



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JUNE 12, 2012

FROM: BUSINESS & TRADE DEVELOPMENT

SUBJECT: PERMANENT ORDER NO. _____ AMENDING ITEMS 550/560-050, 550/560-600, 550/560-605, 550/560-610, 550/560-615, 550/560-620 AND 550/560-625 OF THE PORT OF LOS ANGELES TARIFF NO. 4, SECTION FIVE, PETROLEUM AND PETROCHEMICAL PRODUCTS

SUMMARY:

Staff is recommending the Board of Harbor Commissioners (Board) adopt a Permanent Order to amend the Port of Los Angeles Tariff No. 4 (POLA Tariff No. 4), Items 550/560-050, 550/560-600, 550/560-605, 550/560-610, 550/560-615, 550/560-620, and 550/560-625 increasing liquid bulk tariff charges for wharfage to bring the current charges in line with prevailing market rates in the San Pedro Bay. Staff is recommending a \$0.01 increase per barrel in crude, bunker and other refined petroleum products and a \$0.12 increase per kilo ton in petrochemicals. The commencement date for these increases will be January 1, 2013.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve the proposed Amendment to Port of Los Angeles Tariff No. 4, Items 550/560-050, 550/560-600, 550/560-605, 550/560-610, 550/560-615, 550/560-620, and 550/560-625, subject to the California Association of Port Authority's review and approval, and that the Board authorize the Executive Director to work with California Association of Port Authorities to secure this approval or proceed to take independent action in accordance with California Association of Port Authority's procedure;
2. Direct the Board Secretary to transmit to the City Council for approval the Permanent Order and the Ordinance approving and authorizing the proposed Amendment to the Port of Los Angeles Tariff No. 4 pursuant to City Charter 653(a);
3. Upon approval by the City Council, authorize the Board Secretary to execute the Permanent Order and Ordinance amending the Port of Los Angeles Tariff No. 4 as stated above, and upon its publication, transmit the Orders and Ordinance to the Chief Wharfinger for implementation and posting to the Port of Los Angeles website as regulated by the Federal Maritime Commission; and

SUBJECT: PERMANENT ORDER AMENDING PORT OF LOS ANGELES TARIFF NO. 4, SECTION FIVE, PETROLEUM AND PETROCHEMICAL PRODUCTS

- 4. Adopt Permanent Order No. _____ to amend Items 550/560-050, 550/560-600, 550/560-605, 550/560-610, 550/560-615, 550/560-620 and 550/560-625 in the Port of Los Angeles Tariff No. 4, Section Five, Petroleum and Petrochemical Products.

DISCUSSION:

Background – In the last three years, the Port of Los Angeles (Port) handled between 70-80 million barrels of petroleum and petroleum products annually. The petroleum products handled at the Port supply six oil refineries and many third party oil traders in Southern California. These products are used by consumers in Southern California, Arizona and Nevada and also support shipping operations in the San Pedro Bay. After a thorough analysis of liquid bulk tariff rates at West Coast Ports and most importantly the Port of Long Beach (POLB), it was determined there was an opportunity to increase rates without losing existing market share. Our current tariff rates are between 7 and 12 percent lower than the POLB tariff rates for the same commodities. As the two ports compete in the same market, it is recommended that tariff rates should increase as to be equal with POLB.

Liquid Bulk Volume at Port of Los Angeles

Calendar Year	Barrels
2011	71,895,792
2010	69,749,547
2009	79,708,520

The recommended increases are \$0.01 per barrel for crude, bunker and other refined petroleum products and \$0.12 per kilo ton for petrochemicals (Transmittals 1 and 2). In 2004 and again in 2005, liquid bulk rates were raised five percent. This was part of a General Rate Increase for all items in POLA Tariff No. 4.

Need for Amendment – The proposed Permanent Order and Ordinance (Transmittals 3 and 4) to amend POLA Tariff No. 4 would align the Port's tariff rates with the San Pedro Bay market for processing liquid bulk commodities at our terminals and provide a benefit to the Port and the liquid bulk facilities by allowing the Port to maintain competitive facilities, now and in the future. As the Southern California area is an "energy island" with no pipeline connection to refineries in the San Francisco Bay Area or Gulf Coast, regional refining and trading of petroleum products is dependent on water access. Long term sustainability of our liquid bulk terminal is important for the region, and these rate increases will help to maintain these facilities.

DATE: JUNE 12, 2012

PAGE 3 OF 4

SUBJECT: PERMANENT ORDER AMENDING PORT OF LOS ANGELES TARIFF NO. 4, SECTION FIVE, PETROLEUM AND PETROCHEMICAL PRODUCTS

Harbor Department Fiscal Requirements - The proposed Permanent Order to amend Tariff No. 4 will not require funding by the Harbor Department.

ENVIRONMENTAL ASSESSMENT:

The proposed action is a tariff amendment that would increase the current liquid bulk rates, which is an amendment to POLA Tariff No. 4 Items 550/560-050, 550/560-600, 550/560-605, 550/560-610, 550/560-615, 550/560-620 and 550/560-625, on January 1, 2013. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2 (f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

Approval of the proposed Amendment will have no employment impact.

FINANCIAL IMPACT:

If approved, the proposed liquid bulk tariff rate increase will take effect on January 1, 2013. Based on calendar years 2010 and 2011 additional Wharfage revenue would increase by \$737,226 and \$759,785 annually. The Fiscal Year 2012/2013 operating revenue budget excludes the anticipated additional revenue from the proposed liquid bulk Wharfage increases.

DATE: JUNE 12, 2012

PAGE 4 OF 4

SUBJECT: PERMANENT ORDER AMENDING PORT OF LOS ANGELES TARIFF NO. 4, SECTION FIVE, PETROLEUM AND PETROCHEMICAL PRODUCTS

CITY ATTORNEY:

The Office of the City Attorney has approved the proposed Permanent Order, and the proposed Ordinance as to form and legality.

TRANSMITTALS:

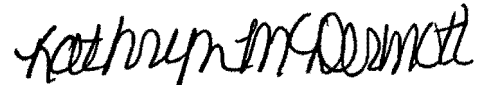
1. POLA Tariff No. 4, Section Five, page 53 and 56-A
2. Matrix "Proposed Liquid Bulk Rate Increase"
3. Permanent Order
4. Ordinance

FIS Approval: WR (initials)

CA Approval: TRV (initials)

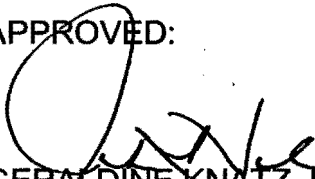


KRAIG JONDLE
Director of Business & Trade Development



KATHRYN McDERMOTT
Deputy Executive Director

APPROVED:



GERALDINE KNATZ, Ph.D.
Executive Director

M. van Dijk