

Agenda Date: January 23, 2020
Item Number: B2

Docket: TS-191009
Company Name: Lake Chelan Boat Company, Inc.

Staff: Jim Ward, Regulatory Analyst
Andrew Roberts, Consumer Protection Staff

Recommendation

Take no action, thereby allowing the tariff pages filed by Lake Chelan Boat Company, Inc. on December 6, 2019, as revised on January 17, 2020, in Docket TS-191009 to become effective January 23, 2020, by operation of law.

Discussion

On December 6, 2019, Lake Chelan Boat Company, Inc., aka Lady of the Lake (Lake Chelan Boat or company), filed a proposed general rate increase of \$194,408 (13.5 percent) for passenger fares and \$16,398 (14.8 percent) for freight fares; streamlining baggage handling procedures and rules; activating an on-line ticketing and reservation system; and simplifying the multiple fare options. The company provides commercial ferry service between Chelan and Stehekin, located in the North Cascade National Park, a 51-mile one-way trip. The current company purchased the commercial ferry certificate from Lake Chelan Recreation, Inc., in February 2019. The company serves approximately 55,000 passengers annually on Lake Chelan. The prior company's last general rate increase of \$44,500 (3.4 percent) became effective on April 1, 2013.

The company announced in its notice to customers that rates and charges need restructuring due to increased operating costs, and management goals. Changes include simplifying the cumbersome rate structure to enable an online ticketing system, which will streamline ticketing processes and will allow customers to book tickets more conveniently during all hours of the day. Also streamlining baggage weighting/handling by moving to a bags-per-ticket holder method instead of a total weight per ticket holder. Changes in freight rates reflect base freight rates for the different categories of freight being transported. Finally, the last rate increase for the company was in 2013 and several areas of cost have increased since that time.

Since the last rate case for the ferry service provided, an ownership change has occurred. The prior owner did not include the transfer of land, dock, and buildings associated with the ferry service. These items are now part of a land/building lease to the new owner. The sale and transfer did include the three vessels which are being recovered as part of an acquisition adjustment to the accounting records.

Staff determined that the company's books and records supported a lower requirement \$170,520 (11 percent) for passenger fares and \$16,398 (14.8 percent) for freight fares on an annual basis. Staff and the company have agreed to a revised rate design that would generate the additional total revenue of \$186,918 (12 percent).

Summary of Rate Changes

Lady II - SUMMER & Lady Express - WINTER/SPRING				
Chelan				
		Current	Proposed	Revised
Lucerne	One Way	\$ 22.25	\$ 25.25	\$ 24.75
Stehekin	One Way	\$ 24.00	\$ 27.25	\$ 26.75

Lady Express - SUMMER (May-Oct 15)				
Chelan				
		Current	Proposed	Revised
Lucerne	One Way	\$ 34.50	\$ 39.25	\$ 38.25
Stehekin	One Way	\$ 37.00	\$ 42.00	\$ 41.00

Customer Comments

On December 11, 2019, the company posted and notified its customers of the rates and service to be changed. Staff received 1 consumer comment from Holden Village. The comment from Holden Village expressed concern about the impacts the rate increase would have on the business operations of Holden Village. Holden Village was concerned about the proposed replacement of the commuter ticket program with the frequent traveler program. Holden Village also expressed concern that it had been told that a rate case had been filed and additional sales of commuter tickets would only be honored for six months, rather than the standard 12 months.

Staff explained the rate making process to Holden Village. Staff explained that the frequent traveler program continued to provide a discount like the prior program. Holden Village indicated that it had a phone call scheduled with Lake Chelan Boat Company, Inc at a later date and a topic of discussion would be the change in discount programs. Staff also reviewed the current tariff for Lake Chelan Boat Company, Inc. and found that the tariff stipulates that commuter tickets will be honored for 12 months. Staff worked with Lake Chelan Boat Company, Inc. to ensure that commuter tickets sold under the current tariff would be honored for 12 months. Staff also worked to make sure Lake Chelan Boat Company, Inc. informed customers who had been given the 6-month expiration date that tickets were in fact good to 12 months.

Conclusion

Staff's reviewed the proposed increases to passenger ticket fares, baggage rates, and tariff restructuring, and found the company provided adequate support for the revised revenue of \$186,918 (12 percent) and has sufficiently demonstrated the changes these rates and charges bring are in line with current company expenditures. Accordingly, staff recommends the commission allow the tariff pages filed by Lake Chelan Boat on December 6, 2019, as revised on January 17, 2020, to become effective January 23, 2020, by operation of law.