

BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND PILOTS,

Respondent.

**DOCKET TP-190976**

**CROSS-EXHIBIT FOR**

**George Quick**

**PSP Response to UTC DRs 11, 13, and  
PSP Response to PMSA DR 46, 47, 52, 53, 336, 344, 362, 543, 545, 547**

*August 7, 2020*

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF  
PUGET SOUND PILOTS RESPONSES TO STAFF DATA REQUESTS

DATE PREPARED: January 27, 2020	WITNESS: Captain George Quick
DOCKET: TP-190976	RESPONDER: Captain George Quick
REQUESTER: Danny Kermode Referring to Exhibit GQ-1T	Puget Sound Pilots

**UTC STAFF DATA REQUEST NO. 11:**

Captain Quick testifies at page 16, lines 4-5 that "...[pilot] income ranges nationally in the area of \$550,000 to 600,000 per year." Please provide any studies, workpapers, articles or publications that support, in whole or in part, his statement.

**RESPONSE TO DATA REQUEST NO. 11:**

All ships engaged in foreign trade are handled by approximately 1300 State licensed pilots total in the United States. With such a small base, the subject matter does not generate a great deal of written documentation. Information on compensation levels generally becomes available during the State rate setting processes. But the trend, automatic CPI adjustments and increasing size and tonnage of ships that form the rate base has lead to increasing compensation and fewer current rate cases that would tend to yield substantial information. Notwithstanding that limitation, the most recent reliable information is provided below.

**Attachment 1:** is an annual report for 2018 by the Crescent River Port Pilot Association in New Orleans to the Louisiana Pilot Fee Commission on the distribution of net distributable income to each of the active member pilots of the association. It indicates that a total of \$69,027,304 was distributed to 116 pilots for an average 2018 net income of \$595,062. It should be noted that one of the statutory guidelines to consider in Louisiana Revised Statute for fixing reasonable and just rates is:

§1122 B(1) "fair average annual compensation for a state ship pilot, in comparison to regulated state ship pilotage in other United States ports."

It is assumed the net income reflects consideration of that guideline.

**Attachment 2-** Is the State of Florida Pilotage Rate Review Committee's decision in the Port Everglades Pilots rate case filed January 22, 2019. It is the most recent rate case outcome in the United States by an experienced State agency and professional staff that sets pilotage rates for the eleven ports in Florida after an intensive Investigative Committee hearings, review and report.

It found that the nationwide average compensation for pilots was somewhere between \$500,000 and \$550,000 in 2017 (pg.9). It established a rate in its jurisdiction that is projected to provide pilot compensation of \$549,998 in the upcoming year, 2019 (pg.10).

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**RESPONSE TO DATA REQUEST NO. 11:**

The substantial increase in compensation of \$138,355 over the prior year reflected the change in the CPI since the last Port Everglades rate adjustment in 2001. To avoid such large one year increases in the future, the Florida rate structure provides for annual increases in the charges for ships over 31 feet in draft of 6% each year for the next 10 years. All other charges are to be increased 2.5% each year for 5 years, and 2% each year for the following 5 years (pg. 13-14). This percentage is also aligned with the Federal Reserve target inflation rate of 2% per year and is intended to have pilot compensation keep pace with anticipated inflation. It is therefore expected to produce a pilot compensation of over \$600,000 within four years, or by 2023.

Finally it should be understood that the rates and compensation levels established in the Port Everglades case were the result of a compromise agreement between the parties, pilots and shipowners, to avoid further protracted litigation and in recognition of prevailing nationwide compensation in comparable ports.

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**UTC STAFF DATA REQUEST NO. 13:**

Captain Quick testifies at page 21, lines 6-9 that "...in most cases, the cost to the association of funding future benefits versus continuing to fund retirements from current revenue (essentially a "pay-as-you-go" plan) were about the same."

- a. Please provide any studies, workpapers, articles or publications that support, in whole or in part, his statement.
- b. Please provide those cases where the costs are not "about the same" and explain what makes those cases distinguishable.

**RESPONSE TO DATA REQUEST NO. 13:**

- a. Please provide any studies, workpapers, articles or publications that support, in whole or in part, his statement.

I am not aware of any formal studies, workpapers, articles or publications on the subject of funding marine pilot pensions in the context of pilot associations. There could be literature on the general topic in other contexts that I am not aware of. The statement that is quoted in the data request is based on my decades of experience in the pilot industry and the "point person" nationally for compiling data on pilot compensation including deferred compensation such as types, kinds and mechanics of pilot pension programs.

Pilot associations are unique in that they are a stable complement of individuals who make a commitment to a future in one port and typically serve from qualification to be licensed for service in the port until retirement.

In large ports annual traffic levels are reasonably stable or slow enough to change and the number of pilots remains relatively stable. Under these conditions, the number of retirees will similarly remain reasonably stable and predictable. The result is the ratio of retired pilots to active pilots should typically remain within reasonable parameters for funding under a pay-as-you-go system.

As an example, the Biscayne Bay Pilot Association (Miami) has a pay-as-you-go program with a cap of a 20% distribution of gross annual revenue. If that association transitioned for instance, to a qualified ERISA plan they would not only have the current obligations to presently retired pilots but they would also have the costs of perhaps an average of 20 years past service credits for 18 active pilots. With their present retirement benefit of approximately \$150,000 per year, I would estimate the past service liability alone would likely be in excess of \$20 million with

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no source of funding if they were to precipitously shift to a ERISA type 401K program. While I would certainly defer to actuarial analysis of the feasibility of such a transition, you do not have to be an actuary to realize the viability of that sort of fundamental shift would not likely be a financially viable option.

- b. Please provide those cases where the costs are not “about the same” and explain what makes those cases distinguishable.

To clarify, that sentence implied a clean comparison between an unfunded program and qualified ERISA funded plan without any consideration of past service liability as was alluded to immediately above. In those circumstances where there are large past service obligations for a retired pilot, they are “not about the same” as also explained in the answer above because of the huge upfront payment that would be required to fund the past service obligation which could well create problems with current limitations in federal law on deductibility of annual contributions.

It should be noted that the NY/NJ Sandy Hook pilots serving the (Ports of NY/NJ) are the only pilot association of which I am aware that has transitioned from an unfunded program to a qualified ERISA plan. That transition is sanctioned and mandated by New York statute and is being funded through a surcharge limited to 35% of the base pilotage charge or \$7,900,000 per calendar year. For the statutory citations, see “*New York Consolidated Laws – Navigation, Article 6 - Pilots and Pilotage Fees, Port of New York, Section 88 (B)i.*” This example well illustrates in my view, the magnitude of the cost of transitioning in the Sandy Hook situation. The strong precipitating factor for the change was because of a dramatic change in ships traffic that effectively reduced the active pilot complement by approximately 50% which of course, negatively impacted the ratio of active pilots to retired pilots to an unsustainable degree for a pay-as-you-go plan. Moreover, the revision to the plan transition was strongly supported by local industry in the State legislature. In contrast, stable pilot complements, such as PSP, would provide no such impetus for such a dramatic change along with the very material increased cost to the shipping industry to fund the transition.

DATE PREPARED: February 18, 2020	WITNESS: CAPT. GEORGE QUICK
DOCKET: TP-190976	RESPONDER: CAPT. GEORGE QUICK
REQUESTER: PMSA	PUGET SOUND PILOTS

**PMSA DATA REQUEST NO. 46:** Please list all state pilots associations with whose pilot compensation levels Capt. Quick has become familiar, as referenced at Exh. GQ-1T p. 11 line 3.

**RESPONSE TO DATA REQUEST NO. 46:**

Captain Quick is generally familiar in his position with MM&P with pilot compensation levels, some criteria used by the various ratesetting bodies and various distinctions therein in the following states, ports and/or harbors which familiarity also is not necessarily predicated on explicit publicly available documents and data or necessarily established by writings:

South West Alaska, AK  
Columbia River, OR  
San Francisco, CA  
Puget Sound, WA  
Hawaii, HI  
Sandy Hook, NY/NJ  
Maryland, MD  
Delaware, DE  
Pennsylvania, PA  
Galveston, TX  
Houston, TX

Sabine River, TX  
Lake Charles, LA  
Associated Branch, LA  
Crescent River, LA  
NOBRA, LA (New Orleans/Baton Rouge)  
Tampa, FL  
Miami, FL  
Port Everglades, FL  
Jacksonville, FL  
Savannah, GA  
Charleston, SC  
Virginia, VA

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REQUESTER: PMSA	PUGET SOUND PILOTS

**PMSA DATA REQUEST NO. 47:** Please provide copies of all documents showing data for the years 2010 to present of the pilot compensation levels related to your response to Request No. 46.

**RESPONSE TO DATA REQUEST NO. 47:**

Objection. This request is overly broad and is not properly limited in time. Specifically, documentation of historic and annual pilot compensation levels from 2010 to present would be unreasonably cumulative and duplicative, not to mention voluminous and are not beneficial to the adjudication of this proceeding; stale pilot income data from 2010 have no relevance to a 2020 rate proceeding. PSP has produced the only known publicly available information on state pilot compensation for comparable pilotage groups for the pertinent test year or best current available information in its filing in November and in responses to data requests. This request is therefore also unreasonably cumulative of other requests, in violation of WAC 480-07-400(3). Moreover, Captain Quick has already indicated in response to Staff Data Request No. 11, that there is relatively little published information on individual net pilot compensation and even with published comparable rate information such as that provided in PSP's filing in November, pilot compensation in all jurisdictions will understandably fluctuate based on variations in traffic levels, ship profiles, pilot complement and operating expenses. Again, Captain Quick's familiarity with pilot compensation levels nationally including retirement program familiarity, is the result of his role for nearly half a century as Vice President of the American Pilots' Association and in his VP role in the Masters, Mates and Pilots Association in liaising with the 24 coastal states pilot associations and their membership.

DATE PREPARED: February 18, 2020	WITNESS: CAPT. GEORGE QUICK
DOCKET: TP-190976	RESPONDER: CAPT. GEORGE QUICK
REQUESTER: PMSA	PUGET SOUND PILOTS

**PMSA DATA REQUEST NO. 52:** Please provide all documents and other data underlying the statement that PSP's retirement program is "within the range of norms in the pilotage industry" at Exh. GQ-1T p. 24 lines 7-10 and any documents and data for retirement programs that appear to fall outside of the "range of norms in the pilotage industry."

**RESPONSE TO DATA REQUEST NO. 52:**

Objection. The data for the assessment that PSP's retirement program was "within the range of norms" is demonstrated by the summary, already provided within the text of Captain Quick's testimony at GQ-1T, p. 22, lines 17-23 and p. 23, line 1.

The request for converse information, that was not presented in evidence, regarding documents and data for retirement programs that appear to fall outside the "range of norms in the pilotage industry," implicitly assumes there may be countervailing empirical data somehow being suppressed by Captain Quick. The question therefore appears to be argumentative and improper in form. Further, it appears to seek information that is not relevant and is intended only as fodder for impeachment that shifts the evidentiary burden to, in effect, ask Petitioner PSP to prove a negative.



DATE PREPARED: February 18, 2020	WITNESS: CAPT. GEORGE QUICK
DOCKET: TP-190976	RESPONDER: CAPT. GEORGE QUICK
REQUESTER: PMSA	PUGET SOUND PILOTS

**PMSA DATA REQUEST NO. 53:** Please provide all documents and other data underlying the statement regarding the “average American worker in 2019” at Exh. GQ-1T p. 27 line 9.

**RESPONSE TO DATA REQUEST NO. 53:**

Objection. Providing all documents and other data that justify what constitutes the “average American worker in 2019” is overbroad and burdensome.

Without waiving objection, Captain Quick’s testimony includes the reality that the average American worker is commonly assumed to work a “9 to 5,” 40 hour work week with weekends and holidays off and is home each night and which routine also allows for a normal social life. In contrast, a typical on duty pilot is totally committed and available 24 hours a day for 182 days in a year, or 4,368 hours (compared to possibly 2,080 for the “average American worker in 2019”) on a completely random assignment schedule day and night with attendant disrupted sleep patterns that generate constant fatigue and health-related complications which schedules have generally been the focus of studies over the years.

Without waiving further objection, Captain Quick also responds to the recurring data requests by PMSA for empirical support for all proffered opinions that, according to “Statista,” which has compiled updated information in February, 2020 (covering the period January 2019-January 2020), the “average American worker,” logged 34.3 hours in January, 2020 and for 2019, the average work week consisted of a high of 34.5 hours per week in January and March, 2019 to a low of 34.3 hours per week in July, October, November and December, 2019. (See, the document with file label PMSA DR 53 - Average American Worker.pdf and bates number PSP\_003172-003173).

DATE PREPARED: April 17, 2020	WITNESS: Stephan Moreno
DOCKET: TP-190976	RESPONDER: Stephan Moreno
REQUESTER: PMSA	Puget Sound Pilots

**PMSA DATA REQUEST NO. 336:** Please provide copies of each of the “tariff structures from districts and jurisdictions around the country” referenced at Exh. SM-1T, p. 2, lines 11-12 that PSP regularly reviews and researches “relating to [PSP] annual presentations” since 2012.

### RESPONSE TO DATA REQUEST NO. 336:

Objection. This request appears to be nothing more than an attempt to cross-examine the witness or an attempt to challenge the veracity of the witnesses’ testimony by seeking documentation of every statement made. The tariff documents are public records and equally available to PMSA from another less burdensome source, and therefore they will not be produced. Additionally, the fact that a tariff document was reviewed does not make it relevant in the discovery sense. Tariff documents that were assessed and have no application to the Puget Sound pilotage district will not assist the Commission adjudicate PSP’s tariff proposal. For example, tariffs for Southeast Alaska have no application here because they were designed to cover circumstances in which the pilot is required to remain abroad for extended periods of time. Similarly, tariffs for northeast coast ports are incompatible because most of the northeast coast ports utilize a separate pilot provided by a tugboat company to dock or undock the vessel. The pilots in the Puget Sound district do all the work.

Subject to and without waiving the foregoing objections, Capt. Moreno responds as follows:

PSP has spent considerable time reviewing many tariff structures and rates used in other pilotage districts to study rate design possibilities (see the list below). While PSP uses the guidelines outlined in George Quick’s testimony “comparable compensation for comparable work in comparable ports. (see Exh-GQ page 11 lines 12-13), we have reviewed tariffs in numerous districts to assess whether or not aspects of those tariffs could be applied in the Puget Sound Pilotage District. Based upon my recollection, we have reviewed the following:

#### Alabama

Mobile Bay Pilots

#### Alaska

Alaska Marine Pilots

Southeast Alaska Pilots

Southwest Alaska Pilots

PSP RESPONSES TO PMSA DATA REQUESTS 335-413 - 2

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California

Humbolt Bar Pilots

San Francisco Bar Pilots

Long Beach Pilots

Canada

Pacific Pilotage Authority

Connecticut

Northeast Marine Pilots

Delaware/Pennsylvania

The Pilot Association for the Bay and River Delaware

Florida

Canaveral Pilots Assn.

Palm Beach Harbor Pilots

Port Everglades Pilots

Tampa Bay Pilots

Fort Pierce Bar Pilots

St Johns Bar Pilots

Key West Pilots

Georgia

Brunswick Bar Pilots

Savanah Pilots

Hawaii

Hawaii Pilots Assn

Louisiana

PSP RESPONSES TO PMSA DATA REQUESTS 335-413 - 3

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Associated Branch Pilots

New Orleans-Baton Rouge Pilots

Crescent River Pilots

Lake Charles Pilots

Maine

Penbay Pilots

Portland Pilots

Maryland

Association of Maryland Pilots

Massachusetts

Boston Harbor Pilots

Northeast Marine Pilots

Mississippi

Pascagoula Bar Pilots

New York/New Jersey

Sandy Hook Pilots

Hudson River Pilots

North Carolina

Morehead City Pilots

Wilmington-Cape Fear Pilots

Oregon

Columbia River Pilots

Columbia River Bar Pilots

Coos Bay Pilot tariff

PSP RESPONSES TO PMSA DATA REQUESTS 335-413 - 4

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South Carolina

Charleston Branch Pilots

Texas

Aransas- Corpus Christi Pilots

Brazos Pilots

Galveston-Texas City Pilots

Houston Pilots

Sabine Bank Pilots

Matagorda Bay Pilots

Virginia

Virginia Pilots

Washington

Grays Harbor

DATE PREPARED: April 17, 2020	WITNESS: Stephan Moreno
DOCKET: TP-190976	RESPONDER: Stephan Moreno
REQUESTER: PMSA	Puget Sound Pilots

**PMSA DATA REQUEST NO. 344:** Regarding Exh. SM-1T, p.4, lines 10-11, please identify the pilots which left Puget Sound to enter into training programs in “more competitive pilot districts including Alaska” which existed between 1997 and 2000.

**RESPONSE TO DATA REQUEST NO. 344:**

Objection. This testimony appears to misquote the testimony to which it cites, which did not state that any pilots left the Puget Sound to enter into a training program in a more competitive pilot district. Thus, this request is misleading.

Subject to and without waiving the foregoing objection, and Capt. Moreno responds as follows:

I am not aware of pilots who left the Puget Sound pilotage district in that time frame. In my experience it is a rare decision for a fully-licensed state pilot to enter the training program in a new pilotage district. The process of obtaining a state pilot’s license is an intensive one that requires a significant investment of time and money. For example, my 18 years of piloting experience had no bearing on the training program I went through to become a Puget Sound Pilot. My training program was no different than any of the other candidates.

Once a pilot has made that investment and is working, taking on the cost of starting over, as I did, is not something I think many pilots would consider. However, differences in income are certainly often the determinative factor for top pilot candidates who have yet to make the investment.

DATE PREPARED: April 17, 2020	WITNESS: Stephan Moreno
DOCKET: TP-190976	RESPONDER: Stephan Moreno
REQUESTER: PMSA	Puget Sound Pilots

**PMSA DATA REQUEST NO. 362:** Please provide a definition of the phrase “more proportional charges across all vessel sizes and classes” as referenced at Exh. SM-1T, p. 8, lines 3-4.

**RESPONSE TO DATA REQUEST NO. 362:**

Objection. This and many other data requests served by PMSA request the witness to “define” testimony that has been given. These are improper data requests and do not seek evidence or information that will lead to evidence, but are instead an attempt to cross-examine the witness through countless data requests. In many instances the testimony is clear and unambiguous and thus these dozens of data requests appear designed to harass or annoy the witness and PSP.

Subject to and without waiving the foregoing objection, Capt. Moreno responds as follows:

The best example of how we propose to make pilotage fees more proportional are the changes we proposed to the Tonnage charge. Under the existing BPC tariff, the gross tonnage charge is built like an upside down pyramid. The BPC tariff charges minimal tonnage rates at the bottom and the rate per ton increase over the next two tonnage tiers. In PSP’s proposal to the UTC, the amount per ton decreases as the ship gets larger and a tonnage tier was added. This change would create a more stable tariff base and decrease the disparity in total tonnage charges between the smallest ships and the largest ships.

DATE PREPARED: Aug 5, 2020	WITNESS: Capt. George Quick
DOCKET: TP-190976	RESPONDER: Puget Sound Pilots
REQUESTER: PMSA	

### **TESTIMONY OF CAPT. GEORGE A. QUICK**

DATA REQUEST NO. 543: Admit that under the UTC Staff's proposed tariff a larger vessel will pay more for the provision of pilotage services than a smaller vessel on the same route and for the same time of pilotage.

RESPONSE TO NO. 543:

The issue not whether the charge may be larger for a larger ship. It is if the difference is proportional to the value of the service provided to the ship as it relates to its potential carrying capacity, productivity, ability to pay to support the safety system that disproportionately benefits the larger ships, the smaller cost per unit of cargo moved through economy of scale passed on to the beneficial cargo owner and the additional experience, skills, risks and stress placed on the pilot by larger ships to accomplish the movement.



DATE PREPARED: Aug 5, 2020	WITNESS: Capt. George Quick
DOCKET: TP-190976	RESPONDER: Puget Sound Pilots
REQUESTER: PMSA	

DATA REQUEST NO. 545: With respect to your testimony at Exh. GQ-5T 4:10-19 regarding “the relative risks of vessel size” and “capturing the risks and costs associated with vessel configuration,” please admit or provide documentation of each of the following: (a) admit that vessel configuration involves vessel design; (b) admit that vessel “risks” involved more factors than just vessel size alone; (c) admit that vessel designs that include dual propulsion and dual steering systems are vessel designs that reduce “risks”; (d) admit that larger vessels with dual propulsion and dual steering systems have a lower risk of propulsion failure and steering failure than smaller vessels with single propulsion and single rudder systems; (e) admit that many vessels of various sizes which call in the Puget Sound, including cruise ships, articulated tug and barge vessels, and cargo and tank vessels in the Alaska trade, have dual propulsion and dual steering systems; (f) admit that vessels that involve one or more tugs in escort and/or assist mode are operating in a manner that reduces “risks” as compared to those vessels without one or more tugs; and (g) provide the percentage of Puget Sound pilot assignments in 2018 that involved vessels with dual propulsion and dual steering systems and reference to or inclusion of the underlying data from which your percentage was derived.

RESPONSE TO NO. 545:

Objection. This request exceeds the scope of Capt. Quick’s testimony and is unreasonably cumulative and duplicative of data requests served to Capt. Moreno. By asking similar data requests to multiple witnesses, PMSA is apparently using discovery as a way of conducting cross-examination which is inappropriate and creates an undue burden.

Subject to and without waiving the foregoing, Capt Quick responds as follows:

**Response to Subpart (a):**

Agree that the ships configuration or type is part of the ship design process.

**Response to Subpart (b):**

Agree, some degree of risk is involved in all ship movements. It is a question of the degree of risk and its potential consequences as well as efforts to mitigate risk.

**Response to Subpart (c):**

Dual propulsion and steering systems will mitigate the risk of a single system failure.

**Response to Subpart (d):**

Dual propulsion and steering systems will provide some backup redundancy in the event of a single propulsion and steering system failure. But dual propulsion and steering with a one system failure presents a different set of risks to manage.

**Response to Subpart (e):**

I agree that most of the type of ships referenced probably have dual propulsion and steering.

**Response to Subpart (f):**

I agree that escort and assist tugs do not eliminate but do mitigate risk.

**Response to Subpart (g):**

I do not have information on the number of ships calling at Puget Sound that have dual propulsion and steering systems.

DATE PREPARED: Aug 5, 2020	WITNESS: Capt. George Quick
DOCKET: TP-190976	RESPONDER: Puget Sound Pilots
REQUESTER: PMSA	

DATA REQUEST NO. 547: Your testimony is that you agree with the Staff's ratesetting methodology which is derived from "calculations of historical data and anticipated vessel assignments" (Exh. GQ-5T 2:9-13), yet your testimony also claims that Staff's proposal does not "adequately capture the service time component" (Exh. GQ-5T 5:3-4). These are seemingly inconsistent statements. Please clarify whether you believe that pilot service time is adequately or inadequately captured in the Staff's ratesetting methodology. If you believe that there is any pilotage time which is not captured in the ratesetting methodology, please describe what pilotage time has been excluded under both the Staff proposed tariff and under the PSP proposed tariff.

RESPONSE TO NO. 547:

Objection. This data request makes an assertion that two statements are inconsistent. PSP disputes the premise of the question.

Subject to and without waiving the foregoing objection, Capt. Quick responds as follows:

I agree with methodology proposed by the UTC of  $RR$  (Revenue Required) =  $Exp$  (Expenses) +  $Dep$  (Depreciation) +  $Int$  (interest) +  $TDNI$  (Total Distributable Net Income (TDNI) and Equation 2:  $TDNI = DNI \times Pilot\ Numbers$ . Normally it is true that the tariff is adjusted for an existing rate base to meet current conditions using historical data as the starting point and anticipated vessel assignments (prospective traffic levels) over the projected rate year to arrive at a new tariff on the same rate base. But the proposed tariff is not based on a historical rate base which recognized the size and productivity of the ship as a major component of the rate base. The proposed tariff is a major shift in policy shifting the costs of maintaining the system from the larger ships to the smaller ships without a historical precedent. In doing so it does not adequately or proportionately take into account or capture the difference in the value of the service time provided to the larger ship in relationship to the smaller ship. Or take into account the increased responsibilities and burdens placed on the pilots of the new mega-ships.