

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

**In the Matter of the Application of
Blue & Gold Fleet, L.P., a Delaware Limited
Partnership (VCC-77), For Authorization for
Passenger Fare Increases on Its Vessel
Common Carrier Service on San Francisco
Bay Between Tiburon on the One Hand and
Authorized Points in San Francisco on the
Other Hand**

Application No. _____

07 01 006

FILED
PUBLIC UTILITIES COMMISSION
JAN -4 07
SAN FRANCISCO OFFICE

**APPLICATION OF BLUE & GOLD FLEET, L.P., A DELAWARE
LIMITED PARTNERSHIP (VCC-77), FOR AUTHORIZATION FOR
PASSENGER FARE INCREASES ON ITS VESSEL COMMON CARRIER
SERVICE ON SAN FRANCISCO BAY BETWEEN TIBURON ON THE
ONE HAND AND AUTHORIZED POINTS IN SAN FRANCISCO ON THE
OTHER HAND**

BLUE & GOLD FLEET, L.P., a Delaware Limited Partnership ("Applicant" herein), hereby respectfully applies to the Public Utilities Commission of the State of California ("Commission") for rate relief and authorization for passenger fare increases on its Vessel Common Carrier service between Tiburon on the one hand and authorized points in San Francisco on the other hand ("the Tiburon/SF Service"). In support of its application and pursuant to Section 454 of the Public Utilities Code, Applicant alleges as follows:

INTRODUCTION

1. Applicant is a Delaware Limited Partnership which has been duly organized and is authorized to do business in the State of California. Applicant's status was acknowledged by the

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

Surcharge Supplement No. 2
to 12th Revised Page 8

Cal P.U.C. No. 2
ITEM Number 100

SECTION 2

PASSENGER FARES (in dollars and cents per passenger)

(Fares published herein do not include any charge, fee or cost of landing permit imposed by State, municipal or other governmental bodies)

BETWEEN: San Francisco

	<u>One-Way</u>		<u>Round-Trip</u>		<u>Commute</u>	
	<u>Base Fare</u>	<u>With Surcharge</u>	<u>Base Fare</u>	<u>With Surcharge</u>	<u>Base Fare</u>	<u>With Surcharge</u>
<u>(A) And: Angel Island</u>						
Adult	4.60	5.10	9.20	10.20		
Child (See Item 50)	2.65	2.90	5.30	5.80		
*Group Adult	4.00	4.25	8.00	8.50		
*Group Child (See Item 50)	2.00	2.25	4.00	4.50		
<u>(A) And: Sausalito</u>						
Adult	7.50	8.50	15.00	17.00		
Child (See Item 50)	4.25	4.50	8.50	9.00		
*Group Adult	7.00	8.00	14.00	16.00		
*Group Child (See Item 50)	4.00	4.25	8.00	8.50		
*Group Wholesale	6.25	7.25	12.50	14.50		
<u>(A) And: Tiburon</u>						
Adult	7.50	8.50	15.00	17.00	85.00	100.00
Child (See Item 50)	4.25	4.50	8.50	9.00		
*Group Adult	7.00	8.00	14.00	16.00		
*Group Child (See Item 50)	4.00	4.25	8.00	8.50		
*Group Wholesale	6.25	7.25	12.50	14.50		

Note 1 – Angel Island fares do not reflect the current Angel Island entrance fees of \$1.50 per adult ticket and \$1.00 per child ticket nor the franchise fees of \$0.65 per adult and \$0.35 per child ticket.

* Group fares applicable only on 15 or more adult and child fares combined. Tickets must be purchased at least 48 hours prior to the scheduled sailing on which the group will travel. Group tickets must be ordered and paid for as a single purchase, and no refund will be made for any unused group ticket or portion thereof after the trip begins. The entire group purchase is refundable only if cancellation and refund are accomplished at least 24 hours prior to the scheduled departure.

Authority to adjust fares by adding a reasonable surcharge to recover increased fuel costs under temporary authority initially granted by P.U.C. Resolution TL-19042, extended by P.U.C. Resolution TL-19051, further extended and expanded by P.U.C. Resolution TL-19066 to up to a 20% surcharge and with a further allowance to round upward by five cents, and further extended for one additional year running to November 30, 2007 by P.U.C. Resolution TL-19080 adopted on November 30, 2006.

ISSUED: December 28, 2006

EFFECTIVE: December 29, 2006

Issued By:
Taylor Safford, President
Pier 41 Marine Terminal
San Francisco, CA 94133

APPENDIX 'A'

Tiburon Ferry Service
Income Statement

Schedule B1

For the 12 months ending

Projected
12/31/06

Actual
12/25/05

Operating revenue	1,411,754	1,349,397
Vessel operating expenses		
Crew labor	684,902	678,341
Fuel	352,312	312,700
Repairs	304,024	387,031
Insurance	35,125	29,443
Depreciation	92,209	89,688 (1)
Supplies	6,562	5,741
Total vessel expenses	<u>1,475,134</u>	<u>1,502,944</u>
Non-vessel operating expenses		
Contracted services	2,265	1,788
Professional services	535	587
Office services	26,416	30,249
Repairs and maintenance	2,620	3,607
Advertising	71	209
Taxes and licenses	7,954	7,625
Insurance	1,226	1,225
Depreciation	22,253	22,255 (1)
Rent & occupancy	37,087	37,222
Indirect expenses (facilities and marketing)	290,049	355,022
Total non-vessel expenses	<u>390,476</u>	<u>459,789</u>
General and administrative	181,596	200,835 (1)
Total expenses	<u>2,047,206</u>	<u>2,163,568</u>
Net income/(loss)	<u>(635,452)</u>	<u>(814,171)</u>

(1) Excludes "excess" depreciation and interest expense related to the Red & White asset purchase

APPENDIX 'B'
Schedule B1

12/29/2006

Tiburon Ferry Service

General and Administrative Expense Allocation

Schedule B1a

For the 12 months ending December 25, 2005

Payroll and related	1,478,533
Contracted services	0
Professional fees	1,351,238
Office and administration	100,092
Repairs and maintenance	81
Operations and advertising expenses	4,297
Utilities	0
Taxes, licenses and insurance	483,069
Occupancy	103,534
Depreciation and interest	0
Subtotal administrative costs	<u>3,520,844</u>
Tiburon Ferry Service operating cost ratio	5.7%
Allocated to Tiburon Ferry Service	<u><u>200,835</u></u>

Tiburon Ferry Service

Rate Base

Schedule B2

For the 12 months ending December 25, 2005

Investment in vessels (schedule B3)	1,225,904
Reserve for depreciation (schedule B4)	<u>89,688</u>
Vessels - net	1,136,217
Other property and equipment (schedule B5)	75,093
Working capital (schedule B6)	<u>180,297</u>
Total	<u><u>1,391,607</u></u>

Tiburon Ferry Service
Investment in Vessels

Schedule B3

Vessel	Cost as of 12/26/04	Additions & Deletions	Adjusted Cost at 12/25/05	% Allocated to Tiburon	Allocated to Tiburon
Zelinsky	1,584,209	10,912	1,595,121	0.559	892,322
Encinal	52,371	0	52,371	0.000	0
Ryl Knight	0	0	0	0.000	0
Monarch	1,158,654	43,655	1,202,309	0.179	215,202
Golden Bear	501,025	9,033	510,058	0.010	4,932
Oski	493,885	80,603	574,488	0.007	4,098
Old Blue	646,582	8,823	655,405	0.005	3,102
Emperor	79,317	9,001	88,318	0.025	2,221
Ryl Star	516,673	17,372	534,045	0.020	10,902
Bay Clipper	230,137	16,871	247,008	0.137	33,785
Bay Flyer	225,991	8,693	234,684	0.253	59,340
Total	5,488,844	204,963	5,693,807		1,225,904

Note: assets purchased from Red & White Fleet reflect net book values as of 6/24/97 plus additions made thereafter.

Tiburon Ferry Service
Reserve for Depreciation

Schedule B4

For the 12 months ending December 25, 2005

Vessel	Adjusted Cost at 12/25/05	Beginning Period Reserve	Ending Period Reserve	Difference	Percentage to Tiburon	Amount to Tiburon
Zelinsky	1,595,121	233,533	345,311	111,779	0.559	62,530
Encinal	52,371	34,092	36,789	2,697	0.000	0
Ryl Knight	0	0	0	0	0.000	0
Monarch	1,202,309	322,205	406,932	84,728	0.179	15,165
Golden Bear	510,058	321,270	351,655	30,385	0.010	294
Oski	574,488	315,420	351,677	36,257	0.007	259
Old Blue	655,405	402,916	443,001	40,085	0.005	190
Emperor	88,318	34,121	41,621	7,500	0.025	189
Ryl Star	534,045	246,065	284,784	38,719	0.020	790
Bay Clipper	247,008	47,815	75,141	27,326	0.137	3,738
Bay Flyer	234,684	42,972	68,812	25,840	0.253	6,534
Total	5,693,807	2,000,408	2,405,723	405,315		89,688

APPENDIX 'B'
Schedule B4

Tiburon Ferry Service
Other Property & Equipment

Schedule B5

For the 12 months ending December 25, 2005

<u>Description</u>	<u>Cost Basis</u>	<u>Additions & Deletions</u>	<u>Adjusted Cost at 12/25/05</u>	<u>Reserve at Mid Year</u>	<u>Net Investment</u>
Ramp	24,238	0	24,238	24,238	0
New float	134,476	0	134,476	60,514	73,962
Gangway	3,017	0	3,017	1,886	1,132
					<u>75,093</u>

Tiburon Ferry Service

Working Capital

Schedule B6

For the 12 months ending December 25, 2005

Vessel and non-vessel operating expenses (schedule B1)	1,962,733
Administrative and general expenses (schedule B1)	<u>200,835</u>
Total	<u><u>2,163,568</u></u>
Allocated to Tiburon Ferry Service @ 1/12 of total	<u><u>180,297</u></u>

Tiburon Ferry Service
Pro Forma Income Statement

Schedule C1

For the year ended December 30, 2007

	with fare increase	without fare increase
Operating revenue	1,705,760	1,443,697
Vessel operating expenses		
Crew labor	644,242	644,242
Fuel	395,651	395,651
Repairs	354,202	354,202
Insurance	34,147	34,147
Depreciation	128,739 (1)	128,739 (1)
Supplies	4,053	4,053
Total vessel expenses	<u>1,561,035</u>	<u>1,561,035</u>
Non-vessel operating expenses		
Contracted services	0	0
Professional services	0	0
Office services	3,000	3,000
Repairs and maintenance	1,680	1,680
Advertising	4,050	4,050
Taxes and licenses	9,373	9,373
Insurance	926	926
Depreciation	22,260 (1)	22,260 (1)
Rent & occupancy	36,852	36,852
Indirect expenses (facilities and marketing)	387,512	377,681
Total non-vessel expenses	<u>465,652</u>	<u>455,822</u>
General and administrative	118,607 (1)	118,607 (1)
Total expenses	<u>2,145,294</u>	<u>2,135,463</u>
Net income/(loss)	<u>(439,534)</u>	<u>(691,767)</u>

(1) Excludes "excess" depreciation and interest expense related to the Red & White asset purchase

(2) Assumes rate increase implementation as of 4/1/07

APPENDIX 'C'
Schedule C1

Tiburon Ferry Service

General and Administrative Expense Allocation

Schedule C1a

For the year ended December 30, 2007

Payroll and related	672,358
Contracted services	3,300
Professional fees	116,447
Office and administration	46,640
Repairs and maintenance	0
Operations and advertising expenses	1,200
Taxes, licenses and insurance	589,787
Occupancy	71,637
Depreciation and interest	0
Subtotal administrative costs	<u>1,501,369</u>
Tiburon Ferry Service operating cost ratio	7.9%
Allocated to Tiburon Ferry Service	<u><u>118,607</u></u>

Tiburon Ferry Service

Rate Base

Schedule C2

For the year ended December 30, 2007

Investment in vessels (schedule C3)	1,878,040
Reserve for depreciation (schedule C4)	<u>128,739</u>
Vessels - net	1,749,301
Other property and equipment (schedule C5)	74,322
Working capital (schedule C6)	<u>178,774</u>
Total	<u><u>2,002,397</u></u>

Tiburon Ferry Service
Investment in Vessels

Schedule C3

Vessel	Cost as of 12/31/06	Additions & Deletions	Projected Cost at 12/30/07	% Allocated to Tiburon	Allocated to Tiburon
Zelinsky	1,595,121	750,000	2,345,121	0.568	1,331,129
Encinal	52,371	0	52,371	0.000	0
Ryl Knight	0	0	0	0.000	0
Monarch	1,202,309	0	1,202,309	0.415	499,194
Golden Bear	510,058	0	510,058	0.000	0
Oski	574,488	0	574,488	0.000	0
Old Blue	655,405	0	655,405	0.000	0
Emperor	88,318	0	88,318	0.000	0
Ryl Star	534,045	0	534,045	0.000	0
Bay Clipper	247,008	0	247,008	0.000	0
Bay Flyer	234,684	0	234,684	0.203	47,717
Total	<u>5,693,807</u>	<u>750,000</u>	<u>6,443,807</u>		<u>1,878,040</u>

APPENDIX 'C'
Schedule C3

Tiburon Ferry Service
Reserve for Depreciation

Schedule C4

For the year ended December 30, 2007

Vessel	Adjusted Cost at 12/30/07	Beginning Period Reserve	Ending Period Reserve	Difference	Percentage to Tiburon	Amount to Tiburon
Zelinsky	2,345,121	459,570	613,316	153,746	0.568	87,269
Encinal	52,371	39,538	42,235	2,697	0.000	0
Ryl Knight	0	0	0	0	0.000	0
Monarch	1,202,309	495,727	582,846	87,119	0.415	36,172
Golden Bear	510,058	382,898	413,551	30,653	0.000	0
Oski	574,488	394,557	436,628	42,071	0.000	0
Old Blue	655,405	484,033	524,291	40,258	0.000	0
Emperor	88,318	49,498	57,226	7,728	0.000	0
Ryl Star	534,045	324,604	363,673	39,069	0.000	0
Bay Clipper	247,008	103,429	131,184	27,755	0.000	0
Bay Flyer	234,684	95,375	121,436	26,061	0.203	5,299
Total	6,443,807	2,829,228	3,286,387	457,159		128,739

APPENDIX 'C'
Schedule C4

Tiburon Ferry Service
Other Property & Equipment

Schedule C5

For the year ended December 30, 2007

Description	Cost Basis	Additions & Deletions	Adjusted Cost at 12/30/07	Reserve at Mid Year	Net Investment
Ramp	24,238	0	24,238	0	24,238
New float	134,476	0	134,476	87,409	47,067
Gangway	3,017	0	3,017	0	3,017
					<u>74,322</u>

Tiburon Ferry Service
Working Capital

Schedule C6

For the year ended December 30, 2007

Vessel and non-vessel operating expenses (schedule C1)	2,026,687
Administrative and general expenses (schedule C1)	<u>118,607</u>
Total	<u><u>2,145,294</u></u>
Allocated to Tiburon Ferry Service @ 1/12 of total	<u><u>178,774</u></u>

Tiburon Ferry Service
 One-way Ticket Sales

Appendix D

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007 ⁽¹⁾</u>
Period 1	17,433	16,391	15,097	18,778	17,282
Period 2	15,126	15,144	17,525	13,951	15,079
Period 3	17,752	22,530	16,915	13,656	12,861
Period 4	19,794	25,839	22,273	18,949	18,694
Period 5	20,508	21,166	21,015	18,890	18,814
Period 6	23,080	22,981	21,050	19,828	19,675
Period 7	31,822	29,275	28,321	28,439	27,728
Period 8	27,374	26,062	23,804	23,441	23,441
Period 9	21,065	24,070	21,626	20,181	21,190
Period 10	26,293	23,687	25,346	25,245	25,253
Period 11	15,496	16,658	16,313	14,484	17,340
Period 12	12,777	14,616	9,527	15,496 ⁽¹⁾	15,053
Total	<u>248,520</u>	<u>258,419</u>	<u>238,812</u>	<u>231,338</u>	<u>232,411</u>

⁽¹⁾ projected

APPENDIX 'D'

Blue & Gold Fleet L.P.

as of December 25, 2005

(audited)

ASSETS

Cash, cash equivalents and restricted cash	2,239,253
Accounts receivable, net	984,705
Inventories	18,078
Prepaid expenses	312,255
	<hr/>
Total current assets	3,554,291
Fixed assets, net	9,853,658
Other assets, net	101,668
	<hr/>
Total assets	<u>13,509,617</u>

LIABILITIES & PARTNERS' CAPITAL

Short term borrowings - line of credit	2,500,000
Notes payable, current portion	5,315,933
Accounts payable and accrued expenses	3,230,035
Concession contract obligation	154,485
Payable to affiliate	2,400,000
Litigation settlement	1,500,000
Charter deposits and deferred revenue	367,047
	<hr/>
Total current liabilities	15,467,500
Notes payable, long term	<hr/> 0
Total liabilities	15,467,500
Partners' deficit	(1,957,883)
Total liabilities and partners' deficit	<u>13,509,617</u>

APPENDIX 'E'

CERTIFICATE OF SERVICE BY MAIL

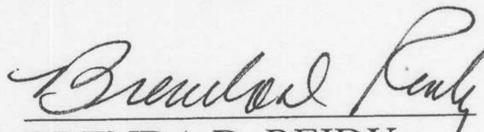
I, BRENDA D. REIDY, hereby certify and declare as follows:

I am a citizen of the United States over the age of eighteen years, and I am not a party to this proceeding. My business address is 3701 Sacramento Street, # 386, San Francisco, California 94118. On the date stated below, in the County of San Francisco, which is the county of my employment, I served the following document:

APPLICATION OF BLUE & GOLD FLEET, L.P., A DELAWARE LIMITED PARTNERSHIP (VCC-77), FOR AUTHORIZATION FOR PASSENGER FARE INCREASES ON ITS VESSEL COMMON CARRIER SERVICE ON SAN FRANCISCO BAY BETWEEN TIBURON ON THE ONE HAND AND AUTHORIZED POINTS IN SAN FRANCISCO ON THE OTHER HAND

on interested parties by placing a true copy thereof enclosed in a sealed envelope on January 4, 2007 by mail with postage thereon fully prepaid, in the United States Post Office at San Francisco, California, addressed as on the attached service list.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed at San Francisco, California on January 4, 2007.


BRENDA D. REIDY

SERVICE LIST

Clerk, Town of Tiburon
Tiburon Town Hall
1505 Tiburon Blvd.
Tiburon, CA 94920

Tiburon City Attorney
Tiburon Town Hall
1505 Tiburon Blvd.
Tiburon, CA 94920

Marin County Clerk
Marin County Civic Center
3501 Civic Center Drive
San Rafael, CA 94903

Marin County County Counsel
Marin County Civic Center
3501 Civic Center Drive, # 303
San Rafael, CA 94903

Clerk of the Board of Supervisors
City & County of San Francisco
San Francisco City Hall, 2nd Floor
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

City Attorney Dennis Herrera
City and County of San Francisco
San Francisco City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Commission in its Decision D. 97-06-066 issued in 1997 after documentation of Blue & Gold Fleet, L.P.'s status was filed with the Commission as part of Application No. 95-12-071.

2. Applicant's corporate and operational business office is located at 100 North Point Street, Suite 145, San Francisco, CA 94133.

3. Notices, correspondence and communications with respect to this Application should be addressed to the Applicant's Attorney:

Daniel F. Reidy, Esq.
Law Offices of Daniel F. Reidy
3701 Sacramento Street, #386
San Francisco, CA 94118-1705
Tele: (415) 750-4210
Fax: (415) 750-4214
E-mail: dfreidy@pacbell.net

and to the Applicant's President:

Taylor Safford
President
Blue & Gold Fleet, L.P.
100 North Point Street, Suite 145
San Francisco, CA 94133
Tele: (415) 705-8200
Fax: (415) 421-1113
E-mail: taylor@blueandgoldfleet.com

BACKGROUND

4. Applicant is a Vessel Common Carrier (VCC-77) authorized by the Commission to carry passengers on San Francisco Bay. Applicant has been providing vessel common carrier service for over twenty-six years since it was granted its operating authority by the Commission in the name of its predecessor Blue & Gold Fleet, Inc. in Decision No. D.91925 issued on June 17, 1980. In 1997, Applicant took over the assets and services of Blue & Gold Fleet, Inc. and certain of the assets and services of Red and White Fleet, Inc. pursuant to Commission Decision

No. D. 97-06-066. Part of that transfer was Applicant's assumption of passenger ferry routes between Tiburon and San Francisco. Applicant has been providing passenger ferry service on the Tiburon/SF Service continuously since the transfer was completed in 1997. In addition, by Decision No. D.00-06-060 issued on June 22, 2000, Applicant received authority from the Commission to operate "short hop" scheduled common carrier service between Tiburon and Sausalito on San Francisco Bay.

5. On February 4, 1999, the Commission in Decision No. D.99-02-024 approved fare increases for the Tiburon/SF Service based on findings that the Applicant was operating this service at a loss and that the proposed increased fares would result in a modest profit at an operating ratio that was in the reasonable range of prior Commission decisions.

6. Three and a half years later, on September 5, 2002, the Commission in Decision No. D.02-09-008 approved increases in base fares for the Tiburon/SF Service of between \$0.75 and \$1.25 per one-way passenger, exclusive of temporary authorized fuel costs recovery surcharges, based on findings that Applicant was operating this service at a loss and even with the fare increases would continue to operate at a loss.

7. Applicant's base passenger fares have remained unchanged since September of 2002. Applicant's current passenger fares for scheduled service on the Tiburon/SF Service include a reasonable surcharge to recover increased fuel costs under temporary authority initially granted by Commission Resolution TL-19042, extended by Commission Resolution TL-19051 for one year, further extended for another year and expanded to up to a 20% surcharge by Resolution TL-19066, and further extended for an additional year by Resolution TL-19080 adopted on November 30, 2006 that runs until November 30, 2007. A copy of Applicant's current fare schedule, which includes a fuel surcharge, is attached hereto as **Appendix A**.

8. A Schedule of Applicant's actual operating revenues and expenses of the Tiburon/SF Service for 2005 and the service's operating revenues and expenses projected to the end of 2006 is attached hereto as Schedule B1, the first page of Appendix B. For the service's operations in 2005, the revenues totaled \$1,349,397.00, and the expenses totaled \$2,126,346.00, which resulted in a loss of \$814,171.00 and which represents an Operating Ratio of 1.58 for 2005. For the Tiburon/SF Service's operations in 2006, the revenues are projected to total \$1,411,754.00, and the expenses are projected to total \$2,047,206.00, which resulted in a loss of \$635,452.00 and which represents an Operating Ratio of 1.45 for 2006. As required by the Commission's Decision No. 97-06-066 issued on June 11, 1997, the depreciation line items in the Schedule exclude "excess" depreciation related to Applicant's purchase of the vessels and non-vessel assets of Harbor Carriers, Inc., dba Red & White Fleet, in 1997.

9. In the rest of Appendix B, Schedule B1a lists the allocation of Applicant's General and Administrative Expenses to the Tiburon/SF Service for 2005, which totaled \$200,835.00. The allocation was based on the ratio of the Tiburon/SF Service's operating costs to Blue & Gold Fleet's total operating costs for all of its passenger services on San Francisco Bay, namely 5.7% of the total of \$3,520,844.00 for 2005. Schedule B2 assembles the figures for the Tiburon/SF Service's investment in vessels, reserve for depreciation, investment in other property and equipment, and working capital as of December 25, 2005 that are detailed in Schedules B3, B4, B5 and B6 for a total of \$1,391,607.00. Schedule B3 shows the portions of Blue & Gold Fleet's total investment in vessels that are allocated to the Tiburon/SF Service as of December 25, 2005, starting with the net book values of vessels purchased from Red & White Fleet as of June 24, 1997 plus additions to the fleet made thereafter, resulting in a total investment allocated to the Tiburon/SF Service of \$1,225,904.00. It is noteworthy that the vessel Zelinsky represents 73% of the total. Schedule B4 shows the reserves for depreciation for all the vessels in the fleet in 2005, with the total allocated to the Tiburon/SF Service in the amount of \$89,688.00. Schedule B5 outlines the Applicant's investment in property and equipment used specifically for the

Tiburon/SF Service, namely a ramp, a new float, and a gangway, with a total investment as of December 25, 2005 of \$161,731.00. Schedule B6 calculates the amount of working capital available per month to the Tiburon/SF Service in 2005, namely \$180,297.00, which was 1/12 of the total of the Applicant's operating vessel and non-operating expenses for the year as shown on Schedule B1 plus the general and administrative expenses for the year as shown on Schedule B1a.

OVERVIEW OF THE REQUESTED PASSENGER FARE INCREASES

10. By this Application, authority is requested, pursuant to Sections 454 and 491 of the Public Utilities Code, to increase the authorized base passenger fares in the fare schedule as follows:

Category Of Fare	Current Fares (In \$)				Proposed Fares (In \$)			
	One-Way		Round-Trip		One Way		Round-Trip	
	Base Fare	With Surcharge	Base Fare	With Surcharge	Base Fare	With Surcharge	Base Fare	With Surcharge
Adult (Age 12+)	7.50	8.50	15.00	17.00	8.00	9.00	16.00	18.00
Child (Age 5-11)	4.25	4.50	8.50	9.00	4.75	5.00	9.50	10.00
Group Adult	7.00	8.00	14.00	16.00	7.50	8.50	15.00	17.00
Group Child	4.00	4.25	8.00	8.50	4.75	5.00	9.50	10.00
Group Wholesale	6.25	7.25	12.50	14.50	6.75	7.25	13.50	14.50
Short Hop	1.25	1.50			1.75	2.00		
Commuters (20 Tickets)	85.00	100.00			125.00	140.00		

11. Applicant has prepared a Chart of projected passenger fare box revenues and expenses for the Tiburon/SF Service for the year 2007 with and without the requested fare increase, which is attached hereto as Schedule C1 in Appendix C. For comparison purposes, without the requested fare increase, the Service's operating revenue for 2007 is projected to total \$1,443,697.00, and the total expenses for the Service for 2007 are projected to total \$2,135,463.00, resulting in a loss of \$691,767.00, which represents an Operating Ratio of 1.37. With the requested fare increase, the Service's operating revenue for 2007 is projected to total

\$1,705,760.00, and the total expenses for the Service for 2007 are projected to total \$2,145,294.00, resulting in a loss of \$439,534.00, which represents an Operating Ratio of 1.26.

12. Schedule C1a in **Appendix C**, lists the allocation of Applicant's General and Administrative Expenses to the Tiburon/SF Service, which for 2007 is projected to total \$118,607.00, compared to \$200,835.00 for 2005. This allocation is based on the ratio of the Tiburon/SF Service's projected operating costs for 2007 to Blue & Gold Fleet's projected total operating costs for all of its passenger services on San Francisco Bay in 2007, namely 7.9% of the total of \$1,501,369.00 for 2007. This compares to the 5.7% allocation to the Tiburon/SF Service in 2005 when the costs of Blue & Gold Fleet's service to Alcatraz Island were included the total operating costs for that year.

13. In the rest of **Appendix C**, Schedule C2 assembles the total projected figures for the Tiburon/SF Service's investment in vessels, reserve for depreciation, investment in other property and equipment, and working capital for the year ending December 30, 2007 that are detailed in Schedules C3, C4, C5 and C6 for a total of \$2,002,397.00. Schedule C3 shows the portions of Blue & Gold Fleet's total investment in vessels that are allocated to the Tiburon/SF Service as of December 30, 2007, and the most significant data is the addition of \$750,000.00 for major repairs and improvements on the Zelinsky vessel planned for 2007. Schedule C4 shows the reserves for depreciation for all the vessels in the fleet in 2007, and the significant figures are the adjusted cost of the Zelinsky vessel reflecting the \$750,000 added for major repairs and improvements and the increased amounts of reserves for the Zelinsky compared to the data for 2005 that is shown on Schedule B4. Schedule C5 outlines the Applicant's investment in property and equipment used specifically for the Tiburon/SF Service, namely a ramp, a new float, and a gangway, with the total investment projected for 2007 at \$161,731.00, which is unchanged from that shown for the end of 2005 in Schedule B5. Schedule C6 projects the amount of working capital available per month to the Tiburon/SF Service for 2007, namely

\$178,774.00, which is 1/12 of the projected total of the Applicant's operating vessel and non-operating expenses for 2007 as shown on Schedule C1 plus the general and administrative expenses projected for 2007 as shown on Schedule C1a.

14. Applicant has prepared a Chart of the number of ticket sales for the Tiburon/SF Service, with actual ticket sale totals by months for the years from 2003 through November 2006 and with projected totals for December 2006 and the months of 2007. A copy is attached hereto as **Appendix D**. The Applicant is projecting a modest increase in ticket sales in 2007 over 2006 due to increased marketing efforts, but the Chart shows that ticket sales have declined in recent years compared to 2003 and 2004.

JUSTIFICATIONS FOR THE REQUESTED FARE INCREASES

15. The requested increases in passenger fares over the levels set by the Commission in September of 2002 are needed in order to meet the rising costs and expenses of operating this common carrier passenger ferry service, which specific attention to the following items:

(A) **Major Repairs and Improvements to the Vessel Zelinsky**: Due to U.S. Coast Guard requirements, the Applicant must take the vessel Zelinsky out of service by the end of February, 2007 and place it in dry-dock for major structural repairs and improvements that are projected to cost \$750,000.00. This substantial expense item cannot be financed through a conventional institutional loan, and the Applicant cannot pledge the vessel as security for repayment of any loan without separate Commission approval. The partner owners of Applicant are willing to advance the \$750,000 for the needed repairs provided that their advanced funds will be repaid out of operating revenues within four years. Commission approval of the proposed fare increases is a condition precedent for this special funding commitment on the part of the partner owners of Applicant.

The vessel Zelinsky is now 20 years old, and the stresses on the pontoons of the catamaran design of the vessel have gradually resulted in a major structural problem in the vessel's superstructure. The structural damage to the vessel is not the result of deferred normal maintenance or repairs. These planned structural repairs represent an extraordinary and non-recurring cost item which is not covered by the regular and recurring vessel maintenance and repair line items in the Tiburon/SF Services' annual operating budgets. Further, this extraordinary structural repair item was not anticipated to occur in the normal course of the life of the vessel, and as a result this was not an item for which reserves would have been reasonably expected to have built up over past years.

(B) **Vessel Operating Costs**: Costs of operating the vessels have increased substantially over time and are projected to continue to increase in the future. These cost increases are driven by increases in the hourly wages of the vessel crews and in the employee benefit premiums, as well as by the rising costs of diesel fuel. During the time when the vessel Zelinsky will be out of service for the necessary structural repairs noted above, the Applicant will have to use a slower vessel during commute hours, which will result in one less vessel departure in the morning and in the afternoon commute periods, and as a result during the vessel repair period there will be a temporary reduction in crew labor costs and related items, but as soon as the vessel Zelinsky is back in service and the full commuter schedule is restored, the vessel operating costs will be notably higher than in 2005 and 2006.

(C) **Indirect Expenses (Facilities and Marketing)**: These costs are projected to be significantly higher in 2007 than in previous years, because the expenses included in this line item were spread across all the services operated by

Applicant on San Francisco Bay, and in 2006 Applicant ceased to operate the passenger ferry service to Alcatraz Island under a contract with the U.S. Park Service.

OTHER FACTORS SUPPORTING THE REASONABLENESS OF THE REQUESTED FARE INCREASES

16. The requested increases in fares that are listed in the Chart shown in Paragraph 10 above break down to \$2.00 per commuter one-way ticket, which is an increase from \$5.00 to \$7.00 with the fuel surcharge included; an increase of \$0.50 for one-way adult trips that do not use the commuter ticket books, which is an increase from \$8.50 to \$9.00; an increase of \$0.50 for one-way trips of children (age 5-11), which is an increase from \$4.50 to \$5.00; an increase of \$0.50 for the short hop between Sausalito and Tiburon, which is an increase from \$1.50 to \$2.00; and equivalent increases in the group ticket sales that are listed in the Chart at Paragraph 10 above. The commuter tickets have been priced at a substantial discount over regular passenger fares and even with the proposed fare increase will be priced 22% less than the regular one way adult fare. For the proposed fare increases in the other categories, the small dollar value of the increase in individual fares, i.e., 50 cents, is a modest level of increase and warrants authorization.

17. There are no operating subsidies from federal, state or local governmental sources for this Service. This factor was a specific finding justifying the Commission's approval of the Applicant's last request for increased base passenger fares for this Service, namely in Decision No. D. 02-09-008 issued on September 5, 2002.

18. In the Commission's 2002 Decision approving the Applicant's last request for increased base fares cited immediately above, the Commission also took into account that the

Applicant was then operating at a loss and would continue to operate at a loss even under the proposed fares. The Applicant is presenting the Commission with a similar set of facts and circumstances --- the Applicant has been operating the Tiburon/SF Service at a loss during 2005 and 2006, and the Applicant's projections are that even with the projected added revenues from the higher base fares proposed in the Application, its future operating expenses will be in excess of revenues expected in the future, and the Applicant will continue to operate the Service at a loss.

19. The Applicant has the financial resources to continue to operate the Tiburon/SF Service as proposed in this Application. A copy of the Applicant's last available audited Financial Statement, which is for the year ending December 25, 2005, is attached as **Appendix E**.

20. The granting of this Application for passenger fare rate increases will have no significant adverse effect upon the quality of the environment.

REQUEST FOR PROMPT APPROVAL OF APPLICATION

21. Short notice authority under Section 491 of the Public Utilities Code is requested so that the proposed rates can be published as soon as possible upon authorization. This Application is one which may be handled under the Commission's *ex parte* procedure for immediate approval, since there will be no adverse impacts on any other common carrier passenger ferry services.

22. As explained above, the vessel Zelinsky, which currently provides most of the service runs during the morning and afternoon commute hours, must be taken out of service by the end of February 2007 because of a U.S. Coast Guard requirement that the vessel undergo major structural repairs. The partner owners have committed to advance \$750,000 in funding for

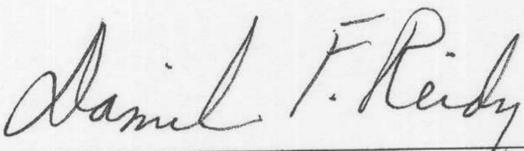
the needed major structural repairs of the vessel, but with a condition precedent to the release of funds that they will be assured of repayment within four years from the added revenues projected in the Application. This means that before the vessel repairs can commence, the Commission must approve the Application. Delays in obtaining the Application's approval will result in having the vessel Zelinsky out of service for a longer period and would extend the time when a slower vessel will be providing the commute hour service and when there will be one less trip scheduled in the morning and afternoon commute periods. Prompt approval of the Application will provide relief to the commuters from Tiburon and surrounding communities that use the Tiburon/SF service to go to work in San Francisco.

WHEREFORE, Applicant BLUE & GOLD FLEET, L.P. prays that the Commission issue the following *ex parte* order:

1. Authorizing Applicant, pursuant to Section 454 of the Public Utilities Code, to collect passenger fare rates in a revised Tariff as proposed in Paragraph 7 above; and
2. Authorizing Applicant, pursuant to Section 491 of the Public Utilities Code, to publish the permanent passenger fare rates effective on short notice. The notice period requested is five (5) days.

Respectfully submitted on behalf of the Applicant,

LAW OFFICES OF DANIEL F. REIDY

By: 
Daniel F. Reidy, Esq.
Its Authorized Representative

Dated: January 4, 2007

VERIFICATION

I, TAYLOR SAFFORD, hereby declare:

I am the President of BLUE & GOLD FLEET, L.P., a Delaware Limited Partnership, the Applicant herein, and I am authorized to make this verification on its behalf.

The statements in the foregoing document are true of my own knowledge, except as to matters on which I am relying on my staff for information, such as the passenger counts and income and expense figures and projections, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on January 3, 2007, at San Francisco, California.


Taylor Safford

AUTHORIZATION OF REPRESENTATIVE

I, TAYLOR SAFFORD, hereby declare:

I am the President of BLUE & GOLD FLEET, L.P., a Delaware Limited Partnership, the Applicant herein, and I have the authority to make this Authorization of Representative on its behalf.

I hereby authorize Daniel F. Reidy, Esq., of LAW OFFICES OF DANIEL F. REIDY, a Professional Corporation, with its principal business office located at 3701 Sacramento Street, #386, San Francisco, California 94118, to represent BLUE & GOLD FLEET, L.P. in this proceeding and to file documents and to speak on behalf of the Applicant in this proceeding.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on January 3, 2007, at San Francisco, California.


Taylor Safford

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

**In the Matter of the Application of
Blue & Gold Fleet, L.P., a Delaware Limited
Partnership (VCC-77), For Authorization for
Passenger Fare Increases on Its Vessel
Common Carrier Service on San Francisco
Bay Between Tiburon on the One Hand and
Authorized Points in San Francisco on the
Other Hand**

Application No. _____

**SCOPING MEMO INFORMATION FOR
APPLICATION FOR RATE RELIEF AND A GENERAL
PASSENGER FARE INCREASE ON ITS VESSEL COMMON
CARRIER PASSENGER SERVICE**

A. Category (Check the category that is most appropriate)

Adjudicatory - "Adjudicatory" proceedings are (1) enforcement investigations into possible violations of any provision of statutory law or order or rule of the Commissions; and (2) complaints against regulated entities, including those complaints that challenge the accuracy of a bill, but excluding those complaints that challenge the reasonableness of rates or charges, past, present, or future.

X **Ratesetting** - "Ratesetting" proceedings are proceedings in which the Commission sets or investigates rates for a specifically named utility (or utilities), or establishes a mechanism that in turn sets the rates for a specifically named utility (or utilities). "Ratesetting" proceedings include complaints that challenge the reasonableness of rates or charges, past, present, or future. Other proceedings may also be categorized as ratesetting when they do not clearly fit into one category.

Quasi-legislative - "Quasi-legislative" proceedings are proceedings that establish policy or rules (including generic ratemaking policy or rules) affecting a class of regulated entities, including those proceedings in which the Commission investigates rates or practices for an entire regulated industry or class of entities within the industry.

B. Are hearings necessary? [] yes [**X**] no

If yes, identify the material disputed factual issues on which a hearing should be held, and the general nature of the evidence to be introduced:

Reasons Why No Hearings Are Necessary: No Protests or Objections are expected. No material disputed factual issues have been identified. There are no competitors for this Service. Blue & Gold Fleet management has met with a group of commuters that regularly use the Service and explained the need for the fare increase and how critical it is to have a prompt approval of the Application, which is a condition precedent of the owners' commitment to fund the needed major repairs and improvements to the vessel Zelinsky, and management received expressions of support from the group. Delays in obtaining the Application's approval will result in having the vessel Zelinsky out of service for a longer period and would extend the time when a slower vessel will be providing the commute hours service and when there will be one less trip scheduled in the morning and afternoon commute periods. Letters of support for the Application from commuters that regularly use the service are expected and will be filed with the Commission.

Are public witness hearings necessary? [] yes [**X**] no

Public witness hearings are set up for the purpose of getting input from the general public and any entity that will not be a party to the proceeding. Such input usually involves presenting written or oral statements to the presiding officer, not sworn testimony. Public witness statements are not subject to cross-examination.

Reasons Why No Public Witness Hearings are Necessary: As noted above, Blue & Gold Fleet management has met with a group of commuters that regularly use the Service and explained the need for the fare increase and how critical it is to have a prompt approval of the Application, and management received expressions of support from the group. When the Application has been accepted by the Commission and assigned a file number, notice to the public of the requested authority for the revised fares will be provided by notice postings at the Applicant's passenger loading docks in Tiburon and in San Francisco and on the Applicant's website. These notices will give the Applicant's regular customers and the public at large an opportunity to contact the Commission with any concerns over the proposed rate changes. The previous Commission approval of a fare increase for this Service, Decision 02-09-008 issued on September 5, 2002, was granted without requiring any Hearings.

C. **Issues** - List here the specific issues that need to be addressed in the proceeding.

Applicant anticipates that the only issues to be addressed would be:

- (1) The justifications for and the reasonableness of the proposed increased passenger fares; and**
- (2) Confirmation that the proposed increased passenger fares will not have a materially adverse impact on the public consumers of this common carrier passenger ferry service.**

D. Schedule - (Even if you checked "No" in B above) Should the Commission decide to hold hearings, indicate here the proposed schedule for completing the proceedings within 12 months (if categorized as adjudicatory) or 18 months (if categorized as ratesetting or quasi-legislative).

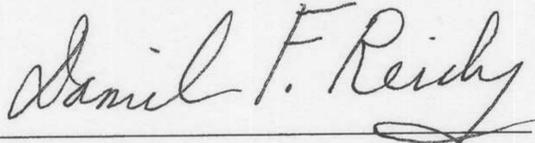
The schedule should include proposed dates for the following events as needed:

<u>Feb. 13, 2007</u>	Prehearing conference
<u>Mar. 13, 2007</u>	Hearings
<u>Mar. 1, 2007</u>	Pre-Hearing Briefs due
<u>Mar. 27, 2007</u>	Post-Hearing Briefs due and Submission
<u>Apr. 27, 2007</u>	Proposed decision (30 days after submission)
<u>May 9, 2007</u>	Final decision (Next Commission Hearing after proposed decision)

Respectfully submitted,

Dated: January 4, 2007, at San Francisco, California.

LAW OFFICES OF DANIEL F. REIDY, a Professional Corporation

By: 
Daniel F. Reidy, Esq.
Attorney for Applicant BLUE & GOLD FLEET, L.P.