

Agenda Date: December 23, 2008
Item Number: B5

Docket: TS-081877
Company Name: Lake Chelan Recreation, Inc., BC-34
dba: Lake Chelan Boat Company

Staff: Danny Kermode, Regulatory Analyst
Ann LaRue, Regulatory Analyst

Recommendation

1. Dismiss the Complaint and Order Suspending the Tariff Revisions and Instituting Investigation issued by the commission on November 26, 2008.
2. Allow the revised time schedule filed by Lake Chelan Recreation, Inc., to become effective January 1, 2009.
3. Require Lake Chelan Recreation, Inc., to file a full rate case no later than February 27, 2009, using calendar 2008 as the twelve-month test period.

Discussion

Lake Chelan Recreation, Inc., (Lake Chelan Recreation or company) provides ferry service between the town of Chelan, Washington and the town of Stehekin located in the North Cascade National Park, a 51 mile one-way trip. Lake Chelan Recreation also provides ferry service, scheduled and flag stop, to a number of small communities between Chelan and Stehekin.

On October 15, 2008, Lake Chelan Recreation filed a revision to its Time Schedule 34 that reduces ferry service on Lake Chelan. The revised time schedule proposes to:

- Eliminate Sunday ferry service from January 1 to March 31.
- Eliminate Tuesday, Thursday and Saturday ferry service from March 15 to March 31.

The company's proposed schedule change limits ferry service to Monday, Wednesday and Friday during the first quarter of the year (January 1 – March 31). This schedule is the same winter schedule maintained by the ferry prior to the opening of the Stehekin Landing Resort facility in 1994.

Lake Chelan Recreation states in its application that its proposed reduction in scheduled runs is prompted by the downturn in winter ridership. Although in recent years the Stehekin Landing Resort facility at Stehekin attracted a small number of winter customers justifying the current service levels, the Stehekin Landing Resort facility closed on November 1, 2008. The closure significantly reduces the prospect of sustainable passenger traffic during the coming winter months.

Financially, the company's proposed time schedule change has no immediate impact other than the reduction of required working-capital for the early months of the company's business year. Because the discontinued ferry service affects just the winter months, the proposed discontinuation would not generate an operating surplus until the summer, when ridership increases. Higher seasonal ridership in the summer months generates revenues that cover the

costs of summer ferry service, and also provides revenues that subsidize periods of low seasonal ridership, including the winter months affected by the company's proposal.

Staff's examination of the company's application, along with its financial records and supporting documents, show a need to reassess the relationship between off-season service levels and current fare levels. Analysis of ridership data indicates a decreasing number of passengers for both the off-season and summer months. Staff believes the company should reevaluate its current schedule and its expected revenue and expense levels for the coming year. The company should seek to provide adequate off-season ferry service while maintaining reasonable year-round fares. Staff recommends that the commission require the company to file a full rate case no later than February 27, 2009, using calendar 2008 as the twelve-month test period.

The company notified its customers on October 15, 2008, of the proposed new Time Schedule by posting notices at the company's docks, offices and on its website. The commission has received two customer comments. One customer believes that it is no longer feasible to operate Lake Chelan Recreation's existing fleet of boats. The customer feels it is time to consider allowing other operators to propose service on the lake. The other customer resides in Stehekin and is a member of the school board. The customer is concerned that reduced service will mean that children who live in Stehekin but have traveled down-lake for the weekend will miss school on Mondays if there is no Sunday service.

Conclusion

Staff recommends that the commission dismiss the Complaint and Order Suspending Tariff Revisions and Instituting Investigation issued by the commission on November 26, 2008; allow the revised time schedule filed by Lake Chelan Recreation, Inc., to become effective January 1, 2009; and require Lake Chelan Recreation, Inc., to file a full rate case no later than February 27, 2009, using calendar 2008 as the twelve-month test period.