



STATE OF CALIFORNIA

GAVIN NEWSOM, Governor

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

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February 11, 2026

Agenda ID #24034
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 25-09-003:

This is the proposed decision of Administrative Law Judge David Van Dyken. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's March 19, 2026, Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE

Michelle Cooke

Chief Administrative Law Judge

MLC:cg7

Attachment

Decision **PROPOSED DECISION OF ALJ VAN DYKEN** (Mailed 02/11/2026)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of CATALINA CHANNEL EXPRESS, INC. (VCC-52), a California Corporation, to increase the baseline rates for its vessel common carrier service and to retain its existing Zone of Rate Freedom.

Application 25-09-003

DECISION AUTHORIZING CATALINA CHANNEL EXPRESS, INC. A GENERAL FARE INCREASE AND A ZONE OF RATE FREEDOM**Summary**

This decision grants Catalina Channel Express, Inc. the authority to initiate a general fare increase pursuant to Public Utilities Code Section 454. This decision also: (1) grants authority to continue a Zone of Rate Freedom; (2) approves the application without the need to prepare an Environmental Impact Report, a Negative Declaration, or a mitigated Negative Declaration; and (3) affirms that the application aligns with the goals of the California Public Utilities Commission's Environmental and Social Justice Action Plan.

Application 25-09-003 is closed.

1. Background

Catalina Channel Express, Inc. (VCC-52) (CCE) is a vessel common carrier authorized to transport passengers and their baggage in scheduled service from Los Angeles Harbor (San Pedro), Long Beach Harbor, and Dana Point, on the one hand, and points on Santa Catalina Island (Island) on the other hand; and

between points along the shoreline of Los Angeles and Long Beach Harbors. CCE is also authorized to provide nonscheduled service between the Island and Los Angeles and Long Beach Harbors, and between points on the Island.

CCE says it has provided service between the Island and the mainland for 44 years, operates seven days per week, year-round, and has never missed a scheduled sailing other than as a result of a significant weather delay.

1.1. Factual Background

CCE's present fares were set by Decision (D.)25-06-046 on June 26, 2025. CCE says that prior to the issuance of D.25-06-046, CCE's baseline rates were last approved in D.08-07-036 on July 31, 2008. CCE says that since the issuance of D.08-07-036, the Consumer Price Index (CPI) has increased by almost 54 percent and has already increased by 7.5 percent since the issuance of D.25-06-046.¹

In D.98-12-016, the California Public Utilities Commission (Commission) authorized CCE to establish a Zone of Rate Freedom (ZORF) of 10 percent above and below its then existing fares. The existing fares became CCE's "baseline" fares establishing the upper and lower limits of the ZORF. Subsequent decisions have authorized CCE to expand its ZORF first to 15 percent in D.04-04-044, then to 20 percent in D.06-12-022. D.08-07-036 authorized CCE to establish its baseline fares seventeen years ago and maintained CCE's authority to modify its fares in a ZORF of 20 percent above and below its base rate. D.25-06-046 authorized CCE to continue the established 20 percent ZORF above and below the base rate.²

1.2. Procedural Background

On September 15, 2025, CCE filed Application (A.)25-09-003 requesting authorization from the Commission to increase the baseline rates for its vessel

¹ See Application at 4.

² See D.08-07-046, OP 2 at 24.

common carrier service and to obtain a Zone of Rate Freedom, allowing CCE a range of fares 20 percent above or below the baseline fare. On September 19, 2025, CCE filed its Notice of Compliance with Rule 3.2(b).

A prehearing conference (PHC) was held on December 16, 2025, 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.

On January 12, 2026, the assigned Commissioner issued a Scoping Memorandum and Ruling (Scoping Memo) for the proceeding. The Scoping Memo confirms the initial categorization of the proceeding as ratesetting and adopts a scope and schedule for the proceeding, including a determination that evidentiary hearings were not necessary.

1.3. Submission Date

This matter was submitted on January 12, 2026, upon filing of the Assigned Commissioner's Scoping Memo.

2. Jurisdiction

The Commission has jurisdiction over requests for rate adjustments per Public Utilities (Pub. Util.) Code Sections 454 and 491 and over requests for a ZORF per Pub. Util. Code Section 454.2 and longstanding Commission practice extending the ZORF concept to vessel common carriers. The Application meets the requirements in the Commission's Rules of Practice and Procedure (Rules) Rule 3.2 for authority to increase rates.

3. Issues Before the Commission

The Scoping Memo determined the issues for this proceeding are as follows:

- a. Does the application comply with applicable law, rules, and Commission decisions including but not limited to Pub. Util. Code Section 454 and Rule 3.2?

- b. Should the Commission authorize a general base fare increase of approximately 20 percent?
- c. Does the application comply with the requirements for a ZORF pursuant to Pub. Util. Code Section 454.2 and prior Commission decisions?
- d. Should the Commission continue to authorize a 20 percent ZORF?
- e. Does the application comply with the California Environmental Quality Act?
- f. Does the application align with or impact the achievements of any of the goals of the Commission's Environmental and Social Justice Action Plan?

4. Discussion

4.1. Request for Base Rate Increase

CCE requests the authority to increase its base rates by approximately 20 percent for its scheduled and non-scheduled passenger vessel common carrier service between authorized Southern California mainland points and authorized points on the Island.³ CCE notes that the CPI has increased by 7.5 percent since it first filed A.23-02-017 on February 24, 2023, which set its current fares by D.25-06-046.⁴ CCE says that vessel, fuel, labor, insurance, and other costs have also risen.⁵ CCE states that, because of these costs, it has increased its rate to \$84, the maximum permitted by the ZORF. A rise in the base rate of 20 percent would set \$84 as the new base rate.⁶ CCE says that if this application is granted, it would be permitted to sustain an operating ratio of approximately 90 percent.

³ See Application at 1.

⁴ See Application at 4.

⁵ See Application at 15.

⁶ See Prehearing Conference Transcript at 7.

Due to the cost increases affecting multiple aspects of CCE's business and costs related to other regulatory requirements, the Commission finds the requested fare increase reasonable and is granted.

4.2. Temporary Fuel Cost Surcharge

The last iteration of the Zone of Reasonableness Temporary Fuel Cost Surcharge was in Commission Resolution (Res.) TL-19155.⁷ CCE says that when the Commission issued D.25-06-046, it (1) effectively raised CCE's new maximum fare under its standard ZORF to a fare CCE was already charging due to the Fuel Cost Surcharge and (2) foreclosed CCE from seeking any further recourse to the Zone of Reasonableness adopted pursuant to the Fuel Cost Surcharge.⁸

With the issuance of D.25-06-046, which granted CCE's requested rate increase, CCE is no longer eligible for the Fuel Cost Surcharge.⁹

4.3. Continued Zone of Rate Freedom

CCE requests a ZORF of up to 20 percent above or below the base rate. CCE is not the only vessel common carrier providing passenger service between the Island and the Southern California mainland. Also, CCE states that most of its customers ride its vessels on an entirely discretionary basis. CCE states that it is the patronage of discretionary passengers and tourists that permits CCE to achieve the higher load factors that support affordable fares available to other passengers for whom a trip between Avalon and the mainland is more of a necessity than an option.¹⁰

⁷ See TL-19155, OP 2.

⁸ See Application at 6.

⁹ See Res. TL-19155, Ordering Paragraph 2, at 6.

¹⁰ See Application at 12.

CCE also states that it does not receive any subsidies from any federal, state, or regional agencies or public transportation program funds for its Commission-regulated vessel common carrier passenger service. CCE states that it is completely dependent upon revenues from passenger fares to cover its operating expenses and to earn a return on its investments in the service¹¹.

The minimum and maximum ZORF fares when applied to the Proposed Base Fares are shown in Appendix A to this decision.

CCE operates in competition with Catalina Passenger Service, Inc. (VCC-47) out of Newport Beach, another vessel common carrier providing passenger service between Santa Catalina Island and the California mainland.¹² Because there are other vessel common carriers providing passenger service between Santa Catalina Island and the California Mainland, the Commission finds that CCE is operating in competition. A ZORF of 20 percent above and below the base fare is reasonable and granted.

4.4. About Zones of Rate Freedom

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 commission may fix rates and establish rules for the transportation of passengers and property by transportation companies[.]”¹³ Pub. Util. Code Section 701 also similarly provides the Commission with this broad authority: “The commission may supervise and regulate every public utility in the State and may do all things,

¹¹ See Application at 15.

¹² See Prehearing Conference Transcript at 6 and D.24-12-010 generally.

¹³ See California Constitution, Article XII, Section 4.

whether specifically designated in this part or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction.”¹⁴

Pub. Util. 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 in rates or charges under this section and institute proceedings under its rules of practice and procedure.¹⁵

The Commission extended the ZORF concept to VCCs by D. 98-12-016.¹⁶

5. Compliance with the California Environmental Quality Act

The Commission is obliged to determine whether an application for a base passenger fare increase is subject to environmental review pursuant to the California Environmental Quality Act (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 Section 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

¹⁴ See Pub. Util. Code Section 701.

¹⁵ See Pub. Util. Code Section 454.2.

¹⁶ See D. 98-12-016, Conclusion of Law 1.

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.

The CCE's proposed round trip passenger base fare increase will not change its VCC service and 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 passenger fare increase is not a "project" and is, therefore, not subject to environmental review pursuant to CEQA.

6. Compliance with the Commission's Environmental and Social Justice Action Plan

On April 7, 2022, the Commission adopted version 2.0 of its Environmental and Social Justice (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.

As noted above, CCE's ridership primarily supports tourism to and from Santa Catalina Island. As ESJ communities both on Santa Catalina Island and the mainland benefit from the ongoing availability of transportation to and from the

Island, we conclude that approval of this Application will help promote and further the Commission's ESJ Action Plan goals.

7. 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.

No public comments have been received on the Docket Card for this proceeding.

8. Conclusion

It is the conclusion of the Commission to grant the base rate increase and ZORF as requested by CCE.

9. Procedural Matters

The Motion filed on September 15, 2025, by CCE for leave to file a portion of financial statements under seal is granted. In its motion, CCE seeks confidential treatment of Exhibit B of its application. CCE cites General Order 66-D, which pertains to the disclosure of information and records in the Commission's possession, recognizing that commercial sensitive information should be protected from public disclosure.

CCE states that it is a private corporation offering both regulated and unregulated services. CCE states that Exhibit B contains information regarding its operations and financial structure which, if disclosed, could disadvantage CCE in its operations outside of its regulated vessel carrier service.

CCE's motion to file under seal Exhibit B to its application is granted for a period of three years after the date of this decision. During this three-year period,

this information shall not be publicly disclosed except on further Commission order or Administrative Law Judge (ALJ) ruling. If CCE believes that it is necessary for this information to remain under seal for longer than three years, CCE may file a new motion showing good cause for extending this order by no later than 30 days before expiration of this order.

This decision affirms all other rulings made by the ALJ and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

10. Comments on Proposed Decision

Though no protest has been filed in this proceeding, due to the essential service CCE provides to and from the Island, this PD is mailed for comment. The proposed decision of ALJ David R. Van Dyken in this matter 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 _____.

11. Assignment of Proceeding

Matthew Baker is the assigned Commissioner and David R. Van Dyken is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. CCE is a vessel common carrier authorized to transport passengers and their baggage on scheduled and non-scheduled service between Los Angeles Harbor (San Pedro), Long Beach, and Dana Point on the one hand and points on Santa Catalina Island on the other hand, and between points along the shoreline of Los Angeles and Long Beach Harbors. CCE is also authorized to provide nonscheduled service between the Island and Los Angeles and Long Beach Harbors, and between points on the Island.

2. CCE does not receive any subsidy funding and is entirely dependent upon revenue from passenger fares.

3. CCE operates in competition with other vessel common carriers transporting passengers and their baggage between the California mainland and Santa Catalina Island.

4. The Commission last granted a base fare increase and a 20 percent ZORF on June 26, 2025, set by D.25-06-046.

5. The CPI has increased by 7.5 percent since CCE first filed A.23-02-017, which set its current fares by D.25-06-046. Additionally, vessel, fuel, labor, insurance, and other costs have also risen.

6. Because of these costs, CE has increased its rate to \$84, the maximum permitted by its current ZORF.

7. The proposed round trip passenger 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. Therefore, the fare increase is not subject to environmental review pursuant to CEQA.

8. CCE's request aligns with the Commission's ESJ Action Plan.

Conclusions of Law

1. Based on cost increases in CCE's operations, maintenance, labor, and increased regulatory requirements, CCE has a need to increase its base fares as prescribed by Pub. Util. Code 454 and Rule 3.2.

2. CCE should be granted a 20 percent ZORF in order to have needed flexibility to adjust fares as needed as prescribed by Pub. Util. Code Section 454.2.

3. With the issuance of D.25-06-046, CCE is no longer eligible for the Zone of Reasonableness Temporary Fuel Cost Surcharge.

4. A.25-09-003 should be closed.

O R D E R

IT IS ORDERED that:

1. Catalina Channel Express, Inc. (VCC-52) is authorized to establish the increased base fares in Application 25-09-003.

2. To implement the increases authorized in this decision, Catalina Channel Express, Inc. (VCC-52) shall, on or after the effective date of this decision, file revised tariff pages in accordance with the General Order 117-Series. The revised pages and the fares listed in them shall be made effective no earlier than 10 days after the date of filing.

3. Catalina Channel Express, Inc. (VCC-52) is authorized to establish a Zone of Rate Freedom of 20 percent above and below the proposed base fare in Application 25-09-003.

4. Catalina Channel Express, Inc. (VCC-52) may make changes within the Zone of Rate Freedom by filing amended tariffs on not less than 10 days' notice to the California Public Utilities Commission and to the public. The tariff shall include the authorized maximum and minimum fares and the fare to be changed between each pair of service points.

5. Catalina Channel Express, Inc. (VCC-52) 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.

6. This authority shall expire unless exercised within 90 days after the effective date of this decision.

7. The Motion filed on September 15, 2025, by Catalina Channel Express, Inc. (CCE) for leave to file Exhibit B of its application under seal is granted for a period of three years after the date of this decision. During this three-year period, this information shall not be publicly disclosed except on further California Public Utilities Commission order or Administrative Law Judge ruling. If CCE believes that it is necessary for this information to remain under seal for longer than three years, CCE may file a new motion showing good cause for extending this order by no later than 30 days before expiration of this order.

8. Application 25-09-003 is closed.

This order is effective today.

Dated March ___, 2026, at Sacramento, California