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Decision 90-09-053 September 12, 1990

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation)
for the purpose of considering and)
determining minimum rates for)
transportation of livestock and)
related items statewide as provided)
in Minimum Rate Tariff 3-A and the)
revisions or reissues thereof.)

Case 5433
Petition for Modification
81
(Filed September 6, 1990)

O P I N I O N

Recent events in the Middle East, including the invasion of Kuwait by Iraq, have sent prices on world oil markets spiraling upwards. Prices have nearly doubled in the past few weeks, rising to levels as high as \$31 per barrel. This has had a serious impact on livestock transportation.

During our August 29, 1990 meeting, while addressing this issue for other classes of carriers, we indicated our willingness to consider raising Minimum Rate Tariff (MRT) 3-A rates temporarily and solely to enable livestock carriers to recover the significant fuel cost increases caused by the Middle East events. We invited livestock carriers to file formal petitions both requesting this action and justifying its need in a timely manner to allow us to consider action at our September 12, 1990 meeting.

On September 6, the California Trucking Association (CTA) filed the above petition in response to our August 29 invitation. By this petition, CTA seeks a MRT 3-A rate increase of 6.6%. In support of its request, petitioner states its belief that the per gallon cost, including taxes, of diesel fuel has increased by 42.3 cents per gallon. CTA submits calculations showing how this per gallon fuel cost increase results in a livestock minimum rate increase of 6.6%. However, CTA includes in its calculations all

fuel increases since Petition 80 (Case 5433, Decision 89-12-026). Thus, its calculations do not specifically represent the fuel cost increases during the time of the Middle East crisis.

The Transportation Division staff has performed an analysis of the MRT 3-A fuel-cost related impact created since early August due to Middle East events. Staff used, as its basic cost model, the datum plane of record established in Case (C.) 5433, Petition 80 et al for MRT 3-A by Decision 89-12-026. This is the same basic datum plane staff used in its Resolution TL-18371 analysis of Proposition 111 related livestock cost impacts. As noted above, CTA's calculations include fuel cost changes not a result of the Middle East crisis. However, fuel costs have increased significantly as a result of this crisis, and elsewhere today we find that diesel fuel costs have increased approximately 27 cents per gallon. Staff estimated the change this differential would have upon the total costs for the livestock MRT. The results of staff's analysis for MRT 3-A show an average increase in MRT 3-A costs of 4.0% due to the Middle East crisis. We find staff's method approximates the increase in fuel cost due to the Middle East crisis.

We recognize that fuel cost is but one element of the total livestock truck operating cost and, to the extent that other elements of operating cost being experienced by livestock carriers could be declining, the impact of increasing fuel cost may be mitigated to some extent.

We will grant an interim MRT 3-A increase of the magnitude estimated by staff only because events in the Middle East have created the need for us to act quickly on the basis of the best cost information presently available. We will implement this interim increase through the issuance of a tariff surcharge supplement, to expire November 9, 1990, unless cancelled prior to that date by further order.

We intend to schedule and conduct hearings prior to November 9, 1990, to further consider these petitions and allow parties of interest in these matters opportunity to present any evidence they believe may more accurately identify the actual cost increases carriers subject to MRT 3-A are experiencing due to events in the Middle East.

Parties should not interpret this action we take today as an indicator of how we will treat rate increase matters of a more routine nature in the future. We take this action only because of this crisis situation which caused unforeseen and significant increases in fuel costs.

Petitioners have requested ex parte consideration in their filing. Notice of the filing of the petition appeared in the Commission's Daily Transportation Calendar of September 11, 1990. No protest to the granting of the petition has been received.

Findings of Fact

1. Recent events in the Middle East have resulted in precipitous and unforeseeable fuel price increases associated with abnormal market conditions.

2. Some livestock carriers have reported that they are already paying significantly higher fuel prices.

3. Livestock minimum rate tariffs do not currently reflect the precipitous cost increases caused by this emergency.

4. Using the datum plane of record in C.5433, Petition '80 et al, Transportation Division Staff has calculated that the approximate 27 cents per gallon diesel fuel cost increase related to the Middle East crisis has a 4.0% impact on MRT 3-A rates.

Conclusions of Law

1. Livestock carriers should be permitted to recover the increase in fuel costs experienced after August 1, 1990, due to the emergency in the Middle East by means of a minimum rate tariff surcharge supplement.

2. The fuel surcharge supplement described in Conclusion of Law 1 above should expire November 9, 1990, or such earlier date that the Commission sets in the event that fuel prices decline to levels more nearly comparable to those existing before the fuel crisis.

3. The fuel surcharge supplement authorized by this order is justified only because of the current Middle East crisis.

4. It is appropriate to increase the rates in MRT 4-C on a temporary basis due to the unforeseen crisis in the Middle East.

O R D E R

IT IS ORDERED that:

1. Minimum Rate Tariff (MRT) 3-A (Appendix A to Decision 55587, as amended) is further amended by incorporating Supplement 28, effective September 16, 1990.

2. This supplement shall expire on November 9, 1990 or such earlier date that the Commission sets in the event that fuel prices decline to levels more nearly comparable to those existing before the fuel crisis.

3. A public hearing in this matter shall be held before an Administrative Law Judge of the Commission at a time and place to be determined, at which time and place all interested parties may appear and be heard.

4. The Executive Director shall serve a copy of this decision to each subscriber of MRT 3-A.

This order is effective today.

Dated September 12, 1990, at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
PATRICIA M. ECKERT
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY

Commissioner John B. Ohanian,
being necessarily absent, did
not participate.

SURCHARGE SUPPLEMENT

(E) SUPPLEMENT 28
(Supplements 27 and 28 Contain All Changes)
TO
MINIMUM RATE TARIFF 3-A
NAMING
MINIMUM RATES AND RULES
FOR THE
TRANSPORTATION OF LIVESTOCK OVER THE
PUBLIC HIGHWAYS WITHIN THE
STATE OF CALIFORNIA
BY
HIGHWAY COMMON CARRIERS
HIGHWAY CONTRACT CARRIERS
AND
LIVESTOCK CARRIERS

(E) ◇ APPLICATION OF SURCHARGE

Except as otherwise provided, compute the amount of charges in accordance with the rates and rules in this tariff, and increase the amount so computed by four (4.0) percent.

In computing the amount of the charges, fractions of less than one-half (1/2) cent shall be dropped and fractions of one-half (1/2) cent or greater shall be increased to the next higher whole cent.

EXCEPTION: The surcharge herein shall not apply to:

1. Item 110 - Accessorial Charges;
2. Items 170 and 180 - Split Pickup and Split Delivery;
3. Item 200 - Stopping in Transit; and
4. Item 210 (Railhead-to-railhead Charges Only).

(E) Expires no later than November 9, 1990

EFFECTIVE SEPTEMBER 16, 1990

◇ Increase, Decision 90-09-053

Issued by the
PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
Governor Edmund G. "Pat" Brown Building
505 Van Ness Avenue
San Francisco, California 94102