

Decision 18-10-012 October 11, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of STAR & CRESCENT BOAT COMPANY, a California corporation, doing business as FLAGSHIP CRUISES AND EVENTS (VCC-63), For Authorization For a Passenger Fare Increase on Its Vessel Common Carrier Services on San Diego Bay Between the City of Coronado and the City of San Diego.

Application 18-06-014

DECISION GRANTING VESSEL COMMON CARRIER AUTHORITY

Summary

This decision grants the application of Star and Crescent Boat Company, a California Corporation doing business as Flagship Cruises and Events, for authorization to increase their one-way passenger base fare by \$0.25, from \$4.75 to \$5.00, on its vessel common carrier service on San Diego Bay between the City of Coronado and the City of San Diego. This proceeding is closed.

1. Background

Star and Crescent Boat Company (Star and Crescent or Applicant) is a vessel common carrier (VCC) authorized to transport passengers and their baggage, including bicycles, from the Ferry Landing Market Place near the intersection of First Street and B Avenue in the City of Coronado to and from certain points in the City of San Diego; at the foot of Broadway and at the Fifth Avenue Landing adjacent to the San Diego Convention Center. Applicant has

been providing vessel common carrier service continuously since July 1987. Applicant was last given specific authorization to increase fares in 2015 by Decision (D.) 15-03-028. The current one-way passenger base fare is \$4.75 for Adults.¹

In Application (A.) 18-06-014, Star and Crescent Boat Company requests authority to increase its one-way passenger base fare by \$0.25 from \$4.75 to \$5.00. The following table shows the currently authorized and proposed fares:

Category of Fare	Current Base Fare	Proposed Base Fare
Adults	\$4.75	\$5.00

Applicant plans to continue the temporary suspension of its \$.50 surcharge for carrying bicycles and intends to keep the fuel surcharge at \$0.

No parties protested or responded to the Application. On July 24, 2018, the assigned Administrative Law Judge (ALJ) Kline set a telephonic prehearing conference (PHC) by ruling. On August 31, 2018, the assigned ALJ held a PHC to identify the application's issues of fact and law, and determine the parties to the proceeding and other procedural matters. On September 5, 2018, the assigned Commissioner issued the Scoping Memo and Ruling (Scoping Memo).

2. Jurisdiction

Pub. Util. Code § 454 requires that a public utility shall not change any rate, except upon a showing before the Commission and a finding by the Commission that the new rate is justified. Pub. Util. Code § 491 requires 30-day

¹ These fares are exclusive of any surcharge imposed under the temporary authority the Commission granted to all VCCs to adjust their fares up to 20% to offset higher fuel costs. That authority was extended by Resolution TL-19115 to December 16, 2015, unless earlier modified or canceled by the Commission.

public notice to the Commission and to the public prior to any rate change by a public utility.

Star and Crescent Boat Company (VCC-63) is a vessel common carrier licensed under a Certificate of Public Convenience and Necessity (CPCN) to operate in the State of California. Star and Crescent Boat Company is a public utility subject to the Commission's jurisdiction.

3. Issues Before the Commission

The assigned Commissioner's September 5, 2018 Scoping Memo identified the issues to be determined as follows:

1. Whether the Application meets all Commission requirements, including compliance with Pub. Util. Code §§ 454 and 491, such that the Commission should authorize Applicant's request to raise its one-way passenger base fare by \$0.25, from \$4.75 to \$5.00.
2. Whether the proposed fare increase results in a direct or reasonably foreseeable indirect physical change in the environment such that environmental review pursuant to the California Environmental Quality Act is required (CEQA).

No safety issues were identified or proposed by parties.

3. Compliance with Statutory Requirements of Pub. Util. Code §§ 454 and 491

Applicant indicates that the increase is necessary due to significant increases in Applicant's operating costs since the last fare increase and to earn a reasonable rate of return on its investment in the vessel service. Applicant states that its operating expenses have increased steadily in the last several years and are projected to increase in 2018, as summarized in the table below:

Operating Expenses	2015	2016	2017	2018 Projected
Maintenance of	--	--	\$586,551	\$886,551

Vessels and Other Property				
Depreciation and Amortization	--	--	\$32,991	\$38,064
Operation of vessels	\$934,608	\$954,614	\$1,047,099	\$1,160,854
Terminal expenses	\$375,432	\$388,440	\$436,729	\$475,345
General Expenses				
• Officer Salaries	--	--	• \$73,371	• \$77,820
• Employee Salaries	--	--	• \$206,574	• \$297,409
• Office Expenses	--	--	• \$450,923	• \$452,790
Casualties and Insurance costs	--	\$157,513	\$175,526	\$200,100

Along with increased costs, Applicant experienced a decrease in ridership from 786,735 passengers in 2016 to 753,892 passengers in 2017, which further reduced its profitability.

Applicant states that the level of profit requested by the proposed one-way passenger base fare increase will offer Star and Crescent Boat Company the opportunity for a minimally adequate rate of return on its investment for its ferry passenger service. Applicant projects a revenue loss of \$1,339 in 2018 if the Commission fails to grant the requested fare increase. However, Applicant projects an operating profit of \$192,382 if the Commission grants the one-way passenger base fare increase; which represents a 5.36% profit or an Operating Ratio of 0.536.

Applicant argues that the Commission previously granted fare increase requests for passenger vessel common carriers with projected operating profits falling below 10% and Operating Ratios below 1.0. The Commission agrees. Applicant's requested rate increase is comparable with other rate fare increases

granted to vessel common carriers² and are comparable to the increments of fare increase the Commission approved for Applicant in Decision (D.)88-08-027, D.92-04-023, D.05-08-025, D.08-07-015, D.10-05-041 and D.15-03-028.

Accordingly, the Commission finds that Applicant's request for authority to raise its one-way passenger base fare by \$0.25 is justified pursuant to Pub. Util. Code § 454. Also, by filing the Application with the Commission and mailing copies of the Application to local governments in the Applicant's service territory, the proposed fare increase complies with the 30-day notice requirement to the Commission pursuant to Pub. Util. Code § 491.

5. Compliance with CEQA

The Commission is obliged to determine whether an application for a base passenger fare increase is subject to environmental review pursuant to CEQA, and we do so here. CEQA requires the lead permitting agency to conduct an environmental review of any "project" for consideration in determining whether to grant the requested authority. CEQA Guideline § 15378(a) defines "project" in relevant part as follows:

"Project" means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, and that is ... [a]n activity involving the issuance to a person of a lease, permit, license, certificate, or other entitlement for use by one or more public agencies.

Star and Crescent Boat Company's proposed one-way passenger base fare increase will not change its vessel common carrier service, and therefore will not

² See D.16-12-050, D.16-12-048, D. 16-12-049, D.10-05-045 and D.08-07-036.

result in a direct physical change to the environment or a reasonably foreseeable indirect physical change in the environment. Accordingly, the proposed base passenger fare increase is not a “project” and is, therefore, not subject to environmental review pursuant to CEQA.

6. Conclusion

The Commission grants Star and Crescent Boat Company a one-way passenger base fare increase of \$0.25, from \$4.75 to \$5.00 for vessel common carrier service in San Diego Bay, between the City of Coronado and the City of San Diego.

7. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, as provided in Rule 14.6(c)(2) of the Commission’s Rules, we waive the otherwise applicable 30-day public review and comment period for this decision.

8. Assignment of Proceeding

Liane M. Randolph is the assigned Commissioner and Zita Kline is the assigned ALJ in this proceeding.

Findings of Fact

1. Applicant operates as a VCC-63 in the San Diego Bay.
2. Applicant’s current fares were established in 2015 as authorized by D.15-03-028.
3. The application requests authority to increase its one-way passenger base fare by \$0.25, from \$4.75 to \$5.00 for Adults.
4. Applicant’s request for a fare increase of \$0.25, from \$4.75 to \$5.00 for one-way passenger base fares, is comparable to similar fare increases the Commission

granted to other vessel common carriers and to the Applicant in D.88-08-027, D.92-04-023, D.05-08-025, D.08-07-015, D.10-05-041 and D.15-03-028.

5. Applicant's operational expenses increased subsequent to its last one-way passenger base fare increase, as granted by the Commission in D.15-03-028.

6. Applicant's ridership decreased from 786,735 passengers in 2016 to 753,892 passengers in 2017.

7. Applicant is projected to incur a revenue loss of \$1,339 in 2018 if its one-way passenger base fare remains at \$4.75.

8. Applicant is projected to receive an operating profit of \$192,382 if the passenger base fare increases to \$5.00; which represents a 5.36% profit or an operating ratio of 0.536.

9. The proposed one-way passenger base fare increase does not have the potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment because granting the fare increase does not change the service.

Conclusions of Law

1. The proposed fare increase is not a "project" as defined under CEQA and is therefore not subject to environmental review pursuant to CEQA.

2. The proposed one-way passenger base fare increase is justified pursuant to Pub. Util. Code § 454.

3. Applicant met the 30-day notice requirement for Commission review pursuant to Pub. Util. Code § 491.

4. A net operating profit below 10% is reasonable.

5. An Operating Ratio below 1.0 is reasonable.

6. The application should be granted.

O R D E R

IT IS ORDERED that:

1. Star and Crescent Boat Company, a California Corporation doing business as Flagship Cruises and Events, is authorized to increase its one-way passenger base fare by \$0.25, from \$4.75 to \$5.00.

2. Within 90 days of the effective date of this order, Star and Crescent Boat Company shall file revised tariff pages in accordance with General Order 117-A. Otherwise, the authority granted to Star and Crescent Boat Company shall expire.

3. Star and Crescent Boat Company shall make the revised pages and the fares listed in the revised tariff pages effective no earlier than 10 days after the date of filing the revised tariff.

4. Star and Crescent Boat Company shall inform the public of the increased fares and their effective date by posting notice in its terminals and vessels. Such notice shall be posted at least 10 days before the effective date of the fare changes and shall remain posted for at least 30 days.

5. Application 18-06-014 is closed.

This order is effective today.

Dated October 11, 2018, at San Francisco, California.

MICHAEL PICKER

President

CARLA J. PETERMAN

LIANE M. RANDOLPH

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

Commissioners