

Decision 26-03-027 March 19, 2026

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Avalon Freight Services LLC (VCC-91) For Authorization to Modify Rates for Its Scheduled Vessel Common Carrier Freight Service Between the Port of Los Angeles, California on the one hand, and Avalon on Santa Catalina Island on the other hand.

Application 25-12-001

DECISION GRANTING MOTION FOR INTERIM RATE ORDER OF AVALON FREIGHT SERVICE

Summary

This decision grants the motion of Avalon Freight Service (VCC-91) (AFS) for an interim rate order. This decision allows AFS to extend the Zone of Reasonableness fuel cost surcharge as described in Commission Resolution TL-19148 utilizing the base rates authorized in Decision 24-12-036 until the conclusion of this proceeding.

This proceeding remains open.

1. Background

Avalon Freight Service (VCC-91) (AFS) provides freight service by vessel between the Mainland of California at San Pedro and Santa Catalina Island (Island). AFS transports anything and everything the residents and businesses on the Island need that is too large to be carried as luggage on the cross-channel

passenger ferry. It transports fuel for Southern California Edison's electric generation plant, fuel for the City of Avalon's fuel dock, gasoline for the shoreside gas station, as well as groceries and other necessities for the Island's grocery stores, restaurants, and hotels. In addition, AFS transports non-potable water, vehicles, and household and personal items such as couches, televisions, and bicycles. By design, AFS is also prepared to transport emergency vehicles and other equipment to the Island for Los Angeles County Fire and Sheriff Departments in the event of a fire or other emergency.¹

On December 1, 2025, AFS filed an application with the Commission in accordance with Public Utilities Code (Pub. Util. Code) Section 454 and Rule 3.2 of the Commission's Rules of Practice and Procedure (Rules) to increase its rates for vessel common carrier service and to institute a Zone of Rate Freedom (ZORF).

In its last rate case, Decision (D.) 24-12-036 authorized AFS to continue its Zone of Reasonableness fuel cost surcharge described in Commission Resolution (Res.) TL-19148, utilizing its new rates until June 30, 2026.² In the instant application, AFS requested an interim order as soon as possible authorizing it to increase baseline rates by 10 percent while the Commission considers the baseline and ZORF requests in the application.³

In a Motion for Interim Rate Order filed by AFS on January 22, 2026, AFS acknowledged its original request in its application to increase baseline rates as

¹ See Application filed 12/1/2025 at 7.

² See D.24-12-036 at 33, OP 10.

³ See Application filed 12/1/2025 at 1-2.

soon as possible, but alternatively AFS requested to continue the employment of its fuel cost surcharge as described in Res. TL-19148. The effect of this order would be to maintain the financial status quo through the course of this proceeding. AFS warns that it will suffer a dramatic mid-year reduction in operating revenues after June 30, 2026, upon the expiration of the fuel cost surcharge. AFS' expects its Operating Ratio to fall to between 99.2 percent and 104 percent, creating an operating loss. If its motion is granted, AFS would retain the fuel cost surcharge until the conclusion of this proceeding, allowing AFS to avoid an operating loss.⁴

1.1. Submission Date

This matter was submitted on January 22, 2026, upon AFS filing the Motion for Interim Rate Order.

2. Jurisdiction

Article XII of the California Constitution and Pub. Util. Code Section 701 provide 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 other things, Pub. Util. Code Sections 454 and 491.

3. Issues Before the Commission

The sole issue in this decision is whether to grant AFS its requested interim rate order prior to the issuance of a final decision in this proceeding.

⁴ See Motion of AFS filed 1/22/2026 at 1-2.

4. Discussion

Due to the unique and vitally important service AFS provides to the Island, the Commission has an interest in ensuring AFS does not operate at a loss. To prevent AFS operating at a loss after June 30, 2026, and during the pendency of this proceeding, it is reasonable to extend the Zone of Reasonableness fuel surcharge through to the conclusion of this proceeding.

5. 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.

To date, no public comments have been received in this proceeding.

6. Conclusion

AFS may continue to utilize the Zone of Reasonableness fuel surcharge as described in Res. TL-19148 until the conclusion of this proceeding.

7. Procedural Matters

7.1. Motion for Interim Rate Order

The Motion filed on January 22, 2026, by AFS requesting issuance of an interim rate order is granted through this decision.

7.2. Motion for Leave to File Exhibits Under Seal

The Motion filed on December 1, 2025, by AFS for leave to file exhibits under seal is granted. In its motion, AFS seeks confidential treatment of Exhibits B, C, and E supporting its application.

AFS offers both regulated and unregulated services. AFS states that public disclosure of the information in the exhibits could disadvantage AFS in its operations outside of its regulated vessel carrier service. The data is sensitive because it could inform an analysis of AFS' competitive position and disclosure could subject AFS to an unfair business disadvantage. Good cause has been shown to grant this motion.

AFS' motion to file under seal the aforementioned exhibits 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 AFS believes that it is necessary for this information to remain under seal for longer than three years, AFS may file a new motion showing good cause for extending this order by no later than 30 days before expiration of this order.

8. Waiver of Comment Period

The Commission determines, on the Motion of AFS, that an emergency situation exists, and public necessity requires a waiver of the 30-day period for public review and comment. Accordingly, pursuant to Pub. Util. Code Section 311(g)(2) and Rule 14.6(c)(10) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

9. 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. AFS provides freight service by vessel between Mainland California at San Pedro and Santa Catalina Island.
2. AFS transports anything and everything the residents and businesses on Santa Catalina Island need that is too large to be carried as luggage on the cross-channel passenger ferry.
3. Through its Motion, AFS warns that it will suffer a dramatic mid-year reduction in operating revenues on June 30, 2026, upon the expiration of the Zone of Reasonableness fuel cost surcharge.
4. AFS expects the expiration of the Zone of Reasonableness fuel cost surcharge will cause its operating ratio to fall between 99.2 percent and 104 percent, creating an operating loss.
5. AFS requests to retain the fuel cost surcharge until the conclusion of this proceeding to avoid an operating loss.
6. The Commission has an interest in ensuring AFS does not operate at a loss.
7. This proceeding should remain open.

Conclusions of Law

1. Article XII of the California Constitution and Pub. Util. Code Section 701 provide 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 Pub. Util. Code Sections 454 and 491.

3. D.24-12-036 authorized AFS to continue its Zone of Reasonableness fuel cost surcharge as described in Commission Resolution TL-19148 until June 30, 2026.

O R D E R

IT IS ORDERED that:

1. Avalon Freight Services LLC (VCC-91) is authorized to continue its Zone of Reasonableness fuel cost surcharge as described in Commission Resolution TL-19148 utilizing its existing base rate until the conclusion of this proceeding.

2. The Motion filed on December 1, 2025, by Avalon Freight Service LLC (VCC-91) (AFS) for leave to file Exhibits B, C, and E 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 AFS believes that it is necessary for this information to remain under seal for longer than three years, AFS may file a new motion showing good cause for extending this order by no later than 30 days before expiration of this order.

3. Application 25-12-001 remains open.

This order is effective today.

Dated March 19, 2026, at Sacramento, California.

ALICE REYNOLDS
President
DARCIE L. HOUCK
JOHN REYNOLDS

MATTHEW BAKER
KAREN DOUGLAS
Commissioners