

Agenda Date: March 26, 2020  
Item Number: B1

**Docket:** TS-200065  
Company Name: Arrow Launch Services, Inc., BC-97

Staff: Greg Hammond, Regulatory Analyst, Water and Transportation  
Mike Young, Accounting Manager, Water and Transportation  
Andrew Roberts, Consumer Protection Staff

### **Recommendation**

Take no action, thereby allowing the tariff revisions filed by Arrow Launch Services, Inc. on January 29, 2020, and revised on March 16, 2020, to go into effect March 27, 2020.

### **Discussion**

On January 29, 2020, Arrow Launch Service, Inc., (Arrow or company) filed with the Washington Utilities and Transportation Commission (commission) revisions to Tariff No. 6, with a stated effective date of March 1, 2020. On February 11, 2020, the company extended the effective date to March 13, 2020, and subsequently extended the filing to March 27, 2020. The company provides Launch and Freight service throughout the Puget Sound for approximately 13,600 operating hours annually. The company's last general rate increase became effective on March 1, 2018, for \$172,400 (3.7 percent) additional annual revenue.

This filing was prompted by increases to payroll expense, vessel repairs, as well as decreased revenue since the company's last general rate case. The company's submitted workpapers calculated a need for \$938,600 (22.9 percent) additional annual revenue.

Commission staff (staff) have completed their review of the company's financial data and records and found the proposed increase to be excessive. The company's proposal included adjustments to add additional employees and to restate employees to full time who had worked part-time during the test year. Staff found this additional level of staffing to be imprudent considering the downward trend in revenues over the last few years. Regulated revenues declined by 11 percent from 2018-2019, despite the rate increase allowed in the previous rate case. Staff made adjustments to payroll expense, depreciation expense, repairs and maintenance expense, along with other adjustments. Staff allowed for some additional full-time equivalent employee (FTE) costs to account for the actual number of hours worked, but did not allow additional FTEs that were not supported by work hours. The company accepted staff's adjustments, and the company and staff have agreed to a revised revenue requirement of approximately \$672,000 (16.3 percent) in additional annual revenue.

**Rate Comparison**

<b><u>Hourly Rates</u></b>	<b><u>Current Rate</u></b>	<b><u>Company Proposed Rate</u></b>	<b><u>Revised Rate</u></b>	<b><u>Percent Increase</u></b>
Personnel Launches	\$262.25	\$318.50	\$303.00	15.5%
Deckhands	\$50.00	\$64.50	\$60.00	20.0%

**Customer Comments**

On January 29, 2020, the company notified its customers of the proposed rate increase. Staff received three consumer comments, all supporting the proposed rate increase. The commenters highlighted challenges the company faces from increasing costs for personnel, equipment, and maintenance to support the increase. Commenters were notified that they may access relevant documents about this rate increase on the commission's website and that they may contact Andrew Roberts at 1-888-333-9882 or [andrew.roberts@utc.wa.gov](mailto:andrew.roberts@utc.wa.gov) with questions or concerns.

**Conclusion**

Take no action, thereby allowing the tariff revisions filed by Arrow Launch Services, Inc. on January 29, 2020, and revised on March 16, 2020, to go into effect March 27, 2020.