

Lady of the Lake

Lake Chelan Boat Company
P.O. Box 1057
Chelan, WA. 98816

December 1, 2020

Washington Utilities & Transportation Commission
621 Woodland Square Loop S.E.
Lacey, WA. 98503

RE: Request for revisions to Lake Chelan Boat Company Tariff No. 63 (WUTC BC-34) and Time Schedule No. 36.

To Whom It May Concern,

Lake Chelan Boat Company is seeking changes to rates and time schedules. The service is at a point of adjusting to a different level of ridership and customer expectations. This is in part, due to the effect of COVID-19, and in part due to the reduced ridership caused by Holden Village's new operating plan, customer expectations, and a second service on the lake.

The COVID restrictions greatly affected passenger traffic at the Lake Chelan Boat Company causing an unprecedented reduction in numbers of passengers.

There have been several key causes for this, all of which have been out of our control.

- 1) To ensure customer and public safety Holden Village cancelled all peak season and winter business, which directly hit LCBC business, to the tune of approximately 8,000 passengers per year.
- 2) The National Park Service's nationally enforced COVID restrictions, which affected public transportation, visitor center communication, and restricted overall visitation to North Cascades National Park and the Lake Chelan National Recreation area. This had a direct effect on North Cascades Lodge (the NPS concessionaire and largest complex in Stehekin), which affected our business as a downstream affect.
- 3) A reduction in capacity onboard the boats due to spacing requirements and customer expectations. We capped passenger travel at 50% of our normal operating capacity.
- 4) Increased cleaning costs due to COVID restrictions
- 5) Increased training cost for employees on how to handle customer interactions that were quite specific and unique.
- 6) Increased costs in marketing and communications to insure the COVID needs of the public was being managed proactively.

HISTORICAL PERPECTIVE ON Passenger decline

- 1) Lake Chelan Boat Company has endured the effects of market changes over the years several times, but none of which has ever caused a reduction in ridership seen this year.
 - a. 2013 Changes to Holden Village shutting down due to RIO TINTO Mine remediation
 - b. 2015 Forest Fires that caused us to lose most of our August and September business.

Even in these two events, which were the worst on record prior to this year, in terms of raw loss of business, did not have the effects of the events of this year. LCBC saw an additional 29% loss over those historic losses.

RATE SIMPLIFICATION and AFFORDABLE OPTIONS for families

As you will see we have adopted a one-way consistent rate structure for ease of customer booking, as well as internal management and cost control. We still offer the roundtrip options, to provide a benefit to those who book with us on both legs of their trip at the same time. The Lady of the Lake is still a cheap and affordable way for folks to travel up and down Lake Chelan.

OPTIONS and the CUSTOMER EXPERIENCE

The addition of the Lady Cat into our schedule allows for enhanced public options to spend longer periods of time in Stehekin, during the day. This has been what the customer wants, and we have created a way to give it to them. In addition, we believe that even putting COVID aside this is where the market is heading, and that we are simply reacting to what the customers want.

Lake Chelan Boat Company is requesting the following changes to its Tariff No. 63:

Runs are being increased by 29 from the 2020 original pre Covid-19 schedule. However, we are reducing the runs on the largest vessel the "Lady of the Lake" and adding the service of the smaller and faster vessel in the fleet the "Lady Cat" This provides the public with more run options and reduces the expense to the company, because the "Lady Cat" running costs are much less than the larger "Lady of the Lake". The most popular mid-size vessel the "Lady Express" will make 49 additional runs, the "Lady Cat" will add 83 runs, and the "Lady of the Lake" will reduce runs by 103, for a net increase of 29 runs. The company has a clear understanding of what level of service the public expects, and Lake Chelan Boat Company believes the schedules being presented accommodate that.

The approach to expenses and income for the rate case are as follows:

LCBC approached the rates by presenting the unavoidable expenses (Fixed Costs) as set by the last rate case completed on 1/20/20, along with the costs of running each vessel on the number of runs being submitted in the Time Schedule. This led us to the UTC allowed income for the company. To achieve income, market rates were determined per boat, with an eye to market cap for each type of vessel offering/ability.

The company realizes that the net income being presented does not achieve the company allowed profit. LCBC does not feel the rates can be any higher than requested, or ridership may decrease even more.

EXPENSES:

Fixed Costs: Presenting the last rate case figures, they are the most accurate numbers.

Operating Costs: Presenting costs per run of each vessel to include Crew Wages, Payroll taxes on those wages, and fuel consumption.

INCOME:

Income is being presented based on 38,768 one way passengers, traveling on the boats as scheduled in the submitted Time Schedules, and at the proposed rates being submitted. The passenger count estimations, and Time Schedule choices of those passengers, is based on the company's knowledge or past and current travel patterns and requests/demands.

The last 12-month one way passenger count (from November 2019 through October 2020) was 29,888 one way passengers. In this rate case, LCBC is estimating a total of 38,768 one way passengers, an increase of 8,880 over the past 12-months. This is in anticipation that a COVID vaccine will lead to better ridership numbers, and the fact that Holden Village intends to open in May of 2021 and has given us a total ridership number of 4,810 one way passengers for 2021. The balance of the increase is due to the estimated ridership the company feels will be drawn with the revised offerings.

Lake Chelan Boat Co. is requesting the following changes to its Time Schedule No 36:

2nd Revised Page 1

Page 1 was not revised when Lake Chelan Boat Company's tariff was transferred to the new ownership of the service. The issued by information has been updated to: Brun Garfoot and Reed Courtney, Managing Members. The address remains the same.

11th Revised Page 2 of 4

Table No 1: This Service is normally provided by the largest vessel "The Lady of the Lake" aka "Lady of the Lake II". Service for this time schedule changed from Friday and Sunday Service July 1-September 30 to Service Friday and Sunday Service May 14-31, and Sunday and Monday Service from June 1-October 15. Arrival and Departure times remain the same.

Table No 2: This service is normally provided by the "Lady Express", the faster mid-size vessel during the off season. The title of Fall / Winter / Spring Schedule was deleted, as a title is not used on other Tables. The only change in this table is for April service. April service will increase to include Saturdays. Arrival and Departure times remain the same for all dates.

10th Revised Page 3 of 4

Table No 3: This service is normally provided by the "Lady Express" during high season. The table indicates an increase in service with Daily Service beginning May 1 instead of June 1. A slight adjustment was made to the Field's Point return leg of the schedule, it was 2:00pm and is now placed at 2:10pm, to better reflect current operations.

Table No 4: This is a new table that reflects a new service that will normally be provided by the "Lady Cat", the smallest and fastest vessel. There are many reasons for this service to be added, to include demand for a faster service, and a more economical vessel to run with our reduced ridership. All information in this table is new.

Original Page 4 of 4

Table No 5 and Table No 6: These are new tables that reflect service that will normally be provided by the largest vessel the "Lady of the Lake" Table No 5 reflects the service going from Chelan to Stehekin (serving all points in between) on Fridays (Table No. 5), laying over in Stehekin for the evening and returning on Saturdays (Table No. 6). This is to serve both the public and Holden Village in the best manner possible.

A point of clarification for better understanding: Holden Village has given us an operating plan for the Village for 2021 beginning in late May of 2021. They will have guests arriving on Mondays and departing on Saturdays in numbers of up to 125. They do not intend to have

many travelers in between. This is a big reduction in their past guest counts and thus a big reduction in passengers on the vessels. Table No. 1 service will accommodate Monday guests in, and Table No. 6 will accommodate their guest's departures.

Being submitted with this transmittal letter is Lake Chelan Boat Company's Time Schedule No 63, and pages of Tariff No. 63 being revised.

Also being submitted is the required "Notice to the Public" letter that will be posted in the main office, on the vessels running, on the website, and distributed by other social media and electronic means.

We respectfully request your approval and look forward to working with UTC staff as needed. If you have questions or concerns please contact Cindy Engstrom at Cindy@ladyofthelake.com and/or Brun Garfoot at Brun@discoverlakechelan.com.

Thank you for your assistance.

Sincerely,

Reed Courtney

Reed Courtney
Discover Lake Chelan, LLC-Managing Member

Sincerely,

Brun Garfoot

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