

WAC 480-30-426 Tariffs, general rate increase filings, work papers. (1) General rate increase filings must include work papers supporting the proposed tariff changes based on a test year which is the most recent or appropriate consecutive twelve-month period for which financial data are available. Work papers must include, but are not limited to, the following:

(a) A detailed pro forma income statement by account including restating and pro forma adjustments, and all supporting calculations and documentation for each adjustment. See sample pro forma income statement below.

(i) Restating adjustments modify historic operating results to more properly reflect a "normal, representative" twelve-month test period and give recognition to those areas where the company's accounting methodology may differ from accepted regulatory practice. Restating adjustments fall into three categories:

(A) Reclassification - Reclassification moves dollars from one account to another with no effect on the final net income.

(B) Accounting adjustments - Accounting adjustments are necessary if the income statement does not properly apply basic accounting principles, such as an out-of-period expense posted in the test year, or to correct an error or oversight.

(C) Ratemaking - Ratemaking adjustments modify the records of the company to reflect proper ratemaking theory, such as removing expenses that were incurred by the company but are not generally allowed to be passed on to ratepayers, or converting from accelerated depreciation to straight line depreciation.

(ii) Pro forma adjustments give effect to all known and measurable changes in revenues and expenses not offset by other factors that have or will soon occur as if they had been in effect for the full twelve months of the test year. Examples include changes in tax rates, revenue impact of the tariff changes sought to be changed in the filing. Pro forma adjustments give effect to changes in expense or revenue levels, not the gallons of fuel used, passengers transported, or labor hours worked, etc.

(b) A total passenger count or representative sample of all tickets sold and fares charged during the test year, including all routes, zones, and types of service, and breakdowns between one-way and round trip fares, adults, children, commuters, etc. Revenues of the passenger count/tickets sold analysis must be reconciled to the revenues of the chosen test period. The passenger count/tickets sold analysis forms the basis of the revenue impact of the filing called for in WAC 480-30-381 (2)(b)(ii). See sample passenger count below.

(c) 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.

(d) A balance sheet as of the last day of the test period chosen.

(e) If nonregulated 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 nonregulated operations.

(f) 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.

Sample - Pro forma income statement

XYZ Bus Company									
ProForma Income Statement									
12 months ended December 31, 2004									
	Per	Restating	Per	ProForma	ProForma	May 1			
	Books	Adjustments	Books	Present	Present	ProForma			
	(a)	(b)	Restated	Adjustments	Level	Proposed			
			(c)	(d)	(e)	Adjustments			
						(f)			
						Proposed			
						Level			
						(f)			
Revenues									
Passenger	530,000		530,000	A	22,159	552,159	G	31,752	583,911
Charter	51,410		51,410	A	2,149	53,559	G	3,080	56,639
Fuel Surcharge	6,292		6,292	C	(6,292)	-			-
Baggage, etc.	3,400		3,400	A	341	3,741			3,741
Total Revenues	591,102		591,102		18,357	609,459		34,832	644,292
Expenses									
Maintenance	56,377	1	(10,000)			46,377			46,377
Driver Payroll	153,687	2	5,000		7,300	165,986			165,986
Fuel	44,924	4	(4,351)		1,623	42,196			42,196
Insurance	36,944		36,944	F	1,105	38,049			38,049
Payroll Taxes	33,811	2	383		823	35,017			35,017
Employee Benefits	13,004		13,004	E	1,951	14,955			14,955
Taxes & Fees	44,877		44,877	A	349	45,226	G	603	45,829
Licenses	591		591			591			591
Depreciation	53,199	3	(5,000)			48,199			48,199
Advertising	12,000		12,000			12,000			12,000
Office & Admin Expense	9,000		9,000	B	270	9,270			9,270
Office & Admin Wages	106,398		106,398	B	3,192	109,590			109,590
Selling Expenses	9,112		9,112			9,112			9,112
Utilities	6,500		6,500			6,500			6,500
Rents	20,000		20,000	D	5,000	25,000			25,000
Total Expenses	600,424		(13,968)		21,612	608,068		603	608,672
Net Operating Income	(9,322)		4,646			1,391			35,620
Operating Ratio %	101.58%		99.21%			99.77%			94.47%

1. To capitalize extraordinary repair
 2. To adjust payroll to accrual
 3. To adjust to straight line depreciation
 4. To remove \$.184 fuel tax
 A. To proforma revenue for June 1, 2004 rate increase
 B. To proforma payroll to February 1, 2005 pay increase
 C. To proforma fuel to most recent 12 month average; remove fuel surcharge revenue
 D. To adjust to current rent levels
 E. To increase health insurance to current premium per employee
 F. To adjust insurance to March 1, 2005 premium
 G. To proforma the May 1, 2005, proposed rate increase

Sample - Passenger count

XYZ Bus Company
Sample Passenger Count -Tickets Sold
12 months ended December 31, 2004

	Passengers	Fares Before June 2004	Extension	Fares Effective June 2004 Increase %	Extension	Proposed New Fares \$2.00 one way	Extension
Route A - One Way							
Adults	2,000	25.00	50,000	27.50	55,000	29.50	59,000
Children	800	12.50	10,000	13.75	11,000	14.75	11,800
Commute	700	20.00	14,000	22.00	15,400	23.50	16,450
Subtotal			74,000		81,400		87,250
Route A - Round Trip							
Adults	4,900	40.00	196,000	44.00	215,600	46.00	225,400
Children	1,000	20.00	20,000	22.00	22,000	23.00	23,000
Commute	2,000	32.00	64,000	35.25	70,500	36.90	73,800
Subtotal			280,000		308,100		322,200
Route B - One Way							
Adults	1,600	18.00	28,800	19.80	31,680	21.80	34,880
Children	439	9.00	3,951	9.90	4,346	10.90	4,785
Commute	100	14.50	1,450	15.95	1,595	17.50	1,750
Group	200	9.00	1,800	9.90	1,980	10.90	2,180
Subtotal			36,001		39,601		43,595
Route B - Round Trip							
Adults	3,200	28.80	92,160	31.70	101,440	33.70	107,840
Children	200	14.40	2,880	15.85	3,170	16.85	3,370
Commute	400	23.00	9,200	25.30	10,120	27.00	10,800
Group	560	14.40	8,064	15.85	8,876	16.85	9,436
Subtotal			112,304		123,606		131,446
Grand Total			502,305		552,707		584,491
Pro forma - Revenue Increase Percent					10.03%		5.75%

[Statutory Authority: RCW 80.01.040, 81.04.160, 81.12.050, 81.68.030, and 81.70.270. WSR 06-13-006 (General Order No. R-533, Docket No. TC-020497), § 480-30-426, filed 6/8/06, effective 7/9/06.]