



TO Jing Roth, Assistant Director
FROM Benjamin Sharbono, Regulatory Analyst
DATE October 4, 2023
SUBJECT **Application Financial Review**
TC-230666, HHR Shuttle Service, LLC

Summary

Staff finds the company is financially fit to provide the applied for auto transportation service for at least 12 months.

Discussion

On August 17, 2023, HHR Shuttle Service, LLC (HHR or company) submitted to the Washington Utilities and Transportation Commission (commission) an application to provide auto transportation between Yakima and the Tri-Cities Airport. Commission staff (staff) reviewed the application, including its financial statements, to determine whether the company has the financial resources to operate its proposed service. After reviewing the company's information, staff concludes the company does have the resources to operate the proposed service for at least a 12-month period.

Company:

According to the Secretary of State's Corporations Division website, HHR Shuttle Service LLC registered for business on May 16, 2023. According to the Secretary of State, the company is owned by Brenda Fewkes, a co-applicant. Per the application submitted to the commission, the owner has worked for a regulated transportation company in the past.

The company proposes offering scheduled nonstop passenger by reservation only between Yakima and the Tri-Cities Airport. HHR's target market is customers seeking to access the Tri-Cities Airport with regular route services currently unserved by other transportation companies.

Balance Sheet Review:

- Assets: \$39,700
- Liabilities: \$ 0
- Owners' Equity: \$39,700

Due to issues with the financial statements in the application, staff asked the company to complete a new Balance Sheet, which the company provided.

In conversations with the company about the revised balance sheet, the company stated it has \$6,500 in cash-on-hand and purchased the vehicle to provide service was purchased for \$30,000 cash. The company stated they do not have any liabilities at this time.

Staff has concerns HHR may encounter financial issues from low liquidity. The company assures staff it has access to additional funding through a credit card to use for fuel expenses, and access to additional funds from one partner, if necessary. As the company has no liabilities, it may also be possible for the company to seek additional liquidity through debt.

Pro forma Income Statement:

- Revenue: \$514,800
- Expenses: \$337,240
- Net Income \$177,560

Staff discussed the company's Profit and Loss statement during a phone call on October 3, 2023, and the estimates used by the company. Staff followed up with an email to learn more about the planned operation.

The company estimates a total annual revenue of \$514,800. This is comprised of an estimated operating 286 days per year, transporting 40 passengers daily, using one-way fare rates of \$45. Staff believes the estimate is achievable based on the number of support statements from potential customers. The company stated in an email it plans to operate 5 days per week, increasing the number of operating days to 312, which will allow additional margin of error in the customer count.

The company estimates they will incur \$337,240 in expenses. The estimates proposed by the company are based on industry experience, current charges from HHR insurance company, and expected mileage. The company used an online service to calculate estimated taxes. Some expense items have the potential to fluctuate outside of the company's control, for example fuel and maintenance costs; while others, like wages, should remain relatively static. The company estimates a net income of \$177,560 after its first year of operations.

Staff's calculations in the attached workbook are based on the company estimates of gross revenue and expenses. There is a risk that the company's estimated service level, revenues and expenses will vary significantly upon starting operations. Breakeven testing using the lowest revenue service, \$45 one-way fare, shows the company will leave the \$6,500 cash-on-hand of invested funds unutilized if 60.0 percent (24 customers) of the estimated customers use its services. If the company only provides 58.9 percent (23 customers) of estimated customers use the services, HHR will breakeven but consume all its liquid assets.

Conclusion

Staff has reviewed financial information submitted by, and collected from, HHR Shuttle Service, LLC in Docket TC-230666 and concludes the company has made reasonable efforts to estimate its finances under the proposed application. Based on the documents reviewed, staff concludes HHR Shuttle Service, LLC has adequate financial resources to operate the proposed service for at least 12 months.