

Agenda Date: March 28, 2007
Item Number: B3

Docket: TS-070474
Company Name: Kitsap Ferry Company, LLC
Certificate No. BC-128

Staff: Danny Kermode, Regulatory Analyst
John Cupp, Consumer Program Specialist

Recommendation

Grant the petition to allow Kitsap Ferry Company, LLC, permission to temporarily discontinue passenger-only ferry service pursuant to WAC 480-51-130 beginning April 1, 2007, and resuming by April 1, 2008, while requiring the company to file, by September 28, 2007, (1) a pro forma financial statement of operations and (2) a report reflecting its progress in obtaining alternate funding options along with an updated plan for resumption of service by April 1, 2008.

Background

On March 8, 2007, Kitsap Ferry Company, LLC, (Kitsap Ferry) filed a petition with the commission requesting permission to temporarily discontinue passenger-only ferry service pursuant to WAC 480-51-130. In its petition, the company requests permission to discontinue ferry service from April 1, 2007, resuming service by April 1, 2008. Kitsap Ferry holds Certificate No. BC-128.

On March 7, 2007, Kitsap Ferry issued a press release and posted notices on its ferry and at the docks it serves, informing the public that it was discontinuing service. However, the original notice did not indicate that passengers could provide comment to the commission or the date and time the commission would consider the request for discontinuance. After discussions with staff, the company posted new notices on March 9, 2007, that included the missing information.

In its petition to the commission, the company cites that one reason for its decision to temporarily discontinue service was the February defeat of Kitsap Transit's ballot measure that would have allowed "a reliable funding source for expanded service." Kitsap Ferry also cites low ridership, high fuel prices and the Washington State Ferry policy of charging no fare for eastbound travel. Staff reviewed the company's most recent financial statements and confirmed the company lost almost one hundred thousand dollars in 2006.

An integral part of Kitsap Ferry's plan to resume service hinges on the passage of Senate Bill ESS SB 5862, or similar legislation, that would provide grant funding for passenger-only ferries. As of this time, the bill has passed the Senate and is now in the Transportation Committee in the House of Representatives.

The bill directs the Washington Department of Transportation to sell Washington State ferries Snohomish and Chinook to provide grant funds to Public Transportation Benefit Areas (PTBA) and county ferry districts. The PTBA or ferry district may then use the funds to support a related

passenger-only ferry service. Kitsap Ferry could receive funding from Kitsap Transit, a PTBA, under a Joint Development Agreement.

If the bill does not become law, there may still be other sources of funding available for Kitsap Ferry through its Joint Development Agreement with Kitsap Transit. Possible alternate funding sources include Federal grants and short-term funding for wake-washing testing. At this time, those options are not finalized. It is expected the process of obtaining alternate financing will be lengthy and therefore the one-year suspension period is not unreasonable.

Because of the long suspension period, staff recommends the commission require Kitsap Ferry to (1) file a pro forma financial statement of operations that reflects likely alternate funding sources and (2) provide a report on the company's progress in obtaining alternate funding along with an updated plan for resumption of service by April 1, 2008. Staff recommends that the company file the pro forma statement and report no later than September 28, 2007, about midway through the suspension period.

Public Comments

The commission has received five comments on this filing. One from a rider who supports a suspension and hopes the service will be available again in April 2008. One person did not offer a comment on the proposed suspension, but expressed hope that citizens in Kitsap County will continue to have passenger-only ferry service. The commission also received comment from Kitsap Transit supporting Kitsap Ferry's petition for temporary discontinuance of service.

The remaining two comments shared the opinion that the people of Kitsap County have twice voted against public funding of Kitsap Transit's operations relating to passenger-only ferry operations and the suspension should not be allowed. They feel a suspension will prevent other companies from exploring the feasibility of providing what they feel is an important service.

Conclusion

Grant the petition to allow Kitsap Ferry Company, LLC, permission to temporarily discontinue passenger-only ferry service pursuant to WAC 480-51-130 beginning April 1, 2007, and resuming by April 1, 2008, while requiring the company to file, by September 28, 2007, (1) a pro forma financial statement of operations and (2) a report reflecting its progress in obtaining alternate funding options along with its updated plan for resumption of service by April 1, 2008.