

Agenda Date: July 12, 2012
Item Number: B1
Docket: TG-120816
Company Name: Bremerton-Kitsap Airporter, Inc., C-903

Staff: Dave Gomez, Assistant Power Supply Manager, Energy Regulation

Recommendation

Issue a complaint and order suspending the tariff revisions filed by Bremerton-Kitsap Airporter, Inc., on June 4, 2012.

Discussion

On June 4, 2012, Bremerton-Kitsap Airporter, Inc., (BK Airporter) filed with the Washington Utilities Transportation Commission (commission) revisions to its Tariff No. 10, Page No. 4. Its stated effective date is July 15, 2012. The new tariff would increase passenger fares to and from SeaTac Airport by \$0.25 from points in Kitsap and Pierce County. The fare increase is expected to generate \$36,577 (1.2 percent) additional annual revenue. The company is seeking to recover an increase in toll costs to cross the Tacoma-Narrows Bridge.

In its June 4, 2012, filing, the company asserts the requested increase to its annual revenue is not a general rate increase filing citing the exemption specified in WAC 480-30-421 regarding per-customer pass through surcharges and taxes.¹ Consequently, the company's work papers supplied to staff only provided detail regarding the toll increase.

Staff has analyzed the company's request and does not agree with BK Airporter's interpretation that the filing meets the exemption requirements specified in WAC 480-30-421 (2) (a) for a general rate increase. The rule contains additional exemptions for filings seeking to increase the company's gross annual revenue from activities regulated by the commission or that restructure tariffs so that the gross revenue generated by any customer class would increase by three percent or more. While BK Airporter's filing is certainly requesting an increase in fares which would result in gross revenues that are below three percent, staff recommends the commission use its authority under WAC 480-30-421 (3) to require BK Airporter to provide staff with the required work papers necessary to evaluate its current and proposed fares.

The Tacoma-Narrows Bridge toll is assessed by the Washington State Department of Transportation on a per-vehicle crossing basis and the toll is imbedded in the company's fares. A previous toll increase request by the company in Docket TC-081030 was allowed to go in effect by operation of law without commission action as a general rate increase based on a single item adjustment. Staff's recommendation in TC-081030 to allow a single item adjustment was based

¹ WAC 480-30-421 (2) (a) – "Filings for collection of per-customer pass-through surcharges and taxes imposed by the jurisdictional local government based on the current year customer count either as a specified dollar amount or percentage fee amount."

on its then recent examination of the company's books and records in the last general rate case filed by the company with the commission in Docket TC-060432, filed on March 21, 2006.²

In TC-081030, fares were allowed to go into effect by operation of law based on a single item adjustment of \$0.25 per one-way fare to recover a toll of \$2.75 per-vehicle crossing. On July 1, 2012, the toll amount increased from \$2.75 to \$4.00 per-vehicle crossing. The company's current filing seeks a \$2.25 per-vehicle crossing increase which over recovers the actual amount of the toll increase by \$1.00 per-vehicle crossing or for over \$25,000, of the requested \$36,577.

On July 2, 2012, staff sent the company a data request asking for the work papers required to evaluate its filing as specified in WAC 480-30-426. Staff noted in its data requests the following observations:

- Annual reports for the years 2010 and 2011, show operating losses (operating ratio of 100.3 percent). The requested increase appears insufficient to cover these losses and, as such, does not meet the requirements that fares be "sufficient" to allow the company to recover its expenses and have an opportunity to earn a return on its investments;
- Passenger counts have increased 25.4 percent since 2006. The passenger counts reported for 2011 are almost 4 percent higher than in 2010;
- The company's current fuel surcharge went into effect on July 2, 2012, in Docket TC-121082. The commission's Order 05, Ordering Paragraph 02 (a) in Docket A-042090, states that only companies whose current rates or fares were established within three years prior to the application for a fuel surcharge should apply for such a surcharge, and companies whose rates or fares were established more than three years prior to the application may be subject to an earnings review and a possible formal proceeding to reduce those rates or fares;
- Fuel efficiency is up by 3.1 percent;
- Bonuses paid to corporate officers, managers and employees from operating revenues are unknown;³
- The company reported to staff that its energy expenses (not fuel) have been reduced by a third;
- Revenues are up in 2011 by almost 8 percent from 2010 totals; and
- Almost 10 schedule changes since its last general rate case in 2006.

On July 3, 2012, the company responded that it would not comply with staff's data request citing the exemptions contained in WAC 480-30-421 (1) (a) and (b) and (2) (a); specifically that the annual revenue increase requested is less than three percent of gross annual regulated revenues and that the increase is a per-customer pass-through surcharge and taxes imposed by the

2 In Docket TC-060432, BK Airporter withdrew its filing and, as a result, the commission lifted its suspension of the company's general rate increase on May 17, 2006. Staff used the data provided by the company in TG-060432 to evaluate the single item adjustment in TG-081030 and make its recommendation to the commission.

3 In its July 3, 2012, response to staff's data request, the company stated that, "In addition, I believe that I explained the operating losses for 2010 and 2011 that resulted from compensation to the owners and employees annual bonus for operating a highly efficient and debt free operation that offers the consumer the absolute minimum fare for airport transportation, perhaps the lowest in the US for the past 32 years!"

jurisdictional local government. Staff believes that these assertions are irrelevant in analyzing the fairness, justness, reasonableness and sufficiency of BK Airporter's rates as proposed. BK Airporter has not demonstrated that it requires additional revenue.

The filing would increase fares for service provided by BK Airporter. Because those increases might injuriously affect the rights and interests of the public and BK Airporter has not demonstrated that the increases would result in rates that are fair, just reasonable and sufficient, the commission suspends the tariff filing and will hold public hearings if necessary to determine whether the proposed increases are fair, just, reasonable and sufficient.

Conclusion

Staff recommends the commission issue a complaint and order suspending the tariff revisions filed by Bremerton-Kitsap Airporter, Inc., on June 4, 2012.