

April 1, 2011

Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive S.W.
Olympia, Washington 98504-7250

RE: Response to Docket-T101661

Dear Executive Director and Secretary:

We respectfully disagree with the staff recommendation described on page 10 of the Notice of Staff Recommendation for Fuel Surcharges letter dated March 18, 2011. We contend the recommendation will curtail our ability to provide our continued excellent standard of service and safety of our customers.

Ensuring consumers that transportation services are fairly priced, available, reliable and safe is our mission as well as that of the Washington Utilities and Transportation Commission. These attributes of service are vital in the overall success of any business and consumer satisfaction. Available, reliable and safe services are dependent upon being fairly priced. A fair price ensures an organizations ability to invest in better ways to provide safe, reliable and courteous service. Conversely, an inadequate price may result in a decline in service and safety; business failures; and the reduction of consumer choices due to the lack of new business ventures entering the transportation market. The staff recommendation will lower the historical operating statutory revenue requirement and therefore our ability to meet the needs of the consumer.

The recommendation to remove fuel expense from net operating expense will lower the return on revenue below the historical practice of allowing a seven percent return on revenue (Exhibit 1). All operating expenses are short term investments and require cash resources and therefore need to be included in the overall return on investment in the organization. If fuel is removed from the net operating expense, then the operating ratio will need to be lowered to compensate for the return on investment. We recommend the operating ratio be decreased from 93 to 90 percent in the event the staff recommendation is implemented.

We assert there is risk in recapturing expense in the event fuel cost is higher than what was filed in a rate case. For example, assuming rate case is filed listing estimated fuel expense at 12 percent. If the actual fuel expense is 14%, a company would need to recoup via a new rate filing and future business. If the rate is granted, future customers will pay an additional amount to cover the short fall left from prior customers. Conversely if rates drop the current rate case will remain in effect and all consumers will be overcharged. This is inconsistent with our mission and that of the UTC to ensure consumers are treated fairly.

In summary, we oppose the exclusion of fuel from the net operating expense due to the adverse impact in our ability to meet the needs of our customers. We recommend a change in the surcharge filing process be instituted to ensure surcharges are derived from timely and accurate data and that process of implementing a surcharge is nimble to ensure the surcharge is passed along to the consumers receiving the service. We pride ourselves in providing excellent service while looking for every opportunity to reduce expense to provide a fair rate to our customers. Segregating the additional cost of fuel from the base rate gives the consumer a better understanding of the overall cost of the service.

Respectfully,

John D. Rowley
President
Shuttle Express

Exhibit 1

		Proposed Methodology with Examples		
Line No.				
1	Fuel Expense as a Percentage of Revenue	10.00%	12.00%	14.00%
2	Net Operating Expense	10,000,000	10,000,000	10,000,000
3	Fuel Expense = (line 1) x (line 2)	<u>1,000,000</u>	<u>1,200,000</u>	<u>1,400,000</u>
4	Net Operating - less fuel expense	<u>9,000,000</u>	<u>8,800,000</u>	<u>8,600,000</u>
5	Statutory Operating Ratio	93.00%	93.00%	93.00%
6	Revenue requirement without Fuel Expense = (line 4) / (line 5)	<u>9,677,419</u>	<u>9,462,366</u>	<u>9,247,312</u>
7	Revenue Requirement = (line 3) + (line 6)	<u>10,677,419</u>	<u>10,662,366</u>	<u>10,647,312</u>
8	Revenue Requirement = (line 7)	10,677,419	10,662,366	10,647,312
9	Net Operating Expense = (Line 2)	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
10	Net Revenue	<u>677,419</u>	<u>662,366</u>	<u>647,312</u>
11	Net Return on Revenue = (line 10) / (line 8)	<u>6.34%</u>	<u>6.21%</u>	<u>6.08%</u>
12	Statutory Allowance for Return on Revenue before Interest and Federal Taxes	7.00%	7.00%	7.00%
13	Reduction in Statutory Allowance as a percentage	<u>-0.66%</u>	<u>-0.79%</u>	<u>-0.92%</u>
14	Effective Statutory Operating Ratio Allowance	<u>6.34%</u>	<u>6.21%</u>	<u>6.08%</u>