Service Date: **February 20, 2020**

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of Amending Washington Utilities and Transportation Commission Tariff 15-C, Relating to Intrastate Transportation of Household Goods	DOCKET TV-190664 ORDER 01 APPROVING REVISIONS TO TARIFF 15-C

BACKGROUND

1 RCW 81.80.150 assigns certain duties and responsibilities to the Washington Utilities and Transportation Commission (Commission) for tariffs that apply to intrastate transportation of household goods. These duties include amending, altering, and reissuing tariffs when changes are approved by the Commission. The Commission published Tariff 15-C, which applies to the intrastate transportation of household goods, effective February 1, 2008.

2 On July 12, 2018, the Commission issued Order 01 in Docket TV-180245, which approved revisions to Tariff 15-C that temporarily allowed Household Goods (HHG) Movers to bill customers for credit card processing fees of up to 2.5 percent of the total charge for a household goods move. In addition to the tariff revision, the Commission ordered Staff to perform a cost-based rate analysis of the current rates and charges allowed in Tariff 15-C, and, if necessary, propose revisions to the rate bands in Tariff 15-C no later than January 1, 2020. Accordingly, Commission staff (Staff) opened Docket TV-190664, Review of Commission Published Household Goods Tariff 15-C Rate Bands, and issued a notice seeking input from regulated HHG carriers.

3 On October 17, 2019, the Commission convened a stakeholder technical workshop at which industry representatives explained that current tariff rates are insufficient to cover costs associated with increasing travel time delays due to traffic congestion, increased payroll expenses, higher rents, and higher truck costs. HHG carriers unanimously agreed that each of these factors creates challenges that impact their ability to recover their costs while still earning sufficient revenues.

4 The consensus among participating stakeholders is that the current mileage rates are inadequate. Stakeholders explained that they often decline to accept long-distance moves due to the risk that the transaction will not be profitable.[1] For example, carriers are

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[1] Tariff 15-C defines long-distance moves as moves 56 miles or more between the point of origin and the destination.

restricted by rule from increasing estimated charges by more than 25 percent, which limits their ability to recover additional costs incurred due to unforeseen events, such as travel through high-congestion areas. For long-distance, mileage-rated moves, costs are calculated based on solely shipment weight and distance in miles.

5 Stakeholders also raised concerns about the one-way nature of mileage-rated charges, *i.e.*, that carriers may only charge the tariffed mileage rate for the trip between the origin and destination of the move. This historical cost setting approach fails to recognize the incurred costs associated with the return trip from the destination back to the carrier's base facility, which are significant for moves over 100 miles. Staff recognizes that basic cost accounting requires return costs be recovered through the base tariffed mileage rates. In contrast, for moves 55 miles or less, carriers are required to bill hourly rates in increments of 15 minutes from the time the truck and crew leave the carrier's facility until the time they return to the facility when the move is complete. Additionally, for long-distance moves that require employees to stay overnight, the current rate design does not allow for clear recovery of associated costs of those overnight jobs, but instead requires the additional costs to be absorbed by the carrier's operating margin.

6 Workshop participants ultimately determined that Staff should gather cost data from three regulated carriers to examine costs of operations in relation to the current maximum tariff rates. To protect proprietary information, the data collection took place on site at each carrier's office. The first site visit occurred in mid-November, the second in the first week of December, and the last in the following week.[2]

7 Staff reviewed the cost makeup of the primary rates and charges listed in Tariff 15-C to determine whether the current maximum rates adequately compensate regulated carriers. Staff's analysis was based on operating data and financial information provided by stakeholders and was focused on companies operating in high-cost areas throughout the state. Staff visited the three representative HHG carriers to collect cost data, including employee wages, overhead and truck costs, market rates for equivalent services, employee hours for various moves and services, and other relevant information.

8 *Calculation – Banded Rates.* To calculate the revised maximum Hourly Rates (Item 230), Staff used a loaded hourly wage for a Class-A driver and applied an indirect per-hour cost factor to compensate for overhead, including credit card processing fees and use of

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[2] On December 19, 2019, the Commission entered Order 02 in Docket TV-180245, which extended both the expiration date of the temporary credit card processing fees and the deadline for Staff's proposed revisions until February 29, 2020, to allow Staff sufficient time to complete its analysis.

common company assets. Staff next applied the Commission's standard 93 percent operating ratio for the transportation industry while adjusting for revenue-sensitive items such as sales commissions and revenue taxes. The resulting maximum hourly rate was approximately 7 percent higher than the current maximum hourly rate for a truck and driver. The calculated increase to the tariffed "*each additional worker*" per-hour rate was more substantial, increasing by approximately 19 percent, from $73.22 to $87.04. Overall, based on Staff's calculations, the combined maximum per-hour rate for a driver, helper, and truck increased approximately 12 percent.

Table 1: Hourly Rates

Hourly Rates	**Current Maximum Rate**	**Staff Revised Maximum Rate**	**Percent Increase**
Truck and Driver (Moves three hours or less)	$93.52	$99.92	6.8%
Truck and Driver (Moves more than three hours)	$90.50	$96.70	6.8%
Each Additional Worker (Moves three hours or less)	$73.22	$87.04	18.9%
Each Additional Worker (Moves more than three hours)	$70.69	$84.03	18.9%

9 To calculate the revised maximum Mileage Rates, Staff applied its revised hourly rates to actual employee hours for various combinations of weights and mileages, as provided by regulated carriers. Based on Staff's analysis, the industry's criticisms about the inadequacy of the current maximum mileage rates are valid. Staff calculates an average increase to the maximum mileage rates of approximately 56 percent. The amount of increase varies based on the combination of mileage and weight.

Table 2: Mileage Rates

Mileage Rates (charged per pound)	**Current Maximum Rate**	**Staff Revised Maximum Rate**	**Percent Increase**
4,000-7,999 lbs. 55 to 60 miles	$0.2919	$0.3891	33.3%
4,000-7,999 lbs. 100 to 110 miles	$0.3326	$0.4755	43.0%
4,000-7,999 lbs. 200 to 220 miles	$0.4160	$0.6268	50.7%
4,000-7,999 lbs. 400 to 420 miles	$0.5639	$0.7889	39.9%
4,000-7,999 lbs. 500 to 520 miles	$0.6283	$0.8862	41.0%

10 While there are a several factors contributing to the 56 percent average increase, one of the primary cost drivers is the proposed ability to recover return trip costs to the carrier's facility once a shipment has been delivered to the destination. For long-distance moves, the return trip to the carrier's facility is only recoverable through the corresponding mileage rate from origin to destination. To address this, the employee hours used to calculate the revised rates include the travel times from both the facility to the origin, and from the destination back to the carrier's facility. The revised rate schedule will be applied in the same manner but now accounts for these additional costs. Also, the proposed increase to the maximum rates will give carriers more flexibility when preparing estimates for long-distance moves that require travel through high-congestion areas.

11 Staff's proposed revisions also include a per-diem charge. This new tariff item allows carriers to charge for per-diem when employees are required to stay overnight for long-distance moves. It also recognizes that Federal laws and regulations related to the HHG industry require drivers to stop and rest during long hauls. The proposed rate bands are based on the minimum and maximum per-diem rates published by the Washington Office of Financial Management. These additional charges would only be allowed if agreed to by the customer.

12 *Other rates and charges.* While the focus of Staff's analysis was on the hourly and mileage rates, other rates are also addressed in Staff's proposed revisions, including changes to the maximum rates for Storage-in-Transit and Warehouse Handling (Item 100), Container Rates (Items 196 and 225), Packing Charges (Item 195), and Overtime (Item 50), along with changes to some ancillary charges throughout Tariff 15-C. The increases to these rates were calculated using either actual costs, when available, equivalent market rates, or, in the absence of those, inflation growth since the last increase to the specific tariff rate. Most significant amongst these changes is Staff's proposed revision to Warehouse Handling, which was revised based on actual per-hour costs and employee hours. Staff's proposed revisions more appropriately reflect the cost of providing this service and are comparable to the rates companies charge for warehouse handling on permanent storage and interstate moves, both of which are equivalent non-regulated activities.

Table 3: Item Rates

Tariff Item	Current Maximum Rate	Staff Revised Maximum Rate	Percent Increase
Storage-in-Transit (per 100 lbs. per 30 days)	$2.35	$5.85	149%
Warehouse Handling In or Out (per 100 lbs.)	$2.13	$8.98	321.5%
Packing Charges (Average)	Various	Various	21.4%
Container Rates (Average)	Various	Various	26.3%
Overtime	$18.96	$21.26	12.1%

13 Finally, credit card processing fees are addressed in Staff's proposed revisions to Tariff 15-C. To maintain consistency with the Commission's other regulated industries, the line-item charge for credit card processing fees added in the most recent revision to Tariff 15-C has been removed. These charges have instead been embedded in the revised maximum mileage and hourly rates.

14 Overall, Staff's analysis found that current mileage rates and hourly rates are insufficient to adequately capture the costs of doing business, particularly for high-cost moves. Staff also determined that hourly rates (Item 230), storage-in-transit rates (Item 100), and warehouse handling charges (Item 100), are insufficient. While the issue of revisions to the minimum rates was discussed at the technical workshop, Staff does not propose changes to minimum rates at this time. Staff recommends that the Commission approve the revisions to Tariff 15-C as set forth in Appendix A to this Order.

15 This matter came before the Commission at its February 20, 2020, regularly scheduled open meeting. The Commission heard comments from the Washington Movers Conference, Jordan River Moving, and the Washington Trucking Associations.

16 The Washington Movers Conference expressed concerns about removing the separate line item charge for credit card processing fees, and Jordan River Moving argued that the proposed rate increase is not adequate to capture the additional costs incurred for processing credit card payments or packing charges, particularly in high-cost, competitive areas. The Washington Trucking Associations supports Staff's proposal to embed credit card processing fees in the rate band, but also urged the Commission to adjust rates more frequently to account for cost fluctuations for items such as fuel and materials.

DISCUSSION

17 We agree with Staff's recommendation and approve the proposed amendments to Tariff 15-C. Regulated HHG carriers may charge only those fees that are expressly authorized by the tariff. Under the existing version of Tariff 15-C, household goods carriers are not permitted to recover costs for certain items, such as return trips on mileage rated moves and overnight stays. Absent the ability to recoup those costs from customers, carriers are required to absorb them, thereby reducing their earnings. As such, the maximum tariff rates must be set at a level that enables carriers to recover their costs and earn a reasonable return on their investment, especially for those companies that operate in high-cost areas. Recognizing that high-cost areas define the upper boundaries, Staff's review focused on setting rates that allow carriers in high-cost areas to fully recover their costs and earn a reasonable profit.

18 We recognize that this adjustment is long overdue, and share stakeholder concerns related to the frequency with which we perform cost-based rate analyses. Aside from an adjustment for inflation in 2016, maximum rates for hourly-rated moves and the majority of ancillary goods and services have not received a cost-based adjustment to account for increased employee wages, higher overhead and truck costs, and current market rates for equivalent services in more than 40 years. Going forward, the Commission will regularly review HHG Tariff 15-C to ensure the rates adequately balance the pressures of the competitive marketplace in which regulated carriers operate with comprehensive consumer protections.

19 Consistent with the Commission's policy for other regulated industries, we agree with Staff that embedding the credit card processing fees in the rate band is in the public interest.[3] Consumers as a general matter are no longer accustomed to separate fees for credit card payments, and the use of credit and debit cards has become ubiquitous. In addition, quoting one price to customers regardless of their form of payment is more straightforward and transparent.

20 Overall, we find that Staff's proposed revisions are based on a thorough, sound analysis that considers current market conditions and actual costs for providing HHG services, including certain variables in high-cost areas previously unaccounted for. Accordingly, we conclude that Staff's proposed revisions are reasonable and consistent with the public interest and approve them as reflected in Appendix A to this Order.

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[3] *Notice of Change in Policy Regarding Costs Related to the use of Credit Cards by Customers*, Docket A-150561 (Sept. 13, 2016).

FINDINGS AND CONCLUSIONS

21 (1) The Commission is an agency of the State of Washington required by statute to compile, publish and distribute tariffs containing rates, charges, classifications, rules and regulations to be used by all common carriers.

22 (2) This matter was brought before the Commission at its regularly scheduled meeting on February 20, 2020.

23 (3) After review and giving due consideration, the Commission finds that Tariff 15-C should be amended as proposed by Commission Staff and reflected in Appendix A to this Order.

ORDER

24 **THE COMMISSION ORDERS THAT** Effective February 21, 2020, the revisions proposed to Tariff 15-C, attached to this Order as Appendix A and by this reference made a part of this Order, are adopted for use by all carriers transporting household goods in the state of Washington that are subject to Commission regulation.

DATED at Lacey, Washington, and effective February 20, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner