



Bob Ferguson
ATTORNEY GENERAL OF WASHINGTON

Public Counsel

800 Fifth Ave • Suite 2000 • MS TB-14 • Seattle, WA 98104-3188 • (206) 464-7744

January 17, 2020

SENT VIA WEB PORTAL

Mr. Mark Johnson
Executive Secretary
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: *Lake Chelan Boat Company Tariff No. 63 Revision*
Docket TS-191009
Comments of Public Counsel

Dear Mr. Johnson:

Public Counsel has reviewed the Lake Chelan Boat Company's (Company) filing in this matter, Staff data requests to the Company and responses thereto, Company responses to our own data request, and the public comments filed by Holden Village. Public Counsel has also discussed the matter with Commission Staff and the Company. Based on the comments below, we believe that the rate increase requested by the Company is unsupported and should be recalculated.

Recommendation: Public Counsel recommends that the Commission require the company to justify its reduction to the firefighter discount (Tariff Item 35), retain its grocery delivery service (Tariff Item 170), remove advertising costs, and include income and costs related to Company's contract with USPS.

1. The Company proposes to reduce the discount offered to firefighters actively combating area wildfires found in Tariff Item 35. The current discount is 20 percent, and the Company proposes to reduce the discount to 10 percent. However, the Company omitted this change from the December 11, 2019 Public Notice Letter posted at its docks and on its website.

In addition, the notice period has taken place outside the wildfire season, so even if the Public Notice had mentioned this change, it is unclear whether firefighters—or decision-making members of the agencies that employ them—would have received the notices.

The two agencies listed in the tariff as employing these firefighters are the U.S. Forest Service and the National Park Service. The Commission's 2010 Report to the

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Legislature¹ notes that National Park Service employees make up about a third of all year-round residents of Stehekin. Accordingly, if the Company's Public Notice posted at Stehekin had listed this change, it is possible that interested staff of the National Park Service might have had occasion to notice it and have an opportunity to comment.

Finally, this change appears unsupported beyond the Company stating, at item 3 of its December 6, 2019 letter to the Commission, that its management believes it would be "reasonable" to do so. The vast majority of passengers for the Company sail during the summer months, as noted by the 2010 report and confirmed by Company passenger counts during the test period. The peak ridership coincides with wildfire season. The Company should demonstrate that a reduction is necessary.

2. The proposed removal from tariff of grocery pickup and delivery service from Chelan to business and residential customers along the Company routes does not appear well supported by sufficient detail regarding the off-tariff service the Company proposes as its replacement. The Company states:

The primary reason that we wish to remove it from the tariff is that it needs to be more flexible to use more than [sic] a couple suppliers as there are providers that have both approached us and approached our customers about expansion of the service. Right now the service is limited as written today and in order to best serve our folks that depend on this program it needs to be operated outside of the tariff.²

Because the service is subject to the Tariff, the Company should make a showing that removing the service is permitted and justified. Tariff Item 170 presently names the current two suppliers, both Chelan groceries. If this specificity is too limited, the tariff language can be modified to provide greater flexibility, and this may be more desirable from a customer protection standpoint than removing the service from tariff.

3. The Company's response to Staff's Data Request No. 6 indicates it reluctantly agrees to Staff's proposed allowance to retain for purposes of rate design a total of \$8,550 in marketing costs including web design, as compared with the \$25,000 the Company originally proposed. The Company indicates it would prefer to frame this expense as being to "appropriately maintain and enhance information services to the public." Public Counsel believes the advertising expense should be excluded.
4. Public Counsel agrees with Staff's assertion in its Data Request 2 of its belief that income from the Company's USPS contract should be included in revenue. Accordingly, its income from this contract should remain part of its regulated operations. Additionally, the costs, if any, associated with the contract should also be included in the rates calculation.

¹ Wash. Utils. and Trade Comm'n, APPROPRIATENESS OF RATE AND SERVICE REGULATION OF COMMERCIAL FERRIES OPERATING ON LAKE CHELAN, REPORT TO THE LEGISLATURE PURSUANT TO ESB 5894 (Jan. 14, 2010) ("2010 Report").

² Company Response to Public Counsel Data Request No. 1.

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Public Counsel appreciates the opportunity to submit these comments. We will be present at the January 23, 2020 Open Meeting and will be available to answer any questions the Commission may have regarding these comments.

Thank you.

Sincerely,

/s/ Lisa W. Gafken
LISA W. GAFKEN, WSBA No. 31549
Assistant Attorney General
Public Counsel Unit
(206) 464-6595

LWG/TJ