

Agenda Date: April 25, 2019  
Item Number: B2

**Docket:** TS-190193  
Company Name: San Juan Express, Inc., BC-117

Staff: Tiffany Van Meter, Regulatory Analyst  
Andrew Roberts, Consumer Protection Staff

### **Recommendation**

Allow the tariff revisions filed on March 22, 2019, by San Juan Express, Inc., to become effective on May 1, 2019, by operation of law.

### **Discussion**

On March 22, 2019, San Juan Express, Inc., d/b/a San Juan Express, d/b/a Clipper Tours (San Juan or company) filed with the Washington Utilities and Transportation Commission (commission) Tariff No. 52, canceling Tariff No. 51, with a stated effective date of May 1, 2019. The company provides commercial ferry service between Seattle and Friday Harbor to approximately 35,000 one-way equivalent customers annually. The company's last general rate increase became effective on May 1, 2015.

This filing is being driven by an increase in the charter (lease) fee for the vessel and staffing used to provide ferry service. In 2016 a German international ferry company, FRS, purchased Clipper Navigation, Inc., including the certificate for the San Juan Express. Under the Jones Act a foreign company is not permitted to wholly own or staff a vessel used to move people from one U.S. port to another. The vessel must be U.S. owned and staffed by U.S. citizens. The vessel is now owned by Newco, LLC, and chartered (leased) to San Juan Express, Inc. At the time of the sale the initial charter fee was estimated at \$750,000 per year. Actual costs of operation were significantly higher and the charter fee was adjusted to an annual amount of \$1.65 million from July of 2017 forward. This change resulted in a prorated annual charter fee of \$1.2 million in 2017. The full effect of the increase was realized for 2018, resulting in a charter rate of \$1.65 million. Extensive maintenance costs incurred in 2018 drove an additional increase in charter fees in 2019 to \$1.95 million. In the last rate case, the charter was an affiliate lease and the company also paid for crew to man and drive the vessel, and provided maintenance and insurance for the vessel in addition to the charter. This current charter includes all of those expenses.

The company's cover letter stated its proposed rates would generate approximately \$179,000 (10 percent) additional annual revenue. Commission staff (staff) reviewed the financial data provided by the company and performed an on-site review of the company's books. The company's proposed rates generate revenue below the commission's 93 percent guideline for operating ratio, and the company acknowledged and accepted that difference in its cover letter. Therefore staff finds the proposed rates to be fair, just, and reasonable.

**Rate Comparison**

The following table is a representative sample of fares from some of the scheduled runs published in the company's tariffs.

	<b>Current Rate-One Way</b>	<b>Proposed Rate-One Way</b>	<b>Rate Increase</b>	<b>Current Rate-Round Trip</b>	<b>Proposed Rate-Round Trip</b>	<b>Rate Increase</b>
<b>Spring Service</b>						
Adults	\$55.00	\$60.50	10%	\$94.00	\$103.40	10%
Children	\$27.50	\$30.25	10%	\$47.00	\$51.70	10%
<b>Summer Service</b>						
Adults	\$55.00	\$60.50	10%	\$100.00	\$110.00	10%
Children	\$27.50	\$30.25	10%	\$50.00	\$55.00	10%
<b>Fall Service</b>						
Adults	\$55.00	\$60.50	10%	\$94.00	\$103.40	10%
Children	\$27.50	\$30.25	10%	\$47.00	\$51.70	10%

**Customer Comments**

On March 22, 2019, the company notified its customers of the proposed rate increase by posting notices in terminals and on vessels. Staff received no comments on this filing.

**Conclusion**

Staff has completed its review of the company's supporting financial documents, books and records, and found the company's revised rates to be fair, just, and reasonable.

**Recommendation**

Allow the tariff revisions filed on March 22, 2019, by San Juan Express, Inc., to become effective on May 1, 2019, by operation of law.