

Agenda Date: March 23, 2023  
Item Number: B3

**Docket:** TS-230117  
Company Name: Arrow Launch Service, Inc.

Staff: Ben Sharbono, Regulatory Services  
Andrew Roberts, Consumer Protection

### **Recommendation**

Take no action allowing the tariff pages filed by Arrow Launch Service, Inc. on February 16, 2023, and revised on March 10, 2023, to take effect by operation of law March 24, 2023.

### **Background**

On February 16, 2023, Arrow Launch Services, Inc. (Arrow or Company) filed with the Washington Utilities and Transportation Commission (Commission) tariff revisions that would generate approximately \$1.36 Million (23.2 percent) in additional annual revenue. The Company provides regulated ferry launch service throughout Puget Sound. The Company's last general rate increase became effective on March 27, 2020.

The primary drivers of the request are increases in general wages and other operating expenses since the company's last rate case and capital investments made which need to start recovery.

Arrow has made substantial capital investments since its last general rate case in 2020. The most substantial investments were Arrows capital repairs to current vessels, the addition of two vessels to the fleet, and an office construction project which was finished in October 2020. As the Company operates its vessels daily, they require substantial amounts in repairs and rebuilding of the hulls, engines, and electrical, exhaust, and hydraulic systems to maintain the safety and effectiveness of each ship. The new vessels were acquired to improve service coverage in the Company's operational area.

During the COVID emergency Arrow installed walls in its office located in Port Angeles to create individual workspaces with HVAC filtration and evacuation systems to allow employees to continue working in the office during social distancing requirements. It also purchased COVID testing equipment, allowing all staff to rapidly test before each shift. Arrow intends to continue this testing program due to the heightened risk of transporting people in tight quarters on vessels.

Commission staff (Staff) reviewed the asset list, removed expiring assets, and added assets that were discovered during reviews of other accounts. The adjustments reduced depreciation expense.

To hire and retain personnel, Arrow has increased wages for most positions. Staff removed expenses for employees who were no longer with the Company. This resulted in a decrease in wage expenses.

During Staffs review, the Company identified additional expenses that should have been excluded and removed out of period expenses and benefits from unregulated operations.

Staff and the Company agreed to amortize the remaining costs incurred during the Company's participation in TS-160479 against the application of MEI Northwest LLC. Arrow agreed to amortize the remaining balance over 2 years based on its pattern of rate case filings.

Staff completed its review of the Company's financial documents and found the initial request for \$1.36 Million was overstated. Staff and the Company agreed to a revised annual revenue increase of approximately \$1.21 Million (19.7 percent).

### **Rate Comparison**

The tables below show the current, Company-proposed, and Staff-revised rates, in all service areas.

<b>Lines of Service</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Revised Rate</b>	<b>Difference Revised to Current</b>	
Vessel time per Hour	\$303.00	\$373.00	\$369.00	\$66.00	21.8%
Deckhand time per Hour	\$60.00	\$74.00	\$69.00	\$9.00	15.0%

### **Comment Summary**

On February 17, 2023, the Company notified its customers by mail of the proposed rate increase. Arrow notified customers that they may contact Andrew Roberts with questions or concerns. Staff received five consumer comments, four in support, one undecided.

The commenters acknowledge that costs have risen dramatically and understand the rate increase will affect them; however, given the cost increases they have experienced they understand the need for higher rates. The undecided commenter covers the same points, but the content of the comment does not provide enough for staff to determine the comment is in support of the Company filing. All the commenters indicated the company provides exemplary service.

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