

Agenda Date: March 26, 2003

Item Number: B1

Docket: TC-030294

Company: Bremerton-Kitsap Airporter, Inc., C-903

Staff: Bob Colbo, Transportation Program Staff

Recommendation:

Issue an order allowing the rates of Bremerton-Kitsap Airporter, Inc., C-903, contained in Docket TC-030294, to become effective April 27, 2003, as revised.

Discussion:

On March 4, 2003, Bremerton-Kitsap Airporter, Inc., (Bremerton-Kitsap or Company) filed a new Tariff No. 8 that proposed increased passenger fares to become effective March 15, 2003, via Less than Statutory Notice (LSN) procedures. The Commission took no action on the LSN request at its Open Meeting of March 12, 2003. Bremerton-Kitsap provides passenger service to and from Sea-Tac Airport from points in Kitsap and Pierce Counties. Present rates became effective August 24, 2002, when the Commission, in Docket TC-001846, ordered the Company to decrease Kitsap County fares by \$2.00 and increase Pierce County (Ft. Lewis and McChord AFB) fares by \$2.75.

Originally in this docket, the Company proposed to increase all Kitsap County passenger fares by \$1.50, increase all Pierce County fares by \$1.25, and increase excess baggage charges by \$1.00. This would have increased revenue by \$182,371 (11.4 %). The proposed increases were designed to recover increases in insurance, payroll, and related tax expenses. Since Docket TC-001846 (which used a test year of the 12 months ended September 30, 2000), insurance costs have increased by \$17,566 of additional premiums plus an another \$7,300 for coverage on a new van. The Company has also granted non-management pay raises ranging from \$1.00 to \$2.00 per hour for dispatchers and reservationists effective in Sept. 2, 2002, an additional \$0.50 per hour

for all employees effective February. 4, 2002, and another \$1.00 per hour for drivers that goes into effective next week. The Company has committed in writing to implement this last increase effective March 31, 2003, regardless of the Commission's decision in this docket. Staff will follow up on this issue with the CPA firm that does the Company's payroll. The combined effect of these payroll amounts, including related taxes, is almost \$71,000.

Staff reviewed the supporting material provided by the Company and other supplemental material requested for the calendar year 2002 test period. In its analysis, Staff used the same cost separations and stand alone rate design that we proposed and the Commission adopted in Docket TC-001846. Separated pro forma operations indicate that the Company substantially underestimated its revenue need for Pierce County operations and overstated its need in Kitsap County. Staff's analysis indicates the Company needs only \$1.00 of the proposed \$1.50 increase for Kitsap County. The Company filed revised tariff pages increasing Kitsap County fares by \$1.00 and keeping the proposed increased amount in Pierce County to \$1.25, all in accordance with Staff's findings. These revised rates will result in an overall total company increase of \$128,678 (8.01%).

Staff therefore recommends that the Commission allow the rates of Bremerton-Kitsap Airporter, Inc., C-903, contained in Docket TC-030294, to become effective April 1, 2003, as revised.

Attachment