



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the

Board of Harbor Commissioners

DATE: OCTOBER 21, 2021

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - APPROVE PERMANENT ORDER TO AMEND PORT OF LOS ANGELES TARIFF NO. 4, INCREASING RATES FOR PETROLEUM PRODUCTS, CHANGING A PROVISION OF THE MERCHANDISE NOS RATE, AND ADMINISTRATIVE UPDATES

SUMMARY:

Staff requests approval of an amendment to Port of Los Angeles (Port) Tariff No. 4, (Tariff No. 4) approving, effective on January 1, 2022: (i) a rate increase of 9.4 and 11.8 percent applicable to the respective petroleum products; (ii) a note to the Merchandise Not Otherwise Specified (NOS) rate stating that any change in the Merchandise NOS rate shall be offset by any scheduled increase in the compensation section of a container terminal permit; (iii) a definition in Section 1 of Tariff No. 4 defining a "Scheduled Increase in Compensation"; and (iv) the deletion of rated tariff items which are no longer relevant.

A Temporary Order is also being proposed to allow time for the Permanent Order to be approved by the City Council.

Staff estimates that the proposed petroleum products' tariff increases will generate \$326,292 in additional revenues during Fiscal Year (FY) 2022. The financial impact of the note added to the Merchandise NOS rate can be determined when an actual increase in that rate would take place.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Find that the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(31) of the Los Angeles City CEQA Guidelines;
2. Approve the amendment to Port of Los Angeles Tariff No. 4 adding a definition to Section One "Definitions"; increasing rates to Section Five "Wharfage", Items 550-600 through 550-625; and deleting Item 550-650, Items 550-902 through 550-975, Items 560-001 through 560-975, and Item 1220; subject to the California Association of Port Authorities' review and approval, and authorize the

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Executive Director to work with the California Association of Port Authorities to secure this approval or proceed to take independent action in accordance with the California Association of Port Authorities' procedure;

3. Adopt Permanent Order No. _____ to amend Port of Los Angeles Tariff No. 4 adding a definition to Section One "Definitions"; increasing rates to Section Five "Wharfage", Items 550-600 through 550-625; and deleting Item 550-650, Items 550-902 through 550-975, Items 560-001 through 560-975, Item 1220;
4. Direct the Board Secretary to transmit to the City Council for approval the Permanent Order and the Ordinance approving and authorizing the Amendments to Port of Los Angeles Tariff No. 4 pursuant to City Charter 653(a);
5. Direct the Board Secretary to certify to the adoption of this Order by the Board of Harbor Commissioners and shall cause the same to be published in a daily newspaper printed and published in the City of Los Angeles;
6. After the effective date of the Ordinance, transmit the Permanent Order and Ordinance to the Executive Director or his nominee for implementation and posting to the Port of Los Angeles website as regulated by the Federal Maritime Commission; and
7. Adopt Resolution No. _____.

DISCUSSION:

Background and Context – On August 12, 2012, the Board approved a 12.9 and 18.1 percent increase to Item Nos. 550-600 through 550-650, Petroleum and Petroleum Products Other Than Petrochemicals and Aqua-Ammonia, effective January 1, 2013.

Petroleum and Petroleum Products, other than Petrochemicals and Aqua-Ammonia, have not kept pace with market rates when comparing Port Tariff No. 4 rates with those of the Port of Long Beach (POLB).

Effective January 1, 2022, staff recommends the following rate increases for petroleum products:

Tariff Item No.	Tariff Description	Current Rate	Proposed Rate	POLB Rate
550-600	Oil, Crude, in bulk, in cents per barrel of 159 Liters	8.5	9.5	9.5
550-605	Bunkers, loaded to vessel, in cents per barrel of 159 Liters	8.5	9.5	9.5
550-610	Refined petroleum products, including non- petroleum based motorgrade fuel additives, in bulk, in cents per barrel of 159 Liters	9.6	10.5	10.5

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550-615	Fuel oils, NOS, in cents per barrel of 159 Liters	9.6	10.5	10.5
550-620	Gasoline, in cents per barrel of 159 Liters	9.6	10.5	10.5
550-625	Jet Fuel, in cents per barrel of 159 Liters	9.6	10.5	10.5

*Rates shown are in cents per barrel

These changes represent an increase in rates of 9.4 and 11.8 percent depending on the specific commodity within Item Nos. 550-600 through 550-625.

In addition, Tariff No. 4 covers more than 100 items. Item 550-001 covers wharfage on Merchandise NOS. The Merchandise NOS rate is used when a rate for a specific commodity does not exist in Tariff No. 4. In addition, the compensation schedule of certain container terminal permits is tied to the Merchandise NOS rate. Any percent increase in the Merchandise NOS rate would (depending on its effective date) currently apply to rates of five of the Port's container terminals. The actual effective rate increase to each of the Port's container terminals varies and depends on the individual permit conditions with the Port.

Staff is recommending the Board approve the addition of a note to Item 550-001 stating that any change in the Merchandise NOS rate shall be offset by any scheduled increase by way of Board Order and/or in the compensation section of a container terminal permit with the Harbor Department. This offset shall only be applicable to the permit holder's compensation year in which the Merchandise NOS rate is changed. As part of this recommended change, a definition would be added in Section One "Definitions" defining "Scheduled Increase in Compensation". A scheduled increase in compensation means an adjustment to a container terminal's monetary compensation to the Harbor Department as defined in each container terminal permit's compensation section readjusting monetary compensation of the minimum annual guarantee, minimum amount of monetary compensation, Twenty-Foot Equivalent Unit (TEU) rate, and/or incremental TEU rate payable to the Harbor Department.

Example:

Compensation Year	1	2	3	4	5
Scheduled container terminal tenant's compensation	9%	2%	2%	2%	4%
Merchandise NOS Percentage Increase	10%	4%	0%	0%	4%
Total Permit Comp. Increase	10%	4%	2%	2%	4%

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Additionally, tariff items listed below are no longer required therefore would be deleted.

- Item No. 550-650 – Liquid petroleum gas, in bulk. **No longer handled.**
- Item Nos. 550-902 through 550-975 – Alternate wharfage rates. **No longer used.**
- Item Nos. 560-001 through 975 – Wharfage section covering the Hawaii trade. **No longer needed.**
- Item No. 1220 – Reefer Rental Charges. **No longer needed.** The Port does not own or maintain Reefers.

Need for Amendment – The last increase to petroleum products was on January 1, 2013. The proposed rate increases would keep petroleum product rates in line with the Port of Long Beach rates for these commodities. The note added to the Merchandise NOS rate would standardize the application of Merchandise NOS rate increases across various container terminal permits. Furthermore, in the event that compensation rates within a given container terminal permit have not kept pace with the overall market, this note would preserve the Harbor Department's ability to increase compensation rates via future Merchandise NOS rate adjustments.

Need for Approval – Los Angeles City Charter Section 653 requires the Board to approve any Tariff No. 4 amendment by Order, and approval of the City Council by Ordinance.

A separate action recommends Board adoption of a Temporary Order within its Los Angeles City Charter authority to approve changes to Tariff No. 4, to be effective for a period not to exceed 90 days. This action for Board and City Council adoption of a Permanent Order (Transmittal 1) and Ordinance (Transmittal 2) are required under the Charter to make changes to Tariff No. 4 (Transmittal 3) beyond the Temporary Order's 90-day effective period.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a Permanent Order to amend Port of Los Angeles Tariff No. 4 to increase rated tariff items (Transmittal 4), which is an activity involving modification of any rate, fee, or charge for the use of existing municipal facilities and services involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of CEQA in accordance with Article III Class 1(31) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The proposed Permanent Order would: (i) increase certain tariff rates on petroleum products by 9.4 and 11.8 percent effective January 1, 2022; (ii) delete certain tariff items that are either no longer used or no longer relevant; and (iii) enable compensation

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increases negotiated within individual container terminal permits to offset future increases in the Merchandise NOS rate.

Increasing certain tariff rates on petroleum products is expected to generate incremental wharfage revenues of \$326,292 over a six-month period from January 1 – June 30, 2022 and approximately \$650,000 of incremental wharfage over a full year. The deletion of certain tariff items that are no longer used or no longer relevant is not anticipated to have a financial impact on revenues given that these tariff items are rarely, if ever, used to prepare compensation invoices.

Lastly, the action to enable tenant-specific compensation increases to offset future increases in the Merchandise NOS rate will be evaluated once a change in the Merchandise NOS rate is subsequently brought to the Board for consideration.

CITY ATTORNEY:

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

TRANSMITTALS:

1. Permanent Order
2. Ordinance
3. Tariff No. 4



ERIC CARIS
Director of Cargo Marketing

FIS Approval: 
CA Approval: 

Michael DiBernardo

MICHAEL DIBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

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