

Agenda Date: April 25, 2019
Item Number: B1

Docket: TS-190146
Company Name: Discover Lake Chelan LLC and Lake Chelan Recreation, Inc.

Staff: Greg Hammond, Regulatory Analyst
Danny Kermode, Assistant Director of Water and Transportation
Mike Dotson, Licensing Services
Andrew Roberts, Consumer Protection Staff

Recommendation

Approve the application for the sale and transfer of the assets of Lake Chelan Recreation, Inc., d/b/a Lake Chelan Boat Company, along with the Certificate of Convenience and Necessity BC-34 to Discover Lake Chelan LLC.

Discussion

On March 1, 2019, Discover Lake Chelan LLC (Discover Lake Chelan or company) filed with the Utilities and Transportation Commission (commission) an application for sale and transfer of Lake Chelan Recreation, Inc.'s (LCRI) assets and its certificate of convenience and necessity (CC&N), BC-34, allowing commercial ferry service on Lake Chelan located in Chelan County, and a tariff adoption notice adopting the time schedule and tariff rates currently in effect. Commission staff is required by RCW 81.84.020(2) to determine whether the applicant has the financial resources to operate its proposed service for at least 12 months. Commission staff has reviewed the filed financial information and has concluded that the company does have the resources to operate the proposed service for the twelve month period.

Discover Lake Chelan started business in Washington on January 17, 2019, according to the Washington Secretary of State's website, and is registered with the Washington State Department of Revenue as a Limited Liability Company. The company is owned by Brun Garfoot and Reed Courtney. Reed Courtney currently owns and operates the barge service on Lake Chelan, and has held his Captain's license for 15 years. Mr. Courtney will serve as the company's Chief Operations Officer. Brun Garfoot holds an MBA degree and a mechanical engineering degree and will serve as the company's Chief Financial Officer. The company has indicated that all current LCRI management, captains, and staff will be retained by Discover Lake Chelan. The company expects that the ridership, revenue, and operating expenses will continue as it had under LCRI.

Discover Lake Chelan is purchasing all vessels and equipment from LCRI, will maintain the same level of staff, and will operate according to the existing tariff and time schedules. Therefore, it is reasonable to assume that there will be no material changes to the revenues and expenses that LCRI has recently incurred. Discover Lake Chelan provided commission staff with a copy of LCRI's 2018 annual report, which commission staff used for the purposes of the Pro

Forma Income Statement analysis. In 2018, LCRI received \$1,684,201 in revenue. This is comprised of \$1,387,696 from regulated passengers, \$193,075 in freight revenue, and \$103,430 in charter revenue. The company incurred \$1,448,856 in total operating expenses, which includes \$677,624 in total payroll and benefits, \$528,360 in vessel related costs, and \$242,972 in general expenses. This resulted in a net income of \$235,245. Under the new ownership, commission staff expects an increase in office and dock lease expenses while other costs would remain relatively constant.

Comments

The commission issued notice of this application on March 4, 2019. No comments were received.

Conclusion

Commission staff has concluded that Discover Lake Chelan LLC is financially fit to provide ferry service for at least 12 months as required in RCW 81.84.020(2), and there is no financial reason preventing the transfer of authority from Lake Chelan Recreation, Inc. The transfer allows Discover Lake Chelan LLC to begin the provision of commercial ferry service under certificate of convenience and necessity BC-34. Further, commission staff does not oppose the applicant's adoption of the existing tariff and time schedules for commercial ferry operations on Lake Chelan providing a seamless transition and no harm to the ferry's passengers.

Therefore commission staff recommends the commission:

Approve the application for the sale and transfer of the assets of Lake Chelan Recreation, Inc., d/b/a Lake Chelan Boat Company, along with the Certificate of Convenience and Necessity BC-34 to Discover Lake Chelan LLC.