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To: Records@wutc.wa.gov
cc
bcc
Subject: Fwd: Operating Ratio Methodology - Includes costs for interest, federal taxes...

Reference Docket # 060177

----- Message from REAsche@aol.com on Wed, 13 Sep 2006 21:04:00 EDT -----

To: geckhard@wutc.wa.gov, CRose@wutc.wa.gov

Subject: Re: Operating Ratio Methodology - Includes costs for interest, federal taxes ...

Dear Chris and Gene,

I was not implying that investment in plant and equipment should be thrown in the equation for determining rates/fares. To my knowledge, it is not. The WUTC instructions for rate filings clearly state that if operating expenses are less than 93% of operating revenues, a rate request will be denied. The instructions state nothing about investment, nor should they. Investment is a key component in rate methodology for utility companies, but certainly not in the labor intensive auto transportation industry.

However, the statute (RCW 81.04.250) does state that "taxes of every kind" are indeed thrown into the formula for determining fares. I'm not a lawyer, but this is the way I interpret the statute, that federal income taxes are treated the same as state taxes are treated (operating expenses). Now, if they are not to be treated in the same manner, then why are fuel tax rebates used to reduce the cost of gasoline when rate requests are submitted? Federal fuel tax rebates are in the Internal Revenue Code and are used (in our case) as a credit towards Federal Income Taxes owed, just as child care credits are used on a personal return. Moreover, if fuel tax credits are treated as a reduction of operating expenses in rate cases, then logically federal income taxes must also be treated as an operating expense IAW the statute.

Finally, my question is-how do you reconcile the commissions 93/7 policy with the statute?

Richard E. Asche
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