

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Consumer Protection and
Enforcement Division**

**AGENDA ID #16179
RESOLUTION TL-19123
January 11, 2018**

RESOLUTION

**RESOLUTION ADJUSTING THE RATES IN MAXIMUM RATE
TARIFF 4, GOVERNING THE TRANSPORTATION OF USED
HOUSEHOLD GOODS AND PERSONAL EFFECTS BY HOUSEHOLD
GOODS CARRIERS.**

SUMMARY

Effective today, Maximum Rate Tariff 4 (MAX 4) maximum rates are increased by 2.7%.

BACKGROUND

MAX 4 contains rates and rules for the transportation of used household goods and personal effects over the public highways within California by household goods carriers.

Public Utilities Code Section (Pub. Util. Code) § 5191(d) states:

In establishing or approving any maximum rates for household goods carriers, the commission shall, on or immediately after January 1, 1996, adjust the current level of maximum rates by application and use of the index number methodology relied upon by the commission in 1992 to assist in the establishment of the current level of maximum rates and make that adjustment for the time period from the date that index was last relied upon to the latest date that index data is available.

Thereafter, maximum rates shall be adjusted at least once annually by use of the same index methodology, or another index methodology found by the commission to be appropriate for the adjustment of household goods carrier maximum rates, less a reasonable percentage of any index increase to encourage higher productivity and promote efficiency and economy of operation by household goods carriers. The commission may also adjust maximum rates when deemed reasonable to allow for extraordinary changes in household goods carrier costs.

By Decision (D.) 98-04-064, issued April 23, 1998, we decided to use for the future the 1992 index methodology set forth in Pub. Util. Code § 5191, and adopted the productivity “offset factor” of 0.669 to apply when that methodology produces an index increase. The 1992 methodology was the result of the adoption of a settlement between the parties in our last household goods program investigation (D.92-05-028 in Order Instituting Investigation (I.) 89-11-003). (44CPUC 2d 211, 229, 325.) Under that methodology, MAX 4 rates are adjusted by a formula based on inflation, with the exception of the packing materials rates contained in Item 340 of the tariff. Our 1992 decision set packing materials rates in Item 340 at the values in the interstate Household Goods Carriers’ Bureau Tariff HGB 400-G, Item 106. We subsequently increased the Item 340 rates in response to formally filed requests by the household goods carrier industry. (See D.95-02-025, D.95-07-024, D.00-01-046, and D.07-04-035). By D.10-01-027, issued January 21, 2010, we reset the productivity offset factor from 0.667 to 0.95 for five years, effective January 31, 2010.

We also determined in the 1998 decision that index changes in 1999 and future years should be calculated to the nearest one-tenth of one percentage point, with the tariff being amended only when the index change (adjusted by the offset factor in the case of an increase) amounts to 0.5 percentage points or more. That is, if the methodology dictates a January rate change of less than 0.5 percentage points in a given year, the change will be postponed until the subsequent January in which the cumulative change produced by the methodology amounts to at least 0.5 percentage points.

As has been the case since Pub. Util. Code § 5191 first directed us to index MAX 4 rates, any rate change we order here for 2018 must be based on the index change accruing between the last month for which we have index data and the most recent month that is administratively feasible to use to enable us to publish new MAX 4 rates in January 2018. The Bureau of Labor Statistics published the most recent index data, for October 2017, on November 15, 2017.¹

¹ Consumer Price Indexes Pacific Cities and U.S. City Average, October 2017 (http://www.bls.gov/regions/west/cpi-summary/2017/consumerpriceindex_summary_western_201710.pdf) available on the Bureau of Labor Statistics Western CPI Summaries webpage, <http://www.bls.gov/regions/west/cpi-summary/home.htm>.

DISCUSSION

A description of the index, the index number calculations and application of the productivity factor that must be made to arrive at the adjustment in MAX 4 rates for the period October 2016 to October 2017 is set forth in Appendix A. The calculations show that the methodology produces an increase, adjusted for productivity in accordance with D.10-01-027, of 2.7 percent for this period. Decision 10-01-027 adopted the changes to the Maximum Rate Tariff 4 (“MAX 4 Tariff”) that California Moving and Storage Association (CMSA) and the Commission’s Division of Ratepayer Advocates (DRA, now the Office of Ratepayer Advocates (ORA)) jointly proposed, including a five-year “freeze” on the productivity offset factor (at 0.95) and the methodology for determining the appropriate productivity offset factor (either 0.95 or 0.85) following the five-year “freeze”.² Staff applied the methodology outlined in CMSA’s and DRA’s joint comments,³ and determined that the productivity offset factor did not require modification for the 2018 update. Appendix A reflects Staff’s review and application of the methodology for determining the appropriate productivity offset factor.

The revised MAX 4 tariff pages listed in Appendix B increase maximum rates by 2.7 percent. We make the increase effective today.

COMMENTS ON DRAFT RESOLUTION

To comply with Pub. Util. Code § 311(g), the Consumer Protection and Enforcement Division commenced publication of a Daily Calendar notice on **December 1, 2017** that apprised the public of the availability of its draft of this resolution and solicited submission of opening comments by December 21, 2017 and reply comments by December 29, 2017. Comments were filed by.....

² See Decision 10-01-027 Ordering Paragraph 1.c and Section 3.8, pp. 14-17

³ A.08-03-005 Joint Comments of the Division of Ratepayer Advocates and California Moving & Storage Association Regarding Resolution of Application 08-03-005, filed August 14, 2009, <http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=24302>

FINDINGS

1. Pub. Util. Code § 5191 requires the Commission to adjust MAX 4 rates annually using an index methodology.
2. By D.98-04-064 we set forth the index methodology and related productivity adjustment factor to be used pursuant to Pub. Util. Code § 5191 to make yearly MAX 4 rate adjustments.
3. By D.10-01-027 we revised the productivity offset factor to be used in making the yearly rate adjustments from 0.667 to 0.95 for five years effective January 31, 2010.
4. By D.10-01-027 we adopted the methodology to determine the appropriate productivity offset factor, following the five year period during which we set the productivity offset factor to 0.95.
5. The 2018 MAX 4 rate adjustment required by Pub. Util. Code § 5191 should cover the period October of 2016 to October of 2017.
6. The index change reflected in Appendix A should be applied in 2018. It supports a MAX 4 rate increase of 2.7 percent for all tariff rates except packing materials rates in Item 340.
7. Increasing all MAX 4 rates except the packing materials rates in Item 340 of the tariff by 2.7 percent in 2018 will satisfy the MAX 4 rate adjustment provisions contained in Pub. Util. Code § 5191 and in D.98-04-064.
8. The MAX 4 packing materials rates should remain at their current levels, pending adjustment upon the granting of an application requesting their modification.

THEREFORE, IT IS ORDERED that:

1. Maximum Rate Tariff 4 (Attachment B to Decision 92-05-028, as amended) is further amended by incorporating the revised tariff pages attached and listed in Appendix B to this resolution, effective today.
2. The Executive Director shall cause a copy of this Resolution to be served on every household goods carrier with a permit from the Commission.

This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted by the Commission at its regularly scheduled meeting on January 11, 2018. The following Commissioners voted favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

Attachments:

Appendix A
Appendix B

APPENDIX A

INDEX CALCULATIONS FOR DETERMINING THE
 JANUARY 2018 MAX 4 RATE ADJUSTMENT
 REQUIRED BY PUBLIC UTILITIES CODE SECTION 5191

This index process involves deriving an average index number from two others contained in the publication Consumer Price Indexes - Pacific Cities and U.S. City Average. The Federal Department of Labor, Bureau of Labor Statistics (BLS) updates and publishes this information at www.bls.gov/regions/west/cpi-summary/home.htm.

The BLS values averaged together are those from the All Urban Consumers category for: 1) the Los Angeles-Riverside-Orange Co. (LA-R-O) area, and 2) the San Francisco-Oakland-San Jose (SF-O-SJ) area.¹

The following calculations show the degree of MAX 4 rate change required by Pub. Util. Code § 5191 for January 2018:

<u>BLS All Urban Consumers Index Category</u>			
	October 2016		October 2017²
LA-R-O area	741.855		764.857
SF-O-SJ area	830.996		853.328
2016 total	1572.851	2017 total	1618.185
2016 avg.	786.426	2017 avg.	809.093
(16 avg. -15 avg. / 15 avg.) x 100 = change x 0.953 = adjustment			
((764.342 - 750.6760) / 750.6760) x 100 x 0.95 = 1.7%			

¹ This is the “averaged” index derivation set forth in Exhibit 105 in the I.89-11-003 proceeding and relied upon in establishing MAX 4 rates by Decision 92-05-028, dated May 28, 1992.

² The October 2017 index value is the most current one allowing Commission review at the January 11, 2018 meeting.

³ In Decision 10-01-027 the Commission approved the current methodology for setting the productivity factor.

APPENDIX B

LIST OF REVISED PAGES TO
MAXIMUM RATE TARIFF 4:

TWENTY-FIRST REVISED PAGE 11
TWENTIETH REVISED PAGE 13
TWENTIETH REVISED PAGE 22
FIFTEENTH REVISED PAGE 36
TWENTY-FIRST REVISED PAGE 38
TWENTY-FIRST REVISED PAGE 40
TWENTY-FIRST REVISED PAGE 41
TWENTY-FIRST REVISED PAGE 42
TWENTIETH REVISED PAGE 43
TWENTIETH REVISED PAGE 44
TWENTIETH REVISED PAGE 45
TWENTY-FIRST REVISED PAGE 47
TWENTY-FIFTH REVISED PAGE 59
TWENTY-SECOND REVISED PAGE 61
TWENTIETH REVISED PAGE 63
TWENTY-SIXTH REVISED PAGE 64
TWENTY-THIRD REVISED PAGE 65
TWENTY-FOURTH REVISED PAGE 69