

Decision 00-01-049 January 20, 2000

**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 and Angel Island State Park, on the Other Hand.

Application 99-07-048  
(Filed July 29, 1999)

**O P I N I O N**

**Summary**

This decision grants authority for Blue & Gold Fleet, L.P., (Blue & Gold) 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 fares 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 fares (D.91-07-049).

The City of Alameda (Alameda) and the Port of Oakland have entered into a Joint Powers Agreement to provide Alameda/Oakland ferry service, designating Alameda the lead agency for procuring a carrier. As an inducement to provide the service, Alameda contracts with the carrier to pay an operating subsidy. The contract notwithstanding, authority for certification and approval of fares on the route remains with this Commission. The Commission authorized Blue & Gold's current Alameda/Oakland ferry service fares by D.98-07-083. 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 Alameda was executed on June 30, 1999 for an initial term running from September 27, 1999 through June 30, 2001, with automatic renewals for up to four additional one-year terms, subject to, among other considerations, negotiations on fare levels, schedules, and the amount of operating subsidy Alameda would provide to supplement fare box revenues. By this Application, Blue & Gold requests Commission authorization under Pub. Util. Code § 454 to increase fares to the contracted levels it has negotiated with Alameda 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 Pub. Util. Code § 491.

Notice of the Application appeared in the Commission's Daily Calendar on August 3, 1999, 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. At the direction of the assigned Administrative Law Judge (ALJ), Blue & Gold posted a notice of the Application with the present and proposed fares on all vessels providing the service, inviting the public to express its views in writing. There were no responses. The ALJ conducted a prehearing

conference on September 13, 1999 at which Blue & Gold's representative appeared. There were no other appearances, and no protests to the Application have been received.

At the prehearing conference, the ALJ pointed out that with respect to ferry service to Angel Island State Park, the Application did not comply with Rule 23(b) which requires a statement of the presently effective fares which are proposed to be increased. On September 16, 1999, Blue & Gold filed an amendment withdrawing its request to increase fares between the Alameda Gateway area in Alameda and the Port of Oakland, on the one hand, and Angel Island State Park on the other.

### **Discussion**

Blue & Gold's proposed fares are uniformly \$0.25 per trip (\$0.50 per round-trip) higher than currently authorized, except for student group fares and short-hop fares (San Francisco Ferry Building to Pier 39, and Alameda to Oakland) which would remain unchanged. The revised tariff Blue & Gold would have the Commission authorize is included as Appendix A to this decision.

Under its contract with Alameda, Blue & Gold receives a \$521,000 annual operating subsidy for providing Alameda/Oakland ferry service. Blue & Gold represents that it operates the service at a significant loss despite that subsidy, and it has provided with the Application a series of financial statements to support its position. In Application Appendix 3, it shows a before-tax net loss of \$557,618 on its unaudited income statement for the service during calendar year 1998. Without fare relief, it projects in Appendix 5 that its loss will be \$487,489 for the 12 months ending August 31, 2000, even with Alameda's subsidy.

Application Appendix 7 presents Alameda/Oakland ferry service's monthly passenger volumes, actual and estimated, for 1997, 1998 and 1999. In

Appendix 6, Blue & Gold has projected those figures ahead using an anticipated 5.4% ridership growth to estimate that it would realize \$118,281 in additional revenue for the 12 months ending August 31, 2000 at its requested fares, still leaving it in a pre-tax net loss position for the service. For 1999/2000, its pro forma financial results project an operating ratio of 122% before the increase, dropping to 116% after.

In response to the ALJ's request, Blue & Gold filed a copy of its new Alameda contract. The contract confirms that the 1999/2000 subsidy will continue at the same \$521,000 annual level reflected in the Application for the entire initial contract period, and will not vary depending on passenger volumes or other variables. Thus Blue & Gold cannot look to increases in the subsidy to further offset its projected operating loss for the service through June 30, 2001.

All of Blue & Gold'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 as the Commission required in D.97-06-066.

Blue & Gold points out that the fares it is proposing have been the subject of extensive negotiations with Alameda. It also provided the results of a survey showing passengers rate maintaining the current schedule and on-time performance as more important than holding the line on fares. Seventy-five percent responded they were willing to pay at least \$0.25 per trip additional rather than see fewer departures.

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

### **Procedural Considerations**

By Resolution ALJ 176-3021, the Commission pursuant to Rule 6.1 preliminarily determined this to be a ratesetting application expected to go to hearing. The public has been notified and there have been no protests and no response of any kind in opposition to the Application. There are no material facts in dispute and thus no need to hold an evidentiary hearing. After due consideration, the assigned Commissioner on October 1, 1999 determined in his scoping ruling that a hearing was not necessary. We confirm the assigned Commissioner's ruling.

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

### **Findings of Fact**

1. Blue & Gold has entered into a new contract with Alameda to provide Alameda/Oakland ferry service for an initial term running from September 27, 1999 through June 30, 2001, at a subsidy of \$521,000 annually to Blue & Gold.
2. Blue & Gold's contract with Alameda calls for Blue & Gold to charge the fares proposed in this Application.
3. Blue & Gold's unaudited financial statements show a pre-tax net loss for its Alameda/Oakland ferry service in 1998 calendar year at current fares, and that its loss would continue into 2000 even with Alameda's subsidies and the fares requested in this Application.
4. There is no known opposition to authorizing the increased fares Blue & Gold requests, and no need to hold a hearing.

**Conclusions of Law**

1. Blue & Gold is authorized to provide Alameda/Oakland ferry service pursuant to a certificate of public convenience and necessity issued by, and at fares established by, the Commission.

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

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

4. 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 99-07-048.

2. To implement the fares 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 fares listed in them shall be no earlier than five days after the date of filing.

3. The assigned Commissioner's scoping ruling determination that no hearing is required is confirmed.

4. This proceeding is closed.

This order is effective today.

Dated January 20, 2000, at San Francisco, California.

RICHARD A. BILAS

President

HENRY M. DUQUE

JOSIAH L. NEEPER

CARL W. WOOD

LORETTA M. LYNCH

Commissioners

Appendix A

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

Cal. P.U.C. No. 1

Third Revised Page 6(a)  
 Cancels Second Revised  
 Page 6(a) 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.

	One Way	Round Trip	10 Ticket Book	20 Ticket Book	Monthly Pass
FARES (in dollars)					
Adult .....	4.75	9.50	37.50	65.00	125.00
Child (under 5)....	Free				
Child (5-12).....	2.00	4.00	.....	.....	.....
Senior (65+).....	3.00	6.00	.....	.....	.....
Disabled.....	3.00	6.00	.....	.....	.....
Active Military....	3.50	7.00	.....	.....	.....

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.

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 Issued under the authority of Decision No. 99- \_\_\_\_\_ in  
 Application No. 99-07-048

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 Issue Date: \_\_\_\_\_ Effective Date: \_\_\_\_\_  
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Issued By:  
 Ron Duckhorn, President  
 Pier 41 Marine Terminal  
 San Francisco, CA 94133



