

BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND PILOTS,

Respondent.

**DOCKET TP-190976**

**CROSS-EXHIBIT FOR**

**Jessica Norris**

**PSP Response to UTC DRs 24, 31, and  
PSP Response to PMSA DRs 122, 242, 270, 273, 280, 283, 305, 309, 310, 318,  
334, 416, 417, 418, 419, 420, 421, 436, 437**

***August 7, 2020***

Cross-Exhibit for Jessica Norris  
Docket No. TP-190976

DATE PREPARED: February 3, 2020	WITNESS: Captain Ivan Carlson
DOCKET: TP-190976	RESPONDER: Captain Ivan Carlson
REQUESTER: Scott Sevall	Puget Sound Pilots

**UTC STAFF DATA REQUEST NO. 24:  
Referring to Exhibit IC-02, Captain Ivan Carlson**

In your testimony you provide exhibit IC-02 labeled “Pilots Burning Callback Days 2019” showing the use of callback days during 2019.

- (a) Please explain the purpose for calculating column 6, labeled “2 distribution days (CD+ Respite Day) per comp day for funding purposes”
- (b) If the number in that column is used to calculate any portion of the revenue requirement please identify the location of the calculation and specific expense line on the income statement that is being adjusted.

**RESPONSE TO DATA REQUEST NO. 24:**

Response to (a): In calculating the value of a Callback Day for purposes of pilot distribution, each Callback Day amounts to two days on distribution. This is because each day a pilot is a member of PSP, the pilot is entitled to one day’s worth of distribution, and because each day on-duty earns a day off-duty. When a pilot uses a Callback Day, he or she does not work one day on-duty, but the corresponding day off-duty remains on the duty schedule. Thus, in calculating the days on distribution that a Callback Day is worth, we must consider both the day on-duty that a Callback Day represents, and the day off-duty that comes with it.

Response to (b): The number in column 6, referenced in the question, was not used to adjust the revenue requirement. The revenue requirement was, however, adjusted based upon the projection of the minimum number of pilots who will be burning Callback Days in 2020, included on page 2 of Exhibit IC-3. An amount equal to the minimum number of pilots who will burn Callback Days in 2020 (2.95) times the DNI per pilot (\$500,000) was added to the revenue requirement in order to fund those pilots burning Callback Days as an expense.

This amount was not treated as a line item of expense in the statement of operations/pro-forma because the cost to PSP’s active working pilots of funding pilots burning Callback Days has not been historically accounted for as an expense. Therefore, there was no stated expense in PSP’s statement of operations to adjust. Nonetheless, in order to account for future costs to PSP of funding distribution to pilots burning Callback Days, the total distributive income was adjusted upward to include this additional cost.

DATE PREPARED: February 21, 2020	WITNESS: Ivan Carlson
DOCKET: TP-190976	RESPONDER: Ivan Carlson
REQUESTER: UTC Staff	Puget Sound Pilots

**UTC STAFF DATA REQUEST NO. 31:**

Is the cost of a pilot different when the pilot is called back?

**RESPONSE TO DATA REQUEST NO. 31:**

I assume this request refers to invoice cost to a ship for a vessel assignment and will answer accordingly. The invoiced charge to a ship does not vary based on whether the pilot is on-duty or off-duty performing a callback.

DATE PREPARED: March 3, 2020	WITNESS: Ivan Carlson
DOCKET: TP-190976	RESPONDER: Ivan Carlson
REQUESTER:	Puget Sound Pilots

**DATA REQUEST NO. 122:** Please state how much additional revenue distribution a pilot receives for a callback assignment in the year it was performed from 2015 to present.

**RESPONSE TO DATA REQUEST NO. 122:**

Each pilot's distribution is based upon the duty days during a given month, not based upon the number of assignments worked by an individual pilot. Thus, no pilot receives income tied directly to the performance of a callback job.

DATE PREPARED: March 18, 2020	WITNESS: Weldon Burton
DOCKET: TP-190976	RESPONDER: Weldon Burton
REQUESTER: PMSA	Puget Sound Pilots

**PMSA DATA REQUEST NO. 242:** Please document how “callback days” and “callback liabilities” are compensated or expensed or are or are not included in the PSP pro forma statements at Exhs. WTB-03, WTB-04, and WTB-05.

**RESPONSE TO DATA REQUEST NO. 242:**

Objection. This question convolutes the previous testimony on this subject and responses to other related data requests.

Subject to and without waiving the foregoing objections, PSP responds as follows:

Callback Days are not expensed. Although they represent a cost to PSP, they are compensated as any other duty day.

DATE PREPARED: April 3, 2020	WITNESS: Jessica Norris
DOCKET: TP-190976	RESPONDER: Jessica Norris
REQUESTER: PMSA	Puget Sound Pilots

**PMSA DATA REQUEST NO. 270:** As referenced at Exh. JN-1T, p. 3, lines 1-6, please provide an explanation of how the payment of an “annual income distribution” to a PSP member differs from the payment of a “callback day liability” under an accounting where “expenses are booked on a cash basis when they are incurred” and why the payment of callbacks introduces an element of “apples to oranges” mixture of accounting methods.

**RESPONSE TO DATA REQUEST NO. 270:**

Income is distributed to pilots based on the total of tariff revenue billed to customers less expenses paid by Puget Sound Pilots, one month after the close of the month in which the bill is issued or the expense is paid. The resulting net differential is paid to pilots using a cash expense basis, i.e., the payment does not factor in the accrual of expenses incurred, but not yet paid.

Including the call back day contingent liability introduces an “apples and oranges” mixture of accounting methods because Callback Days are not paid to pilots when incurred/earned. As a result, Callback Day liability accrual in any computation of expenses would neither be accurate, nor consistent with past and present accounting present accounting practices involving the calculation of monthly distributive income for Puget Sound Pilots’ members.

DATE PREPARED: April 3, 2020	WITNESS: Jessica Norris
DOCKET: TP-190976	RESPONDER: Jessica Norris
REQUESTER: PMSA	Puget Sound Pilots

**PMSA DATA REQUEST NO. 273:** As referenced at Exh. JN-1T, p. 3, lines 15-24, please provide documentation of all calculations required to determine “retired pilots’ ownership interest” and explain how the auditor and PSP account for “equity or ‘contributed capital’” in the PSP financials, and how the dollars flowing into and out of the individual equity accounts of pilots are segregated from other funds such that they are “not part of the revenue sought to be recovered in regulated rates.”

### **RESPONSE TO DATA REQUEST NO. 273:**

Objection. PSP objects to producing documentation of every action taken by the auditor. Cumulatively, such requests are unreasonably burdensome and are unlikely to discover probative evidence. When such requests are not otherwise objectionable, or where PSP will respond despite its objection, a narrative response may be given. Further, this torturous, run-on sentence question is convoluted, premised on incorrect assumptions, exceptionally difficult to follow and seeks information that is irrelevant and not reasonably calculated to the discovery of admissible evidence. PSP’s tariff proposal was founded on a specific theory of ratesetting, and that proposed methodology does not consider return on equity as an element of regulated rates as explained in PSP’s direct testimony. As an intervenor, PMSA is free to challenge the case set forth by the rate proponent, but is not entitled to unfettered discovery to support an alternative theory on which it would bear the burden of proof under applicable UTC rules. Nor does the fact that Ms. Norris testified that buy-ins and buy-outs are not part of the revenue sought to be recovered in regulated rates open the door to any and all discovery of individual ownership interests of pilots.

Subject to and without waiving the foregoing objection, PSP further responds as follows:

The revenue requirement proposed by PSP includes a number of components to be funded in rates, including, but not limited to operating expenses and a distributive net income to be paid to each FTE pilot. However, it does not include any amount that is calculated based upon a return on equity or investment. Payments made in or out of PSP equity to incoming or outgoing pilots do not affect operating expenses, are not implicated in funding FTE pilots, and are thus not a component of the proposed DNI. The revenue to be recovered in rates therefore does not include any amount that directly funds or is in any way earmarked for equity accounts of individual pilots.

Retired pilots lose full equity in PSP on the date of retirement, however, pursuant to PSP Bylaws, the “buy-out” takes place over 6 years. Again, the buy-out is not an operating expense and is not implicated in the revenue requirement.

DATE PREPARED: April 3, 2020	WITNESS: Jessica Norris
DOCKET: TP-190976	RESPONDER: Jessica Norris
REQUESTER: PMSA	Puget Sound Pilots

**PMSA DATA REQUEST NO. 280:** Regarding the “Consolidated Statements of Revenues, Expenses...” at Exh. JN-04, p. 7, please document and demonstrate how the calculation of “Buy-ins and buy-outs, net” on line item 13 impacts distributions and payments to pilots.

**RESPONSE TO DATA REQUEST NO. 280:**

Objection. PSP objects to producing documentation of every action taken by the auditor. Cumulatively, such requests are unreasonably burdensome and are unlikely to discover probative evidence. When such requests are not otherwise objectionable, or where PSP will respond despite its objection, a narrative response may be given.

Subject to and without waiving the foregoing objection, PSP and Ms. Norris respond as follows:

This does not impact the payments distributed to pilots. This is an increase or decrease to line 24 – Reserved for working capital account within pilots equity (balance sheet).



DATE PREPARED: April 3, 2020	WITNESS: Jessica Norris
DOCKET: TP-190976	RESPONDER: Jessica Norris
REQUESTER: PMSA	Puget Sound Pilots

**PMSA DATA REQUEST NO. 283:**

Regarding "Note 1" at Exh. JN-04, p. 10, please (1) provide documentation of how "payments to pilots for compensated absences" are recorded and memorialized "when the leave is earned or liability incurred" in order to ensure that that when such payments to pilots "are recognized when paid" that the payments reflect the actual earned or incurred liability, and (2) document how these payments are credited so that liabilities are extinguished and removed from the PSP financials, and (3) include how such transactions are audited by the auditor.

**RESPONSE TO DATA REQUEST NO. 283:****Response to subpart 1:**

Objection. This run-on sentence is convoluted and exceedingly difficult to follow and appears to ask for documentation on a jumble of concepts for which no document can be clearly responsive. The request is also misleading, as it apparently intentionally misquotes the financial statement it references. The pertinent part of financial statement, Exhibit JN-04, actually states, on p. 10 under "Basis of Accounting and Reporting," as follows: "...payments to pilots for compensated absences (vacation, comp and sick leave), retirement, major medical and redemption of member ownership interest (buy-outs) are recognized when paid rather than when leave is earned or liability incurred. See Notes 6 and 10 for unrecorded liabilities."

Subject to and without waiving the foregoing objections, PSP responds as follows:

Payments to pilots are not recorded when earned or incurred because they are only recognized when paid.

**Response to subpart 2:**

The liability is not recorded on the balance sheet of the financial statements, it is an informational "memo" only disclosure. As compensated absences are used, pilots are paid through distribution. As a result of the basis of accounting there is no extinguishment of the liability off the financial statements as the liability was not recorded.

**Response to subpart 3:**

These transactions are not directly audited as pilots being compensated for compensated absences remain on distribution during which time they are not "moving ships." Therefore they are audited as active pilots and the calculation of their compensation is treated as such. Amounts

outstanding to pilots are not recorded and memorialized when earned and as a result there is no impact to the financial statements under the current cash basis reporting of expenses. Amounts for disclosure are identified as an estimate at any given date in time as we provided the calculation elsewhere on how this is derived.

DATE PREPARED: April 3, 2020	WITNESS: Jessica Norris
DOCKET: TP-190976	RESPONDER: Jessica Norris
REQUESTER: PMSA	Puget Sound Pilots

**PMSA DATA REQUEST NO. 305:** Regarding “Note 10” at Exh. JN-04, p. 19, please provide the underlying calculations and examples of the calculations described in the statement that “the value of a comp day is directly related to the earnings of an active pilot,” including (1) any calculations with respect to the value of a comp day when a pilot exchanges a callback day for a day of duty, (2) where this exchange is reflected in the financials of PSP, and (3) how it is audited.

**RESPONSE TO DATA REQUEST NO. 305:**

**Response to subpart 1:**

There are no calculations or examples needed to establish this concept. See the Operating Rules.

**Response to subpart 2:**

It is not.

**Response to subpart 3:**

These transactions are not directly audited because pilots being compensated for comp days remain on distribution. Therefore they are audited as active pilots and the calculation of their compensation is treated as such. Amounts outstanding to pilots are not recorded and memorialized when earned and as a result there is no impact to the financial statements under the current cash basis reporting of expenses. Amounts for disclosure is identified as an estimate at any given date in time as we provided the calculation elsewhere on how this is derived.

DATE PREPARED: April 3, 2020	WITNESS: Jessica Norris
DOCKET: TP-190976	RESPONDER: Jessica Norris
REQUESTER: PMSA	Puget Sound Pilots

**PMSA DATA REQUEST NO. 309:** Regarding the “Comments on 2018 Operations” at Exh. JN-04, p. 22, please provide the factors, methodology, including a definition of “duty days,” and calculations which support the conclusion of line item A.1. that “Total annual duty days” by PSP pilots in 2018 equaled 18,372.

**RESPONSE TO DATA REQUEST NO. 309:**

Objection. PSP objects to producing documentation of every action taken by the auditor. Cumulatively, such requests are unreasonably burdensome and are unlikely to discover probative evidence. When such requests are not otherwise objectionable, or where PSP will respond despite its objection, a narrative response may be given.

As used in the referenced passage of the financial statement, duty days are defined by PSP Bylaws.

Support for the conclusion for number of total annual duty days is found on EXH. JN-04 pages 23-25 by pilot.

DATE PREPARED: April 3, 2020	WITNESS: Jessica Norris
DOCKET: TP-190976	RESPONDER: Jessica Norris
REQUESTER: PMSA	Puget Sound Pilots

**PMSA DATA REQUEST NO. 310:** Regarding the “Comments on 2018 Operations” at Exh. JN-04, p. 22, please provide the factors, methodology, including a definition of “piloting engagements” which specifies all types of situations which are counted as an engagement, and calculations which support the conclusion of line item A.3. that “Piloting engagements” in 2018 equaled 7,325.

**RESPONSE TO DATA REQUEST NO. 310:**

PSP objects to producing documentation of every action taken by the auditor. Cumulatively, such requests are unreasonably burdensome and are unlikely to discover probative evidence. When such requests are not otherwise objectionable, or where PSP will respond despite its objection, a narrative response may be given.

Subject to and without waiving the foregoing objection, PSP and Ms. Norris respond as follows:

Piloting engagements as used in the referenced passage means the provision of pilotage services for which the tariff is applied pursuant to WAC 363-116-300.

The total piloting engagements in 2018 were calculated from the Earned Revenue Reports supplied to the BPC which are available to PMSA.

DATE PREPARED: April 3, 2020	WITNESS: Jessica Norris
DOCKET: TP-190976	RESPONDER: Jessica Norris
REQUESTER: PMSA	Puget Sound Pilots

**PMSA DATA REQUEST NO. 318:** Regarding the “Schedule of Days of Service and Distribution of Pilotage Revenue and Expense” at Exh. JN-04, p. 23-25 and corresponding “Notes to Schedule...” at Exh. JN-04, p. 26, please provide a definition and the factors of calculation for the terms “Days of Service”, “total number of days”, “active pilot” and “pilot roster.”

**RESPONSE TO DATA REQUEST NO. 318:**

PSP objects to producing documentation of every action taken by the auditor. Cumulatively, such requests are unreasonably burdensome and are unlikely to discover probative evidence. When such requests are not otherwise objectionable, or where PSP will respond despite its objection, a narrative response may be given.

Subject to and without waiving the foregoing objection, PSP and Ms. Norris respond as follows:

- 1) Days of Service - Days of service is number of days in the year if a pilot was on distribution the entire year. In 2018, any pilot with less than 365 days of service was a new or retiring pilot.
- 2) Total number of days is the total days of service for each pilot.
- 3) Active pilot – refers to pilots who are eligible for distribution.
- 4) Pilot roster – listing of all pilots eligible for distribution at any given time.

DATE PREPARED: April 3, 2020	WITNESS: Jessica Norris
DOCKET: TP-190976	RESPONDER: Jessica Norris
REQUESTER: PMSA	Puget Sound Pilots

**PMSA DATA REQUEST NO. 334:** Regarding Exh. JN-05, p. 6, please provide documentation of the number of pilots on the working pilot roster for this 12 month period using the same approach as is taken in the audited annual financials for 2018 (Exh. JN-04).

**RESPONSE TO DATA REQUEST NO. 334**

PSP objects to producing documentation of every action taken by the auditor. Cumulatively, such requests are unreasonably burdensome and are unlikely to discover probative evidence. When such requests are not otherwise objectionable, or where PSP will respond despite its objection, a narrative response may be given.

Subject to and without waiving the foregoing objection, PSP and Ms. Norris respond as follows:

<b>PMSA DATA REQUEST NO: 334</b>			
<b>WORKING PILOT ROSTER FOR TEST YEAR</b>			
Total Duty Days	18,051		
Days in a Year	365		
Working Pilot Roster	49.5	*	
<i>*rounded to nearest tenth</i>			

DATE PREPARED: August 3, 2020	WITNESS: Jessica Norris
DOCKET: TP-190976	RESPONDER: Puget Sound Pilots
REQUESTER: PMSA	

### TESTIMONY OF JESSICA NORRIS

DATA REQUEST NO. 416: With respect to the comment “[i]t appears he assumes that when an off-duty pilot takes an assignment, that PSP got funding for that job when paid,” (Exh. JN-6T at 3:21-23) please identify both (a) any and all jobs in 2018 where PSP did not receive payment from the vessel for whom the job was completed, and (b) any and all PSP pilots in 2018 who did not receive payments for all days that they were identified as on duty pursuant to Exh. JN-04.

#### RESPONSE TO NO. 416:

Objection. This argumentative data request mischaracterizes Ms. Norris’s testimony. She did not testify that the vessels did not pay for services at tariff rates. This request is also vague and ambiguous as to whether it defines “on duty” as a day a pilot was scheduled to work, or whether it means a “duty day” as defined in PSP’s Bylaws.

Subject to and without waiving the foregoing objections. Ms. Norris responds as follows:

Response to subpart (a): There is some miniscule bad debt on the books, but my testimony was not referring to whether ships pay invoices. It related to whether there is more compensation earned by PSP when a pilot accepts a Callback than if the assignment were worked by an on-duty pilot or if the ship were delayed and then worked by an on-duty pilot.

Response to subpart (b): PSP has distributed net income in accordance with its Bylaws as far as I am aware.



DATE PREPARED: August 3, 2020	WITNESS: Jessica Norris
DOCKET: TP-190976	RESPONDER: Puget Sound Pilots
REQUESTER: PMSA	

DATA REQUEST NO. 417: Admit that in your opinion as PSP Auditor your review of PSP's 2018 Financials (Exh. JN-04) concluded that PSP charged its customers in a manner consistent with the tariff provisions of WAC 363-116-300, or alternatively, please identify all instances in which PSP charged pilotage customers in a manner inconsistently with the tariff provisions of WAC 363-116-300 in your review of the PSP 2018 Financials.

RESPONSE TO NO. 417:

Objection. This compound question seeks alternative answers, which is inappropriate.

Without waiving that objection, admitted.

DATE PREPARED: August 3, 2020	WITNESS: Jessica Norris
DOCKET: TP-190976	RESPONDER: Puget Sound Pilots
REQUESTER: PMSA	

DATA REQUEST NO. 418: If Data Request No. 417 was admitted, further admit that in your opinion reviewing PSP's 2018 Financials (Exh. JN-04) that PSP did not vary the amount that it charged its customers in a manner inconsistent with the lawful tariff provisions of WAC 363-116-300 on the basis of any of the following:

- a. the number of licensed pilots,
- b. the number of authorized pilot licenses,
- c. the number of pilots paid to be on duty by PSP,
- d. the number of pilots assigned to a watch,
- e. the number of pilots actually available to pilot while on watch,
- f. the number of times in which a pilot has performed a callback,
- g. the number of jobs performed by the pilot on the vessel,
- h. computation of "comp days,"
- i. the number of administrative tasks performed by the PSP Vice President,
- j. the number of administrative tasks performed by any PSP member,
- k. the number of vacation days taken by pilots,
- l. the rest hours of an individual pilot, or
- m. the number of pilots with inadequate rest.

RESPONSE TO NO. 418:

Admitted to the extent the tariff does not include charges that vary based upon any of the factors identified above.

DATE PREPARED: August 3, 2020	WITNESS: Jessica Norris
DOCKET: TP-190976	RESPONDER: Puget Sound Pilots
REQUESTER: PMSA	

DATA REQUEST NO. 419: With respect to the comment “there are only a finite number of on-duty pilots available at any one time” (Exh. JN-6T at 4:4-5), please provide documentation of the actual “finite number of on-duty pilots available at any one time” for each day of 2018. To clarify, please note that PMSA is not asking for the number of pilots assigned to a watch rotation at the beginning of a 15-day watch rotation (this has already been provided by PSP in response to prior DRs), but instead we request documentation of your specific claim regarding the constraint of the actual, finite number of pilots made available to actually move ships at any one time.

RESPONSE TO NO. 419:

Objection. As PMSA is well aware, because the subject of this data request was previously the subject of a discovery conference addressing PMSA DR 86, this data request is unduly burdensome. Because the information was already requested, and is now requested again (and is requested repeatedly in additional data requests you have served) this request is unreasonably cumulative in clear violation of the discovery rules. The number of times PMSA has asked for the same information despite a previous discovery conference on the topic demonstrates that this is clear discovery abuse and should be subject to sanctions should PSP pursue them. The number of on-duty pilots available at any one time is the number on watch, less those who are resting to comply with mandatory rest rules, and those that are unavailable due to a pre-scheduled meeting, training, drug test, or reposition that prevents contemporaneous dispatch, and less those who have taken a Callback Day or are medically unfit to pilot (“on major medical”). To identify those who are on-duty less those who are unavailable at any one time, PSP would have to review multiple daily records and compile a new spreadsheet in which the number is calculated on a daily basis. Doing so would require no less than a week’s time for a single person to compute, if not more.

DATE PREPARED: August 3, 2020	WITNESS: Jessica Norris
DOCKET: TP-190976	RESPONDER: Puget Sound Pilots
REQUESTER: PMSA	

DATA REQUEST NO. 420: Have you performed a review of the revenue and income levels provided in Capt. Carlson's rebuttal testimony (Exh. IC-4Tr at 42:17-43:16) alleging to represent PSP revenue and income levels for the 12 months ending on June 30, 2020?

RESPONSE TO NO. 420:

No, I have not been asked to do that.

DATE PREPARED: August 3, 2020	WITNESS: Jessica Norris
DOCKET: TP-190976	RESPONDER: Puget Sound Pilots
REQUESTER: PMSA	

DATA REQUEST NO. 421: Admit both that (a) you or your colleagues have completed an audit of the PSP Financials for the calendar year 2019, and (b) that you have not presented the audited 2019 PSP Financials as part of your testimony in this proceeding.

RESPONSE TO NO. 421:

Response to subpart (a): Admit.

Response to subpart (b): Admit.

DATE PREPARED: August 3, 2020	WITNESS: Dr. Sami Khawaja
DOCKET: TP-190976	RESPONDER: Puget Sound Pilots
REQUESTER: PMSA	

DATA REQUEST NO. 436: Please provide documentation supporting your assertion that under the UTC Staff recommendation that pilots would “have earned Staff’s \$400k compensation, but they had to work numerous Callbacks for free to get it” (Exh. SK-3T at 11:17-18).

RESPONSE TO NO. 436:

The testimony was based upon the difference in the number of assignments a pilot would be required to work to earn \$400k under the assignment level proposed by Staff, which does not acknowledge that Callbacks represent additional labor above a pilot’s on-watch workload, and the FTE pilot’s workload that I calculated. For further elaboration, see page 11 of my rebuttal testimony.

DATE PREPARED: August 3, 2020	WITNESS: Dr. Sami Khawaja
DOCKET: TP-190976	RESPONDER: Puget Sound Pilots
REQUESTER: PMSA	

DATA REQUEST NO. 437: Regarding your comment that “DNI should be for on duty time, not for total time” (Exh. SK-3T at 11:20), admit that, according to the PSP 2018 Audited Financials (Exh. JN-04), every individual pilot’s time paid while “on duty” is greater than any individual pilot’s “total time” providing pilotage service for 2018.

RESPONSE TO NO. 437:

Objection. This request misapplies the term “duty days” under the Financial Statement and attempts to apply it to testimony that addresses the days a pilot is scheduled to work. Additionally, a pilot is not “paid while on duty.” Each pilot is distributed a share of net income based upon an apportionment formula. Thus, this request completely mischaracterizes the available evidence and cannot be answered as stated.