

Agenda Date: April 27, 2005
Item Number: B1

Docket: A-042090

Company Names: Auto Transportation – General
Commercial Ferries – General
Household Goods – General

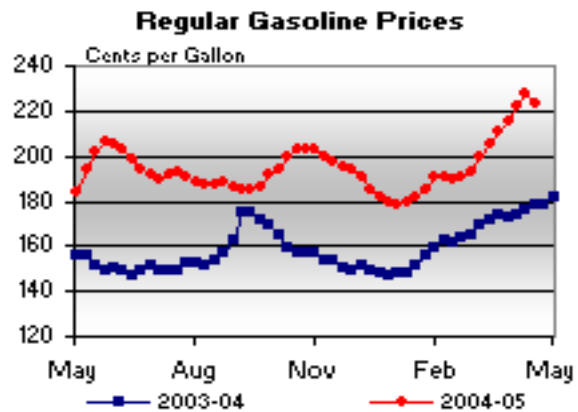
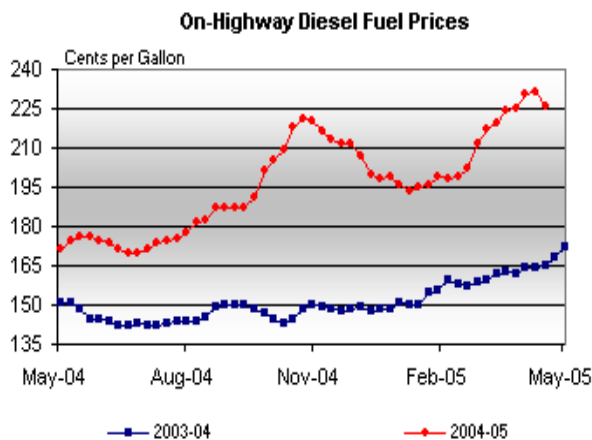
Staff: Glenn Blackmon, Acting Director - Regulatory Services
Gene Eckhardt, Assistant Director - Transportation and Water

Recommendation:

Issue an order of delegation authorizing the Secretary to approve fuel surcharge tariffs on less than statutory notice.

Discussion:

Over the past two years, the price of gasoline and diesel fuel in the United States has increased from approximately \$1.50 per gallon to approximately \$2.25 per gallon, according to the U.S. Energy Information Administration.



As a result, the fares charged by auto transportation companies and commercial ferries, in many cases reflect an outdated and understated level of fuel cost. To adjust for this problem, the Commission has adopted a practice of approving fuel cost surcharges on a regular basis. It has become routine for the Commission to approve fuel surcharges for individual transportation companies that are experiencing a level of fuel costs significantly higher than the costs reflected in the company's base fares.

The Commission has responded to this problem of rising fuel costs by allowing transportation companies with significant fuel expenses to apply fuel surcharges to their fares or rates. The Commission has consistently waived the statutory 30-day notice period for these fuel surcharge filings and has expedited their consideration as open meeting items. The Commission approved 23 fuel surcharge requests in 2003, 98 in 2004, and 20 in the first three months of 2005. All were consent filings.

Staff believes that the Commission can be even more responsive to the problem of rising fuel costs, with no loss in oversight of regulated fares, if it delegates responsibility for approving fuel surcharges to the Commission Secretary. The Commission currently considers and approves fuel surcharge requests at its open meetings. Transportation companies calculate the proposed surcharges using a method that is consistent with prior fuel surcharges approved by the Commission, and the filings are routinely approved as part of the Commission's "consent" agenda.

The current practice of accepting late-filed fuel surcharge requests and placing these routine items on the consent agenda creates problems for both the regulated companies and the Commission. It limits the ability of companies to get quick relief when prices increase, because the opportunity to secure approval occurs only twice each month. It creates additional work for the Commission, particularly the records center staff and others who are part of the open meeting process. The Commission is, in effect, running a second open meeting agenda process to build the "Addendum Agenda" with its associated consent orders. The same people are running two processes simultaneously, but with different deadlines.

RCW 80.01.030 authorizes the Commission to "deputize one or more of its assistants to perform, in the name of the commission, such duties of the commission as it deems expedient." However, the Commission is not allowed to delegate the exercise of discretionary authority of the Commission. Therefore the Commission may delegate authority to approve these surcharge petitions only if it also establishes specific requirements for those surcharges.

Auto Transportation and Commercial Ferry Companies

The method of calculating an acceptable and reasonable fuel surcharge for established companies has been developed through the many consent orders that the Commission has issued. The Commission has approved fuel surcharges for auto transportation and commercial ferry companies as consent items if:

- a. The proposed surcharge will expire no more than one month after it becomes effective.
- b. The requested effective date is at least three business days after the date the request is filed.
- c. The amount of the proposed surcharge is not more than 20 percent of the base fare of the service to which the surcharge would apply.
- d. The petition is supported by documentation of the actual price paid for fuel by the company within two days immediately prior to the filing of the petition. A company that takes bulk fuel deliveries must use the most recent delivered fuel price. A company that does not take bulk fuel deliveries must use the price paid, to a consistent vendor, within two days prior to filing the petition.
- e. The overall increase in fuel costs, relative to the fuel costs reflected in the company's base fares, is more than 1 percent of the company's total pro forma revenues during the base period. The base period is the more recent of either the test year used in the company's last rate case or calendar year 2003.
- f. The company proposing the surcharge has been operating for at least two years by the end of the base period.
- g. The amount proposed to be collected in the surcharge is not greater than the amount by which the increase in fuel costs exceeds 1 percent of total pro forma revenues.
- h. The monthly fuel surcharge revenue requirement is the increased fuel cost that exceeds 1 percent of base period revenues, divided by twelve. For passenger fares, the calculated fuel surcharge is the monthly fuel surcharge revenue requirement divided by the one-way equivalent passenger count for the same month in the base period as the month in which the fuel surcharge will apply. For freight and other non-passenger related rates, the calculated fuel surcharge is the percentage of the base period fuel expense to base period revenue times the percentage of increase of current fuel cost to the average base period fuel cost.

- i. The proposed surcharge would be applied on a per-passenger basis, rounded to the nearest 25 cents, or a percentage basis, rounded to the nearest one quarter of 1 percent, for freight and other non-passenger related rates.
- j. The filing complies with all requirements generally applicable to tariff revisions requested to take effect with less than statutory notice.

Household Goods Moving Companies

The Commission has approved fuel surcharges for household goods companies in Household Goods Tariff 15-A if:

- a. The proposed surcharge will expire no more than one month after it becomes effective.
- b. The Washington Mover's Conference files a petition asking the Commission to publish a fuel surcharge supplement to Household Goods Tariff 15-A, to become effective on less than statutory notice, at least three business days prior to the requested effective date.
- c. The amount of the proposed surcharge is not more than 20 percent of the base rates to which the surcharge would apply.
- d. Staff will calculate fuel surcharge using the most current price data for (i) No. 2 low-sulfur clear diesel as reported by Oil Price Information Service (OPIS) for Seattle, Spokane, and Portland (Vancouver), as posted by Washington Department of General Administration each Tuesday and (ii) diesel as reported by the American Automobile Association of Washington (AAA) for Seattle, Spokane, and Vancouver. Base fuel price is the average of (i) the AAA June 22, 2003, price and (ii) the average 2003 calendar year OPIS price. Current fuel price is the average price reported by both services for each of the three cities. The amount of the increase is rounded to the nearest one quarter of 1 percent.
- e. Upon approval, the Commission publishes a Fuel Surcharge Supplement to Household Goods Tariff 15-A and distributes that information to the

regulated household goods companies. The fuel surcharge will not apply to non-fuel consuming rates and charges. Because the Commission publishes a rate band for household goods, the fuel surcharge will be optional, not mandatory.

- f. The filing complies with all requirements generally applicable to tariff revisions requested to take effect with less than statutory notice.

Consideration of Fuel Surcharges Using Alternative Approaches

Delegating authority to approve requests that meet these conditions would not remove the right of any company to request a surcharge using a different method and to have that request considered by the Commission at an open meeting. For example, some companies have argued that the Commission should not limit the fuel surcharge to the amount in excess of 1 percent of the company's operating revenues.

In addition, establishing this streamlined method does not remove the ability of any company to seek a general increase in fares as an alternative to a fuel surcharge.

Conclusion

Staff believes that delegation of authority to approve routine fuel surcharge requests will improve the ability of regulated transportation companies to respond to increases in fuel costs and will significantly streamline the Commission's open meeting process. This delegation must be done based on a specific method, but establishing this specific method should not and does not preclude the consideration of new or revised methods that might be suggested by the regulated companies.