



To: All Arrow Launch Service Customers

Re: Rate Adjustment Request to the Washington Utilities and Transportation Commission (“WUTC”)

We should begin this correspondence by providing some background to the status of adjustment to Arrow’s rates over recent years.

Importantly, the relevant costs of living data as calculated by the US Department of Labor, Bureau of Labor Statistics, for this time period is as follows:

Year Ending	CPI West Coast	Arrow Rate Adjustments
2011	2.8%	0%
2012	2.2%	0%
2013	1.5%	0%
2014	1.9%	0%
2015	1.2%	0%
2016	1.9%	4.4%
2017	2.8%	0%
2018	3.3%	3.7%
2019	2.7%	0%
Total	20.3%	8.1%

This attrition in CPI cost recovery over that interval is obviously problematic for Arrow.

However, simply using the Consumer Price Index (“CPI”) does not accurately reflect the full picture.

For example in this calculation, overlooked or otherwise not accounted for is the fact that since 2012, Arrow’s ownership has invested \$3,500,000.00 in additional vessels and equipment. WUTC policy only allows the depreciated value for such capital expenses in Arrow’s rates; therefore the cost of that capital, interest and taxes are not recoverable in Arrow’s regulated rates.

Nor does the CPI deficit demonstrate the profound fiscal impacts of decreased utilization of Arrow Launch, a fact that you are very familiar with and is plaguing our industry which is continuing to see significant decreases in vessels calling on all US ports, including of course, the ports in Puget Sound.

As we have received in previous filings, we are hopeful that you, our loyal customers, will understand the need for and actively support Arrow’s rate petition at the WUTC. We understand that no one is ever enthusiastic about a rate increase. We also trust that you recognize the impact of consistently declining traffic volumes, increasing short order time intervals and what constant changes to orders mean for the need for fully-staffed launch vessels to be at the ready 24/7 throughout the ports of the vast Puget Sound.

The inflationary statistics during this time period demonstrate we have reduced costs and increased efficiencies, however we are simply not in a position to continue to absorb the costs of maintaining and expanding our fleet and escalating employee expenses in light of national, regional and local cost of living increases coupled with the extraordinary capital costs in running our operations as described above.

This escalating increase in operating expenses coupled with the adverse developments discussed above, leaves us with no alternative other than to seek to adjust our rates.

We have submitted the following request to the WUTC for rates effective March 1, 2020:

Proposed increase in specific hourly rate and percentage of increase:

Launch and launch operator	\$318.50 per hour =	21.45% increase
Deckhand	\$ 64.50 per hour =	29% increase

The Commission has the authority to set rates higher or lower than the Company's request, depending on the results of its audit. That might also result in a change in the proposed price relationship of (i.e., deckhand v. launch and vessel operator) charges. Commission staff will make a recommendation to the Commissioners at an open meeting in Olympia, which is currently scheduled for Thursday, February 20, 2020, 9:30 a.m. You will have an opportunity to comment in person at this meeting. If you are unable to attend the Open Meeting, the Commission has a bridge line which enables you to participate or listen by telephone. Call 360-664-1234 the day before the Open Meeting for instructions and to sign in. You can also comment by using the Comment form at the Commission's website at utc.wa.gov/comment or by using the contact information below:

Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503
E-mail: comments@utc.wa.gov
Telephone: 360-664-1160

We believe this increase is vitally necessary to sustaining our total commitment to providing you the highest-trained, most proficient crews, combined with the safest fleet of water taxis available to confront the weather/sea conditions encountered on the waters of the Pacific NW.

While we always regret having to request any increase in our rates to serve you, we hope that you, as our loyal customer, endorse this desire to maintain the highest quality on-demand, round-the-clock reliable service that you have come to expect since 1989 and look forward to partnering with you in the months and years to come.

Sincerely,



Jack Harmon, President
Arrow Launch Service, Inc