

Agenda Date: February 28, 2003
Item Number: B1, B2, B3, and B4

Item

<u>Number:</u>	<u>Docket:</u>	<u>Company Name:</u>
B1	TC-030235	Pacific Northwest Transportation Service, Inc., C-862
B2	TC-030245	Bremerton-Kitsap Airporter, Inc., C-903
B3	TC-030248	Wickkiser International, Inc., C-933
B4	TC-030249	Shuttle Express, Inc., C-975

Staff: Bob Colbo, Transportation Program Staff
Gene Eckhardt, Transportation Program Staff

Recommendation:

1. Grant the less than statutory notice request for the revised fuel surcharge application of Pacific Northwest Transportation Service, Inc., (Pacific Northwest) C-903, in Docket TC-030235 to become effective March 1, 2003.
2. Grant the less than statutory notice request for the fuel surcharge application of Bremerton-Kitsap Airporter, Inc., (Bremerton-Kitsap) C-903, in Docket TC-030245 to become effective March 1, 2003, as filed.
3. Take no action on the fuel supplement proposed by Wickkiser International, Inc., (Wickkiser) in Docket TC-030248.
4. Grant the less than statutory notice request for the fuel surcharge application for the Scheduled operations of Shuttle Express, Inc., (Shuttle Express) C-975, in Docket TC-030249 to become effective March 1, 2003, as filed. Grant the less than statutory notice request for the fuel surcharge application for door-to-door operations of Shuttle Express to become effective March 1, 2003, as revised.

Background:

All of these filings ask the Commission to approve fuel surcharges for airporter operations on less than statutory notice (LSN), to become effective March 1, 2003. The Commission last approved fuel surcharges for the airporter industry in 2000. Compared to average 2002 levels, fuel prices have increased significantly over the past two months. Data provided by carriers shows the amount of increase varying from 27% to 40%. Staff recommends that the Commission use a surcharge methodology that is different in several respects from the methodologies used in 1990 and 2000.

Earnings Test: Staff recommends that the Commission use an earnings test to determine whether a company will qualify for a fuel surcharge. In the past, the Commission did not require an earnings test for these carriers. A fuel surcharge should apply to only those carriers that can demonstrate a need for additional revenue with a current income statement demonstrating an operating ratio in excess of 93.0 percent.

<u>Company</u>	<u>2002 Operating Ratio</u>
Bremerton-Kitsap	97.2
Capitol Airporter	106.7
Shuttle Express	94.5
Wickkiser	89.2

Base Fuel Price: The base fuel price establishes the starting point. In the past, the Commission has used a twelve-month average (1990) and a one-month average (2000). After consideration, Staff recommends the Commission use the average actual fuel cost for calendar year 2002 as the base fuel price.

Current Price: In considering how to establish a current price, Staff reviewed how the carriers purchase fuel. Shuttle Express purchases fuel in bulk and uses its own storage and pumping facilities. Wickkiser and Capitol Airporter purchase fuel from a secure "key lock" station. Wickkiser is billed the last day of the month and Pacific Northwest is billed the 15th and the last day of the month. Bremerton Kitsap purchases fuel from a single station that bills weekly.

In the past, Staff accepted the most current price on a receipt. Experience showed that practice did not accurately reflect the actual prices that companies ultimately paid. Receipts often do not include discounts and other adjustments. Therefore, Staff recommends that the Commission use the average fuel price of the most current invoice as the current price.

Amount to Recover: In the past, the Commission used a threshold test, set at the fuel increase equaling 1.0%, or more, of total revenue. If the carrier reached the threshold, the carrier could recover all of the increase in a surcharge. Some questioned the propriety of allowing carriers to recover all of the increase once

the threshold was reached. That practice does appear to create a perverse incentive to pay a higher price to reach the threshold, and recover all of the price increase. Accordingly, Staff recommends that the Commission allow carriers to recover only that portion of the fuel increase that exceeds 1.0% of total revenue.

Rounding to Nearest \$.25: Carriers normally set rates to the nearest \$.25 to make it easier to make change. That practice was continued in the previous surcharge programs and Staff recommends that the Commission adopt that practice this time too.

Length of time that the surcharge will remain in effect: In 2000, Staff prepared a worksheet to calculate the surcharge amount and a combined LSN application and Order to place surcharges in effect. Staff thinks that process worked well for both the Staff and the industry, and we recommend that the Commission again require all filings to expire at the end of the month.

SUMMARY OF FUEL SURCHARGE PROGRAMS

(Bold indicates changes for 2003)

	<u>2003</u>	<u>2000</u>	<u>1990</u>
Earnings Test	Yes	No	No
Base Price	Calendar 2002	January 2000	Calendar 1989
Current Price	Most Recent Invoice	Single Purchase	Single Purchase
Revenue Threshold	1.0%	1.0%	1.0%
Recovery	> 1.0%	All	All
Approximate Increase	27% - 40% Current	36% Max.	40% Max.
Length of Time Surcharges Remained in Effect	??	21 Months	4 Months

Pacific Northwest, Docket TC-030235

Staff has reviewed the application and found it to be somewhat higher than the level that we would recommend for approval. The company used an approach

similar to that recommended by Staff in the past and asks the Commission to approve a fuel surcharge of \$.75 per one-way passenger and \$1.50 per round trip passenger. Staff analyzed this filing using the methodology that Staff recommends the Commission use for setting fuel surcharges today. Staff recommends the Commission approve a fuel surcharge of \$0.50 one-way and \$1.00 round trip. The company filed a revised supplement at Staff recommended levels. The supplement will expire on March 31, 2003. To keep a surcharge in effect, the company must file another request, with updated fuel price information, for the Commission to consider at the March 26, 2003, Open Meeting. The company will track and record separately all fuel surcharge revenue.

Bremerton-Kitsap, Docket TC-030245

Staff has reviewed the application and found it to be reasonable. The company used an approach similar to that recommended by Staff in the past and asks the Commission to approve a fuel surcharge of \$.25 per one-way passenger and \$.50 per round trip passenger. Staff analyzed this filing using the methodology that Staff recommends the Commission use for setting fuel surcharges today and found the proposed rates to be reasonable. The supplement will expire on March 31, 2003. To keep a surcharge in effect, the company must file another request, with updated fuel price information, for the Commission to consider at the March 26, 2003, Open Meeting. The company will track and record separately all fuel surcharge revenue.

Wickkiser, Docket TC-030248

The company used an approach similar to that recommended by Staff in the past and asks the Commission to approve a fuel surcharge of \$.75 per one-way passenger and \$1.50 per round trip passenger. Staff has reviewed the application and found it to be inappropriate at this time because, even with the full effect of the fuel increases, Wickkiser still shows a 92% Operating Ratio. The Commission has used a 93% Operating Ratio as the standard for this industry. Staff recommends that the Commission not approve a fuel surcharge for Wickkiser.

Shuttle Express, Docket TC-030249

Staff has reviewed the application for Door-to-Door operations and found it to be somewhat higher than the level that we would recommend for approval. The company used an approach similar to that recommended by Staff in the past and asks the Commission to approve a fuel surcharge of \$.75 per one-way passenger and \$1.50 per round trip passenger for Door-to-Door operations. Staff analyzed this filing using the methodology that Staff recommends the Commission use for setting fuel surcharges today. Staff recommends the Commission approve a fuel surcharge of \$.50 one-way passenger and \$1.00 round trip passenger for Door-to-Door operations.

The company is asking the Commission to approve a fuel surcharge of \$.25 per one-way passenger and \$.50 per round trip passenger for Scheduled operations. Staff analyzed this filing using the methodology that Staff recommends the Commission use for setting fuel surcharges today and found the proposed rates to be reasonable. Staff recommends the Commission approve a fuel surcharge of \$0.25 one-way passenger and \$.50 round trip passenger for Scheduled operations.

The company has filed revised supplements reflecting the lower amounts for door-to-door passengers. The supplement will expire on March 31, 2003, at which time the company will file another fuel surcharge using updated fuel price information. The company will track and record separately any fuel surcharge revenue thus collected.

Conclusion:

- 1 Grant the less than statutory notice request for the revised fuel surcharge application of Pacific Northwest Transportation Service, Inc., (Pacific Northwest) C-903, in Docket TC-030235 to become effective March 1, 2003.
2. Grant the less than statutory notice request for the fuel surcharge application of Bremerton-Kitsap Airporter, Inc., (Bremerton-Kitsap) C-903, in Docket TC-030245 to become effective March 1, 2003, as filed.
3. Take no action on the fuel supplement proposed by Wickkiser International, Inc., (Wickkiser) in Docket TC-030248.

4. Grant the less than statutory notice request for the fuel surcharge application for the Scheduled operations of Shuttle Express, Inc., (Shuttle Express) C-975, in Docket TC-030249 to become effective March 1, 2003, as filed. Grant the less than statutory notice request for the fuel surcharge application for door-to-door operations of Shuttle Express to become effective March 1, 2003, as revised.