Dear Gene:

I could not find my original documents that I spoke to in our fuel surcharge meetings in 2007. However, I am enclosing the same proposal using the same concept documents that FEDEX and UPS use for fuel surcharges.

As you can see, they are based on a Base fuel price and then as fuel prices fluctuate, which it continues to do, the surcharge kicks in and is based on a percent of the bill. The original Order No. 2 set a maximum of 20% which recognized the volatility of the market and would provide ample room under this method. In our case we could do the same, as a percentage of the customer’s fare, rounded to 25 cents as is currently done.

This surcharge is computed monthly using highway diesel in their case since they have all diesel vans and delivery trucks. However, in the shuttles case it would just be the same fuel they currently use for the existing surcharge calculations, whether unleaded or diesel. Using this method the percentage would range from 1% to 6%, which is below what FEDEX and UPS get right now (6%) and well below the 20% limit in Order No. 2. Even those that have a higher dollar amount now would still be well under that 20% figure. See the spreadsheet on this.

Now for the specific questions:

1. What is the starting base price? I would suggest that the “base” be the fuel price that is reported on February 1, 2011, assuming we were to switch in February after our last submission under the old Order 2 the end of January. This way the first new calculation would be effective March 1st. I would also recommend that all surcharges for all companies be made effective for the following calendar month rather than the 30 day period which just gets confusing on various 28, 30 and 31 day months.

2. How do you permit this? Draft a new Order No. 4 that spells out the method and gives very specific examples like I will do shortly.

3. How do you start each companies surcharge amount? If we assume that those that have current surcharges have properly submitted fuel charges in the past then the UTC has approved their current surcharge amounts. Therefore we just begin with everyone’s current amount, whether zero, 25 cents or $1.50 based on their most recent surcharge in effect on February 1st. The UTC would then send notice via email to all those eligible what the official fuel price is for unleaded and diesel, based on the most recent data available using the same EIA government Fuel Survey. We sould use the West Coast number, which is a better representation of actual Washington prices than the overall National average.

Then you create a percentage table for each operator that shows their current surcharge amount and matches the 0% bracket for the current fuel price. You just need to insure that whatever index price UTC uses matches to the table data as we are now. Otherwise, just adjust the original table percentages slightly so that the current surcharges are correct using that fuel price. This table could be percentage or by increments of 5 cents or 25 cents. Once that table is created it never changes for that operator unless they request a rate hearing. The only item that needs to be determined is the price of fuel. The rest is just simple math to multiply any percent up or down as prices change from the Feb 1, 2011 price. If fuel prices go down to say $3.00 a gallon, then it is likely that all operators will have to reduce their surcharges down by 25 or 50 cents just as they would under current policy.

4. I’ve created the table that matches our specific numbers and attached that spreadsheet showing our current surcharges in 25 cent increments as well as the matching percent of our average $36 adult base fare. As you can see from the spreadsheet, our fuel price must go up by 61 cents a gallon before we even receive ANY fuel surcharge. We just went up to 75 cents one way, when our fuel price rose over 3.129 which is an increase of $1.16 per gallon above our base price. Likewise our threshold for 50 cents is 2.859 and for 25 cents it is 2.579. If fuel goes to less than 2.579 we do not qualify for any surcharge using the existing spreadsheet or now using the old 2006 form. Our next threshold for $1.00 is 3.409 per gallon. You can, of course, determine these same thresholds for everyone who is filing surcharges now. For those operators that have no fuel surcharge in effect now, it just means that the current price of fuel is where their zero percent is located. In our case, 2.579 is our zero point as you can see in the 2006BusFuelSurchg spreadsheet that we all use.

I really believe this would simplify this entire process for both UTC and the operators and take out any interpretation or complexity into the calculations and at the same time permitting us to obtain some relief, albeit not full as we both know due to both the 1% hurdle and the 25 cent rounding limits anything near full recovery and therefore we are taking some of the risk already. Each operator would simply have this 1 page table as part of their tariff.

I’ve attached the FEDEX and UPS tables along with a very timely article from last week that clearly shows we are not in a stable fuel price period and that the trend is clearly upward, not level. Seattle has the HIGHEST gas prices in the country outside of California. There is still a very justified need for fuel surcharges and the public accepts these as fair, just and reasonable and we can and the UTC should accept them as sufficient.

On another note, we have not had a response to our most recent inquiry regarding our informal complaint. Since that inquiry it was shown in sworn testimony by that company that they were then and still are in violation of many of the issues we raised. Please see Docket TC-091931 for all the details of this hearing before the ALJ. Please respond to what additional steps you have taken to investigate in more detail these violations and what action, if any you make as to fines or revocations. We would like the initial report by the end of this year. Thank you.

Sincerely,

John Solin

Mike Lauver

SeaTac Shuttle, LLC

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