

# TARIFF REVIEW CYCLE 2011

## Fuel Surcharge Implementing WAC Language

June 13, 2011

### Proposed WAC 468-300-050 Fuel Surcharge

- (1) In order to manage the financial risk associated with fuel price volatility, it is hereby declared to be the policy of the Washington State Transportation Commission to implement a fuel surcharge as an added component to the regular posted fares for passage on vessels operated by Washington State Ferries (WSF) to mitigate the financial impacts associated with unexpected increases in fuel prices which exceed those incorporated in WSF's fuel budget. The total ferry fare charged will consist of the base fare plus an automatic, incremental, additional surcharge as calculated according to the formula set forth in this rule.
- (2) The method for calculating the fuel surcharge amount shall be as follows:
  - a) Determine excess fuel costs for current quarter by subtracting budgeted fuel costs from actual fuel costs for the quarter. For the purposes of this rule, quarters shall be consistent with the state fiscal year definition of quarters.
  - b) To minimize lags in the application of this rule, the quarter will be closed one week prior to the actual end of the quarter, and an estimate of actual costs will be prepared to account for the missing consumption days and any lags in accounting for actual purchases.
  - c) The estimate of actual costs for missing consumption days shall be developed as follows:
    - i) Estimated actual fuel costs will be based on the OPIS Daily contract average rack prices for Ultra Low-sulfur Dyed Diesel fuel as reported by the GA Office of State Procurement for Tacoma and Anacortes fuel price data as of the cutoff date.
    - ii) Estimated prices are adjusted for applicable taxes and fees to derive total estimated cost per gallon for purchases on the missing days.
    - iii) Total price per gallon is multiplied by budgeted gallons of fuel, adjusted by year-to-date shares of gallons purchased at Tacoma and Anacortes rack prices, to estimate costs for any missing days in the quarter.
  - d) Net excess fuel costs for the quarter shall be calculated by adjusting current quarter excess fuel costs for the following:
    - i) Any necessary reconciliation from the previous quarter's estimate of actual costs once full accounting of actual costs is complete.
    - ii) Any necessary adjustments to ensure actual costs reflect budget assumptions regarding the appropriate share of biodiesel fuel or total diesel gallons to be purchased. Where actual

- gallons purchased or share of biodiesel vary from the assumptions used to develop the budget, the actual costs shall be reduced by the amount that these variations may have increased costs beyond the amounts assumed in the budget appropriation.
- iii) Subtracting any fuel surcharge revenues collected in the current quarter.
  - iv) Adding net excess fuel costs from the previous quarter.
  - e) Calculate an excess fuel cost percentage by dividing adjusted excess fuel costs by the current quarter's budgeted fuel costs.
  - f) A fuel surcharge amount is then calculated by as follows:
    - i) Multiply the excess fuel cost percentage by the share of budgeted fuel costs to total operating costs for the current biennium (defined as the fuel appropriation divided by the total Program X appropriation); then
    - ii) Divide the result by the farebox recovery rate for the current biennium (defined as the fare revenue target assumed in the budget divided by total Program X appropriation).
- (3) A fuel surcharge shall be applied to applicable fares as follows:
- a) If the surcharge amount is less than 2.5%, then a fuel surcharge shall not be applied.
  - b) If the surcharge amount is equal to or greater than 2.5%, then the surcharge shall be determined as follows:
    - i) Surcharge amount is equal to or greater than 2.5% and less than 5% then the surcharge shall be 2.5% of the applicable fare.
    - ii) Surcharge amount is equal to or greater than 5% and less than 7.5% then the surcharge shall be 5% of the applicable fare.
    - iii) Surcharge amount is equal to or greater than 7.5% and less than 10% then the surcharge shall be 7.5% of the applicable fare.
    - iv) Surcharge amount is 10% or greater, the surcharge shall be 10% of the applicable fare.
  - c) The surcharge shall be applied to all fares, with resulting fares rounded to the nearest nickel.
- (4) WSF shall estimate the need for a fuel surcharge on a quarterly basis, based upon the formula prescribed in this rule, and if a surcharge is to be added or modified, then the department shall:
- a) Notify ORCA partners and customers of the pending surcharge changes at least 30 days prior to implementation of said changes.
  - b) Make all surcharge changes effective on the first of the month
- (5) By rule, excess fuel costs shall be reset to zero at the beginning of the biennium.
- (6) The amount of any fuel surcharge shall be shown separately on customer receipts.
- (7) The department shall provide an annual report to the Legislature, OFM, and the Washington State Transportation Commission summarizing its fuel cost mitigation activities, including how the department has managed its costs as well as the application, performance and impact of fuel surcharges pursuant to this authority.

- (8) To facilitate understanding on the part of WSF customers and to ensure a transparent process, an explanation of how the surcharge is applied, including a summary of the actual calculation of the surcharge percentage, shall be described on the WSF website and available in other formats upon request.
- (9) This rule goes into effect on October 1, 2011.