

Agenda Date: January 7, 2021
Item Number:

Docket: TS-200969

Company Name: Discover Lake Chelan LLC, d/b/a Lake Chelan Boat Company

Staff: Scott Sevall, Regulatory Analyst
Andrew Roberts, Consumer Protection Staff

Recommendation

Issue an Order requiring Discover Lake Chelan LLC, d/b/a Lake Chelan Boat Company to file a general rate case by December 31, 2023 and allow the tariff revision filed by Discover Lake Chelan LLC, d/b/a Lake Chelan Boat Company on December 1, 2020, in Docket TS-200969 to become effective January 8, 2021.

Discussion

On December 1, 2020, Discover Lake Chelan LLC, d/b/a Lake Chelan Boat Company (Lake Chelan Boat or company), filed a proposed general rate increase of \$118,489 (8.5 percent); simplifying the fare options and revising scheduled service to better use the company assets and provide more options to customers. Commission staff (staff) agrees with the company's proposal. The company provides commercial ferry service between Chelan and Stehekin, located in the North Cascade National Park, a 51-mile one-way trip. The company serves approximately 55,000 passengers on Lake Chelan annually during normal years, but only served 29,000 during 2020. The company's last general rate increase of \$194,408 (13.5 percent) became effective on January 24, 2020 (Docket TS-191009).

WAC 480-51-080 (1) states "All commercial ferries shall file with the commission tariffs containing fair, just, and reasonable rates governing the transportation services to be provided." This filing is an update of the previous tariff filing that went into effect on January 24, 2020. After rates went into effect on January 24, 2020, every projection was quickly proven incorrect, as nobody could have predicted how the COVID-19 pandemic would impact the company. The total revenue requirement in this case is \$1,611,838 which is a decrease from the \$1,713,046 annual revenue requirement authorized in TS-191009.

In this filing the company and staff used the same historical costs that were filed in TS-191009 and revised the restating and proforma adjustments to reflect the lower cost of operating smaller vessels, fewer riders, and a revised time schedule. The revised adjustments lowered the annual revenue requirement from \$1,713,046 (TS-191009) to \$1,611,838. This new revenue requirement was then spread over a revised ridership projection.

Between 2015 and 2019 the company averaged 55,350 riders per year. During 2020 the company had ridership of 29,888, a reduction of 25,462 (46 percent) from the average. The company has revised the projected ridership to 38,768, which is higher than the 2020 ridership, but lower than the average. The ridership projections are based on the expectation that COVID-19 restrictions will be lifted at some point during the year and that businesses in Chelan, Stehekin, and Holden Village will resume business activities. Staff agrees with the ridership projections but admits that the precise level of forecasted ridership is difficult to ascertain; however, it seems reasonable to expect higher ridership in 2021 than what was experienced during the COVID-19 pandemic, but lower than the historical average.

The company also proposes to add 29 scheduled runs over what they have historically offered. This accomplishes several things. First, it increases the daily runs during the peak season. Second, it lowers the overall gross expense to the company as they are reducing the number of runs of the Lady of the Lake (the largest vessel), which is the most expensive vessel to operate. While the company is adding additional runs, the maximum capacity of passengers is lower than prior years because they will be using other boats more than the Lady of the Lake. The Lady Express (mid-size vessel) provides year-round service and provides the best balance of customer's need for speed, cost control, and reasonable rates for passage. Below is a rate table reflecting current and proposed rates.

Rate Table			
<i>Vessel</i>	<i>Current One-way Rate</i>	<i>Proposed One-way Rate</i>	<i>Percent of Change</i>
Lady of the Lake	\$24.75	\$25.00	1.0%
Lady Express	\$41.00	\$43.00	4.9%
Lady Cat ¹	N/A	\$49.00	N/A

Staff has reviewed the company's records and information and agrees with the company's proposal. Given the unknowns during this time in history, staff believes the company proposal strikes a balance between controlling its costs and maintaining service to customers. Therefore, staff agrees the company's proposal is fair, just, reasonable, and sufficient. However, given the unknowns around when and how COVID-19 restrictions will be reduced and the overall impact on citizens, businesses, and the economy, staff believes the rates set in this docket should be reviewed in the future. Staff and the company have discussed this and agreed that the company should file for a rate review in 3 years, by December 31, 2023.

Customer Comments

¹ The Lady Cat was previously a backup vessel and was not included in the previous rate schedule.

On December 1, 2020, the company posted and notified its customers of the rates and service to be changed. Staff received zero consumer comments.

Conclusion

Issue an Order requiring Discover Lake Chelan LLC, d/b/a Lake Chelan Boat Company to file a general rate case by December 31, 2023 and allow the tariff revision filed by Discover Lake Chelan LLC, d/b/a Lake Chelan Boat Company on December 1, 2020, in Docket TS-200969 to become effective January 8, 2021.