

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



March 2, 2016

Daniel F. Reidy, Esq.
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SUBJECT: DELAY IN COMMISSION ACTION ON REQUEST FOR EXTENSION OF FUEL SURCHARGE AUTHORITY FOR VESSEL COMMON CARRIERS

Dear Mr. Reidy,

In response to your January 5, 2016 letter, I would like to respond to several concerns that you raised.

First, your letter states that on or about November 10, 2015, you received, through the CPUC-FPSS Subscription for Transportation Daily items, notice and a copy of Draft Resolution TL-19120 was scheduled to be voted on at the December 17, 2015 Commission Meeting with an Agenda ID #14456.

On November 12, 2015, Transportation Enforcement staff withdrew the above-referenced item from the Commission Agenda. It appears a notice did not go out to the service list. That was an inadvertent error and I apologize for the oversight.

The Draft Resolution did not appear on the December 17, 2015 Agenda, see link below.

<https://ia.cpuc.ca.gov/agendadocs/3369.pdf>

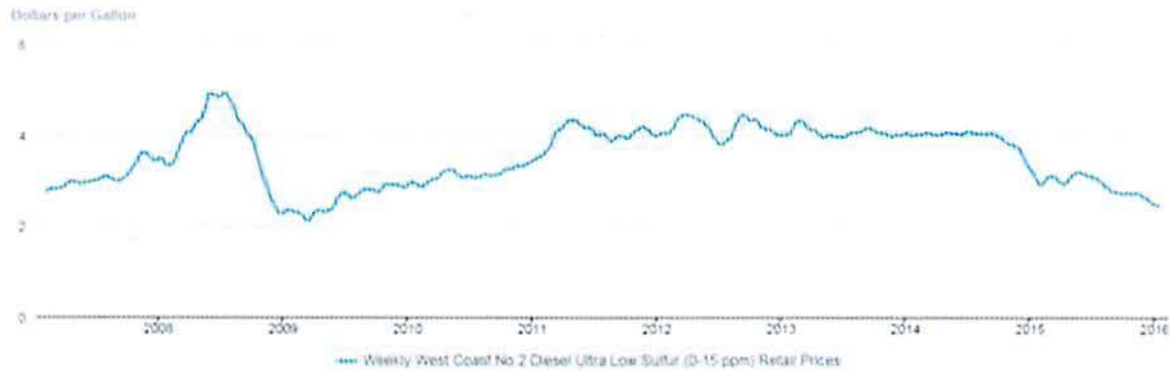
Second, regarding extension of fuel surcharge authority: your letter states that your Vessel Common Carrier (VCC) clients have requested and received extensions for fuel surcharge authority since 2004. You state that such requests were based on the fact that fuel costs have fluctuated and increased over the past 12 years.

Our staff looked into the West Coast cost of No.2 Ultra Low Sulfur Diesel (ULSD) fuel and since the week of 9/8/14, when the price was \$4.034 per gallon (/gal). The prices have steadily decreased to the current price of \$2.181/gal for the week of 2/22/16. In other words, for the past three months, the price of ULSD fuel has dropped about 40%. This is documented in the U.S. Energy Information Administration's (US EIA) Weekly West Coast No. 2 Diesel Ultra Low Sulfur (0-15 ppm) Retail Prices chart, which provides a week by week analysis of ULSD fuel prices from 2/12/07 to 2/15/16, see link below.

http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMD_EPD2DXL0_PTE_R50_DPG&f=W

Weekly West Coast No 2 Diesel Ultra Low Sulfur (0-15 ppm) Retail Prices

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Further, the US EIA Short Term Energy Outlook projects that ULSD fuel prices will not significantly rise anytime soon. West Coast ULSD diesel fuel retail price, which averaged \$2.71/gal in 2015, is projected to average \$2.22/gal in 2016 and \$2.58/gal in 2017, see link below.

http://www.eia.gov/forecasts/steo/report/us_oil.cfm

There is no basis for an extension of the fuel surcharge authority.

Finally, your letter also states that “the current fuel surcharge authority expires at approximately the end of the month, and the Commission’s non-action on our request will cause confusion among all VCCs that currently are charging customers rates and fares that include a fuel surcharge and could result in a wave of Applications to the Commission for rate and fare adjustments from any VCCs.” A surcharge approved by the Commission is not guaranteed for life. It is only good for the time period it is approved. If an extension of the fuel surcharge is not granted, once that period ends, the rates that vessel common carriers charge revert back to the prices they charged prior to the surcharge being approved.

If any vessel common carrier believes it still needs an extension of the fuel surcharge authority, there are a few options they can consider to get their rates and fares raised. As your letter states, one option is to file an Application with the Commission to request an increase in their rates. Another option is to request an increase of their Zone of Rate Freedom Authority (ZORF). Either way, any request for a fuel surcharge or increase in rates requires justification.

Should you have any questions about the fuel surcharge data provided, please contact Brewster Fong by email at bfs@cpuc.ca.gov or if you prefer to discuss by phone at (415) 703-2187.

Sincerely,

Timothy J. Sullivan
Executive Director