

From: REAsche@aol.com [mailto:REAsche@aol.com]
Sent: Tuesday, July 03, 2012 2:21 PM
To: Gomez, David (UTC); UTC DL Records Center
Cc: Rendahl, Ann (UTC); Rose, Chris (UTC); reasche@aol.com; aaoadrian@msn.com; jimccready@sprint.blackberry.net
Subject: Re: TC-120816 Bremerton-Kitsap Airporter, Inc.

Dave,

Our fares are NOT fair, just, reasonable and sufficient when they are the lowest on the planet??

WAC 480-30-421 clearly states: "(1) A general rate increase filing is a tariff change that would: (a) Increase the company's gross annual revenue from activities regulated by the commission by three percent or more." A \$0.25 per Kitsap passenger fare increase represents a 1.37% increase in Kitsap County fares and even less from all regulated activities.

Moreover, WAC 480-30-421 further states: (2) The following tariff changes are not considered general rate increase filings even though the request may meet one or more criteria identified above:

"(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". This filing is for increased tolls on the Tacoma Narrows Bridge effective on 1 July 2012.

Filing for a general rate increase is an operator decision. You will recall that in 2001 our general rate case filing resulted in a WUTC ordered \$2.00 fare reduction across the board. Due to the amount of effort required to prepare for such filings and the necessary associated costs if the operator elects to be represented by an attorney, (which I would certainly want to do), there is absolutely no way that I will comply with this email and therefore I will NOT file for a general rate increase at this time. You have to do what you have to do, and conversely, I will do what I have to do.

In addition, I believe that I explained the operating losses for 2010 and 2011 that resulted from compensation to the owner's 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! Our increased passenger count as you understood, resulted from these low- low fares, great service and the frequency of our daily service. The schedule changes that you cite below increased such service frequency.

Fuel efficiency is up because of new bus replacement when busses are five years old, again offering our customers newer, more comfortable and dependable busses in addition to improved fuel efficiency.

As I explained to you, the energy costs (electricity) were reduced by 30% as a result of PSE funded lighting fixture, motion detector activation and bulb replacement throughout our facility.

Finally, what does our Balance Sheet have to do with rate determination/methodology and why is it required on the annual report?

It is not possible to provide the requested financial information before 7 July, and therefore it will not be provided as it might be construed to mean that a general rate case is being filed.

Please present this email for the July 12, 2012 Open Meeting (Docket TG-120816).

Richard E. Asche
President
Bremerton-Kitsap Airporter, Inc.
P.O. Box 1255
Port Orchard, WA 98366
360-876-1737

In a message dated 7/2/2012 11:13:09 A.M. Pacific Daylight Time, dagomez@utc.wa.gov writes:

Dick,

Thanks for speaking with me last Thursday. I have attached your cover letter from your last tariff revision seeking a single-item rate/fare increase to cover the increase in the bridge toll for the Tacoma-Narrows Bridge. In your cover letter for this filing (TC-120816) you refer to your proposed \$0.25 fare increase as a "*pass-through*". As was the case in TC-081030, the fare increase you seek to recover higher tolls is indeed a general rate increase, request for a single-item adjustment. In determining whether to recommend the commission grant a company's request for such an adjustment, staff examines the length of time between the request and the company's last general rate case (in Bremerton-Kitsap's case the last general rate was over 6 years ago), changes to the company's operations and expenses, etc. Ultimately, staff must make a recommendation to the commission to approve a single item adjustment based on staff's opinion that rates are fair, just, reasonable and sufficient. For example:

- You have reported operating losses on your annual report for the years 2010 and 2011. The requested increase appears to not be sufficient to cover these losses and as such appear to not meet the requirements that your fares be "sufficient" to allow your company to recover expenses and have an opportunity to earn a return on its investments. Operating ratio in annual report is 100.3 percent s/b 93 percent
- Passenger counts have increase 25.4 percent since 2006. The passenger counts reported for 2011 are almost 4 percent higher than in 2010.
- Fuel efficiency is up by 3.1 percent.
- Bonuses to corporate officers, managers and employees is unknown.

- Anecdotal reports that energy expenses (not fuel) have been reduced by a third.
- Revenues are up in 2011 by almost 8 percent from 2010 totals.
- Almost 10 schedule changes since last general rate case.

Without the work papers required in WAC 480-30-426, staff cannot complete its examination and as a result, a recommendation to either approve or suspend your tariff revision in time for the July 12 open meeting which is when this item is scheduled for:

Please provide the following:

1. A detailed pro forma income statement by account including restating and pro forma adjustments, and all supporting calculations and documentation for each adjustment.
2. A total actual passenger count by month for each route matching the revenues reported for the test year being selected for your income statement above.
3. A current depreciation schedule separately listing all assets used by the company during the test period including the date the asset was placed into service, cost, salvage value, service life, and straight-line depreciation expense and accumulated depreciation at the beginning and at the end of the test period.
4. A balance sheet as of the last day of the test period chosen.
5. If non-regulated operations represent more than ten percent of total company test period revenue, then the starting point of the pro forma income statement must be total company operations, supplemented with a detailed separation of all total company revenues and expenses between regulated and non-regulated operations.
6. Backup information concerning every transaction between the regulated company and any affiliated or subsidiary entity describing the services or transactions that occurred, the costs assessed and the basis of the charge, and the relationship to the regulated company.

We require this information by end of day Friday July 6th in order to prepare our recommendation to the commissioners in time for the July 12th open meeting.

Regards,

This e-mail states the informal opinions of commission staff, offered as technical assistance, and are not intended as legal advice. We reserve the right to amend these opinions should circumstances change or additional information be brought to our attention. Staff's opinions are not binding on the commission.

David C. Gomez

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