

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

FILED
UTILITIES COMMISSION

JAN 16 07

SAN FRANCISCO OFFICE

**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 the City of Sausalito on the One
Hand and Authorized Points in San Francisco
On the Other Hand**

07 01 027

Application No. _____

**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 THE CITY OF
SAUSALITO 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 the City of Sausalito on the one hand and authorized points in San Francisco on the other hand (“the Sausalito/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>
(A) <u>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		
(A) <u>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		
(A) <u>And: Tiburon</u>					85.00	100.00
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		

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'

Sausalito Ferry Service
Income Statement

Schedule B1

For the 12 months ending

Projected Actual
12/31/06 12/25/05

Operating revenue	1,965,178	1,788,911
Vessel operating expenses		
Crew labor	561,952	547,827
Fuel	273,939	232,734
Repairs	247,917	296,485
Insurance	29,474	23,721
Depreciation	65,838	65,838 (1)
Supplies	5,882	4,989
Total vessel expenses	<u>1,185,002</u>	<u>1,171,594</u>
Non-vessel operating expenses		
Contracted services	14,687	13,824
Professional services	0	72
Office services	33,094	37,463
Repairs and maintenance	0	0
Advertising	17	2,500
Taxes and licenses	10,519	9,860
Insurance	0	0
Depreciation	302	302 (1)
Rent & occupancy	48,794	41,692
Indirect expenses (facilities and marketing)	453,815	548,717
Total non-vessel expenses	<u>561,227</u>	<u>654,430</u>
General and administrative	123,742	162,622 (1)
Total expenses	<u>1,869,971</u>	<u>1,988,646</u>
Net income/(loss)	<u>95,207</u>	<u>(199,735)</u>

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

APPENDIX 'B'
Schedule B1

Sausalito 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>
Sausalito Ferry Service operating cost ratio	4.6%
Allocated to Sausalito Ferry Service	<u><u>162,622</u></u>

APPENDIX 'B'
Schedule B1a

Sausalito Ferry Service

Rate Base

Schedule B2

For the 12 months ending December 25, 2005

Investment in vessels (schedule B3)	870,141
Reserve for depreciation (schedule B4)	<u>65,838</u>
Vessels - net	804,303
Other property and equipment (schedule B5)	1,207
Working capital (schedule B6)	<u>165,721</u>
Total	<u><u>971,230</u></u>

APPENDIX 'B'
Schedule B2

Sausalito Ferry Service

Investment in Vessels

Schedule B3

Vessel	Cost as of 12/26/04	Additions & Deletions	Adjusted Cost at 12/25/05	% Allocated to Sausalito	Allocated to Sausalito
Zelinsky	1,584,209	10,912	1,595,121	0.350	558,098
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	0.144	173,465
Golden Bear	501,025	9,033	510,058	0.006	2,959
Oski	493,885	80,603	574,488	0.007	3,863
Old Blue	646,582	8,823	655,405	0.004	2,393
Emperor	79,317	9,001	88,318	0.021	1,877
Ryl Star	516,673	17,372	534,045	0.014	7,210
Bay Clipper	230,137	16,871	247,008	0.103	25,457
Bay Flyer	225,991	8,693	234,684	0.404	94,819
Total	5,488,844	204,963	5,693,807		870,141

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

Sausalito 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 Sausalito	Amount to Sausalito
Zelinsky	1,595,121	233,533	345,311	111,779	0.350	39,109
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	0.144	12,224
Golden Bear	510,058	321,270	351,655	30,385	0.006	176
Oski	574,488	315,420	351,677	36,257	0.007	244
Old Blue	655,405	402,916	443,001	40,085	0.004	146
Emperor	88,318	34,121	41,621	7,500	0.021	159
Ryl Star	534,045	246,065	284,784	38,719	0.014	523
Bay Clipper	247,008	47,815	75,141	27,326	0.103	2,816
Bay Flyer	234,684	42,972	68,812	25,840	0.404	10,440
Total	<u>5,693,807</u>	<u>2,000,408</u>	<u>2,405,723</u>	<u>405,315</u>		<u>65,838</u>

APPENDIX 'B'
Schedule B4

Sausalito 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>
Gangway	3,017	0	3,017	1,810	1,207
					<u>1,207</u>

APPENDIX 'B'
Schedule B5

Sausalito Ferry Service

Working Capital

Schedule B6

For the 12 months ending December 25, 2005

Vessel and non-vessel operating expenses (schedule B1)	1,826,024
Administrative and general expenses (schedule B1)	<u>162,622</u>
Total	<u><u>1,988,646</u></u>
Allocated to Sausalito Ferry Service @ 1/12 of total	<u><u>165,721</u></u>

APPENDIX 'B'
Schedule B6

Sausalito Ferry Service
Pro Forma Income Statement

Schedule C1

For the year ended December 30, 2007

	with fare increase (2)	without fare increase
Operating revenue	2,031,326	1,982,509
Vessel operating expenses		
Crew labor	605,405	605,405
Fuel	312,593	312,593
Repairs	183,325	183,325
Insurance	31,836	31,836
Depreciation	128,739 (1)	128,739 (1)
Supplies	3,900	3,900
Total vessel expenses	<u>1,265,797</u>	<u>1,265,797</u>
Non-vessel operating expenses		
Contracted services	14,767	14,767
Professional services	0	0
Office services	2,244	2,244
Repairs and maintenance	0	0
Advertising	2,500	2,500
Taxes and licenses	10,146	10,146
Insurance	0	0
Depreciation	302 (1)	302 (1)
Rent & occupancy	42,965	42,965
Indirect expenses (facilities and marketing)	752,261	752,261
Total non-vessel expenses	<u>825,185</u>	<u>825,185</u>
General and administrative	96,778 (1)	96,778 (1)
Total expenses	<u>2,187,760</u>	<u>2,187,760</u>
Net income/(loss)	<u>(156,434)</u>	<u>(205,250)</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

Sausalito 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>
Sausalito Ferry Service operating cost ratio	6.4%
Allocated to Sausalito Ferry Service	<u><u>96,778</u></u>

APPENDIX 'C'
Schedule C1a

Sausalito 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)	607
Working capital (schedule C6)	<u>177,465</u>
Total	<u><u>1,927,373</u></u>

APPENDIX 'C'
Schedule C2

Sausalito Ferry Service
Investment in Vessels

Schedule C3

Vessel	Cost as of 12/31/06	Additions & Deletions	Projected Cost at 12/30/07	% Allocated to Sausalito	Allocated to Sausalito
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	5,693,807	750,000	6,443,807		1,878,040

APPENDIX 'C'
Schedule C3

Sausalito 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 Sausalito	Amount to Sausalito
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	<u>6,443,807</u>	<u>2,829,228</u>	<u>3,286,387</u>	<u>457,159</u>		<u>128,739</u>

APPENDIX 'C'
Schedule C4

Sausalito 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
Gangway	3,017	0	3,017	2,410	607
					<u>607</u>

APPENDIX 'C'
Schedule C5

Sausalito Ferry Service

Working Capital

Schedule C6

For the year ended December 30, 2007

Vessel and non-vessel operating expenses (schedule C1)	2,032,800
Administrative and general expenses (schedule C1)	<u>96,778</u>
Total	<u><u>2,129,577</u></u>
Allocated to Sausalito Ferry Service @ 1/12 of total	<u><u>177,465</u></u>

APPENDIX 'C'
Schedule C6

Sausalito 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	10,495	9,035	7,570	9,463	8,990
Period 2	12,025	10,273	10,095	11,917	11,917
Period 3	15,203	16,962	17,842	10,647	11,712
Period 4	20,770	24,069	23,239	20,319	21,335
Period 5	20,412	23,062	23,560	19,957	20,955
Period 6	22,209	26,030	35,931	24,254	25,467
Period 7	36,875	38,520	35,814	46,255	37,004
Period 8	37,226	36,299	39,671	38,024	38,975
Period 9	25,048	36,208	33,450	35,531	36,419
Period 10	27,264	30,291	32,250	30,099	30,514
Period 11	11,553	12,533	14,375	14,142	13,261
Period 12	<u>6,299</u>	<u>7,779</u>	<u>7,488</u>	<u>7,070 ⁽¹⁾</u>	<u>7,777</u>
Total	245,379	271,061	281,285	267,678	264,325

⁽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	<u>312,255</u>
Total current assets	3,554,291
Fixed assets, net	9,853,658
Other assets, net	<u>101,668</u>
Total assets	<u><u>13,509,617</u></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	<u>367,047</u>
Total current liabilities	15,467,500
Notes payable, long term	<u>0</u>
Total liabilities	15,467,500
Partners' deficit	(1,957,883)
Total liabilities and partners' deficit	<u><u>13,509,617</u></u>

APPENDIX 'E'

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 the City of Sausalito and San Francisco. Applicant has been providing passenger ferry service on the Sausalito/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 Sausalito and Tiburon on San Francisco Bay.

5. On February 4, 1999, the Commission in Decision No. D.99-02-024 approved Blue & Gold Fleet, L.P.'s Application No. 98-07-047 requesting increases in base fares for the Sausalito/SF Service based on findings that the Applicant was operating this service at a relatively small profit of \$34,531.00 for the 1998 calendar year, which equated to an Operating Ratio of 0.98 or 98% and that the proposed increased fares would result in a modest profit with an Operating Ratio of 0.926 or 92.6%, which was in the reasonable range of prior Commission decisions, including Decision No. D.94-04-076 issued in April of 1994, the last prior fare increase approved by the Commission when the Sausalito/SF Service was operated by Red & White Fleet, Inc. in which the Commission found that a projected Operating Ratio of 0.92 or 92% for the Sausalito/SF Service was reasonable.

6. Three and a half years later, on October 3, 2002, the Commission in Decision No. D.02-10-010 approved Blue & Gold Fleet, L.P.'s Application No. 02-06-014 requesting increases in base fares for the Sausalito/SF Service of between \$0.75 and \$1.25 per one-way passenger, exclusive of temporary authorized fuel costs recovery surcharges which had expired on June 30, 2002, based on findings that Applicant was operating its Sausalito/SF Service at a relatively small profit (\$55,440.00 on revenues of \$1,724,819.00 for 2001) and that with the fare increases would operate this service at an estimated annual profit of \$104,986.00, which the Commission found to be "just and reasonable" in its Decision.

7. Applicant's base passenger fares have remained unchanged since October of 2002. Applicant's current passenger fares for scheduled service on the Sausalito/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 Sausalito/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 \$1,788,911.00, and the expenses totaled \$1,988,646.00, which resulted in a net loss of \$199,735.00 and which represents an Operating Ratio of 1.11 for 2005. For the Sausalito/SF Service's operations in 2006, the revenues are projected to total \$1,965,178.00, and the expenses are projected to total \$1,869,971.00, which will result in a small profit of \$95,207.00 and which represents an Operating Ratio of 95.1 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 Sausalito/SF Service for 2005, which totaled \$162,622.00. The allocation was based on the ratio of the Sausalito/SF Service's operating costs to Blue & Gold Fleet's total operating costs for all of its passenger services on San Francisco Bay, namely 4.6% of the total of \$3,520,844.00 for 2005. **Schedule B2** assembles the figures for the Sausalito/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 \$971,230.00. Schedule B3 shows the portions of Blue & Gold Fleet's total investment in vessels that are allocated to the Sausalito/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 Sausalito/SF Service of \$870,141.00.00. It is noteworthy that the 35% of the investment in the vessel Zelinsky that is allocated to the Sausalito/SF Service represents 64.1% 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 Sausalito/SF Service in the amount of \$65,838.00. Schedule B5 outlines the Applicant's investment in property and equipment used specifically for the Sausalito/SF Service, namely a gangway with a cost basis of \$3,017.00 which after accounting for a mid-year reserve, represents a net investment of only \$1,207.00, which is not a significant factor in this Application but is included here for completeness of the financial information pertinent to the Sausalito/SF Service. Schedule B6 calculates the amount of working capital available per month to the Tiburon/SF Service in 2005, namely \$165,721.00, 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:

[Chart on following page]

REQUESTED PASSENGER FARE INCREASES

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 Child	4.00	4.25	8.00	8.50	4.75	5.00	9.50	10.00

11. In this Application, the Applicant is not requesting authority to increase the current authorized passenger fares for Group Adult ticket sales (\$8.00 one way with fuel surcharge) or for Group Wholesale ticket sales (\$7.25 one way with fuel surcharge). Children aged below 5 years will continue to ride for free.

12. Applicant has prepared a Chart of projected passenger fare box revenues and expenses for the Sausalito/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 Sausalito/SF Service's operating revenue for 2007 is projected to total \$1,982,509.00, and the total expenses for the Service for 2007 are projected to total \$2,187,760.00, resulting in a net loss of \$205,250.00, which represents an Operating Ratio of 1.10. With the requested fare increase and assuming the rate increase has been approved and is implemented by April 1, 2007, the Sausalito/SF Service's operating revenue for 2007 is projected to total \$2,031,326.00, and the total expenses for the Service for 2007 are projected to total \$2,187,760.00, resulting in a net loss of \$156,434.00, which represents an Operating Ratio of 1.08.

13. Schedule C1a in **Appendix C**, lists the allocation of Applicant's General and Administrative Expenses to the Sausalito/SF Service, which for 2007 is projected to total \$96,778.00, compared to \$162,622.00 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 6.4% of the total of \$1,501,369.00 for 2007. This compares to the 4.6% allocation to the Sausalito/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.

14. In the rest of **Appendix C**, Schedule C2 assembles the total projected figures for the Sausalito/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 \$1,927,373.00. Schedule C3 shows the portions of Blue & Gold Fleet's total investment in vessels that are allocated to the Sausalito/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 vessel Zelinsky 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 vessel Zelinsky reflecting the \$750,000 added for major repairs and improvements and the increased amounts of reserves for the vessel 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 Sausalito/SF Service, namely one gangway with an original cost basis of \$3,017.00 which after accounting for a mid-year reserve, represents a net investment of only \$607.00 (down from \$1,207.00 in 2005), and this item is clearly not a significant factor in this Application but is included here for completeness of the financial information pertinent to the Sausalito/SF Service. Schedule C6 projects the amount of working capital available per month to the Sausalito/SF Service for 2007, namely \$177,465.00, 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.

15. Applicant has prepared a Chart of the number of ticket sales for the Sausalito/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 decrease in ticket sales in 2007 over 2006 of approximately 3,350 tickets, and the Chart shows that ticket sales have declined compared to 2004 and 2005.

JUSTIFICATIONS FOR THE REQUESTED FARE INCREASES

16. The requested increases in passenger fares over the levels set by the Commission in October 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 Sausalito/SF Service's 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.

The Applicant intends to repay the advanced funds from increased fares on both the Tiburon/SF and the Sausalito/SF Service. 35% of the Applicant's investment in the vessel Zelinsky is allocated to the Sausalito/SF Service, as shown on Schedule B3. Application No. 07-01-006 requesting fare increases for the Tiburon/SF Service is now pending with the Commission.

(B) **Vessel Operating Costs**: Costs of operating the vessels have increased substantially over time and are projected to continue to increase in the future. Significant among these cost increases are projected increases in the hourly wages of the vessel crews and in the employee benefit premiums. As shown in comparing data from Schedule B1 and Schedule C1, crew labor costs that totaled less than \$548,000 in 2005 and less than \$562,000 in 2006 are projected to exceed \$644,000 in 2007, which represents a 14.6% increase over 2006. While routine and recurring vessel repair costs are projected to be less in 2007 than in 2006, due to the cyclical vessel repair requirements that overlap calendar years, this line item is expected to reflect increased costs in future years. Insurance costs that totaled less than \$24,000 in 2005 and climbed to nearly \$29,500 in 2006 are

projected to reach nearly \$32,000 in 2007, which represents an 8% increase over 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.

(D) **Decline in Total Ticket Sales**: As shown on **Appendix D**, ticket sales that are the source of the revenues for the Sausalito/SF Service are currently declining and are projected to decline further in the future.

OTHER FACTORS SUPPORTING THE REASONABLENESS OF THE REQUESTED FARE INCREASES

17. The requested increases in fares that are listed in the Chart shown in Paragraph 10 above break down to an increase of \$0.50 for one-way adult trips, 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; and an increase in the group ticket sales for children aged 5 to 11 from \$4.25 to \$5.00. The small dollar value of the increase in individual fares, i.e., 50 to 75 cents, is a modest level of increase and warrants authorization. In second last prior decision on Applications from Blue & Gold Fleet, L.P. for fare increases for its Sausalito/SF Service, namely Decision No.D.99-02-024 issued on February 4, 1999, the Commission approved increases of \$0.50 for one-way adult trips, for adult group ticket sales, and for children group ticket sales. In its last approval, namely Decision No. D.02-10-010 issued on October 3, 2002, the Commission

approved fare increases of between \$0.75 and \$1.25 per one-way passenger. The fare increases requested in this Application fall within the range of prior Commission approvals of passenger fare increases for this very Service.

18. 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. 02-10-010 issued on October 3, 2002.

19. 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 small operating profit. As shown on Schedule B1 in Appendix B and noted in Paragraph 8 above, the Applicant has operated at a small net profit in 2006 after operating at a net loss of nearly \$200,000 in 2005, but as also shown on Schedule C1 in Appendix C, the Applicant will operate at a loss in 2007 and will continue to operate at a loss even under the proposed fares.

20. The Applicant has the financial resources to continue to operate the Sausalito/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.

21. The only other scheduled passenger ferry service between Sausalito and San Francisco is a service operated by the Golden Gate Bridge, Highway and Transportation District (the "Golden Gate Bridge District"). On the San Francisco side, the Golden Gate Bridge District's passenger ferry service operates to and from the San Francisco Ferry Building and handles more commuter traffic of persons working in Downtown San Francisco, while the

Applicant's passenger ferry service operates to and from the Fisherman's Wharf area and handles more tourist and casual visitor traffic. The proposed fare increases will clearly have no significant adverse effect upon the ridership of the Golden Gate Bridge District's passenger ferry service.

22. 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

23. 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.

24. As explained above, the vessel Zelinsky, which currently provides most of the service runs during the midday when tourists more heavily use the service, 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 this Application and the Application for fare increases on the Applicant's Tiburon/SF Service. This means that before the vessel repairs can commence, the Commission must approve this Application as well as the Application for fare increases on the Tiburon/SF Service. Delays in obtaining this Application's approval will result in having the vessel Zelinsky out of service for a longer period and would extend the time when smaller and slower vessels

will be providing the midday service runs to and from Sausalito, which may adversely affect ridership totals on the Sausalito/SF Service.

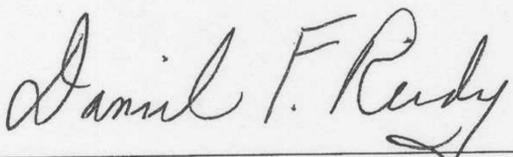
WHEREFORE, Applicant BLUE & GOLD FLEET, L.P. prays that the Commission issue the following *ex parte* order:

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 12, 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 12, 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 12, 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 the City of Sausalito on the
One Hand and Authorized Points in San
Francisco on the Other Hand**

Application No. _____

_____ /

**SCOPING MEMO INFORMATION FOR
APPLICATION FOR PASSENGER FARE INCREASES 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. The only other scheduled passenger ferry service between Sausalito and San Francisco is a service operated by the Golden Gate Bridge, Highway and Transportation District (the "Golden Gate Bridge District"). On the San Francisco side, the Golden Gate Bridge District's passenger ferry service operates to and from the San Francisco Ferry Building Plaza and handles more commuter traffic of persons working in Downtown San Francisco, while the Applicant's passenger ferry service operates to and from the Fisherman's Wharf area and handles more tourist and casual visitor traffic. The proposed fare increases will clearly have no adverse effect upon the ridership of the Golden Gate Bridge District's passenger ferry service.

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: 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 Sausalito 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 the Sausalito/SF Service, namely Decision No. D. 02-10-010 issued on October 3, 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).

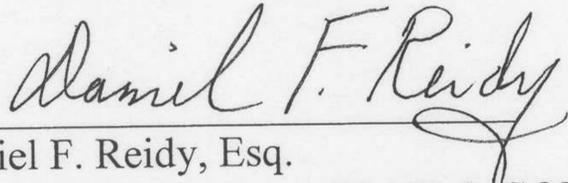
The schedule should include proposed dates for the following events as needed:

<u>Feb. 27, 2007</u>	Prehearing conference
<u>Mar. 27, 2007</u>	Hearings
<u>Mar. 15, 2007</u>	Pre-Hearing Briefs due
<u>April 10, 2007</u>	Post-Hearing Briefs due and Submission
<u>May 10, 2007</u>	Proposed decision (30 days after submission)
<u>May 23, 2007</u>	Final decision (Next Commission Hearing after proposed decision)

Respectfully submitted,

Dated: January 12, 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.