

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held April 12, 2012

Commissioners Present:

**Robert F. Powelson, Chairman
John F. Coleman, Jr., Vice Chairman
Wayne E. Gardner
James H. Cawley
Pamela A. Witmer**

Extension of the Fuel Cost Recovery
Surcharge Special Permission 28207

R-2009-2094616

ORDER

BY THE COMMISSION:

Tristate Household Goods Conference, Inc. (Tristate), a tariff publishing agency, represents approximately 275 PUC household good carriers. Substantially large increases in the cost of diesel fuel, which were unanticipated, motivated Tristate to request the implementation of the Fuel Cost Recovery Surcharge. The Fuel Cost Recovery Surcharge Special Permission 28207 was approved in Public Meeting held April 17, 2003, and extended in subsequent Public Meetings. The extension was approved for duration of one year unless changed, cancelled or extended. The current surcharge grants approval to temporarily increase the Tristate tariff to recover temporarily increased fuel costs when transporting household goods for moves more than 40 miles (weight and distance) and moves that are 40 miles or less (hourly) by the use of a Fuel Cost Recovery Surcharge. Tristate filed a request on January 31, 2012 to permit members of its conference to continue assessing a fuel cost recovery surcharge to defray the continuing rise in costs of diesel fuel.

The surcharge is determined by a formula which attempts to approximate the amount of fuel used on a particular trip and multiplies that amount by the increased cost of fuel, allowing the carrier to recover only the additional fuel charges incurred. The formula includes the following constant factors: (1) base price per gallon of fuel¹; (2) average vehicle fuel consumption of 5 miles per gallon; and (3) a terminal factor which allows the carrier to recover the additional cost of fuel used in traveling to and from the

¹ The proposed base price is \$1.267, which was the price of a gallon of diesel fuel according to the Department of Energy report of Retail On-Highway Diesel Prices for the Central Atlantic Region as of February 15, 2002. Tristate proposes this as a base price since fuel prices have steadily increased from that date.

carrier's terminal to the origin point of the move. The formula also includes one variable factor, the current month's diesel fuel price.²

Moves of **40 miles or less** will be divided into 4 categories according to average mileage: 5 mile average for trips ranging from 1 to 10 miles, 15 mile average for trips ranging from 10 to 20 miles, 25 mile average for trips ranging from 20 to 30 miles, and 35 mile average for trips ranging from 30 to 40 miles. An example calculation for an 8 mile move is as follows³:

Origin of move to destination 8 miles	= 5 miles average
Terminal factor	= 40 miles
Total miles	= 45 miles
Average miles per gallon	= 5
Fuel used	= 9 gallons
DOE current Fuel Price as of 1/24/11	= \$3.430
Base fuel Price	= \$1.267
Fuel price difference	= \$2.163
Gallons X Fuel price difference	= 9 x 2.163 = \$19.47

Moves of **more than 40 miles** will be calculated using actual mileage from the move's origin to destination and return. An example calculation for a 100 mile move is as follows:

Origin of move to destination	= 100 miles
Empty Return (dest. to origin)	= 100 miles
Terminal factor	= 40 miles
Total miles	= 240 miles
Average miles per gallon	= 5
Fuel used	= 48 gallons
DOE current Fuel Price as of 1/24/11	= \$3.430
Base fuel Price	= \$1.267
Fuel price difference	= \$2.163
Gallons X Fuel price difference	= 48 x 2.163 = \$103.82

On January 31, 2012, Tristate filed a request to again extend the Fuel Cost Recovery Surcharge. The request was filed in response to the volatile nature of the petroleum market, which continues to produce unanticipated increases in diesel fuel prices.

In support of the request for extension, Tristate has submitted data from the Department of Energy for the Central Atlantic Region. The average price of diesel fuel for the period of January 2011 to December 2011 was \$4.00 per gallon, which is a 29.0% increase over the previous 12-month period.

² This figure is determined by the Department of Energy's report of Retail On-Highway Diesel Prices for the Central Atlantic Region. The current month's diesel fuel price will be effective beginning the 15th day of each month through the 14th day of the subsequent month.

³ All fuel surcharges shall be calculated and provided to the customer as part of the Estimate of Charges.

The Federal Department of Transportation has responded to the escalating fuel costs for interstate transportation by approving a fuel surcharge on a similar sliding scale. The Federal Fuel Surcharge became effective May 15, 2000 and continues in effect.

Pursuant to 66 Pa. C.S. §1301, the Commission is required to ensure that all rates charged by a public utility are just and reasonable. Additionally, the Commission is obligated to address industry-wide problems “without creating a chaotic rate structure impossible to manage or police.” Emergency Fuel Surcharge, 47 Pa. P.U.C. 389, 391 (1974). The current surcharge addresses the problem of rising fuel costs, while being just and reasonable in that carriers are compensated only for the additional cost of the fuel used.

Based on our review, it appears that the extension of the Fuel Cost Recovery Surcharge for transportation of household goods is necessary, is an appropriate means to address this regulatory problem and will result in just and reasonable rates. In order to prevent financial hardship, it is imperative that Pennsylvania household goods carriers be afforded an opportunity to temporarily adjust rates to offset escalating fuel costs using the proposed extended Fuel Cost Recovery Surcharge and, accordingly, we shall allow the proposed extended surcharge to become effective for a period of one year unless changed, cancelled or further extended.

THEREFORE,

IT IS ORDERED:

1. That Tristate members rendering service under authority of this Commission shall charge a Fuel Cost Recovery Surcharge on transportation provided for over 40 mile charges and for 40 miles or less hourly charges in accordance with all other tariff rules of this Commission. The Fuel Cost Recovery Surcharge is to be extended effective April 18, 2012.

2. That the Extended Fuel Cost Recovery Surcharge shall be in effect for one year to April 18, 2013 unless changed, cancelled or further extended by the Commission.

3. That copies of this order shall be served by the Secretary to the Office of Consumer Advocate and Office of Small Business Advocate. The Secretary shall forward this Order to the Pennsylvania Bulletin for publication.

4. Each carrier shall post a copy of this Extended Fuel Cost Recovery Surcharge along with the original Fuel Cost Recovery Surcharge dated April 17, 2003 in a conspicuous place in the office and vehicles. In addition, each carrier shall include the surcharge as a separate line item of the Estimate of Charges provided to prospective shippers and on the Bill of Lading.

5. That the rates collected to the Extended Fuel Cost Recovery Surcharge are subject to refund in the event that any formal complaints are filed, within 30 days of the date of publication of this order, and are successful in challenging the surcharge.

BY THE COMMISSION



Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: April 12, 2012

ORDER ENTERED: April 12, 2012