda, which agreement provides for operating subsidy payments to carrier. The agreement provides that service is subject to cancellation by carrier upon failure of the City of Alameda to pay the agreed upon subsidy.

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(End of Appendix A)