

From: Scott Sevall

Date: April 11, 2018

Subject: TS-180277, Eden Valley Investments, LLC DBA Lake Union Ferry Company Application

Recommendation

Staff finds the company is financially fit to provide the applied-for service for at least 12 months as required in RCW 81.84.020, there is no financial reason for withholding the applied for certificate.

Discussion

Eden Valley Investments, LLC DBA Lake Union Ferry Company (company) filed an application to obtain a, certificate of public convenience and necessity, on March 30, 2018 with the Utilities and Transportation Commission. Staff is required by RCW 81.84.020 to do a financial review of the company's financial documents provided in the application, to conclude the financial fitness of the company's ability to provide service for 12 months. Staff has reviewed the financial information and discusses below.

Company Structure:

The company listing with the Washington Secretary of State's Corporations Division indicated the company started business in Washington in August, 2017. The company listing with Washington Department of Revenue indicates the company registered April, 2018. The application indicates that Lake Union Ferry Company is wholly owned by Eden Valley Investments, LLC.

Staff has a concern that the parent company, Eden Valley Investments LLC, has no known experience owning or running a ferry. However, the sizable capital investment put forward and the contracting of professionals who have experience in the maritime and ferry industry prove the principal to be serious and willing to heed professional advice in learning the ferry industry.¹

The company does not currently own any ferry vessels, but intends to purchase five vessels initially, and to purchase three more within a few years of starting the operation. The company's proposal describes the vessels to be 20-40 passenger vessels that are electric powered with an estimated cost of \$350,000 per vessel.

¹ Staff has had multiple phone calls and emails with Elliott Bay Design Group during the drafting of the application. Elliott Bay Design Group are maritime design and consulting professionals. See www.ebdg.com

Balance Sheet Review:

- Assets, \$3,000,000
- Liabilities, \$1,000,000
- Equity, \$2,000,000

The applicant reports \$871,550 of cash on hand. Additionally, the applicant reports \$2,128,450 in ferry vessels and dock assets. The ferry and dock assets will be paid for with \$1,000,000 in debt and \$1,128,450 of capital contributions (equity). Staff notes that the purchase of the ferry vessels does not impact the \$871,550 cash on hand. This leaves the company in a strong position to cover initial startup costs and cover any revenue shortfalls during that period.

Pro forma Income Statement Review:

- Revenue, \$1,370,880
- Expenses, \$1,195,750
- Net Income, \$175,130

The expenses listed seem appropriate for the type of business.² In staff's analysis staff found that the first year of revenue should fall between \$752,873 and \$1,389,920. With an estimated operating expense of \$1,195,750 the company could realize a net operating loss of (\$442,877) or a net income of \$194,170, neither of these amounts is drastic enough to fully deplete the \$871,550 cash on hand shown on the company balance sheet.

Conclusion

Staff has reviewed Lake Union Ferry Company's financial information submitted in Docket TS-180277 and concludes the company has made reasonable efforts to estimate its finances under the proposed ferry service application. Based on the company's financial records provided, the company has adequate resources and therefore staff concludes the company is financially fit to provide the applied-for service.

² Elliott Bay Design Group drafted a feasibility study which calculated estimates.