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TO PARTIES OF RECORD IN APPLICATION 22-10-013:

This is the proposed decision of Administrative Law Judge Lena Afary. It will appear on the Commission's February 26, 2026 agenda. The Commission may act then, or it may postpone action until later.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Pursuant to Rule 14.6(b), comments on the proposed decision must be filed within 10 days of its mailing and reply comments must be filed within 5 business days from the last day of filing comments.

Comments must be filed pursuant to Rule 1.13 electronically. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic copies of comments should be sent to ALJ Afary at Lena.Afari@cpuc.ca.gov and the assigned Commissioner. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ MICHELLE COOKE

Michelle Cooke

Chief Administrative Law Judge

MLC: avs

Attachment

Decision **PROPOSED DECISION OF ALJ AFARY** (Mailed 1/8/2026)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Pacific Maritime Group, Inc., dba
Pacific Tugboats, In the Matter of the
Application of Pacific Maritime
Group, Inc., a California corporation,
doing business as Pacific Tugboats
(VCC-88), For Authorization To
Increase Rates on its Vessel Common
Carrier Service Operated Out of Los
Angeles, Long Beach and Redondo
Beach Harbors and Connecting to
Avalon, Two Harbors and the Isthmus
on Santa Catalina Island and all the
Camps and Beaches That Surround
Santa Catalina Island.

Application 22-10-013

**DECISION GRANTING IN PART AND DENYING IN PART BASE
RATE INCREASE AND GRANTING 20% ZORF**

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**DECISION GRANTING IN PART AND DENYING IN PART BASE
RATE INCREASE AND GRANTING 20% ZORF**

Summary

This decision grants in part and denies in part Pacific Maritime Group, Inc., dba Pacific Tugboats, the authority to increase rates on its vessel common carrier service operated out of Los Angeles, Long Beach and Redondo Beach Harbors and connecting to Avalon, Two Harbors and the Isthmus on Santa Catalina Island and all the camps and beaches that surround Santa Catalina Island.

This grant is pursuant to Sections 454 and 491 of the Public Utilities Code, and pursuant to Applicant's October 17, 2022 Application. The denial is similarly pursuant Sections 454 and 491 of the Public Utilities Code, and Applicant's August 3, 2023 Amended Application.

Applicant is granted authority to increase their current¹ temporary freight transport rate of \$354.00 per hour to a permanent rate of \$390 per hour, as requested in the initial Application, plus a cost of inflation addition of \$110.00 per hour to a total of \$500.00 per hour. This decision denies Pacific Maritime Group, Inc., dba Pacific Tugboats, the request to increase its current temporary freight transport rate of \$354.00 per hour to a permanent rate of \$695.00 per hour as requested in the Amended Application.

¹ On May 18, 2017, Applicant filed its Third Revised Tariff Page 3 that provided a rate of \$295.00 per hour, plus fuel costs, with a Minimum Charge of eight (8) hours, for landing craft service to and from Santa Catalina Island. (Amended Application at paragraph 9, page 5.) The Commission adopted Resolution TL-19139, issued on June 24, 2022, which granted Vessel Common Carriers temporary authority for one year to adjust their fares and rates within a "zone of reasonableness" whose upper limit is twenty-percent (20%) above authorized fares and rates. At that time, Applicant revised its freight transport fare from \$295.00 to \$354.00 per hour, plus fuel costs with a Minimum Charge of 8 hours, for landing craft service to and from Catalina Island. (*Id.* at paragraph 10.)

This decision similarly grants Applicant the continued authority to establish a 20 percent (20%) Zone of Rate Freedom above and below the amended base rate of \$500.00 for service to all other portions of Santa Catalina Island including beaches and campgrounds and related facilities. This decision affirms that there is no need to prepare an Environmental Impact Report, Negative Declaration, or a mitigated Negative Declaration. This decision affirms that the application aligns with the goals of the California Public Utilities Commission's Environmental and Social Justice Action Plan.

Application 22-10-013 is closed.

1. Background

1.1. Factual Background

Pacific Maritime Group is a California corporation, currently doing business as Pacific Tugboats. Applicant is a Vessel Common Carrier (VCC) service operated out of Los Angeles, Long Beach and Redondo Beach Harbors, and connecting to Avalon, Two Harbors and the Isthmus on Santa Catalina Island, and all the Camps and Beaches that surround Santa Catalina Island.² In March of 2019, Applicant, the holder of the California Public Utilities Commission (CPUC) Certificate for VCC-88, changed its name to Pacific Maritime Group, Inc. Applicant under its prior name of Pacific Maritime Freight, Inc. ("Pacific Maritime Freight") has been authorized by the Commission as a VCC-88 since the Commission's Decision (D.) 03-07-018 issued on July 10, 2003 granting Pacific Maritime Freight's Application to purchase and acquire Antone Sylvester Tug Service, Inc.'s operating authority and property.

² Application at 1.

Antone Sylvester Tug Service had been a Commission-authorized Vessel Common Carrier since September of 1996 when the Commission issued D.96-09-029 authorizing its transport of passengers and baggage in and from harbors in Southern California. D.99-10-067, issued on October 21, 1999, authorized Sylvester Tug to transport property by vessel between points in the harbors of Southern California and points on Santa Catalina Island, excluding the ports at Avalon and the Isthmus.³

In Commission D.17-05-002 dated May 11, 2017, the Commission approved the transfer of Catalina Freight Line, Inc.⁴ (VCC-58)'s certificate of public convenience and necessity (CPCN) license to operate as a VCC transporting freight to and from Santa Catalina Island to Pacific Maritime Freight. The Decision notes that with this transfer of the CPCN, Pacific Maritime Freight would be able to provide freight transport service to Pebbly Beach at Avalon or to the Isthmus among other places if, and when, it could obtain the right⁵ to dock in those locations from the owners of the docks.⁶

On May 18, 2017, Applicant filed its Third Revised Tariff page 3 that provided a rate of \$295.00 per hour, plus fuel costs, base rate with a Minimum

³ *Id.* at 4-5.

⁴ "Pacific Maritime Group was authorized by the Commission as a VCC in D.03-07-018 to acquire Antone Sylvester Tug Service, Inc.'s authority to operate as a VCC transporting passengers and baggage to Catalina Island. Subsequently, in D.17-05-002, the Commission approved the transfer of Catalina Freight Line, Inc. to PMG for it to operate as a VCC transporting freight to and from Santa Catalina Island. At this time, PMG provides only cargo transport service to Catalina Island." (Response of Pacific Maritime Group, Inc. d/b/a/ Pacific Tugboats (VCC-88) to Administrative Law Judge (ALJ) Questions of July 26, 2024 at 4.)

⁵ D.24-12-036 notes that only Avalon Freight Service has the exclusive contract to dock at Pebbly Beach. D.24-12-036 recommended an OII be created to address the potential monopoly of Avalon Freight Service. Application of Avalon Freight Services, D.24-12-036 at 21 at 21. At present there is no Order Instituting Investigation into Avalon Freight Services.

⁶ *Id.* at 5.

Charge of 8 hours, for landing craft service to and from Santa Catalina Island. Commission Resolution TL-19139 was adopted and issued on June 24, 2022. At that time it granted VCC temporary authority for one year to adjust their fares and rates within a “zone of reasonableness” whose upper limit is twenty percent (20%) above currently authorized fares and rates. In response to adoption of TL-19139 Applicant revised its freight transport fare to from \$295 to \$354.00 per hour, plus fuel costs with a Minimum Charge of eight (8) hours, for landing craft service to and from Catalina Island.⁷

The Commission issued Resolution TL-19141 on June 9, 2023 extending the emergency authority to increase rates and fares granted to the VCCs in Commission Resolution TL-19139 by one year, expiring on June 9, 2024.⁸ Therefore, Applicant alleges that while they benefitted from the authorized 20% fare increase, the extraordinary economic conditions created by COVID-19, inflation, a precipitous drop in demand and surging fuel prices have created substantial increases in operating costs causing Applicant’s existing rate increase request to be insufficient to sustain profitable operations on its landing craft service to and from Catalina Island.⁹

In their initial Application, Applicant asked for authority, pursuant to Sections 454 and 491 of the Public Utilities Code, to increase its current temporary freight transport rate of \$354.00 per hour to a permanent rate of \$390.00 per hour.¹⁰ In its Amended Application, Applicant revised their request

⁷ *Id.* at 5-6, Amended Application at 5.

⁸ Amended Application at 5.

⁹ *Id.*

¹⁰ Per Section 12 of their October 17, 2022 Application, entitled “Requested Increase in Freight Transport Rates,” Applicant stated that, “[b]y this Application, authority is requested, pursuant

Footnote continued on next page.

from \$354.00 per hour to a permanent rate of \$695.00 per hour.¹¹ This rate is significantly higher than the \$390.00 per hour rate requested in Applicant's initial Application for a rate increase filed on October 17, 2022. Applicant notes as such, stating the increased rate is necessitated due to substantial increases in labor costs due in part to labor shortages arising from COVID-19, general and administrative costs, inflation which has made borrowing more expensive, a precipitous decline in demand, and surging fuel costs.¹²

Applicant agrees their Amended Application requested rate increase is above the 20% allowed under a Zone of Rate Freedom (ZORF).¹³ Applicant provided confidential documents in support of this increase with their Amended Application and also in response to orders for more information on July 26, 2024 and May 6, 2025 arguing this rate increase is justified under the circumstances.

1.2. Procedural Background

On October 17, 2022, Applicant filed the instant application for authority to increase rates on its VCC service operated out of Los Angeles, Long Beach and Redondo Beach Harbors, and connecting to Avalon, Two Harbors and the Isthmus on Santa Catalina Island, and all the Camps and Beaches that surround Santa Catalina Island. The Commission held a preliminary prehearing conference (PHC) on January 17, 2023, to address the issues of law and fact,

to Sections 454 and 491 of the Public Utilities Code, to increase its current temporary freight transport rate of \$354.00 per hour to a permanent rate of \$390.00 per hour." Application at 6.

¹¹ Per Section August 2, 2023 Amended Application, entitled "Requested Increase in Freight Transport Rates," Applicant states that, "[b]y this Application, authority is requested, pursuant to Sections 454 and 491 of the Public Utilities Code, to increase its current temporary freight transport rate of \$354.00 per hour to a permanent rate of \$695.00 per hour." Application at 5. Amended Application at 5-6.

¹² Amended Application at 6.

¹³ A 20% increase in base rate from \$354 is \$424.80.

determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary. The January 17, 2023 hearing was cut short, however, because necessary parties were not available to attend on behalf of the Applicant. This matter was thereafter reassigned to a new ALJ who held another PHC on May 30, 2023 to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary.

The Applicant thereafter moved for leave to amend the Application and on August 2, 2023 Applicant filed the Amended Application. After considering the Application and Amended Application, and the discussion at the PHC, the Commission determined the issues and initial schedule of the proceeding to be set forth in the Scoping Memo.

2. Issues Before the Commission.

2.1. Issues Before the Commission as Addressed in the Scoping Memo.

On March 11, 2024, the assigned ALJ issued the Scoping Memo identifying issues as:

1. Is the Applicant affiliated with, share common ownership with and/or conduct coordinated business operations with any other business entity providing, passenger, freight and/or docking services on Catalina Island?
2. Is there a competitor or competitors providing similar and/or overlapping services as that currently provided by the Applicant? If not how are the proposed freight transport rate increase is justified, necessary, and reasonable given that the Applicant is operating in a monopoly?
3. If there is competition, is the projected Operating Ratio which would result from the proposed rate increase within the reasonable range of prior Commission approvals of

freight transport rates increases for vessel common carriers; and

4. If there is competition, is it reasonable for the Commission to authorize Applicant to adjust its freight transport rates within a ZORF for up to twenty percent above and below its base freight transport rates. Should the Commission authorize a 20% ZORF?
5. Does the proposed service comport with the Commission's Environmental and Social Justice Policy (ESJ)?

These issues identified complicated questions of ownership between the various ferry companies that service Catalina Island. The ownership structure of the several companies at issue that provide either commercial or passenger freight service to the island became a question of fact to be addressed by the various different ALJs assigned to these matters.

In order to clarify these questions, on July 2, 2024, the Commission issued the, "Joint Assigned Administrative Law Judges' Ruling Setting a Remote Joint Status Conference in this matter; in Application (A.) 23-11-013, Application of Avalon Freight Services LLC (VCC-91) (AFS) For Authorization to Modify Rates for Its Scheduled VCC Freight Service Between the Port of Los Angeles, California on the one hand, and Avalon on Santa Catalina Island on the other hand; and A.23-02-017, Application of Catalina Channel Express Inc. (VCC-52), a California Corporation (CCE), to increase the baseline rates for its vessel common carrier service and to retain its existing ZORF." The ruling included additional questions of the ALJs directed at each applicant to be addressed at the hearing and by written submission.¹⁴ All parties filed responses. Applicant filed their responses on July 26, 2024.

¹⁴ See Joint Assigned Administrative Law Judge's Ruling Setting a Remote Joint Status Conference.

On August 2, 2024, Commission held the joint status conference remotely by WebEx with the applicable parties, ALJs and the Assistant Chief ALJ assigned to the three proceedings. The Parties were represented by Counsel and appeared to answer questions about the respective ownership and business practices and routes of the three companies. On August 3, 2023 and May 6, 2025, Applicant filed for leave to file confidential records under seal. Those motions are both granted. On September 18, 2025, the Commission extended the statutory deadline for this matter to April 17, 2026.

2.2. Issues Before the Commission as Addressed in the Applications.

As noted, the Scoping Memo raised issues concerning corporate monopoly, ownership structure and lack of competition. Applicant also addresses additional issues, including whether:

- (1) The proposed increases in the freight transport rates are justified, necessary and reasonable.
- (2) The projected Operating Ratio which would result from the proposed rates increase is within the reasonable range of prior Commission approvals of freight transport rates increases for vessel common carriers.
- (3) It is reasonable for the Commission to authorize Applicant to adjust its Freight transport rates beyond the ZORF authorized by the Commission in Resolution TL-19139 due to circumstances beyond Applicant's control.

3. Submission Date

This matter was submitted on May 6, 2025, upon receipt of the Applicant's response to the April 21, 2025 Ruling directing Applicant to file additional information in support of their Applications.

4. Jurisdiction

Article XII of the California Constitution and Section 701 of California Public Utilities (Pub. Util.) Code provides the Commission with broad authority to establish rules relating to the transportation of passengers and property by transportation companies. The Commission has jurisdiction over requests for rate adjustments per, among others, Pub. Util. Code Section 454 and Section 491. Pub. Util. Code Section 454.2 permits the Commission to establish a ZORF for any passenger stage transportation service which is operating in competition with other passenger transportation service providers. The Commission extended the ZORF concept to VCCs by D.98-12-016.¹⁵ The Application meets the requirements in Rule 3.2 for authority to increase rates.

5. Requested Increase in Freight Transport Rate and Discussion

In their Amended Application, Applicant requests authority to increase rates by nearly 200%¹⁶ on its VCC service operated out of Los Angeles, Long Beach and Redondo Beach Harbors, and connecting to Avalon, Two Harbors and the Isthmus on Santa Catalina Island, and all the camps and beaches that surround Santa Catalina Island from \$354.00 per hour, plus fuel costs with a minimum charge of 8 hours, for landing craft service to and from Catalina Island to \$695 per hour for the same.

¹⁵ See D.02-10-004, Finding of Fact 2.

¹⁶ Approximately 196% to 197%. \$695 is 196.33% of \$354. \$695 is 235.6% of \$295. Applicant asks for an increase of \$341 in addition to their present rate of \$354 per hour. This is an *additional* 49.06% increase from their present base rate for a rough increase of nearly 200%.

As evidence of need, they provide their certified articles of incorporation,¹⁷ their certificate of status,¹⁸ their May 18 2017 approved tariff page enabling Applicant to raise their base rate from \$295 to \$354 plus fuel costs,¹⁹ the revised 2022 tariff page under Commission Resolution TL-19139 enabling VCCs temporary authority for one year to adjust their fares and rates within a 20% ZORF,²⁰ and copies of their confidential²¹ and non-confidential operating expenses filed under seal and in the public docket.²² The Commission agrees that Applicant is a duly licensed and presently operating VCC.

In response to the assigned ALJ's April 21, 2025 ruling requiring Applicant to file additional information justifying the requested increase, Applicant filed their May 6, 2025 response, both on the public docket and under seal. In response to need and justification for the larger rate increase, Applicant wrote, in part, "PMG provided data and a detailed explanation for the necessary upward adjustment in rates due to substantial increases in its costs to serve Catalina. The Application is uncontested. Economic conditions have not improved since that time." Applicant provided the same data as initially included in their confidential materials filed in conjunction with their Amended Application as they did with the Response data.²³ The Cost Data Worksheets are informative

¹⁷ Amended Application, Exhibit 1.

¹⁸ *Id.* at Exhibit 2.

¹⁹ *Id.* at Exhibit 3.

²⁰ *Id.* at Exhibit 4.

²¹ *Id.* at Exhibit 5, filed under seal.

²² *Id.* at Exhibit 6, filed in the public docket.

²³ Amended Application, Exhibit 5 2023 Cost Data Worksheet; Response to Administrative Law Judge's Request for Supplemental Information of May 6, 2025, Exhibit 1, 2024 Cost Data Worksheet.

but not dispositive on the issue. The data has not changed over the course of a year to justify such an extreme rate increase.

Applicant has not provided sufficient data to explain their associated costs, the comparable cargo costs of similarly sized competitors shipping cargo to and from Catalina Island, and the economic impact of a nearly 200% increase in base rate plus costs on the relatively small island. In response to a question asking for competition sources for cargo deliveries to and from Catalina, Applicant wrote in part, “any issues related to the lack of competition for passenger service to Catalina Island, have no bearing on PMG’s operations.”²⁴ This is accurate but not dispositive on the issue of justifying Applicant’s competition or lack thereof in freight cargo transportation to and from Catalina Island.

Moreover, and equally important, Applicant has not explained their rationale from the change in projected operating costs from their Application to their Amended Application. The analysis and the data, of both the Application and Amended Application are the same. “The Applicant projects that the freight transport revenues on its service to and from Santa Catalina Island in a Theoretical Next Year will be in the range of \$45,000 to \$55,000, and that operating expenses will continue to increase as they have been recently, especially with higher costs for fuel.”²⁵ The projected costs of the theoretical next year have not changed from Applicant’s filing in 2022 through their updated responses of 2025. Therefore, we operate under the reasoning they are stable and

²⁴ Response to Administrative Law Judge’s Request for Supplemental Information of May 6, 2025, *supra*.

²⁵ Application at Section 15, Comparison of Revenues and Operating Expenses, at 7; Amended Application at Section 15, Comparison of Revenues and Operating Expenses, at 7.

anticipated costs that Applicant has become accustomed to working with in the past three years.

Finally, while we initially believed Applicant may have suffered loss because of monopoly concerns by other freight carriers in the area, that is no longer the issue.²⁶ In its responses of July 26, 2024, Applicant addressed the concerns of the joint ALJs as to ferry monopolies operated on and about Santa Catalina Island.²⁷ Applicant provides cargo, not passenger, transport service to Catalina Island. Their landing craft delivers materials, supplies for camps, food, water, dumpsters and vehicles to service grease traps for the kitchens on the Island.²⁸ Their transport route includes cargo transport service to Camp Cherry, Moonstone, and the Newport Yacht Club and there is no facility on the Island that they do not service.²⁹ They have competition with other freight ferry carriers. Avalon Freight Service provides cargo transport service, and it is Applicant's understanding that Curtin Maritime also provides cargo transport service to Catalina Island.³⁰

As noted, Applicant was authorized by the Commission as a Vessel Common Carrier in D.03-07-018 to acquire Antone Sylvester Tug Service, Inc.'s authority to operate as a Vessel Common Carrier transporting passengers and baggage to Catalina Island. Subsequently, in D.17-05-002, the Commission

²⁶ Application of Avalon Freight Services LLC (VCC-91) For Authorization to Modify Rates for Its Scheduled VCC Freight Service Between the Port of Los Angeles, California on the one hand, and Avalon on Santa Catalina Island on the other hand, A.23-11-013, D.24-12-036, issued on December 23, 2024.

²⁷ Response of Pacific Maritime Group, Inc. d/b/a/ Pacific Tugboats (VCC-88) to Administrative Law Judge Questions, of July 26, 2024.

²⁸ *Id.* at 3.

²⁹ *Id.*

³⁰ *Id.* at 3-4.

approved the transfer of Catalina Freight Line, Inc. to Applicant to operate as a VCC transporting freight to and from Santa Catalina Island. At this time, Applicant provides only cargo transport service to Catalina Island, not passenger service. Applicant's vessels and Vessel Common Carrier Service license to Catalina are not approved by the U.S. Coast Guard to transport passengers.³¹ Therefore, Applicant has no affiliation with the other ferry companies Avalon Freight Services and Catalina Channel Express for services provided to and from Santa Catalina Island sufficient to raise monopoly or ownership concerns.

On December 19, 2024, the CPUC issued D.24-12-036 granting Avalon Freight Services LLC a general fare increase and partially granting and partially denying their ZORF A.23-11-013,³² In that matter and through testimony provided by Applicant, Pacific Tugboats, Avalon Freight Services was discovered to have a monopoly³³ over one freight dock at Pebbly Beach on Catalina Island. This perceived de facto monopoly essentially prohibited Applicant from using that dock for loading or unloading their product. It similarly inspired the Commission to investigate the continuation of such monopoly practices of Avalon Freight Services. The remaining two carriers, Applicant and Catalina Channel Express were no longer implicated.³⁴ At present

³¹ *Id.* at 4.

³² Application of Avalon Freight Services LLC (VCC-91) For Authorization to Modify Rates for Its Scheduled VCC Freight Service Between the Port of Los Angeles, California on the one hand, and Avalon on Santa Catalina Island on the other hand, A.23-11-013, filed on November 20, 2023. Decision 24-12-036 issued December 19, 2024.

³³ "AFS operates in a monopoly regarding shipments at the Pebbly Beach freight dock, which handles approximately 90 percent of freight to and from the Island." *Id.*, at 31.

³⁴ "This decision recommends that the Commission initiate an OII to study issues related to transportation to and from the Island." *Id.*, at 30.

there is no open Order Instituting Investigation into this issue regarding Avalon Freight Services.

Aside from monopoly concerns, Applicant cites in its application many of the other factors that contribute to increased costs, both current and anticipated. One expense is related to the decline in revenue. Applicant states that they suffered substantial decreases in the number of requested freight transport trips over the past several years, post-COVID, and have subsequently had declining revenues. They state that the decreased demand stems in large part from the closure or scaled-back operation of certain campgrounds on Catalina Island.³⁵

Applicant continues this argument in their Response to Administrative Law Judge Request for Supplemental Information, of May 6, 2025. Applicant has fewer clients on the island that require freight ferry service on as regular a basis in the post-COVID years as they did in the pre-COVID years before 2018. Many of the campsites that operated on the island are no longer in business and there are too few to sustain Applicant's revenue stream to the rates Applicant was accustomed to before 2019.

Applicant's argument is correct in that they cannot expect to reach their pre-2019 revenues with the hourly rates they presently have in place under these circumstances, but their conclusion as to how much to increase the rate base is incorrect. Per Applicant's statements, the majority of the businesses that used Applicant's freight services have gone out of business since the COVID-19 era

³⁵ Amended Application at Section 13, at 6; Application at Section 13, at 6.

lockdowns.³⁶ A nearly 200% increase in base rate is extreme and may drive the remaining few businesses on the island who solicit their custom out of business.

Moreover, Applicant's argument that an over 236%³⁷ increase in base rate from \$295 to \$695 is justifiable, under the circumstances, and is sufficient to maintain at or near a one-to-one operating ratio is without sufficient backing.³⁸ Applicant has not provided enough or sufficient evidence justifying their premised, "one to one" operating ratio³⁹ at their present or prospective rates of either \$295, \$354, or \$695. This conclusion is based on this reasoning and the documents submitted in the confidential and non-confidential information filings. Applicant states their operating ration is essentially one to one, with little to no documentation in support of their Amended Application. As noted the materials presented in both confidential and non-confidential format are identical for the initial Application and the Amended Application.

While we can consider this material to be sufficient to support the Application of a rate increase from \$354 to \$390, plus inflation, they are not sufficient to support the requested rate increase from \$354 to \$695 as the evidence provided by Applicant in their initial Application and their Amended Application is the exact same. There is no distinction between expenses

³⁶ "Substantial decreases in the number of requested freight transport trips over the last few years have resulted in declining revenues. The decreased demand stems in large part from the closure or scaled-back operation of certain campgrounds on Catalina Island." (Amended Application, Section 13, Declines in Revenue at 6.)

³⁷ \$695 is 235.6% of \$295.

³⁸ "The Applicant projects that with an approved freight transport rate increase from \$295.00 per hour set in the last Commission decision on a regular rate increase application issued in 2017 to \$695.00 per hour, the projected operating profit for the Theoretical Next Year would not exceed 10% or result in an Operating Ratio above 1.0, as documented in Confidential Exhibit 5."

³⁹ *Balboa Island Ferry, Inc.*, D.20-02-055 (February 27, 2020) 2020 WL 1667248 "An OR [operating ratio] within the range of 90 - 100% has been considered an acceptable ratio."

submitted. Therefore, if this information is sufficient to support the initial Application, filed first in time, it is not sufficient to support the Amended Application, filed several months later.

For these reasons, while we grant Applicant's initial Application and increase in base rate, we cannot justify a nearly 200% increase from \$354 to \$695.

6. About ZORF and Discussion

Article XII of the California Constitution provides the Commission with broad authority to establish rules relating to the transportation of passengers and property by transportation companies: "The [C]ommission may fix rates and establish rules for the transportation of passengers and property by transportation companies[.]"⁴⁰ Pub. Util. Code Section 701 also similarly provides the Commission with this broad authority: "The [C]ommission may supervise and regulate every public utility in the State and may do all things, whether specifically designated in this part or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction."⁴¹

California Public Utilities Code Section 454.2 permits the Commission to establish a ZORF, stating that:

[T]he commission may establish a 'zone of rate freedom' for any passenger stage transportation service which is operating in competition with other passenger transportation service from any means of transportation, if the competition together with the authorized zone of rate freedom will result in reasonable rates and charges for the passenger stage transportation service. An adjustment in rates or charges within a zone of rate freedom established by the commission is hereby deemed just and reasonable. The [C]ommission may, upon protest or its own motion, suspend any adjustment

⁴⁰ See California Constitution, Article XII, Section 4.

⁴¹ See Pub. Util. Code Sec. 701.

in rates or charges under this section and institute proceedings under its rules of practice and procedure.⁴²

The Commission extended the ZORF concept to VCCs by D.98-12-016.⁴³

Applicant states that it would be difficult to continue operations without the requested rate increase well beyond their 20% approved ZORF. While we deny Applicant's Amended Application of a base rate increase alternatively from either \$295 or \$354 to \$695, we do grant continuation of Applicant's presently enacted 20% ZORF above and below their base rate. As noted, we grant Applicant a modified new base rate of \$500.00 which may be used as the premise of their continued 20% above or below base rate ZORF.

7. Compliance with the California Environmental Quality Act (CEQA)

The Commission is obliged to determine whether an application for a base fare increase is subject to environmental review pursuant to the CEQA, and we do so here. CEQA requires the lead agency⁴⁴ to conduct an environmental review of any "project" for consideration in determining whether to grant the requested authority. CEQA Guideline Section 15378(a) define "project" in relevant part as follows:

"Project" means the whole of an action, which as a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical

⁴² See Pub. Util. Code Sec. 454.2

⁴³ See D.02-10-004, Finding of Fact 2.

⁴⁴ A Lead Agency is a public agency that has the principal responsibility for carrying out or approving a project. The Lead Agency is responsible for determining whether its approvals are subject to CEQA environmental review and, if so, determining whether a Negative Declaration, Mitigated Negative Declaration (MND), or Environmental Impact Report (EIR) needs to be prepared. The Lead Agency is responsible for preparation of the required Negative Declaration (ND), Mitigated Negative Declaration, or EIR. (Cal. Code Regs. tit. 114, §§ 15052(a)(3) and 15096(e); *see generally*, Cal. Govt. Code §§ 65100–65700).

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.

The proposed base fare increase(s) requested by Applicant will not change its VCC service and is not expected to increase trips. It therefore will not result in a direct physical change to the environment or a reasonably foreseeable indirect physical change in the environment. Accordingly, the proposed base fare increase is not a “project” and is, therefore, not subject to environmental review pursuant to CEQA.

8. Compliance with Commission’s Environmental and Social Justice (ESJ) Action Plan

On April 7, 2022, the Commission adopted version 2.0 of its ESJ Action Plan as a comprehensive strategy and framework for addressing ESJ issues in each proceeding. Environmental justice means the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, and enforcement of environmental laws, regulations, and policies. The Commission’s ESJ Action Plan identifies existing inequities and proposes actions for how the Commission can use its regulatory authority to address health and safety, consumer protection, program benefits, and enforcement to encompass all the industries it regulates, including energy, water, and communications programs. Goal 3 of the Commission’s ESJ Action Plan is to improve access to high-quality water, communications, and transportation services for ESJ communities. ESJ communities on Santa Catalina Island benefit from the ongoing availability of transportation to and from the California mainland. We conclude that this decision meets with the Commission’s ESJ Action Plan goals.

9. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the “Public Comment” tab of the online Docket Card for that proceeding on the Commission’s website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. There are no public comments appearing on the Docket Card for this proceeding.

10. Conclusion

We partially grant Applicant’s initial Application for a rate increase of \$354 to \$390 plus inflationary costs. We calculate this additional sum as such: Applicant’s base rate is presently \$354 per hour excluding costs. The U.S. Bureau of Labor Statistics CPI inflation calculator⁴⁵ notes that \$390 in September 2022 was the same buying power as \$426.78 in September of 2025. We then calculate a 15% increase of \$427.00 to be \$64.05. 115% of \$427 is \$491.05. We take the opportunity to round to the next whole number in an approximately \$10 increment to \$500.00.

We therefore grant Applicant’s Application for a base rate increase from \$354 to \$390 plus inflationary costs and a 15% increase for a total base rate increase amounting to \$500.00 per hour, and deny Applicant’s Amended Application for a rate increase from \$354 to \$695 per hour. Applicant has not provided facts sufficient to justify a nearly 200% increase in the base rate from \$354 to \$695, or alternatively 236% increase from \$295 to \$695 in their Amended Application. Nor has Applicant pleaded facts sufficient to justify such a

⁴⁵ We take judicial notice of the U.S. Federal Bureau of Labor Statistics inflation calculator (CPI Inflation Calculator) and include a pdf print, attached. Cal. Evid. Code § 451, et seq.

dramatic increase in rates well beyond the presently authorized 20% ZORF approved by the Commission.

Nonetheless as noted, we grant Applicant's original Application for leave to increase base rates from \$354 to \$390 per hour, plus fuel costs, with a minimum charge of 8 hours, for landing craft service to and from Catalina Island with an additional \$110.00 increase to a total of \$500 per hour for the same. We similarly grant leave for Applicant to maintain their presently adopted ZORF of 20% below and above the newly stated base rate of \$500.00 per hour.

11. Procedural Matters

This decision affirms all rulings made by the ALJ and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied. Applicant's August 3, 2023 and May 6, 2025, motions for leave to file confidential records under seal are granted.

12. Comments on Proposed Decision

The proposed decision of Administrative Law Judge (ALJ) Lena Afary was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

13. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Lena Afary is the assigned ALJ in this proceeding.

Findings of Fact

1. Pacific Maritime Group is a California corporation, currently doing business as Pacific Tugboats. Applicant is a VCC service operated out of Los Angeles, Long Beach and Redondo Beach Harbors, and connecting to

Avalon, Two Harbors and the Isthmus on Santa Catalina Island, and all the Camps and Beaches that surround Santa Catalina Island.

2. In March of 2019, Applicant, the holder of the CPUC Certificate for VCC-88, changed its name to Pacific Maritime Group, Inc. Applicant under its prior name of Pacific Maritime Freight, Inc. ("Pacific Maritime Freight") has been authorized by the Commission as a VCC-88 since the Commission's D.03-07-018 issued on July 10, 2003 granting Pacific Maritime Freight's Application to purchase and acquire Antone Sylvester Tug Service, Inc.'s operating authority and property. Antone Sylvester Tug Service had been a Commission-authorized VCC since September of 1996 when the Commission issued D.96-09-029 authorizing its transport of passengers and baggage in and from harbors in Southern California.

3. Commission D.99-10-067 issued on October 21, 1999 authorized Sylvester Tug to transport property by vessel between points in the harbors of Southern California on the one hand and points on Santa Catalina Island, excluding the ports at Avalon and the Isthmus.

4. Pacific Maritime Group was authorized by the Commission as a VCC in D.03-07-018 to acquire Antone Sylvester Tug Service, Inc.'s authority to operate as a VCC transporting passengers and baggage to Catalina Island.

5. Subsequently, in D.17-05-002, the Commission approved the transfer of Catalina Freight Line, Inc. to PMG for it to operate as a VCC transporting freight to and from Santa Catalina Island.

6. Applicant provides only cargo transport services to and from Catalina Island.

7. In Commission D.17-05-002 dated May 11, 2017, the Commission approved the transfer of Catalina Freight Line, Inc. (VCC-58)'s CPCN license to operate as

a VCC transporting freight to and from Santa Catalina Island to Pacific Maritime Freight.

8. That Decision notes that with this transfer of the CPCN, Pacific Maritime Freight would be able to provide freight transport service to Pebbly Beach at Avalon or to the Isthmus if, and when, it could obtain the right to dock in those locations from the owners of the docks.

9. On May 18, 2017, Applicant filed its Third Revised Tariff Page 3 that provided a rate of \$295.00 per hour, plus fuel costs, with a Minimum Charge of 8 hours, for landing craft service to and from Santa Catalina Island. When Commission Resolution TL-19139 adopted and issued on June 24, 2022 granted VCCs temporary authority for one year to adjust their fares and rates within a “zone of reasonableness” whose upper limit is twenty-percent (20%) above currently authorized fares and rates, Applicant revised its freight transport fare to \$354.00 per hour, plus fuel costs with a Minimum Charge of eight (8) hours, for landing craft service to and from Catalina Island.

10. The proposed base fare increase(s) requested by Applicant will not change its VCC service and is not expected to increase trips. It therefore will not result in a direct physical change to the environment or a reasonably foreseeable indirect physical change in the environment.

11. On April 7, 2022, the Commission adopted version 2.0 of its ESJ Action Plan as a comprehensive strategy and framework for addressing ESJ issues in each proceeding.

12. Environmental justice means the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, and enforcement of environmental laws, regulations, and policies.

13. The Commission's ESJ Action Plan identifies existing inequities and proposes actions for how the Commission can use its regulatory authority to address health and safety, consumer protection, program benefits, and enforcement to encompass all the industries it regulates, including energy, water, and communications programs.

14. Goal 3 of the Commission's ESJ Action Plan is to improve access to high quality water, communications, and transportation services for ESJ communities. ESJ communities on the Island benefit from the ongoing availability of transportation to and from the California mainland.

15. The Application meets the requirements in Rule 3.2 for authority to increase base rates from \$354 to \$500.

16. The Application meets the requirements in Rule 3.2 for authority to maintain its ZORF of 20% above and below the base rate.

Conclusions of Law

1. Article XII of the California Constitution and Section 701 of California Public Utilities Code provides the Commission with broad authority to establish rules relating to the transportation of passengers and property by transportation companies.

2. The Commission has jurisdiction over requests for rate adjustments per, among other codes, California Public Utilities Code Section 454 and Section 491 and this decision is pursuant to Sections 454 and 491 of the Public Utilities Code.

3. California Public Utilities Code Section 454.2 permits the Commission to establish a ZORF for any passenger stage transportation service which is operating in competition with other passenger transportation service providers.

4. California Public Utilities Code 454.2 permits the Commission to establish a ZORF, stating that: [T]he commission may establish a 'zone of rate freedom' for

any passenger stage transportation service which is operating in competition with other passenger transportation service from any means of transportation, if the competition together with the authorized zone of rate freedom will result in reasonable rates and charges for the passenger stage transportation service.

5. An adjustment in rates or charges within a zone of rate freedom established by the commission is hereby deemed just and reasonable. The [C]ommission may, upon protest or its own motion, suspend any adjustment in rates or charges under this section and institute proceedings under its rules of practice and procedure.

6. The Commission extended the ZORF concept to VCCs by D.98-12-016.

7. In Commission D.17-05-002 dated May 11, 2017, the Commission approved the transfer of Catalina Freight Line, Inc. (VCC-58)'s CPCN license to operate as a VCC transporting freight to and from Santa Catalina Island to Pacific Maritime Freight.

8. Decision 17-05-002 notes that with this transfer of the CPCN, Pacific Maritime Freight would be able to provide freight transport service to Pebbly Beach at Avalon or to the Isthmus if, and when, it could obtain the right to dock in those locations from the owners of the docks.

9. The Commission issued Resolution TL-19141 on June 9, 2023 extending the emergency authority to increase rates and fares granted to the VCCs in Commission Resolution TL-19139 by one year, expiring on in June of 2024.

10. The Commission is obliged to determine whether an application for a base fare increase is subject to environmental review pursuant to the CEQA.

11. CEQA requires the lead agency to conduct an environmental review of any "project" for consideration in determining whether to grant the requested authority.

17. CEQA Guideline Section 15378(a) define “project” in relevant part as follows: “Project” means the whole of an action, which as 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.

18. Accordingly, the proposed base fare increase is not a “project” and is, therefore, not subject to environmental review pursuant to CEQA.

12. A Lead Agency is a public agency that has the principal responsibility for carrying out or approving a project. The Lead Agency is responsible for determining whether its approvals are subject to CEQA environmental review and, if so, determining whether a MND, or EIR needs to be prepared.

13. The Lead Agency is responsible for preparation of the required Negative Declaration (ND), MND, or EIR pursuant to Cal. Code Regs. tit. 114, §§ 15052(a)(3) and 15096(e) and Cal. Govt. Code §§ 65100–65700).

14. Balboa Island Ferry, Inc., Decision 20-02-055 (February 27, 2020) 2020 WL 1667248, noted that “[a]n OR [operating ratio] within the range of 90 - 100% has been considered an acceptable ratio.”

19. This decision comports with the Commission’s ESJ Action Plan goals.

15. Application 22-10-013 should be closed.

O R D E R

IT IS ORDERED that:

1. The Commission grants Pacific Maritime Group, Inc., dba Pacific Tugboats’ motions for leave to file confidential records under seal.

2. Pacific Maritime Group, Inc., dba Pacific Tugboats is authorized to increase base rates from \$354 to \$390 per hour, plus fuel costs, with a minimum

charge of 8 hours, for landing craft service to and from Catalina Island with an additional \$110.00 cost of inflation increase to a total of \$500.00 per hour for the same.

3. Pacific Maritime Group, Inc., dba Pacific Tugboats is authorized to maintain their presently adopted Zone of Rate Freedom of 20% below and above the newly stated base rate of \$500.00 per hour.

4. Pacific Maritime Group, Inc., dba Pacific Tugboats may make changes within the Zone of Rate Freedom by filing amended tariffs on not less than 10 days' notice to the Commission and to the public. The tariff shall include the authorized maximum and minimum fares and the fare to be charged between each pair of service points.

5. To implement the increases authorized in this decision, Pacific Maritime Group, Inc., dba Pacific Tugboats shall, on or after the effective date of this decision, file revised tariff pages in accordance with General Order 117-Series. The revised pages and the fares listed in them shall be made effective no earlier than ten (10) days after the date of filing.

6. Pacific Maritime Group, Inc., dba Pacific Tugboats shall inform the public of the increased fares and their effective date by posting notice on 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.

7. This authority shall expire unless exercised within ninety (90) days after the effective date of this decision.

8. Application 22-10-013 is closed.

This order is effective today.

Dated _____, at _____, California.