

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Resolution TL-18745*
Safety & Enforcement Division

R E S O L U T I O N

**RESOLUTION RESPONDING TO UNFORESEEN MAJOR FUEL COST
CHANGES OCCURRING IN 1996 FOR PASSENGER STAGE
CORPORATIONS AND VESSEL COMMON CARRIERS**

SUMMARY

Since the beginning of 1996 and particularly in the last several weeks, gasoline and diesel fuel prices have been increasing at an alarming rate. Since fuel costs are a significant cost component of passenger carriers subject to Commission rate regulation, there is a need for us to grant these firms temporary authority to respond to this emergency.

Effective today, passenger stage corporations (PSCs) and vessel common carriers (VCCs) are authorized to file temporary fuel cost related tariff rate increases on as little as one day's notice within a "zone of reasonableness," whose upper limit is 10 percent above their current rates. PSCs who have been individually granted a zone of rate freedom pursuant to Public Utilities (PU) Code Section 454.2 are permitted to file these tariff rate increases on as little as one day's notice within a "zone of reasonableness" whose upper limit is 10 percent above their authorized zone of rate freedom. PSC and VCC tariff filings made pursuant to this resolution must be accompanied by simple fuel cost justifications and will expire August 6, 1996, absent further order by the Commission.

BACKGROUND

Simultaneously occurring unanticipated events in the oil markets, such as the recent and abrupt increase in the price of crude oil and the prolonged high demand for heating oil caused by a particularly severe and extended winter, have sent gasoline and diesel fuel prices spiraling upward. Although not an unexpected event, the increased refining cost resulting from California's new 1996 reformulated anti-pollution gasoline is also beginning to be reflected in gasoline prices. Gasoline price increases are particularly significant for PSCs, since airport shuttle van operators use gasoline exclusively.

Our staff has been receiving increasing numbers of contacts from PSCs and VCCs voicing concern over spiraling gasoline and diesel

fuel prices and the effects these rapidly rising prices may have on their economic viability.

PSCs and VCCs are subject to upward pricing constraints under our current regulations. VCCs and most PSCs are required to file formal applications to obtain authority to increase their rates beyond those they currently have on file. Even those PSCs to whom we have granted a zone of rate freedom pursuant to PU Code Section 454.2 must file formal applications to raise rates if those currently published in their tariffs are at the upper bound of their zones.

DISCUSSION

Gasoline and/or diesel fuel costs are a significant part of the operating costs of transportation companies, including PSCs and VCCs. In response to the concerns expressed by many of these firms, staff has been reviewing fuel cost data in an attempt to quantify the magnitude of the fuel price increases that have occurred in California since the beginning of the year. In particular, it has analyzed the results of bimonthly surveys of retail gasoline and diesel fuel prices being paid at various California locations conducted by Lundberg Survey, Incorporated. These data show that, on average, retail prices for gasoline and diesel fuel sold at retail self-service outlets throughout California have risen approximately 40 cents (32 percent) and 32 cents (24 percent) per gallon respectively since the beginning of this year. The largest portions of these substantial increases have occurred in the last several weeks of this period.

The orderly provision of transportation services by PSCs and VCCs is important to the well being of the state's travelling public. These services could be adversely impacted by the current fuel cost environment.

In the case of PSCs and VCCs, the significant and substantially unforeseeable escalation in fuel prices, coupled with the fact that VCCs and most PSCs must file formal applications requiring 30 day's notice and issuance of specific Commission decisions to increase their rates, justify emergency action to provide temporary relief.

By Resolution TL-18380-A, dated August 29, 1990, we authorized the filing of emergency temporary tariff increases by PSCs and VCCs to allow them to offset steep fuel cost increases caused by the Middle East War. They were permitted to exercise this authority by making a tariff filing showing a percentage surcharge on any or all of their tariffs (up to a maximum of 10 percent), and further justifying the surcharge by a simple calculation showing the percentage by which increases in fuel costs had increased their overall costs. This calculation had to show the carriers' overall costs, the percentage of those overall costs that consisted of fuel costs, and the increase in

fuel costs the carrier had experienced after August 1, 1990 due to the then current emergency in the Middle East (both in dollar figures and as a percentage).

The magnitude of fuel cost escalation now being experienced by PSCs and VCCs is comparable to that which occurred in 1990 as a result of the Middle East War, and initiation of a process similar to the one used in 1990 to recover this rapidly escalating cost seems appropriate in response to today's emergency.

Because we believe that fuel prices will moderate when demand conditions in the oil markets return to those that have historically prevailed, the rate increase filing process for PSCs and VCCs we authorize by this resolution should be for a limited term duration.

FINDINGS

1. Recent events in the petroleum markets have resulted in extraordinary and substantially unforeseeable gasoline and diesel fuel price increases.
2. PSCs and VCCs have been reporting that they are currently paying significantly higher prices for these fuels than they paid early this year, and Commission staff has confirmed these claims.
3. These escalating fuel cost conditions are similar to those that occurred in 1990 during the Middle East War. They constitute a similar fuel cost emergency, for which remedies similar to those we applied at that time are appropriate.
4. A number of PSCs and VCCs may be unable to recover cost increases due to this emergency without additional Commission authority.
5. PSCs who have not been authorized a zone of rate freedom pursuant to PU Code Section 454.2 and VCCs should be temporarily allowed to file tariffs on one day's notice within a "zone of reasonableness" whose upper limit is 10 percent above their current rates.
6. PSCs who have been individually granted a zone of rate freedom pursuant to PU Code Section 454.2 should be temporarily allowed to file tariffs on one day's notice within a "zone of reasonableness" whose upper limit is 10 percent above their authorized zone of rate freedom.
7. PSC and VCC tariff filings made pursuant to this resolution should be accompanied by justifications similar to those we required by Resolution TL-18380-A in 1990 in response to the Middle East War.

8. Because PSCs and VCCs may need to respond promptly to changes in fuel costs, there is good cause to authorize them to make tariff filings on one day's notice.
9. The tariff filings authorized by the following order are justified.

IT IS ORDERED that:

1. Until August 6, 1996, passenger stage corporations and vessel common carriers are permitted to file tariffs within a "zone of reasonableness" whose upper bound is 10 percent above their current rates.
2. Until August 6, 1996, passenger stage corporations who have been individually granted a zone of rate freedom pursuant to P.U. Code Section 454.2 are permitted to file tariffs within a "zone of reasonableness" whose upper bound is 10 percent above their authorized zone of rate freedom.
3. Passenger stage corporations and vessel common carriers shall be allowed to exercise the actions permitted by Ordering Paragraphs 1 and 2 by making a tariff filing showing a percentage surcharge on any or all of their tariff rates within the range authorized, and further shall justify the surcharge by a simple calculation showing the percent by which increases in fuel costs have increased their overall costs. This calculation shall show the carriers' overall costs; the percentage of those overall costs that consist of fuel costs; and the increase in fuel costs the carriers have experienced since January 1, 1996, both in dollar figures and as a percentage.
4. Tariff filings pursuant to this order may be made effective upon one day's notice (one day after filing with the Commission).
5. Any tariff filings authorized by this order shall expire August 6, 1996, absent further order by this Commission.
6. Any party who wishes to request extension of the temporary relief granted by this resolution shall apply for such additional relief in accordance with the Commission's Rules of Practice and Procedure no later than July 25, 1996.

7. The Executive Director shall cause a copy of this resolution to be served on all passenger stage corporations and all vessel common carriers.

This resolution is effective today.

I hereby certify that the foregoing resolution was duly introduced, passed and adopted at a regular meeting of the Public Utilities Commission of the State of California, held on the 6th day of June, 1996. The following Commissioners voted favorably thereon:

Wesley Franklin

Wesley M. Franklin
Executive Director

P. GREGORY CONLON
President
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
JOSIAH L. NEPPER
Commissioners

Commissioner Daniel Wm. Fessler,
being necessarily absent,
did not participate.