



TS-230253

Clipper Navigation, Inc.
2701 Alaskan Way,
Seattle, WA, 98121

29 December 2023

Received
Records Management
Jan 2, 2024

Kathy Hunter
Executive Secretary of the Commission
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA, 98503

Re: Docket TS-230253, San Juan Express, Inc.

Dear Commissioners,

I am writing to express my sincere gratitude for the opportunity to provide an update on the potential restart of our Friday Harbor service.

Regrettably, I must inform you that despite our diligent efforts, we have been yet unable to identify a way to restore full capacity of the vessel in a way that balances cost and risk. To comply with the United States Coast Guard's fire egress requirement, requires investments in a vessel very close to the end of its life which is hardly cost-beneficial for us or our customers. Further, it is not possible to obtain design pre- approval, resulting total uncertainty for the investment in the improvement which may ultimately fail to achieve Coast Guard approval. Essentially, we now understand, an upgrade to the current vessel is cost-prohibitive. As you are also aware, in compliance with regulations governing service within the United States, we are required to operate 100% US-built vessels. However, the availability of such alternate vessels is quite limited, and we have encountered numerous challenges in identifying one that meets our specific requirements in terms of speed, cost, operational efficiency and passenger capacity.

Considering these current circumstances and impediments, the option of building a new vessel has been under serious consideration. Nevertheless, that option necessitates a significant investment estimated to range between \$6 to 7 million for a vessel capable of accommodating 150 passengers. The prudence of such an investment is complicated by the fact that the service has historically generated limited profits. Moreover, the decision regarding the appropriate technology to adopt is further complicated by the investment horizon of 20 to 30 years and the ongoing transition and impetus towards carbon-free transportation. Presently, available battery capacities for commercial shipping do not meet requirements for distance and speed. Additionally, alternative fuels such as hydrogen or methanol, while promising, are not widely accessible and demand substantial investments, primarily in onshore infrastructure for storage and supply. Lastly, it has come to our attention that draft destination management plan for the San Juan Islands may impose material limitations and/or regulations on tourism to the islands. That draft is available on the website of San Juan County¹ and is the product of the Environmental Stewardship Department on behalf of San Juan County's Lodging Tax Advisory Committee. As our service primarily generates revenue during the summer season, any restrictions on tourism would impose

significant obstacles to reviving regular commercial ferry service to Friday Harbor should the plan be implemented.

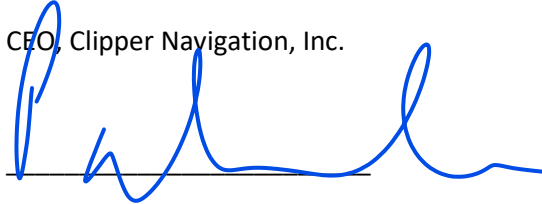
Despite all these challenges, we remain committed to exploring all possible options to restarting regulated service with a feasible vessel. Additionally, we are actively organizing with others for supporting and strengthening passenger-only service between the islands. We continue to believe that such a strengthened service could present a permanent viable transportation alternative and contribute to the overall enhancement of transportation options for the region. We plan to engage with the community again in January to investigate and determine if we can contribute to and expand the limited transportation options in the islands.

Thank you once again for your attention to this matter. We sincerely appreciate your understanding and cooperation. Should you have any further inquiries or require additional information, please do not hesitate to contact me.

Yours sincerely,

Matthias Pahnke

CEO, Clipper Navigation, Inc.

A handwritten signature in blue ink, appearing to be 'M. Pahnke', written over a horizontal line.

ⁱ <https://www.sanjuancountywa.gov/DocumentCenter/View/28726/San-Juan-Islands-Destination-Management-Plan-SDMP---Preliminary-Draft-2023>
<https://engage.sanjuancountywa.gov/destination-management-plan>