Docket No. TP-220513 - Vol. VI

WUTC v. Puget Sound Pilots

April 7, 2023



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206.287.9066 | 800.846.6989 1325 Fourth Avenue, Suite 1840, Seattle, Washington 98101 <u>www.buellrealtime.com</u> email: info@buellrealtime.com



Docket No. TP-220513 - Vol. VI - 4/7/2023



1 (Pages 668 to 671)

	Page 672	Page 674
1	PROCEEDINGS	1 A. I have not.
2	Friday, April 7, 2023; 9:03 a.m.	2 Q. And you have no experience providing actuarial
3	000	3 services for the maintenance of a defined benefit
4		4 multiple employer plan?
5	JUDGE HOWARD: On the record. It's	5 A. That's true.
6	9:03 a.m., on April 7th Friday, April 7th. We're	6 Q. In your rebuttal testimony, and so that's
7	here to continue the evidentiary hearing in	7 you updated your savings estimates of moving away from
8	Docket TP-220513. We're resuming with PSP's witnesses,	8 the current funded plan to a new funded plan; correct?
9	and the first witness we'll be calling today is	9 A. Yes.
10	Christopher Wood.	10 Q. And as a result, your projected plan savings
11	Mr. Wood, I see you have your video feed	11 under Alternative 1 are now 124 million, and that's in
12	on. Can you see and hear me all right?	12 Exhibit CRW6-T, Page 6, Line 20. Starting there.
13	All right. Great. If you'd please raise	13 A. I cited I cited 124 million and 100 million
14	your right hand, I'll swear you in.	14 with the savings.
15	Do you swear or affirm that the testimony	15 Q. Also, Alternative 1, your corrected savings
16	you give today is the truth, the whole truth, and	16 are now 124 million?
17	nothing but the truth?	17 A. Yes.
18	THE WITNESS: I do.	18 Q. And Alternative 2, it's 100 million in
19	JUDGE HOWARD: Great. Thank you.	19 savings?
20	Mr. Haglund, could you please introduce	20 A. Yes.
21	the witness?	Q. And under your analysis, all these savings are
22	MR. HAGLUND: Yes.	22 attributable to investment earnings on the larger
23	Mr. Wood, how many years have you worked	23 contributions of pilots in the early years of the plan?
24	as an actuary?	A. Yes. The contributions aren't necessarily
25	THE WITNESS: 42.	25 well, yeah, there is there's a period of time when
	Page 673	Page 675
1	MR. HAGLUND: Did you prepare original	1 because of providing past service credit, the larger
2	and rebuttal testimony in this case?	2 or in the first approximately 15 years, yeah, before
3	THE WITNESS: Yes, I did.	³ reaching a steady state, at which, at that point,
4	MR. HAGLUND: Is it true and accurate to	4 inflation will inevitably cause it to gradually
5	the best of your knowledge?	5 increase.
б	THE WITNESS: Yes, it is.	6 Q. And so just to confirm, that the reason
7	MR. HAGLUND: I tender the witness for	7 that you have the savings that you referred to in your
8	Cross.	8 prior testimony just a moment ago is because of those
9	JUDGE HOWARD: All right. Ms. DeLappe,	9 contributions in the early years of the plan, the
10	you may proceed.	10 investment earnings on those?
11	MS. DeLAPPE: Thank you, your Honor.	11 A. Yes. And it's any it's changing the
12		12 pattern of contributions from the fair buys to one that
13		
	CROSS-EXAMINATION	13 is more front-loaded would be a way of thinking about it
14	BY MS. DeLAPPE	 is more front-loaded would be a way of thinking about it in that that creates an opportunity for investment
14 15	BY MS. DeLAPPE Q. And good morning, Mr. Wood.	 is more front-loaded would be a way of thinking about it in that that creates an opportunity for investment earnings to offset future costs.
14 15 16	BY MS. DeLAPPE Q. And good morning, Mr. Wood. A. Good morning.	 is more front-loaded would be a way of thinking about it in that that creates an opportunity for investment earnings to offset future costs. Q. So calculating investment returns accurately
14 15 16 17	 BY MS. DeLAPPE Q. And good morning, Mr. Wood. A. Good morning. Q. You just as a preliminary matter, in your 	 13 is more front-loaded would be a way of thinking about it 14 in that that creates an opportunity for investment 15 earnings to offset future costs. 16 Q. So calculating investment returns accurately 17 is crucial to determining the savings; right?
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2 (Pages 672 to 675)

	Page 676		Page 678
1	rates mandated by the minimum funding rules are based	1	cases, even goes outside strictly just equities and
2	upon high-quality corporate bond rates in effect as of	2	bonds in order to maximize, with the new contracts, the
3	the valuation date"?	3	risk tolerances for the return on the portfolio.
4	A. Yes. Yes. I did.	4	Q. Does any of your testimony address investment
5	MR. HAGLUND: Speak up a little bit.	5	return volatility?
6	MS. DeLAPPE: Thank you.	6	A. No.
7	Q. (By Ms. DeLappe) Do you agree that the mandated	7	Q. If investment earnings are the apparent
8	discount rates in effect as of the valuation date are	8	savings, then could the savings that are earned with any
9	currently based on 25-year averages of high-quality	9	type of funding or contribution plan I guess, let me
10	corporate bond rates with fixed minimums applied?	10	back up and restate this.
11	A. Yes.	11	So if investment earnings are the apparent
12	Q. And for the investment return to match the	12	savings, then could those savings be achieved with any
13	discount rate now on Page 5 of your rebuttal	13	type of funding or contribution plan that is ultimately
14	testimony you quote, "Assume that a professionally	14	selected?
15	managed pension trust would be able to earn a rate of	15	MR. HAGLUND: Objection. Vague.
16	return on plan assets at least equal to the rate of	16	THE WITNESS: You mean any can I
17	return generated by a portfolio of high-quality	17	can you clarify? Are you talking about any plan with
18	corporate bonds"; right?	18	JUDGE HOWARD: After there's an
19	A. Yes. Yes, I said that.	19	objection, I will I'll need to rule. Perhaps
20	Q. So, in other words, you are assuming a rate of	20	perhaps the question could be rephrased slightly.
21	return for this new funded plan would be based on the	21	MS. DeLAPPE: Thank you.
22	returns of investments in this new portfolio of	22	Q. (By Ms. DeLappe) So, Mr. Wood, earlier, we
23	high-quality corporate bonds?	23	talked about investment earnings as the basis for the
24	A. No. I'm not assuming that the plan invests	24	apparent savings. So could those savings be earned with
25	only in high-quality corporate bonds.	25	any type of funding or contribution plan that PSP
	Page 677		Page 679
1	Q. Can you explain that, please?	1	ultimately selects?
2	A. Sure. The pension plans, in general, invest	2	A. No, if I understand you correctly, and it
3	in a mix of equities and bond instruments. That is done		
4		3	depends on what you invest in. If they would keep it in
-	on the basis of analysis and asset consultants who will	4	depends on what you invest in. If they would keep it in cash, they're not going to be able to match that rate of
5	on the basis of analysis and asset consultants who will spend spend some time looking at the demographics of		depends on what you invest in. If they would keep it in cash, they're not going to be able to match that rate of return.
	spend spend some time looking at the demographics of	4	cash, they're not going to be able to match that rate of
5	spend spend some time looking at the demographics of the plan and projections of the liabilities in the plan	4 5	cash, they're not going to be able to match that rate of return.
5 6	spend spend some time looking at the demographics of	4 5 6	cash, they're not going to be able to match that rate of return. Q. And so putting aside let's say all things
5 6 7	spend spend some time looking at the demographics of the plan and projections of the liabilities in the plan and determine, you know, what would be an appropriate	4 5 6 7	 cash, they're not going to be able to match that rate of return. Q. And so putting aside let's say all things being equal as far as the portfolio that they are
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3 (Pages 676 to 679)

	Page 680		Page 682
1	microphone could be a little bit closer to Mr. Wood or	1	A. Correct.
2	if he needs to raise his voice some? I'm not entirely	2	Q. It's
3	sure if that's the issue, but that might be the issue.	3	A. I'm not adding an active participant. I'm
4	MR. HAGLUND: We're moving it closer to	4	adding a participant. Because in Year 1, you have no
5	Mr. Wood, your Honor.	5	retirees from the PBC perspective in this new plan
6	MR. HOWARD: Thank you.	6	because they're all being paid through the farebox.
7	THE WITNESS: Do you want to do your	7	Do you understand what I'm saying?
8	question again?	8	MS. DeLAPPE: Yes, I think we're the
9	Q. (By Ms. DeLappe) No. If you could just repeat	9	Court Reporter's having some issues on the transcript,
10	what you were saying. I think you said something about	10	though. I saw her raise her hand.
11	prefunding. Any?	11	Did you get everything you needed?
12	A. Any funding policy that results in funding	12	THE STENOGRAPHER: I did, but your
13	earlier or prefunding more than the pay-as-you-go	13	internet seems to be just a little spotty. I did get
14	approach will have an opportunity to produce investment	14	it. It came in after, but I just want you guys to be
15	returns that can produce savings.	15	aware that it's happening.
16	Q. Thank you.	16	MS. DeLAPPE: Thank you.
17	Moving now to a separate topic. Your baseline	17	I have no further questions, your Honor.
18	assumptions about the growth of the pilotage core are	18	Thank you, Mr. Wood.
19	based if we turn to Page 8 of your rebuttal	19	JUDGE HOWARD: All right. Any redirect?
20	testimony, Line 7, you said they're based on 56 Year 1	20	MR. HAGLUND: Yes, your Honor, briefly.
21	participants, all active and adding one net additional	21	
22 23	participant each year; is that correct?	22 23	
23 24	A. That was an assumption that was used for purposes of estimating the PBGC premiums.	23	BY MR. HAGLUND Q. Mr. Wood, you were asked some questions about
24 25	Q. Mm-hmm. And so if you start with 56 pilots	24	the investment earnings that would be the source of the
20		2.5	
	Dama (01		
	Page 681		Page 683
1	Page 681 and you add one net additional participant each year of	1	substantial savings by transition in Alternative 1,
1 2	and you add one net additional participant each year of your 50-year projection, would your projections end with	1 2	substantial savings by transition in Alternative 1, which has the retirees existing retirees paid through
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4 (Pages 680 to 683)

		1	
	Page 684		Page 686
1	little bit, but it's somewhere between 5.1 and	1	dispatcher with PSP?
2	5.3 percent is the effective interest rate each year	2	THE WITNESS: I am not.
3	that the assets would have to earn.	3	MR. HAGLUND: Someone's been there longer
4	Q. You considered that to be a very conservative	4	than you?
5	projection of the overall average investment returns	5	THE WITNESS: Yes.
6	based upon the history you're aware of to date?	6	MR. HAGLUND: And did you prepare
7	A. Well, certainly based upon current market	7	original and rebuttal testimony in this case?
8	conditions, it's it's very conservative. I looked	8	THE WITNESS: Yes, I did.
9	at JPMorgan publishes every quarter an expectation of	9	MR. HAGLUND: And is it true and accurate
10	long-term rates of return on 45 different asset	10	to the best of your knowledge?
11	categories. And if you look at their most recent	11	THE WITNESS: I believe so, yes.
12	projection, they say that equities US equities will	12	MR. HAGLUND: Okay. We tender the
13	earn 9.1 percent, and US high-quality corporate bonds	13	witness for cross-examination.
14	were 5.7. So any portfolio that's a combination of	14	JUDGE HOWARD: All right. PMSA, you may
15	those is going to be, you know, earning something in the	15	proceed.
16	nature of 6-and-a-half to 7 percent, which is well in	16	MS. DeLAPPE: Thank you, your Honor.
17	excess of what we were assuming.	17	
18	So that was where that was one of the	18	CROSS-EXAMINATION
19	datapoints that one could use to conclude that it's not	19	BY MS. DeLAPPE
20	unreasonable to say that that was a a conservative	20	Q. And good morning, Mr. Valentine.
21	estimate of asset returns.	21	A. Good morning.
22	Q. Thank you. No further questions.	22	Q. So your a good portion of your testimony is
23	JUDGE HOWARD: Do we have any questions	23	focused on the challenges that fatigue and rest rules
24	from the bench for this witness?	24	pose to dispatchers at PSP; right?
25	CHAIR DANNER: No, your Honor.	25	A. That's correct.
	Page 685		Page 687
1	Page 685 COMMISSIONER RENDAHL: No, your Honor.	1	Page 687 Q. If a pilot is on duty and they are next in
1 2		1 2	
	COMMISSIONER RENDAHL: No, your Honor.	1	Q. If a pilot is on duty and they are next in
2	COMMISSIONER RENDAHL: No, your Honor. COMMISSIONER DOUMIT: No. Thank you,	2	Q. If a pilot is on duty and they are next in rotation for a pilot job but dispatching them would
2 3	COMMISSIONER RENDAHL: No, your Honor. COMMISSIONER DOUMIT: No. Thank you, your Honor.	2 3	Q. If a pilot is on duty and they are next in rotation for a pilot job but dispatching them would result in violation of BPC rest rules or in any other
2 3 4	COMMISSIONER RENDAHL: No, your Honor. COMMISSIONER DOUMIT: No. Thank you, your Honor. JUDGE HOWARD: All right. Mr. Wood,	2 3 4	Q. If a pilot is on duty and they are next in rotation for a pilot job but dispatching them would result in violation of BPC rest rules or in any other unsafe situation, would PSP ever dispatch that pilot to
2 3 4 5	COMMISSIONER RENDAHL: No, your Honor. COMMISSIONER DOUMIT: No. Thank you, your Honor. JUDGE HOWARD: All right. Mr. Wood, thank you for your testimony. You are excused from the	2 3 4 5	Q. If a pilot is on duty and they are next in rotation for a pilot job but dispatching them would result in violation of BPC rest rules or in any other unsafe situation, would PSP ever dispatch that pilot to a job?
2 3 4 5 6	COMMISSIONER RENDAHL: No, your Honor. COMMISSIONER DOUMIT: No. Thank you, your Honor. JUDGE HOWARD: All right. Mr. Wood, thank you for your testimony. You are excused from the remainder of the hearing.	2 3 4 5 6	 Q. If a pilot is on duty and they are next in rotation for a pilot job but dispatching them would result in violation of BPC rest rules or in any other unsafe situation, would PSP ever dispatch that pilot to a job? A. If that happened, it's completely
2 3 4 5 6 7	COMMISSIONER RENDAHL: No, your Honor. COMMISSIONER DOUMIT: No. Thank you, your Honor. JUDGE HOWARD: All right. Mr. Wood, thank you for your testimony. You are excused from the remainder of the hearing. Our next witness, I believe, is	2 3 4 5 6 7	 Q. If a pilot is on duty and they are next in rotation for a pilot job but dispatching them would result in violation of BPC rest rules or in any other unsafe situation, would PSP ever dispatch that pilot to a job? A. If that happened, it's completely unintentional. So I would say no, but no, we wouldn't
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	COMMISSIONER RENDAHL: No, your Honor. COMMISSIONER DOUMIT: No. Thank you, your Honor. JUDGE HOWARD: All right. Mr. Wood, thank you for your testimony. You are excused from the remainder of the hearing. Our next witness, I believe, is Brett Valentine with PSP. MR. HAGLUND: That's right, your Honor. He's coming to the witness chair. JUDGE HOWARD: Okay. Great. All right. Mr. Valentine, if you'd raise your right hand, I'll swear you in. Do you swear or affirm that the testimony you give today is the truth, the whole truth, and nothing but the truth? THE WITNESS: I do, your Honor. JUDGE HOWARD: Great. Thank you. Mr. Haglund, would you please introduce the witness? MR. HAGLUND: Yes, your Honor. Mr. Valentine, how long have you been Puget Sound Pilots' dispatcher?	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	 Q. If a pilot is on duty and they are next in rotation for a pilot job but dispatching them would result in violation of BPC rest rules or in any other unsafe situation, would PSP ever dispatch that pilot to a job? A. If that happened, it's completely unintentional. So I would say no, but no, we wouldn't want to do that. Q. Right. So never purposefully? A. Correct. Q. And if a pilot is off-duty and they offer to do a callback, but dispatching them would result in a violation of BPC rest rules or in any other unsafe situation, would B – PSP ever intentionally dispatch that pilot to a job in violation of those rules? A. No. Q. So it's fair to say, PSP dispatchers would never knowingly schedule a pilot in violation of any BPC rest rules of in any knowingly unsafe way? A. That's correct. It would be completely unintentional if that happened. Q. So looking at the pilot dispatch records for certain pilots, if a pilot worked, for example,

5 (Pages 684 to 687)

	Page 688		Page 690
1	Q. Yeah. So just hypothetically, if a pilot	1	a customer; right?
2	worked 165 assignments in a year and that included a	2	A. That's correct. We strive to move the ships
3	combination of on-watch jobs and off-watch callbacks,	3	on time or as close to on time as possible.
4	can we assume that every pilot dispatched was	4	Q. Do any of your customers have any other
5	well-rested and dispatched in a manner consistent with	5	pilotage service that they can call besides PSP to
6	BPC rules?	6	satisfy their legal obligations under Washington law?
7	A. Well, we would never intentionally dispatch a	7	A. No. There's only Puget Sound Pilots for Puget
8	pilot outside of the rest rules. It has happened and	8	Sound ports.
9	it's been a mistake, but very seldom.	9	Q. So none of your customers actually have a
10	Q. Thank you.	10	choice to agree or disagree to a delay, do they?
11	Your testimony also discussed delays and delay	11	A. They don't have a choice, but we do discuss it
12	reporting. And as you mentioned just now, you've worked	12	with them. And it's possible if it's going to create
13	as a dispatcher for PSP for several decades now; right?	13	too much of a painful situation for that customer,
14	A. Correct.	14	possibly we can look elsewhere to do a delay. We would
15	Q. And you take pride in doing that job well?	15	discuss it with them at length, and most delays are
16	A. I do.	16	we hope are insignificant.
17	Q. And you've established good working	17	Q. So
18	relationships with your colleagues and your customers?	18	A. Some of them obviously are very painful.
19	A. Very much so, I believe.	19	Q. Yes. And when that occurs, your customer,
20	Q. When there are not enough pilots, regardless	20	whether they are unhappy and upset about it or whether
21	of whether they are on watch or off watch, you know,	21	they are polite about it, they don't really have another
22	when there are not enough who make themselves available	22	place they can call to resolve the matter; right?
23	to pilot, you may have to delay a vessel; right?	23	A. No.
24	A. That's correct. If we cannot find a pilot or	24	Q. Thank you.
25	we don't have enough rested pilots, yes, we would have	25	MS. DeLAPPE: I have no further
	Page 689		Page 691
1	to delay a vessel. We never want to, but we may have	1	questions, your Honor.
2	to.	2	Thank you, Mr. Valentine.
3	Q. Now, you've provided an email, Exhibit BV2,	3	THE WITNESS: Thank you.
4	from PSP President Carlson.	4	JUDGE HOWARD: All right. Any redirect?
5	MR. HAGLUND: It'll be on the screen.	5	MR. HAGLUND: Yes, your Honor.
6	THE WITNESS: Okay. I've got it here as	6	
7	well.	7	REDIRECT EXAMINATION
8	Q. (By Ms. DeLappe) Wonderful. So it's an email	8	BY MR. HAGLUND
9	from PSP President Carlson to the dispatcher saying	9	Q. Mr. Valentine, looking at that last topic that
10	I'll just quote a part of it: "Please contact me prior	10	was being discussed, when there is a situation where a
11	to any delay over five hours. I am keenly aware of the	11	delay is necessary, what could you give the
12	horrible spot you are put in and think you are all doing	12	Commissioners a sense of when you look at these calls
13	a fantastic job, but the buck must stop here and I will	13	regarding delays, how often would you estimate that
14	take the heat for anything over five hours."	14	they're resolved cooperatively and by mutual agreement
15	As a dispatcher, are you the one who has to	15	with the agent?
16	actually call the customer to let them know about the	16	A. In my opinion, I'd say it's a very high
17	delay?	17	percentage, maybe 85 or 90 percent, although it depends
18	A. Yes.	18	on the time of year. With the upcoming cruise season, I
19	Q. Am I right to assume that that's not a fun	19	expect there may be some delays that nobody wants to
20	call to make?	20	see. It's just a lack of pilots.
21	A. Yeah. You are correct. We do not like to	21	Q. So do you get many complaints from customers?
22	make those calls.	22	A. No.
23	Q. As a dispatcher, you try hard not to have to	23	Q. Are the agents are you involved in any sort
24	make that type of call because you prefer to move the	24	of social organization that has you in regular contact
25	customer's ship on time and you don't want to disappoint	25	with the shipping agents?

	Page 692		Page 694
1	A. Yes, I am. Some of the agents are my very	1	half-hour or the hour change, is that a is that an
2	best friends.	2	issue with your agents, with your customers, generally?
3	Q. And what's the name of that club that agents	3	A. No. A change a minimal change like that is
4	and dispatchers for tugboat companies, pilots, steamship	4	not an issue. And, conversely, on a departure from an
5	agents are members of?	5	inside port, a half-hour to an hour change to a daytime
6	A. We meet regularly in the Yukon Club. And,	6	job is also usually pretty insignificant.
7	unfortunately, it was yesterday, so I missed that one,	7	Q. Now, PSP is recording all of these delays
8	but	8	regardless of whether the agent is in complete agreement
9	Q. You were waiting to testify yesterday so you	9	that there's no problem with it; correct?
10	missed yesterday's meeting?	10	MS. DeLAPPE: Objection. That's
11	A. It's the first Thursday of every month, yes.	11	objection. This is beyond the scope of
12	Q. And it's a social type of setting?	12	cross-examination. I did not ask him anything about
13	A. Yes.	13	recording delays.
14	Q. So you say that these agents are your friends,	14	MR. HAGLUND: It's within the delay
15	is it fair to say that you are able to work out a	15	category, your Honor. It's you can't get
16	negotiated agreement on the delay almost all the time?	16	JUDGE HOWARD: I the cross did raise
17	A. Almost all the time, yes.	17	the Exhibit BV-2, so I'm going to allow some redirect on
18	Q. When it comes to there's testimony	18	this.
19	regarding delays, you also got testimony about the	19	Q. (By Mr. Haglund) Do you recall the question,
20	discretion that you have and it's referenced in that	20	Mr. Valentine?
21	email that Ms. DeLappe inquired about that you, as	21	A. Could you ask it again, please?
22	dispatchers, have the discretion to delay a ship up to	22	Q. Is it is it the case that regardless of
23	five hours.	23	whether the agent says, "Sure, a half-hour or one-hour
24	Do you utilize that discretion to increase the	24	delay is fine," all of those have been recorded since
25	efficiencies of the pilots' opportunities to perform	25	direction from Captain Carlson in sometime in 2020
	Page 693		Page 695
1	jobs on watch?	1	or 2021?
2	A. Yes, very much so.		
2		2	A. I am hopeful that they're all recorded. It's
2 3	Q. Could you provide a couple of examples of how	2	A. I am hopeful that they're all recorded. It's possible that, you know, we've got busy and not recorded
3	Q. Could you provide a couple of examples of how	3	possible that, you know, we've got busy and not recorded
3 4	Q. Could you provide a couple of examples of how you use modest delays to achieve greater pilot on-watch	3 4	possible that, you know, we've got busy and not recorded one. I don't know for sure.
3 4 5	Q. Could you provide a couple of examples of how you use modest delays to achieve greater pilot on-watch efficiency?	3 4 5	possible that, you know, we've got busy and not recorded one. I don't know for sure. Q. But is this the
3 4 5 6	Q. Could you provide a couple of examples of how you use modest delays to achieve greater pilot on-watch efficiency?A. Yes. Let me use an example of a vessel coming	3 4 5 6	 possible that, you know, we've got busy and not recorded one. I don't know for sure. Q. But is this the A. It's possible.
3 4 5 6 7	 Q. Could you provide a couple of examples of how you use modest delays to achieve greater pilot on-watch efficiency? A. Yes. Let me use an example of a vessel coming into Port Angeles, let's say, for bunkers for fuel. 	3 4 5 6 7	 possible that, you know, we've got busy and not recorded one. I don't know for sure. Q. But is this the A. It's possible. Q. It has been the effort for a couple years now
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7 (Pages 692 to 695)

	Page 696	Page 698
1	JUDGE HOWARD: Do we have any questions	1 may proceed. And I will just note, because I learn
2	from the bench for this witness?	2 something new from Commissioner Rendahl every day, that
3	COMMISSIONER DOUMIT: No, your Honor.	3 I believe Weldon Burton also submitted supplemental
4	Thanks.	4 testimony, so I'll just note that in the interest of
5	CHAIR DANNER: None from me, your Honor.	5 completeness, but please proceed.
6	COMMISSIONER RENDAHL: Your Honor, I just	6 MS. DeLAPPE: Thank you, your Honor.
7	have one clarifying question.	7
8	When Mr. Haglund introduced the witness,	8 CROSS-EXAMINATION
9	he asked him whether he had filed initial and rebuttal	9 BY MS. DeLAPPE
10	testimony. I only see in the exhibit list rebuttal	10 Q. And good morning, Mr. Burton.
11	testimony. I just want to note that for the record and	11 A. Good morning, Ms. DeLappe.
12	clarify that there was just one set of testimony.	12 Q. PSP is proposing to use actual individual
13	MR. HAGLUND: You're right, Commissioner.	13 pilot transportation costs for its transportation of
14	I apologize for the error.	14 expenses under the tariff; right?
15	JUDGE HOWARD: All right. Thank you,	15 A. That is correct.
16	Commissioner Rendahl.	16 Q. And that includes the costs of commuting to
17	Our next oh, Mr. Valentine, thank you	17 and from pilots' homes?
18	for your testimony. I believe that concludes your	18 A. That is that does not specify a specific
19	examination. You are excused from the remainder of the	19 place. The charge is for the from the position
20	hearing.	20 from the charge is per the tariff of \$168, I believe,
21	THE WITNESS: Okay. Thank you.	21 per trip.
22	JUDGE HOWARD: Our next witness is	22 Q. And, Mr. Burton, if a pilot, an individual
23	Weldon Burton.	23 pilot's actual transportation costs are part include
24	And I would just comment again that	24 their commute from the pilot's home in a specific
25	open-ended questions on redirect are tend to be more	instance, then that would be part of what PSP is
	Page 697	Page 699
1	persuasive in the testimony they elicit.	1 proposing to include in the expenses under the tariffs,
2	All right. Mr. Burton, can you hear and	2 would you agree with that?
3	see me all right?	3 A. PSP plan proposes to include the expense of
4	THE WITNESS: Yes, I can.	4 transportation from the port of origin to the the
5	JUDGE HOWARD: Okay. Great. And you	5 job.
6	were jumping ahead of me.	6 Q. Could you please turn to Exhibit WTB-24X?
7	Do you swear or affirm that the testimony	7 A. Okay.
8	you give today is the truth, the whole truth, and	8 Q. And there you'll see copies of invoices that
9	nothing but the truth?	9 UTC staff requested.
10	THE WITNESS: Yes, I do.	10 A. Yes, ma'am.
11	JUDGE HOWARD: All right. Thank you.	11 Q. And those are invoices that you used to as
12	Mr. Haglund, would you please introduce	12the basis for the transportation expense proposed under13the tariff?
13 14	the witness? MR. HAGLUND: Mr. Burton, how long have	
14 15		14A. That is one of the invoices that was submitted15in response to the request.
16	you been involved in regulatory accounting? THE WITNESS: Approximately, 50 years.	15In response to the request.16Q. Do you see that WTB-24X is several invoices?
17	MR. HAGLUND: Did you prepare both	10 Q. Do you see that WID-24X is several invoices? 17 A. It is.
18	original and rebuttal testimony in this case?	17 A. IUS. 18 Q. It's not just one invoice, is it?
19	THE WITNESS: Yes, I did.	19 A. Yes, that's correct.
20	MR. HAGLUND: And is it true and accurate	20 Q. So that's 71 pages; right?
	to the best of your knowledge?	21 A. That is correct.
2		
21 22		22 Q. Okay. So if you see there starting on
22	THE WITNESS: Yes, it is.	22 Q. Okay. So if you see there starting on 23 Page 2, do you see that many of the locations have been
22 23	THE WITNESS: Yes, it is. MR. HAGLUND: I tender the witness for	Page 2, do you see that many of the locations have been
22	THE WITNESS: Yes, it is. MR. HAGLUND: I tender the witness for cross-examination.	 Page 2, do you see that many of the locations have been redacted?
22 23 24	THE WITNESS: Yes, it is. MR. HAGLUND: I tender the witness for	 Page 2, do you see that many of the locations have been redacted?

8 (Pages 696 to 699)

	Page 700		Page 702
1	been been redacted, and those "from" locations that	1	in testimony in this case?
2	are redacted are the pilot's personal residence.	2	A. Not to my knowledge.
3	Q. Thank you.	3	Q. Let's turn now to your pro forma spreadsheet,
4	And sometimes it's in the "to" location that	4	please, Mr. Burton, at WTB-05, and specifically in the
5	the redaction occurs. It's also because that's their	5	results of operations tab.
6	residence?	6	Are you there?
7	A. That's to their personal residence. That's	7	A. We're pulling it up right now.
8	correct.	8	Q. Thank you. Let me know.
9	Q. So nearly all the invoices you have provided	9	A. Okay.
10	us have one address or the other in the trip redacted	10	Q. So what we're looking at here is the summary
11	because they're a pilot's home address; correct?	11	of the pro forma and restating entries for all proposed
12	A. That is correct.	12	revenues and proposed expenses based on the tests here,
13	Q. So to if you could please turn to	13	which, in this case, is 2021; right?
14	Exhibit WTB-18X, and that is the Commission's order,	14	A. That's correct.
15	final order in the last rate case. Are you familiar	15	Q. In Column G, pro forma results, this is the
16	with this?	16	summary that PSP is proposing after all the restatements
17	A. Yes, ma'am.	17	and adjustments; correct?
18	Q. If you could turn to Page 86, Paragraph 274	18	A. That is the restated results for the pro forma
19	so let me just get there with you. So that's 86 of the	19	adjustments.
20	exhibit, and do you see there	20	Q. So after all the restatements and adjustments,
21	A. Yes.	21	what is the total revenue that PSP is proposing at
22	Q. So	22	Row 17, Column G?
23	A. I have it.	23	A. Row 17, Column G is \$29,962,293.
24	Q. Thank you. I'll just read. It says on that	24	MR. HAGLUND: I think you read Column E.
25	paragraph: "To the extent that PSP contracts with the	25	Q. (By Ms. DeLappe) Yeah.
	Page 701		
	Fage /UI		Page 703
1		1	
1 2	transportation companies owned by member pilots, PSP should establish that these contracts are reasonable and	1	A. I'm sorry. Column G, excuse me. I was
	transportation companies owned by member pilots, PSP	1	A. I'm sorry. Column G, excuse me. I was looking at the Excel Column G. The pro forma is
2	transportation companies owned by member pilots, PSP should establish that these contracts are reasonable and	2	A. I'm sorry. Column G, excuse me. I was
2 3	transportation companies owned by member pilots, PSP should establish that these contracts are reasonable and do not result in inflated transportation expenses.	2 3	A. I'm sorry. Column G, excuse me. I was looking at the Excel Column G. The pro forma is \$48,029,036.
2 3 4	transportation companies owned by member pilots, PSP should establish that these contracts are reasonable and do not result in inflated transportation expenses. Accordingly, we expect proactive disclosure of such	2 3 4	 A. I'm sorry. Column G, excuse me. I was looking at the Excel Column G. The pro forma is \$48,029,036. Q. Thank you, Mr. Burton.
2 3 4 5	transportation companies owned by member pilots, PSP should establish that these contracts are reasonable and do not result in inflated transportation expenses. Accordingly, we expect proactive disclosure of such agreements in future rate case filings."	2 3 4 5	 A. I'm sorry. Column G, excuse me. I was looking at the Excel Column G. The pro forma is \$48,029,036. Q. Thank you, Mr. Burton. And after all restatements and adjustments,
2 3 4 5 6	transportation companies owned by member pilots, PSP should establish that these contracts are reasonable and do not result in inflated transportation expenses. Accordingly, we expect proactive disclosure of such agreements in future rate case filings." Do you agree that PSP has included Green Car	2 3 4 5 6	 A. I'm sorry. Column G, excuse me. I was looking at the Excel Column G. The pro forma is \$48,029,036. Q. Thank you, Mr. Burton. And after all restatements and adjustments, the total expenses that PSP is proposing at Row 74, in
2 3 4 5 6 7	transportation companies owned by member pilots, PSP should establish that these contracts are reasonable and do not result in inflated transportation expenses. Accordingly, we expect proactive disclosure of such agreements in future rate case filings." Do you agree that PSP has included Green Car Club as one of the vendors in the transportation	2 3 4 5 6 7	 A. I'm sorry. Column G, excuse me. I was looking at the Excel Column G. The pro forma is \$48,029,036. Q. Thank you, Mr. Burton. And after all restatements and adjustments, the total expenses that PSP is proposing at Row 74, in Column G, would you agree with me that it is
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	 transportation companies owned by member pilots, PSP should establish that these contracts are reasonable and do not result in inflated transportation expenses. Accordingly, we expect proactive disclosure of such agreements in future rate case filings." Do you agree that PSP has included Green Car Club as one of the vendors in the transportation requests in this current case? A. Yes, ma'am. Q. As we established in the prior rate case, Green Car Club is owned by a group of pilots; right? A. That is correct, and the pilots basically, to my understanding, only charge the operating expenses and a minor surcharge for capital replacement. Q. And, Mr. Burton, if we could just stick with answering my question and then you can stop. I need to get through my time with you pretty quickly. Did you or anyone else at PSP provide a proactive disclosure of the Green Car Club is the only entity such as you described and I personally did not. Q. And are you aware of anyone else at PSP 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	 A. I'm sorry. Column G, excuse me. I was looking at the Excel Column G. The pro forma is \$48,029,036. Q. Thank you, Mr. Burton. And after all restatements and adjustments, the total expenses that PSP is proposing at Row 74, in Column G, would you agree with me that it is \$19,139,323? A. Yes, I would. Q. And after all restatements and adjustments, the total distributive revenue that PSP is proposing at Row 77, Column G, is \$28,889,713? A. That is correct. Q. Total distributive revenue is total profit for this enterprise, would you agree? And let me it's net income that is total revenue less total expenses and available for distribution to individual pilots, would you agree with all of that? A. That is correct. Q. For 2021, the total distributive revenue based on the restated results, so Row 77, Column E, is \$13,946,112? A. That is correct. That's what it shows. Q. So bottom line, in PSP's pro forma is that PSP
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	 transportation companies owned by member pilots, PSP should establish that these contracts are reasonable and do not result in inflated transportation expenses. Accordingly, we expect proactive disclosure of such agreements in future rate case filings." Do you agree that PSP has included Green Car Club as one of the vendors in the transportation requests in this current case? A. Yes, ma'am. A. S we established in the prior rate case, Green Car Club is owned by a group of pilots; right? A. That is correct, and the pilots basically, to my understanding, only charge the operating expenses and a minor surcharge for capital replacement. Q. And, Mr. Burton, if we could just stick with answering my question and then you can stop. I need to get through my time with you pretty quickly. Did you or anyone else at PSP provide a proactive disclosure of the Green Car Club contract or agreement or payments from PSP back to other PSP-owned companies in its testimony? A. I think the Green Car Club is the only entity such as you described and I personally did not. 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	 A. I'm sorry. Column G, excuse me. I was looking at the Excel Column G. The pro forma is \$48,029,036. Q. Thank you, Mr. Burton. And after all restatements and adjustments, the total expenses that PSP is proposing at Row 74, in Column G, would you agree with me that it is \$19,139,323? A. Yes, I would. Q. And after all restatements and adjustments, the total distributive revenue that PSP is proposing at Row 77, Column G, is \$28,889,713? A. That is correct. Q. Total distributive revenue is total profit for this enterprise, would you agree? And let me it's net income that is total revenue less total expenses and available for distribution to individual pilots, would you agree with all of that? A. That is correct. Q. For 2021, the total distributive revenue based on the restated results, so Row 77, Column E, is \$13,946,112? A. That is correct. That's what it shows.

9 (Pages 700 to 703)

	Page 704	Page 706
1	the \$13,946,112 in 2021 to \$28,889,714 in the new rate	1 is: "Do you agree with Mr. Young's claim that PSP
2	year?	2 refused to provide requested information?" Is that
3	A. I would disagree with that. The per book	3 right?
4	amount 16,399,000 is the amount prior to regulatory	4 A. No, I do not agree with that.
5	adjustments, and the increase to 28 million is the is	5 Q. No, I'm sorry. I'm just asking you if that's
6	the difference, so it's \$28,889,713 minus \$16,399,852.	6 the question on the in the testimony.
7	Q. And can you direct us to the cell that you're	7 A. As I stated, I know understanding that the
8	looking at there for the part that you're subtracting?	8 economic support, in this case, was being supplemented,
9	A. The cell the that is Cell Column C,	9 as I stated in my supplemental testimony, supporting
10	Row 77. That's the per book amount.	10 workbooks containing more detail, support for PSP's
11	Q. So you would what is the percentage that	11 proposed adjustments can be provided. The those were
12	in your view of things, that PSP is proposing to	12 provided when requested by staff.
13	increase the profit of this enterprise by for in terms	13Q. Okay. In your answer, you state that, quote,
14	of an increase in net income for pilots?	14 "PSP was fully responsive to staff's requests"; is that
15	A. I would have to get a calculator to calculate	15 true?
16	that, but it's approximately 50 percent.	16 A. That's correct.
17	Q. Thank you.	Q. Okay. Do you have a copy of Exhibit MY-2 with
18	MS. DeLAPPE: No further questions,	18 you?
19	your Honor.	19 A. Yes.
20	And thank you, Mr. Burton.	20 Q. All right. Could you review Exhibit MY-2 and
21	JUDGE HOWARD: Any redirect?	21 let me know when you're finished?
22	MR. HAGLUND: Yes, briefly.	22 A. Yes.
23		23 Q. All right. And Exhibit MY-2 is PSP's
24		24 responses to UTC Staff Data Requests Numbers 26, 30, 33,
25		25 and 38; correct?
	Page 705	Page 707
1	1 age 700	1490 707
		1 A That's correct
1		1 A. That's correct.
2	BY MR. HAGLUND	2 Q. Did you write these responses?
2 3	BY MR. HAGLUND Q. Mr. Burton, are you aware of the type of	2Q. Did you write these responses?3A. I did.
2 3 4	BY MR. HAGLUND Q. Mr. Burton, are you aware of the type of registered entity that the Green Car Club is?	 Q. Did you write these responses? A. I did. Q. All right. And the first data request
2 3 4 5	 BY MR. HAGLUND Q. Mr. Burton, are you aware of the type of registered entity that the Green Car Club is? A. My understanding is it's a domestic LLC. 	 2 Q. Did you write these responses? 3 A. I did. 4 Q. All right. And the first data request 5 response in this exhibit is Staff DR 26; correct?
2 3 4 5 6	 BY MR. HAGLUND Q. Mr. Burton, are you aware of the type of registered entity that the Green Car Club is? A. My understanding is it's a domestic LLC. Q. Is it a for-profit or a non-profit entity? 	 2 Q. Did you write these responses? 3 A. I did. 4 Q. All right. And the first data request 5 response in this exhibit is Staff DR 26; correct? 6 A. That's correct.
2 3 4 5 6 7	 BY MR. HAGLUND Q. Mr. Burton, are you aware of the type of registered entity that the Green Car Club is? A. My understanding is it's a domestic LLC. Q. Is it a for-profit or a non-profit entity? A. It's a non-profit entity. 	 2 Q. Did you write these responses? 3 A. I did. 4 Q. All right. And the first data request 5 response in this exhibit is Staff DR 26; correct? 6 A. That's correct. 7 Q. Could you read the response you wrote to Staff
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	Page 708	Page 710
1	A. This case is a litigated case, and moving the	1 Q. All right. And what's your understanding of
2	test period forward six months would corrupt the data	2 offsetting factors for pro forma adjustments?
3	and information that we had developed for this case.	3 A. Define "offsetting factors," please?
4	This the rate year will be beginning sometime in '23,	4 Q. Well, so do you know whether or not a party
5	not '22.	5 proposing pro forma adjustments needs to include
6	Q. I'm sorry. You said it would corrupt the data	6 information about offsetting factors with those
7	and information. What do you mean by that?	7 adjustments?
8	A. We would have to rebuild and redo all the data	8 A. I provide pro forma adjustments based on the
9	for for a bifurcated test period, when all of the	9 known and measurable increases in costs for the specific
10	test period data had already been developed and remit	10 account that I'm adjusting.
11	and filed with the Commission.	11 Q. Do you provide any information about other
12	Q. So you didn't provide this information	12aspects of PSP's expenses, finances, that might offset
13	for 2022 because you didn't think you needed to?	13those pro forma adjustments?
14	A. No, sir. That's not what I said. What I said	14 A. Again, I'm not quite of sure your question,
15	was the test period was calendar year 2021. The case	15 but I I analyze the cost data that I have and what
16	was filed in 2022 with a with a as a contested	16 the known and measurable cost increases are going
17	case, which would put the case not being finalized until	17 forward.
18	2023 which is the rate year. The test year and the rate	18 Q. All right. And, again, in your response to
19	year do not have to necessarily simultaneously agree.	19 DR 30(c), you don't specifically raise an objection to
20	In the unlitigated test cases, yes, generally,	20 the question, do you?
21	the test year and the subsequent rate year are very	A. No, I do not specifically raise an objection.
22	close, sometimes, as close as 60 to 90 days. This one	Q. All right. Could you read the request and
23	was at least 15 months away from the test period.	23 your response to Staff DR 33(b) for me?
24 25	Q. So you didn't provide the information for 2022 because, in your mind, it was irrelevant to the case?	A. Being, "Please provide receipts/invoices for
20	because, in your mind, it was intelevant to the case?	25 the month of June February '21, May of 2021, December
	Page 709	Page 711
1	A. That's correct.	1 of 2021, February of 2022, and June 2022."
1 2	 A. That's correct. Q. Okay. Did you object to this data request? 	1 of 2021, February of 2022, and June 2022." 2 Response: "February '22, 2022, and June 2022
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11 (Pages 708 to 711)

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Page 712	Page 714
1 RedCloud Consulting's work were, quote, "extremely	1 to suspend it to allow their efforts and their
2 positive"; is that accurate?	2 concentration to go through this case and get through
A. That is my understanding, yes.	3 get through this filing process and then come back and
4 Q. Okay. In the question and answer set just	4 commence the work again and begin the work to resolve
5 above that one, you state that PSP suspended work of	5 it.
6 suspended the work of RedCloud Consulting because it	6 Q. Okay. So I have one last set of questions and
7 wanted to be sure that the work completed to date was in	7 I want to clarify PSP's position on the impacts of the
8 line with the what the commission intended prior to	8 PPP loan and its forgiveness on rates going forward.
9 continuing the project. Is that accurate?	9 So is it am I correct in stating that it's
10 A. You're reading from Page 10 of my testimony?	10 PSP's position that the loan and its forgiveness should
11 Q. Correct.	have no impact on rates going forward, and the rationale
12 A. My rebuttal or okay. We have Mike Young's	12 is that because that's an event that's not going to
13 rebuttal up. Excuse me. We had the wrong testimony.	13 reoccur in the rate year; correct?
14 l'm sorry.	14 A. That is that is a nonrecurring event that
15 Q. Oh, no problem. Take your time.	15 was a special program by the federal government for all
16 A. We want my rebuttal testimony, WTB rebuttal,	16 companies. To imply that those monies should be
17 Page 10.	17 included in rates would react would be retroactive
18 (Pause in the proceedings.)	18 rate-making.
19 MR. HAGLUND: Okay. It's up now,	Q. So taking them out of the rate-making
20 Page 10.	20 calculation to make sure that they don't have an impact,
21 Q. (By Mr. Callaghan) Do you want me to ask the	21 that wouldn't be retroactive rate-making, though, would
22 question again?	22 it?
A. Yes, please.	A. It was the monies were received and
24 Q. Okay. So you state that PSP suspended the	24 expended outside the test period. The loan was forgiven
25 work of RedCloud Consulting because it wanted to be sure	in June of 2021. That forgiveness was not considered
Page 713	Page 715
1 that the work completed to date was in line with what	1 income by the federal or state government.
2 the commission intended prior to continuing the project;	2 Q. Right.
3 is that right?	3 So my question is: The loan and its
4 A. That's correct.	4 forgiveness shouldn't have a negative or positive impact
5 Q. Okay. So is it your understanding that PSP	5 on setting rates; correct?
6 wasn't sure whether or not the work completed by	6 A. It should not have any effect on rates
7 RedCloud Consulting was in line with what the commission	
8 intended?	8 Q. Okay. Thank you.
9 A. No. The work for Red that RedCloud was	
	9 MR. CALLAGHAN: That's all I have. Thank
10 performing was to further enhance and improve the	9 MR. CALLAGHAN: That's all I have. Thank 10 you, your Honor.
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12 (Pages 712 to 715)

	Page 716		Page 718
1	CHAIR DANNER: Yeah. I have a few.	1	CHAIR DANNER: Okay. And, also, you
2	Good morning, Mr. Weldon. Just following	2	state that the the work that was provided by RedCloud
3	up. I just want to be clear, didn't you use 2022 as a	3	was used and useful, I was just wondering if you could
4	year for certain expenses? Do I recall the fuel, for	4	explain to us in detail how that was useful to customers
5	example, you used 2022?	5	using PSP services.
6	THE WITNESS: We updated fuel costs	6	THE WITNESS: It's it's enhancing the
7	through the errata through '23, through March of I	7	dispatch system for callbacks and other items that
8	believe March of '23.	8	Brett Valentine explained in his testimony just previous
9	CHAIR DANNER: And do you recall	9	to me.
10	THE WITNESS: Staff adjusted fuel through	10	CHAIR DANNER: All right. So when I'm
11	June of '22, if I recall, and we adjusted fuel based on	11	asking if it's used and useful, you're saying look at
12	the most recent price according at the time we filed,	12	Mr. Valentine's testimony and it's explained?
13	according to WAC just a minute WAC 480-70-346.	13	THE WITNESS: It's my understanding to
14	CHAIR DANNER: Are there any other	14	the best that's my best understanding, Commissioner.
15	instances where you used 2022 for expenses?	15	CHAIR DANNER: Hmm. All right. Thank
16	THE WITNESS: Not to my knowledge,	16	you. I have no further questions.
17	Commissioner, not that I recall immediately.	17	JUDGE HOWARD: Any further questions from
18	CHAIR DANNER: Yeah. And, yesterday, we	18	the bench for this witness?
19	heard from Mr. Lough that 2021 was a COVID-impacted	19	COMMISSIONER DOUMIT: Yes, your Honor.
20	year, so would there be any anomalies in that year that	20	If I could, please? Thanks.
21	would make it inappropriate for a test year, that	21	JUDGE HOWARD: Please go ahead.
22	information from 2022 might be helpful?	22	COMMISSIONER DOUMIT: Thanks.
23	THE WITNESS: Not that I recall. The	23	Relating to TOTE, Mr. Burton, your
24	anomaly was the number of customers or ships calling,	24	let's see. Looking at Exhibit WTB-4T at Page 8,
25	but the PSP expense were not anominal. They continued	25	Lines 15 through 20, and Burton Exhibit WTB-5R. Tell me
	Page 717		Page 719
1	at the same lovel as prior vester and sains forward		
	at the same level as phoryears and going forward.	1	when you see those.
2	at the same level as prior years and going forward. CHAIR DANNER: Mm-hmm. Mm-hmm. Okay.	1 2	when you see those. THE WITNESS: Page 8 of the testimony.
2 3			-
	CHAIR DANNER: Mm-hmm. Mm-hmm. Okay.	2	THE WITNESS: Page 8 of the testimony.
3	CHAIR DANNER: Mm-hmm. Mm-hmm. Okay. Could I ask you also, we have a WAC, 480-07-525(4)(m),	2 3	THE WITNESS: Page 8 of the testimony. COMMISSIONER DOUMIT: Page 8 of the
3 4	CHAIR DANNER: Mm-hmm. Mm-hmm. Okay. Could I ask you also, we have a WAC, 480-07-525(4)(m), that requires a submission of projected changes in	2 3 4	THE WITNESS: Page 8 of the testimony. COMMISSIONER DOUMIT: Page 8 of the testimony, yeah. And I can refer to what I'm talking
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13 (Pages 716 to 719)

	Page 720		Page 722
1	think it was Order 13, where the Commission basically	1	you make it a bench request.
2	agreed with TOTE that there was an overcharge and that	2	CHAIR DANNER: Well, I just wanted to
3	overcharge was recorded on PSP's books and we took it	3	know how that work is used and useful. I don't think I
4	out of the regulated income.	4	need it as a I just wanted to see what Mr. Weldon's
5	And if you'll give me a minute, I'll find	5	views on it were, so, no, I don't need it. I do,
6	my	6	however, want to know where I could find the projected
7	COMMISSIONER DOUMIT: Take your time.	7	changes in vessel assignments in the record.
8	Thank you.	8	MR. HAGLUND: We'll get that to you,
9	MR. HAGLUND: Commissioner, the pages	9	Commissioner.
10	that we had up, I don't think is the right page. Were	10	COMMISSIONER DOUMIT: And, Judge Howard,
11	you referring to Mr. Burton's supplemental testimony or	11	no further questions from me. Thank you.
12	rebuttal testimony?	12	Thank you, Mr. Burton.
13	COMMISSIONER DOUMIT: Hold on. Just a	13	JUDGE HOWARD: All right. Thank you. I
14	minute. I'll check. Supplemental testimony, it must	14	anticipate that we may be issuing written bench requests
15	be.	15	that will provide more specific language for PSP and a
16	MR. HAGLUND: So was it on Page 8,	16	response timeline for any of these possible bench
17	because we don't see figures on Page 8.	17	requests that have come up just now, and that will be
18	COMMISSIONER DOUMIT: Hang on a second.	18	issued in the docket after the hearing if they are.
19	Well, I'm not locating it now. I	19	All right. Well, Mr. Burton, thank you
20	apologize.	20	for your testimony today. I believe that will conclude
21	Let me just ask: Would you agree that	21	your examination and you are excused from the remainder
22	your in terms of based on the materials of the	22	of the hearing.
23	Order 13, would you agree that your what you suggest	23	THE WITNESS: Thank you.
24	be set aside, the incremental difference in revenue	24	JUDGE HOWARD: All right.
25	collected from TOTE, based on the GRT versus the	25	MR. HAGLUND: Can we take a brief break?
	Page 721		Page 723
1	5	1	
1 2	Page 721 international measurement, was 124,239? 124,239? MR. HAGLUND: I believe that is the	1	JUDGE HOWARD: I think a brief break
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14 (Pages 720 to 723)

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	Page 724		Page 726
1	MS. DeLAPPE: Ms. Nalty, could you please	1	taken."
2	state your full name?	2	Do you stand by that testimony?
3	THE WITNESS: My name is Kathleen Nalty.	3	A. Yes.
4	MS. DeLAPPE: And can you tell us your	4	Q. Okay. And wouldn't you agree that that's
5	employer and position?	5	because leaders in the organizations that you counsel,
6	THE WITNESS: I am the President of	6	they'll often have insights with respect to the unique
7	Kathleen Nalty Consulting. I own my own consulting	7	dynamics within their own organization or industry that
8	business.	8	can make their input into DEI-related strategic planning
9	MS. DeLAPPE: As you know, your prefiled	9	very valuable; is that fair to say?
10	testimony and exhibits have already been accepted into	10	A. I would agree with that.
11	evidence. Are you now adopting those under oath?	11	Q. Okay. You know, as I was reading through your
12	THE WITNESS: Yes.	12	testimony, there was there was one thing that kind of
13	MS. DeLAPPE: Thank you.	13	stood out to me, and that's that I think we're actually
14	I tender the witness.	14	going to find a lot of common ground over the course of
15	JUDGE HOWARD: All right. PSP indicated	15	your cross-examination. And one of the points that you
16	cross, and you may proceed.	16	make
17	MR. BRICKENSTEIN: Thank you, your Honor.	17	MR. BRICKENSTEIN: If you could please
18		18	pull up Page 18, lines 18 through 21?
19	CROSS-EXAMINATION	19	Q. (By Mr. Brickenstein) You say: "Advancing DEI
20	BY MR. BRICKENSTEIN	20	leads to better decision-making, performance,
21	Q. Good morning, Ms. Nalty, and thank you for	21	productivity, retention, innovation, engagement, which
22	being here. My name's Eric Brickenstein and I'm an	22	means that organization and individual members will
23	attorney for the Puget Sound Pilots.	23	perform better."
24	You're a lawyer by training; is that correct?	24	Could you elaborate on that principle for me a
25	A. Yes. I graduated from the University of	25	little bit?
	Page 725		Page 727
1	Colorado Law School in 1985.	1	A. Sure. There's been a number of research
2	Q. But for the past 22 years, a little over two	2	studies conducted over the last 20 years that
3	decades, you have worked in DEI training and consulting;	3	demonstrate that organizations that have a wide variety
4	right?	4	of diversity within them and an inclusive environment
5	A. Yes, mm-hmm.	5	that unleashes the diverse perspectives, the diversity
6	Q. And apart from being hired by the PMSA in this	6	of thought, as well as the cognitive benefits that are
7	case, you've never done any work in your DEI consulting	7	derived from being or working with people with visible
8	capacity or provided consulting in the marine piloting	8	social identity differences, that there are correlated
9	space, have you?	9	business benefits to having that kind of environment be
10	A. That's correct.	10	present within an organization.
11	Q. Okay. And just in looking at your CV, I	11	Q. Thank you.
12	didn't see anything. You haven't done any work in DEI	12	And did you have an opportunity to read
13	consulting in the maritime sector at all; is that	13	Captain Sandy Bendixen's testimony in the course of your
14	accurate?	14	preparation?
15	A. That's accurate.	15	A. I read I recall reading parts of her
16	Q. Okay. You say in your testimony	16	testimony, and I do recall that I I saw evidence of
17	MR. BRICKENSTEIN: And, Mr. Crandall, if	17	her understanding of why diversity in an organization is
18	we could please pull up KN-1T at Page 17 and highlight	18	beneficial in terms of, you know, some of these business
19	Lines 8 through 11?	19	benefits. So I
20	Q. (By Mr. Brickenstein) You say: "I never give	20	Q. Yeah.
21	prescriptive answers to my clients," presumably in your	21	A I was so happy to see that recognition.
22	DEI consulting work. "I prefer to engage leaders in	22	Q. Yeah, that's great. I appreciate that. And,
23	problem-solving and action planning themselves so that	23	in fact, let's why don't we pull it up real quick. I
23			
24	they can," quote, unquote, "own it, which will increase	24	think I know what you're referring to.
	they can," quote, unquote, "own it, which will increase the chances that any solutions or actions will be	24 25	think I know what you're referring to. MR. BRICKENSTEIN: Mr. Crandall, can you

15 (Pages 724 to 727)

	Page 728	Page 730
1	go to SB-1T, at Page 4, Lines 9 through 14, or I guess	1 that's one way of kind of encapsulating it.
2	it's actually Lines 8 through 13. Excuse me.	2 Q. Sure. It's a quote from Page 9 of your
3	Q. (By Mr. Brickenstein) Is that the passage that	3 testimony.
4	you were referring to, Ms. Nalty?	4 A. Mm-hmm.
5	A. Let me just take a look really quick.	5 Q. So you would agree, in other words, that the
6	Q. Sure. And I can I can read it as well if	 opinions of employees from diverse or underrepresented
7	you'd like.	 backgrounds themselves, whether they feel included or
8	A. No, no.	8 excluded, that's an important measure of the
9	Q. It says	 organization's performance on inclusion; fair?
10	A. No, I can	10 A. I'm sorry. Can you ask that question again?
11	Q. Oh, no. No problem. Go ahead.	11 Q. Sure.
12	A. This was one of the passages that I had been	12 Would you agree that the opinions of the
13	exposed to that I thought evidenced a better	 employees themselves that come from diverse and
14	understanding of why diversity in organizations is so	14 underrepresented backgrounds within an organization,
15		15 whether they feel included or excluded among their
	critical, but part of it is not just the diversity	
16 17	itself, but the inclusive workplace environment that is	16colleagues and within their work environment, that's an17important measure of how the organization's performing
18	necessary. Q.	17 Important measure or now the organization's performing 18 with respect to inclusion, is it not?
18	-	
20	 A. But diversity does yes, sorry, go ahead. Q. No, no, no problem. And I think that's a 	19 A. I agree. 20 Q. Thank you.
20	great point and I think it's another area of our	20 Q: main you. 21 Are you aware I know you read some of
21	agreement and we're going to get to it, inclusiveness,	22 Captain Bendixen's testimony. Are you aware that she's
23	in just a second inclusion in just a second.	
23		23the first female pilot with PSP and is also a member of24the Board of Pilotage Commissioners?
24 25	 All right. Q. But, first, I want to read you the Puget Sound 	25 A. Yes, I've been made aware of that.
23	a. Dut, first, i want to read you the ruget Sound	2.5 A. 165, I've been made aware of that.
	Page 729	Page 731
1	Pilots' mission statement, okay?	1 MR. BRICKENSTEIN: Okay. Can we go ahead
2	It says: "The mission of the pilots is to	2 and pull up SB-01T at Page 6, Lines 14 through 20?
3	ensure against the loss of lives, the loss of or damage	3 Q. (By Mr. Brickenstein) And I'd like to I'd
4	to property and vessels, and to protect the marine	4 like to read you another excerpt from Captain Bendixen's
5	environment by maintaining efficient and competent	5 testimony. She says: "I had also been mentored by
6	piloted service on the state's inland waters within the	6 Puget Sound Pilots while sailing as a young third mate.
7	Puget Sound pilotage district."	7 These individual pilots followed me during the early
8	And so I guess my question for you is: You	8 years of my career, checking in, offering advice, and
9	would agree that with respect to PSP, achieving greater	 9 encouraging me to grow my career. The positive impact
10	diversity within the pilot core is really a critical	10 that these pilots and their outreach had on me is a key
11	step to maximizing safety on the water and environmental	11 reason that I became a Puget Sound Pilot. The
12	protection in Washington; correct?	12 supportive culture of our association continued once I
13	A. Yes.	13 became a pilot, with more senior pilots providing
14	Q. Okay. Thank you.	14 guidance on challenging jobs and encouraging me to take
15	Now, let's turn to inclusiveness. And as I	15 on leadership roles."
16	-	16 And I guess my question for you, Ms. Nalty, is
10	menuonea, i unink it s'another area vou re doind ind a	
17	mentioned, I think it's another area you're going find a lot of agreement with Captain Bendixen.	
	lot of agreement with Captain Bendixen.	17 in your opinion, does Captain Bendixen's testimony
17	lot of agreement with Captain Bendixen. So you do consider inclusiveness to be a	17 in your opinion, does Captain Bendixen's testimony
17 18	lot of agreement with Captain Bendixen. So you do consider inclusiveness to be a critical component of realizing and maintaining the	 in your opinion, does Captain Bendixen's testimony reflect an organization that's serious about inclusion? A. I think that the anecdotal evidence from one
17 18 19	lot of agreement with Captain Bendixen. So you do consider inclusiveness to be a critical component of realizing and maintaining the benefits of a diverse workforce; is that fair?	 in your opinion, does Captain Bendixen's testimony reflect an organization that's serious about inclusion? A. I think that the anecdotal evidence from one person is important, but I can't agree with such a
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17 18 19 20 21 22 23 24	 lot of agreement with Captain Bendixen. So you do consider inclusiveness to be a critical component of realizing and maintaining the benefits of a diverse workforce; is that fair? A. Absolutely. Q. Okay. And in your written testimony, you describe inclusion as being about the lived experience 	 in your opinion, does Captain Bendixen's testimony reflect an organization that's serious about inclusion? A. I think that the anecdotal evidence from one person is important, but I can't agree with such a blanket statement about whether the organization is inclusive, especially of people who are in other underrepresented groups. Q. That that's a fair qualification, but

16 (Pages 728 to 731)

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1	employees themselves on whether or not they feel	1 that be?
2	included, this would certainly be an indicator of an	2 A. Again, it's just a single employee in a
3	inclusive environment, would it not?	3 majority in a dominant group environment. There's
4	A. Well, this particular testimony seems to be	4 research that is referred to as the locker room and
5	from before she became a pilot. Oh, she says the	5 living room syndrome where white men are more
6	supportive culture of the association, so, again, yes.	6 comfortable with white women, for example, because they
7	And it's my understanding that she's the only female	7 encounter them in their living rooms and, perhaps you
8	pilot in the entire organization, and I'm I'm glad to	8 know, perhaps I mean, we're just speculating, but if
9	hear that she thinks that it is supportive. But, again,	9 it had been if she had been a female employee of
10	it's just the experience of one single person, and	10 color or an LGBTQ female employee or any other
11	whether someone else coming into the organization may	11 intersectional identity, there might not have been quite
12	feel that supportive culture, that's just speculation.	12 as, you know, a welcoming environment provided. I don't
13	Who would know?	13 know. It's it's just hard to make generalizations
14	Q. Sure. No, that's fair, and you're correct	14 based on the experience of one person.
15	that Captain Bendixen is the only female pilot	15 Q. Perhaps, Ms. Nalty, and you are just
16	currently, and that's exactly what we're working to	16 speculating. And this was Ms. Bendixen's or
17	change.	17 Captain Bendixen's excuse me lived experience, but
18	Let's look at another excerpt from her	18 you didn't answer my question which is just: If one of
19	testimony.	19 your clients came to you and said, "Hey, I have an
20	MR. BRICKENSTEIN: Mr. Crandall, if you	20 employee from an underrepresented background, and this
21	could go to Page 7, at Lines 1 through 20.	²¹ was their feedback on my organization after, say,
22	Q. (By Mr. Brickenstein) And this is a passage	22 participating in one of your workshops," what would you
23	where Captain Bendixen discusses Puget Sound Pilots'	reply email look like? What would your reaction be?
24	response to physical limitations that she experienced	A. Again, I would have to tell the client that
25	during her pregnancy and her recovery from a complicated	the lived experience of one person is important and
1	Page 733	Page 735 1 should be taken as at face value. But in a a
2	And so I'll just I'll quote again: "Upon	2 majority-dominated culture, the research says that if
3	reviewing notice from my doctor that I was not fit for	3 you bring in people from other underrepresented groups,
4	duty, the PSP board unanimously voted to apply the	4 the environment may not treat them the same. That's
5	rule" and I'll just represent to you that the rule	5 what I'm trying to express.
6	she's referring to is PSP's major medical leave policy	6 So I would tell the client, "That's wonderful
7	"so they applied the rule to my pregnancy when I was	7 that you've got that single employee that's having that
8	no longer fit to climb a pilot ladder and to recover	8 experience of belonging and inclusion, but what if you
9	following a complicated delivery. Even before I was	9 brought in other people from a variety of diverse
10	declared not fit for duty, my fellow pilots routinely	10 backgrounds? Would the culture still be the same?
11	volunteered their time to work for me, trade assignments	11 Would they be as welcoming? Would they be as investing
12	with me, and generally do anything they could to support	12 in that person's success?"
13	me as we traveled together down the path of discovering	13Q. Thank you. Right. And and just to be
14	how a pilot in Washington can balance our incredibly"	14 clear and that is, again, exactly what we're trying
15	excuse me "our incredible professional challenges and	15 to accomplish, and you state in your testimony that if
16	being a mother. For me" and, again, she's speaking	16an organization does not practice inclusion this is
17	just for her own experience "this entire experience	17 at Page 12 of your testimony then that group will not
18	proved more than perhaps any other that PSP doesn't just	18 achieve its DEI goals; right?
19	claim to be supportive of its pilots, but actually walks	19 A. Right.
20	the walk."	20 Q. And and I just want to be clear that apart
21	And so my question for you, Ms. Nalty, in your	21 from your speculation about what might happen if
22	experience as a DEI consultant to law firms and other	22 somebody joined PSP, all of the evidence in this case is
23	large companies, if one of your clients received that	23 that PSP is practicing inclusion isn't that true?
24	type of the feedback from an employee from an	24 aside from your speculation.
25	underrepresented background, what would your reaction to	A. No. I can't agree with you, because their
		<u> </u>

17 (Pages 732 to 735)

	Page 736	Page 738
1	inclusiveness is a process that an organization engages	1 They seek personal reassurances/references that the
2	in to de-bias all of their processes. So I I	2 organization is a good place to work so they're relying
3	understand that there is a new maternity policy, which	3 more on personal avenues rather than job postings"; is
4	is you know, kudos to the organization for adding	4 that that correct?
5	that policy to the books. But, you know, a single	5 A. Yes.
6	policy or some outreach are just sort of the the	6 Q. Okay. Did you well, I guess, first, let me
7	beginning steps of creating a fully-inclusive	7 ask you this: Did you did you have an opportunity to
8	organization that would be viewed as being welcoming of	8 read Captain Dempsey's testimony?
9	a wider variety of people, not just white women, for	9 A. I don't know if I recall specifically reading
10	example.	10 Captain Dempsey's testimony.
11	Q. Right. And I think, you know, another point	11 Q. Okay. So I'm sorry. Go ahead.
12	that comes across, and we don't have time or need to	12 A. Is there anything in particular that
13	rehash all the evidence in this case, but I think	13 Q. Yeah. There is, and I'll pull it up for you
14	another point where PSP would agree with you on multiple	14 in a second, but, first, I'll just go ahead and
15	fronts is that we should never be satisfied and we	15 represent to you that Captain Captain Dempsey's the
16	should always be striving for improvement in all facets,	16 first Columbia River Bar Pilot. She was also the first
17	be that DEI or navigation or, you know, what have you,	17 female captain to deliver and this is in her
18	so I I agree with that point, but do I want to turn	18 testimony military supplies into a war zone. And,
19	to another topic.	¹⁹ more recently, she's been involved with the Washington
20	MS. DeLAPPE: I would object to counsel	20 Board of Pilot Commissioners' Diversity, Equity, and
21	continuing to state his own opinions as part of the	21 Inclusion Committee.
22	testimony here. The witness is Ms. Nalty.	22 MR. BRICKENSTEIN: And so go ahead and
23	JUDGE HOWARD: I will have to grant that	23 pull up DDD-1T, Page 4, Lines 12 through 25.
24	objection. The of course, cross-examination should	24 Q. (By Mr. Brickenstein) And I think this is a
25	be almost strictly an opportunity for simply asking	good tie-in, and I'll ask you about it in a second, to
1 2	Page 737 questions and counsel's opinions are cannot be relied on as evidence.	Page 739 1 what to what you were just discussing in your 2 testimony.
3	MR. BRICKENSTEIN: Sure. Thank you,	3 But there's there's a question presented by
4	your Honor, and I'm moving on.	4 PSP. It says: "Can you provide an example of how you
5	Q. (By Mr. Brickenstein) And I want to turn to	5 assisted a young woman pursuing a career in the maritime
6	another topic, which is recruiting. And I think it's	6 industry?"
7	another area where we're going to find agreement	7 And and interestingly enough, the example
8	right? because even though inclusion is critical to	8 that Captain Dempsey gives is is Captain Bendixen.
9	an organization's DEI success, in order to build	9 And she says: "Yes, I'll use Captain Sandy Bendixen,
10	diversity within an organization, you do also need to	10 the first female pilot licensed in Washington." And she
11	have effective recruiting.	11 goes on to describe and we don't need to read it in
12	You would agree with that, Ms. Nalty; correct?	12 full you can if you'd like.
13	A. Yes.	But she goes on to describe all of the efforts
14	Q. Okay. And one thing that you say in your	14 that she made to welcome Captain Bendixen into the
15	testimony	15 profession, to encourage her to become a pilot, taking
16	MR. BRICKENSTEIN: And, Mr. Crandall, if	16 her out to sea, and then she also sets her up with
17	we could pull up KN-13, Lines 4 through 12.	another female pilot, Captain Anne McIntyre, former
18	Oh, I beg your pardon, it's Page 13,	18 Columbia River Pilot who is also a witness in this case,
19	KN-1, Page 13. Yeah, my fault.	19 for further inclusive experience and and training, or
20	Lines 4 through 12, please.	20 exposure, I should say.
21	Q. (By Mr. Brickenstein) You say, Ms. Nalty:	21 Would you agree that this is an example of the
22	"Research by the Corporate Executive Board referenced	22 type of recruiting outreach that you've identified as
23	above" that's the research that you cite "shows	23 being critical to recruiting candidates from
24	that people in underrepresented groups conduct job	²⁴ underrepresented backgrounds? That's the personal touch
25	searches much differently than those in majority groups.	25 that is important?
25		

18 (Pages 736 to 739)

	Page 740	Page 742
1	A. Yes. This is and this is one example of	1 Page 6 at Lines 1 and 2.
2	what needs to be done to create a better and more	2 I want to read you now sort of a counterpoint
3	diverse pipeline into this not just this industry,	3 from Captain Bendixen's testimony about her experience
4	but any other sector industry.	4 now that she is a pilot and in that mentorship role.
5	Q. Right.	5 She says: "On a personal level, I find it deeply
6	A. This is what's not happening on a regular	6 upsetting that at this time I cannot honestly and in
7	basis in organizations that are dominated by white men.	7 good conscience mentor and encourage an interested
8	Q. Right. So	8 female captain to pursue a career with Puget Sound
9	A. They are I'm sorry. Go ahead.	9 Pilots when I know full-well that the benefits of almost
10	Q. Oh, no, no. Continue. I didn't mean to cut	any other pilotage district in the country are superior
11	you off. Go ahead.	11 to Puget Sound, and that for the first time in my and
12	A. Yeah. So the research, and even my anecdotal	12 most of my colleagues' professional maritime careers, we
13	experience over the past two decades, demonstrates that	13 will soon be entirely without funded medical benefits."
14	majority groups, which, in most sectors and industries,	14 Now, Ms. Nalty, my question for you is this:
15	are white men, are exhibiting affinity bias and	15 As a DEI expert who recognizes the importance of
16	investing in the success and futures of people who	16 personal reassurances to diverse candidates, don't you
17	remind them of themselves. And people who are outside	17 find it incredibly disturbing that PSP's first female
18	of that affinity group, women, people of color, LGBTQ	18 pilot who believes that the organization is inclusive,
19	people, et cetera, are often not invested in at the same	19 nevertheless, cannot in good conscience advise
20	level.	20 up-and-coming female mariners to pursue a career with
21	But you here is one example of a female	21 PSP? Isn't that hugely problematic?
22	pilot reaching out, understanding that another female	22 A. Can you ask the question again, please?
23	pilot reaching out, understanding that another remain	23 Q. Sure.
24	majority group's mentoring and sponsorship, and taking	24 Ms. Nalty, as a DEI expert, who recognizes the
25	personal responsibility for pulling that person, you	 importance of personal reassurances to diverse
	Page 741	Page 743
1	know, up and investing in that person. And I'm sure	1 candidates, don't you find it incredibly disturbing that
1 2	know, up and investing in that person. And I'm sure that Captain Bendixen would look to her as having, you	 candidates, don't you find it incredibly disturbing that PSP's first female pilot cannot, despite the fact that
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	Page 744		Page 746
1	her pregnancy and her colleagues made her feel very	1	that in a moment too, because I think there are a couple
2	included, which is an indication of an inclusive	2	instances in your testimony where what's fundamentally
3	organization. But yet now, here, we have something	3	at issue gets a little bit distorted, but we'll get
4	apparently oppositional to that, and so I I don't	4	there in a second.
5	know that I can comment on this specific situation,	5	For now
6	because it is you've got two kind of diametrically	6	MS. DeLAPPE: Objection. If Counsel
7	opposing things going on for her.	7	could refrain, please, from commenting I would ask.
8	Q. Right. There are?	8	JUDGE HOWARD: I will I will grant the
9	A. And so I don't I don't know that I don't	9	objection again.
10	feel comfortable drawing a conclusion or saying that I	10	I also just want to raise a separate
11	am personally upset or it's confusing to me why	11	concern for the clarity of the record that we're posing
12	there's this discrepancy.	12	one question to the witness at a time and not a long
13	Q. Okay. And just to be clear, I think I heard	13	question followed by a different short question. So
14	you say earlier it's because you don't really know	14	let's try to be mindful of that so the witness is
15	anything about the compensation or benefits to form an	15	we're clear on what which question the witness is
16	opinion; right? I mean, you would need to know more	16	being asked to answer.
17	about the situation, wouldn't you?	17	MR. BRICKENSTEIN: Thank you, your Honor.
18	A. I don't even know if I knew more about the	18	I'll be mindful of that moving forward.
19	compensation and benefits that I could answer your	19	If we could please go back to SB-1T, at
20	specific question. You're because you're talking	20	Page 9, Lines 5 through 16?
21	about one single individual, and in part of her	21	Q. (By Mr. Brickenstein) And, Ms. Nalty, I'll give
22	testimony she's saying, well, I feel I feel included	22	you a moment to read this, but I'll just represent to
23	by my colleagues, but then in another situation, she's	23	you that the gist of what Captain Bendixen is saying is
24	saying we aren't inclusive, so I I don't know.	24	that based on her experience with PSP and its reputation
25	Q. I understand.	25	as an inclusive organization, she feels that it would be
	Page 745		Page 747
1	A. Sorry I can't be more helpful.	1	_
1 2	 A. Sorry I can't be more helpful. Q. No, that's okay. Thank you, Ms. Nalty. 	1	much more successful at recruiting diverse candidates
	Q. No, that's okay. Thank you, Ms. Nalty.		much more successful at recruiting diverse candidates and advancing its DEI objectives if compensation were
2	Q. No, that's okay. Thank you, Ms. Nalty. MR. BRICKENSTEIN: Could we please go to	2	much more successful at recruiting diverse candidates and advancing its DEI objectives if compensation were competitive.
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	 Q. No, that's okay. Thank you, Ms. Nalty. MR. BRICKENSTEIN: Could we please go to KN Page 17, Lines 24 to 25? Q. (By Mr. Brickenstein) Because this – this really brings us, I think, to the heart of our most significant point of disagreement. You say, at Page 17 of your testimony – despite your confusion now, you say, quote: "I don't believe it's necessary to increase compensation to effectuate changes or that an increase in compensation will increase or advance DEI." Ms. Nalty, after our discussion we just had, do you stand by that testimony? How can you stand by that testimony? A. Just a second. Let me read the question again. Q. Sure. A. Should the commitment of the State to any of the recommendations or actions be dependent on a specific rate of compensation? So 1 I didn't believe that the 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	 much more successful at recruiting diverse candidates and advancing its DEI objectives if compensation were competitive. And so my question for you is: Doesn't Captain Bendixen's testimony contradict your position? A. She has an opinion, and it may be different from mine. Q. Okay. Thank you. Now, let's go back to Captain Dempsey's testimony. MR. BRICKENSTEIN: If you could go to DDD-1T at Page 2, Line 16 through 20. Q. (By Mr. Brickenstein) And Captain Dempsey says and this is this is in rebuttal to your testimony, Ms. Nalty. And she says, quote: "With all due respect to Ms. Nalty's expertise in the DEI field" MR. BRICKENSTEIN: Oh, I beg your pardon. It's her rebuttal testimony. It's DDD-4T. Sorry about that. Q. (By Mr. Brickenstein) She says: "With all due respect to Ms. Nalty's expertise in the DEI field, she

20 (Pages 744 to 747)

	Page 748	Page 750
1	captain to the pilotage profession."	1 compensation listed." I apologize. I have the wrong
2	And then if you go down to Page 3 of	2 citation.
3	Captain Dempsey's testimony, at Lines 2 through 13, she	3 CHAIR DANNER: Counsel, it's on Page 6,
4	goes on, and I'll skip ahead to the sentence that starts	4 Lines 2 and 3.
5	with "in my opinion."	5 MR. BRICKENSTEIN: Okay. Thank you,
б	She says: "In my opinion, if PSP is to	6 Commissioner.
7	attract a significant number of female and	7 Q. (By Mr. Brickenstein) You you say,
8	underrepresented candidates to take the upcoming	8 Ms. Nalty, quote: "I have never seen compensation
9	pilotage exam, it is critical that the UTC not only	9 listed as a, quote, unquote, 'go-to strategy' for
10	increase PSP's pay and benefits to a	10 increasing diversity, especially as a standalone
11	nationally-competitive level, but resolve currently	11 strategy."
12	contentious issues on a long-term basis."	12 And here's my my question for you,
13	So my my question for you, again,	13 Ms. Nalty: Doesn't that fundamentally mischaracterize
14	Ms. Nalty, is: Doesn't Captain Dempsey's testimony also	14 what's at issue here, this notion that compensation is a
15	contradict your position?	15 standalone strategy?
16	A. They have their opinion, and mine is based on	16 A. I wasn't intending to characterize it as
17	what I know from research studies and experience with a	17 anything. I was just simply trying to say that I hadn't
18	wide variety of sectors and industries, because the	18 ever seen any research or run into any organizations
19	issues, especially around recruiting, are pretty	19 where the people who are in a majority group were trying
20	ubiquitous. There are many other types of organizations	20 to leverage diversity by raising compensation
21	and industries and sectors that also have, you know,	21 substantially.
22	serious recruiting problems, and they can have their	22 Q. Okay. Because, Ms. Nalty, no one in this case
23	opinion and I'm just offering mine.	has ever suggested pursuing increasing compensation as a
24	Q. I appreciate that.	24 standalone DEI strategy, have they?
25	And at the beginning, if you'll recall, we had	A. Not that I know of.
	Page 749	Page 751
1	a little colloquy where we discussed when you worked	1 Q. Okay. And we don't need to go through all the
2	with leaders, you don't prescribe, you know, a specific	2 evidence in this case regarding PSP's DEI work, but
3	course of action. You you agreed with me that it's	3 wouldn't you agree that Captain Dempsey and
4	important to take into account the leaders within their	4 Captain Bendixen's and PSP's point is that they are
5	industry's expertise and valuable knowledge regarding	5 engaged in outreach, they're walking the walk on
6	the particulars of their organization and sector. Do	6 inclusion, they're implementing DEI initiatives on
7	you recall that?	7 multiple fronts, and those efforts are being undermined
8	A. I do recall that, and I do I that is the	8 by a lack of competitive compensation and benefits?
9	general rule of thumb that I follow, but I do also bring	9 A. I don't I'm not going to comment on what
10	to their knowledge the research studies that show that	10 their point is. I don't know about the compensation
11	diverse candidates really do focus on much, much more	11 situation. I you're asking me to agree with
12	than compensation. So and that's what I was trying	12 something that is overbroad. If you could be more
13	to bring to this exercise is that understanding that	13 specific.
14	it's not just compensation.	14 Q. It's okay – it's okay, Ms. Nalty. I'll move
15	Q. I understand. And that actually that	15 on, and I just have a final point. You would agree,
16	brings me to another to another point, because I	16 wouldn't you, that DEI work requires a team effort and
17	agree it's not just compensation.	17 that it starts with leaders and decision-makers and
18	MR. BRICKENSTEIN: If we could turn to	18 persons in positions of power taking the lead and taking
19	Ms. Nalty's testimony, KN-1T, Page 5 at Lines 17 through	19 bold steps that are necessary to move the ball forward;
20	18.	20 correct?
21	Q. (By Mr. Brickenstein) And you state, Ms. Nalty,	A. I would agree with that.
22	and this is in the summary of the purpose of your	2.2 Q. Okay. Now, I understand that you disagree
23	testimony.	23with you and Captain Dempsey and Captain Bendixen
24	MR. BRICKENSTEIN: Well, Mr. Crandall, if	24 have different views of the role of compensation and
25	you could do a search for "I have never seen	25 promoting DEI, but just assume for the moment that

21 (Pages 748 to 751)

	Page 752	Page 7	54
1	Captains Bendixen and Dempsey are correct. In that	1 New Mexico. And I've worked with Laradon, which is a	
2	instance, wouldn't you agree that this rate case, the	2 nonprofit organization serving people with disabilities	
3	Commission has a unique and compelling opportunity to	3 here in the Denver area, which is where I'm located; and	
4	position the Puget Sound Pilots as a leader in improving	4 the American Mountain Guide Association, which is	
5	diversity in the maritime sector, which is, I think we	5 headquartered in Boulder, Colorado.	
6	all agree, deeply in need of these efforts?	6 Q. Which of all of this experience would you say	
7	A. I think the question is really, really broad.	7 is most like the PSP pilots from what you've observed	1?
8	If you could be more specific, that would be very	8 A. You know, I found it very interesting the	
9	helpful.	9 similarities with the American Mountain Guide	
10	Q. It's okay, Ms. Nalty. I don't have any	10 Association. Mountain guides are working in very, very	
11	further questions for you. Thank you for your time	dangerous circumstances, and so safety is a top concern	n
12	today.	12 for them. And they go through a very rigorous training,	
13	JUDGE HOWARD: Do we have any redirect?	13 mentoring, sponsorship, testing-type of circumstance to	
14	MS. DeLAPPE: Yes. Thank you,	14 certify the mountain guides in their organization.	
15	your Honor.	15 And I worked with them a few few years ago	
16		because the profession, like the pilots, were dominated	
17	REDIRECT EXAMINATION	by white men who really weren't assessing women, and	
18	BY MS. DeLAPPE	18 especially women of color, in the same way that they	
19	Q. Ms. Nalty, counsel asked you about your	19 would be potentially assessing other white men. So the	
20	experience in DEI consulting and he presented	20 association recognized that and brought me in to do some	Э
21	Captain Dempsey's opinion that you have no experience	training on unconscious bias and to work with them to	
22	specifically with maritime pilots.	show them how not just diversity is important, but	
23	Could you give us some sense of the types of	23 inclusiveness, which means addressing the bias that can	
24	industries and sectors that you have done DEI work with?	show up in all of the structures and processes of the	
25	A. Yes. Thank you so much.	25 organization.	
		D 7	
	Page 753	Page 7	55
1	So, before 2013, I focused almost exclusively	1 Q. And were they able to make progress in the	55
1 2	So, before 2013, I focused almost exclusively on the legal industry and was working with law firms of	 Q. And were they able to make progress in the area of DEI during your work with them? 	55
2 3	So, before 2013, I focused almost exclusively on the legal industry and was working with law firms of all sizes across the US and Canada, corporate law	 Q. And were they able to make progress in the area of DEI during your work with them? A. Yes. I was very encouraged. One of the 	55
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22 (Pages 752 to 755)

		1	
	Page 756		Page 758
1	people are facing, are really ubiquitous. Like, the	1	think that I'm critical of the efforts that have been
2	I literally use the same types of training for people in	2	made, but they're really at just the beginning stages.
3	any kind of sector or industry because the fundamental	3	And so the maturity model that I use is of
4	issues are all really the same.	4	four levels. Level 1 is really just a reactive
5	Q. And would you	5	organization and just doing the bare minimum that's
6	A. I'm sorry.	6	required by law or regulation, like not really not
7	Q. Go ahead.	7	really focused on diversifying at all.
8	A. Well, I customize it to speak to their	8	Level 2, which I from my personal
9	particular sector, industry, or, you know, whatever. I	9	assessment, it appears that PSP is entering into a level
10	mean, I spoke to the mountain guides, for example, a bit	10	2, which is, you know, understanding that diversity is
11	differently than I did to the executive at	11	important and wanting greater diversity, but making the
12	Procter & Gamble, but the foundational issues are all	12	fundamental error that it's mostly just about recruiting
13	really the same.	13	and getting people into the organization. That's where
14	Q. And would you say that solutions are	14	most organizations have fallen down.
15	essentially the same also?	15	Because unless they have inclusion, which is a
16	A. Many of the solutions are the same. So when I	16	Level 3 activity, which is led by leaders, their efforts
17	take people through this leadership training, when I	17	to try to recruit will never stick. It's not
18	take leaders through this training, I show them all of	18	sustainable unless you fundamentally change the culture
19	the options. And I actually use a maturity model to	19	of the organization to be more inclusive of just white
20	show them, you know, how, you know, there are some	20	women, to be inclusive of people in other demographic
21	efforts which PSP has undertaken to begin the process of	21	groups. You change the structures, so de-biasing
22	becoming a more mature organization in terms of	22	structures, adding I mean, no doubt about it, adding
23 24	advancing DEI, but I also exposed them to the additional	23	the maternity policy, kudos to PSP, but, you know,
24 25	things that they could be doing to become more advanced	24 25	that that can't be just the only thing that changes,
20	or mature, which are signaled to candidates. Like, if	25	right?
	Page 757		Page 759
1	candidates see the minimum that's being undertaken, then		
	······································	1	So it's structures, behaviors, so are the
2	they know that it that it may just be performative.	1 2	So it's structures, behaviors, so are the other pilots mentoring people who are different from
2 3	-		
	they know that it that it may just be performative.	2	other pilots mentoring people who are different from
3	they know that it that it may just be performative. So this is really important. After	2 3	other pilots mentoring people who are different from them? That would be a clear indicator of whether you're
3 4	they know that it that it may just be performative. So this is really important. After George Floyd was killed in 2020, lots of organizations came out with diversity statements and a lot of money was thrown at, you know, diversity, in general, and	2 3 4	other pilots mentoring people who are different from them? That would be a clear indicator of whether you're actually going to be successful in diversifying that pipeline. I don't know. So structures, behaviors, and culture, and
3 4 5 6 7	they know that it that it may just be performative. So this is really important. After George Floyd was killed in 2020, lots of organizations came out with diversity statements and a lot of money was thrown at, you know, diversity, in general, and diversity organizations. But what people in	2 3 4 5 6 7	other pilots mentoring people who are different from them? That would be a clear indicator of whether you're actually going to be successful in diversifying that pipeline. I don't know. So structures, behaviors, and culture, and that requires the deep commitment and much more actions
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3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	 they know that it that it may just be performative. So this is really important. After George Floyd was killed in 2020, lots of organizations came out with diversity statements and a lot of money was thrown at, you know, diversity, in general, and diversity organizations. But what people in underrepresented groups, especially people of color, are now beginning to understand, they're becoming much more jaded because a lot of that was just performative. Like, people people got better at talking the talk and putting in place a few initial types of entry-level DEI things, but then there really was you know, they really weren't walking the talk or really deeply moving to really move the needle in terms of the culture, the structure of the organization, and people's behaviors. Q. So picking up on that maturity model, and also counsel asked you several questions based on Captain Bendixen's testimony about her assessment of how PSP is doing in inclusiveness, what is your observation of how mature PSP is as an organization in the area of 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	 other pilots mentoring people who are different from them? That would be a clear indicator of whether you're actually going to be successful in diversifying that pipeline. I don't know. So structures, behaviors, and culture, and that requires the deep commitment and much more actions being taken not just by, you know, the you know, one or two people here and there, but systemically embedding these practices within the organization. That only happens with a Level 3 organization. And Level 4 is a fully-inclusive organization where you see diverse people from underrepresented backgrounds throughout the organization, within leadership ranks, for example. So they're they're off to a good start. I'm not saying that they're not, but there's a long ways to go, and simply recruiting people into the organizations. Q. And you'll recall that counsel asked you several questions involving compensation. Is compensation, in your experience, ever a DEI issue?

23 (Pages 756 to 759)

	Page 760		Page 762
1	postured in this way in my over-two decades of	1	spoke with people about this and interviewed them, they
2	experience.	2	found that the people who were interested in potentially
3	Q. And so what when you say "in this way," you	3	applying for positions had a willingness to pay it's
4	mean DEI used as a rationale for paying everyone in the	4	called "WTP." They would accept less compensation to be
5	organization more?	5	able to work for an organization that they thought was
6	A. Yes.	6	more advanced in DEI. Because if you're working in an
7	Q. Do you have any concerns about this rationale	7	organization that is not inclusive of you and you're
8	in PSP's case here with respect to PSP's ability to	8	subjected to micro-aggressions and all of the inequities
9	recruit more diverse candidates?	9	that can happen in an organization that's not very
10	A. I'm actually really concerned for the	10	advanced in DEI, no amount of money is worth that kind
11	organization on this, especially because, you know,	11	of experience. That and I don't even say that as an
12	the I referenced earlier the disgust about	12	expert. I think that human beings understand that.
13	performative efforts that are being made in	13	Q. Thank you. I have no further questions,
14	organizations, that if the word got out that a group of	14	Ms. Nalty.
15	white people wanted a pay raise on the pretext of	15	JUDGE HOWARD: Do we have any questions
16	diversity, using diversity to justify a pay raise for a	16	from the bench for this witness?
17	majority-dominated organization, if that got out, I'm	17	CHAIR DANNER: No, your Honor.
18	just I'm just worried about how people would take	18	COMMISSIONER DOUMIT: No thanks,
19	that, especially in this context of being so upset that,	19	your Honor.
20	you know, organizations say they want to do the right	20	JUDGE HOWARD: Thank you, Ms. Nalty, for
21	thing and have all these wonderful diversity statements,	21	your testimony.
22	but then nothing ever actually changes in organizations.	22	THE WITNESS: Thank you all.
23	Q. In the cross-exhibits that PSP filed, did you	23	JUDGE HOWARD: You are excused from the
24	find further support for what you have observed about	24	remainder of the hearing.
25	how potential job candidates view compensation?	25	THE WITNESS: Thank you so much.
	Page 761		Page 763
1	A. I'm sorry, Ms. DeLappe. Can you restate that	1	JUDGE HOWARD: I see it is 11:37. I
2	question?	2	appreciate her staying a few minutes over if that was
3	Q. Certainly.	3	inconvenient for her.
4	So you've reviewed the cross-exhibits that PSP	4	Let's confer. I think we can do we
5	filed for you? There were some articles?	5	want to try to fit in a short witness before lunch or do
6	A. Yes, yes. There was the research study, yes,	6	we want to break for lunch now?
7	that I actually had referenced in my testimony, yes.	7	MR. HAGLUND: Well, your Honor, we have
8	Q. And did you find further support for the	8	just two 15-minute witnesses. We were one of them
9	position that you stated about how potential job	9	has to catch a plane at 2:00 from I don't know where
10	candidates view compensation as a factor or not?	10	in Seattle at SeaTac.
11	A. Yes. Well, there were two significant	11	Could we and I'm not sure whether
12	findings from that research study, which the working	12	Ms. DeLappe has very much for Ms. Norris. Do you do
13	paper was published last year about a year ago. The	13	you have 15 full minutes for Jessica Norris,
14	first significant finding was that very large	14	Ms. DeLappe?
15	percentages of people are interested in organizations	15	MS. DeLAPPE: That depends partly on the
16 17	that have greater diversity, and that the in the	16	witness, but I am planning on 15 minutes. Thank you.
17 18	experiment that was done, people were more inclined to	17 18	And I'm available any time.
ΤQ	clickthrough on a job posting if there was information	18	JUDGE HOWARD: Then would it be suitable
10		1 19	to take Norris?
19 20	that indicated that the organization offering the job	20	MR HAGILIND: And Lauree wold like to
20	had greater diversity. So, I mean, we know that for	20	MR. HAGLUND: And I guess we'd like to
20 21	had greater diversity. So, I mean, we know that for many, many studies. The second and along with that,	21	get Norris and Eriksen in before lunch if that's okay
20 21 22	had greater diversity. So, I mean, we know that for many, many studies. The second and along with that, women and people of color had higher rates of	21 22	get Norris and Eriksen in before lunch if that's okay with you, your Honor. I don't expect much redirect.
20 21 22 23	had greater diversity. So, I mean, we know that for many, many studies. The second and along with that, women and people of color had higher rates of clickthroughs as demonstrating some interest in the	21 22 23	get Norris and Eriksen in before lunch if that's okay with you, your Honor. I don't expect much redirect. JUDGE HOWARD: Why don't we why don't
20 21 22	had greater diversity. So, I mean, we know that for many, many studies. The second and along with that, women and people of color had higher rates of clickthroughs as demonstrating some interest in the organization if the diversity score was higher.	21 22 23 24	get Norris and Eriksen in before lunch if that's okay with you, your Honor. I don't expect much redirect. JUDGE HOWARD: Why don't we why don't we start with Norris and see where we're at? Does that
20 21 22 23 24	had greater diversity. So, I mean, we know that for many, many studies. The second and along with that, women and people of color had higher rates of clickthroughs as demonstrating some interest in the	21 22 23	get Norris and Eriksen in before lunch if that's okay with you, your Honor. I don't expect much redirect. JUDGE HOWARD: Why don't we why don't

24 (Pages 760 to 763)

	Page 764		Page 766
1	MR. HAGLUND: Well, my only concern is	1	movements as one example where we're looking at the
2	maybe we should go with Eriksen. He's the one that's	2	percent change or the change from one period to the
3	got the plane to catch.	3	next, and there certainly was a great amount of movement
4	JUDGE HOWARD: Okay.	4	and volatility from the one period to another that can
5	MR. HAGLUND: Let's go with Mr. Eriksen.	5	be witnessed.
6	JUDGE HOWARD: All right. Let's move to	6	Q. Mr. Eriksen, I don't believe that responded to
7	Ken Eriksen.	7	my question. If you could please go to Exhibit KAE-6X,
8	All right. Mr. Eriksen, if you could	8	and specifically so those are data requests to you.
9	please raise your right hand and I'll swear you in.	9	If you could then turn to Page 23 and let me
10	Do you swear or affirm that the testimony	10	know when you're there.
11	you give today is the truth, the whole truth, and	11	A. Okay. I'm there.
12	nothing but the truth?	12	Q. So that's Data Request No. 426, and do you see
13	THE WITNESS: Yes.	13	your response there? Quote: "I have not attempted to
14	JUDGE HOWARD: All right. Thank you.	14	develop a numeric value for," quote, "the norm the
15	Mr. Haglund, could you please introduce	15	known probability of traffic volatility which was not
16	the witness?	16	included in the scope of work under IHS Markit's
17	MR. HAGLUND: Yes.	17	contract with PSP."
18	Mr. Eriksen, you've been who are you	18	Do you stand by that answer?
19	employed by now and what's your position?	19	A. Yes, I do.
20	THE WITNESS: I'm employed by S&P Global	20	Q. In your section on ship traffic volatility,
21	and I'm the Senior Vice President.	21	you provided multiple charts and graphs related to
22	MR. HAGLUND: And do you have any	22	different commodities, shipping volumes, and other types
23	connections to the Pacific Northwest?	23	of trade-related statistics; right?
24	THE WITNESS: Yes, I did grow up here in	24	A. Yes. I used the a number from our company
25	the Pacific Northwest.	25	with S&P Global, and then previously IHS Markit, and the
		<u> </u>	
	Page 765		Page 767
1	MR. HAGLUND: Did you prepare original	1	great amount of data that we were able to pull together
2	and rebuttal testimony in this rate case?	2	from a rich database and a great resource.
3	THE WITNESS: Yes, I did.	3	Q. As your as a result of your review of these
4	MR. HAGLUND: And is it true and accurate	4	traffic patterns, you concluded it is impossible to
5	to the best of your knowledge?	5	predict vessel traffic; right?
6	THE WITNESS: Yes, it is.	6	A. The ability to predict a specific traffic by
7	MR. HAGLUND: I tender the witness for	7	vessel type and size and dimensions and such, that is
8	cross-examination.	8	very difficult to do.
9	JUDGE HOWARD: All right. Please	9	Q. And, in fact, you said if you could please
10	proceed.	10	turn to your testimony at Page 16 and look at Line 12
11	CROSS-EXAMINATION	11 12	through 14. Could you just confirm, you did say it was impossible, didn't you?
12 13	BY MS. DeLAPPE	13	• • •
14	Q. Good morning, Mr. Eriksen.	14	A. Yes. Because of the various things I just described with the different types of vessels and the
14	A. Good morning, Ms. DeLappe.	15	activities that take place with the classes and such.
16	Q. In your testimony, you include comments	16	Q. So, Mr. Eriksen, I'm just confirming one part
17	regarding ship traffic volatility; correct?	17	of that. You don't have to repeat the whole thing.
18	A. Yes.	18	In this discovery in discovery, you
19	Q. But your analysis your analysis did not	19	explained that it is impossible to predict this with a
20	develop a metric for the application of known	20	high degree of certainty. Do you recall that?
20	probability of traffic volatility for the Puget Sound,	20	A. Yes.
22	did it?	22	Q. That does not mean that vessel traffic
23	A. We what I looked at was the different types	23	forecasts are all together impossible to for
24	of traffic. It's a very diverse traffic on the Puget	24	predictions; right?
25	Sound. And, certainly, I did if you look at grain	25	A. Predicting a big picture and it's something

25 (Pages 764 to 767)

	Page 768		Page 770
1	that we do regularly, and we're looking at forecasts	1	freight rates, do you?
2	based on a number of factors. But to start to break it	2	A. Not in this particular example right here.
3	down by individual vessels or types, the size of a class	3	Q. Not in this engagement, you mean?
4	of vessels or such, that's where it gets to be very	4	A. Not that's correct.
5	problematic then.	5	Q. Have those have the freight rates that you
6	Q. Would you please turn back to KAE-6X,	6	presented here, have they changed significantly since
7	Page 22 21, excuse me. So that's Data Request 422.	7	the filing of this rate case?
8	A. Okay.	8	A. There have been changes in freight rates as
9	Q. And if you look at the part that request	9	there is on a regular and ongoing basis.
10	is all of it is asking about past vessel traffic,	10	Q. And, in fact, would you agree with me that
11	using past vessel traffic, and your response is that	11	your firm just published, three days ago, an article in
12	past vessel traffic is an appropriate consideration for	12	the Journal of Commerce about, quote, "plunging
13	the various decision-makers in that data request;	13	profitability," end quote, this year for global
14	correct?	14	container carriers?
15	A. That's correct.	15	A. I wouldn't I'm not familiar with that
16	Q. And turning to the next page, Page 22, would	16	article. That was three days ago, so you must see
17	you agree with me that long-term cargo forecasts are	17	know something I've not perhaps seen.
18	also a valuable guide?	18	Q. Are you familiar with the Journal of Commerce
19	A. Yes, they are. Especially using a number of	19	as part of what's owned by your firm?
20	tools and resources, especially around using scenario	20	A. Yes.
21	analysis, high/low base activity.	21	Q. And are you not familiar then with the article
22	Q. Did PSP engage IHS Markit to conduct any	22	from April 3, 2023, titled "Shipper savings to rocket in
23	forecasts or projections for the Puget Sound in this	23	2023 at expense of carrier profits"?
24	case?	24	A. I would have to see that article in front of
25	A. No long-term forecasts were asked of us to	25	me if you have that.
	Page 769		Page 771
1	perform for PSP.	1	Q. So you don't necessarily follow the news that
2	Q. Let's go back to your testimony, and this time	2	your firm puts out on that topic?
3	I'll look at the next page, Page 17, starting at the top	3	A. I do follow the news that our company
4	of that page.	4	publishes. We do publish quite a bit. We have 35,000
5	In your initial testimony, you have a section	5	people around the world in many countries and
6	here entitled "Substantial Increases in Ocean Freight	6	Q. My question
7	Rates"; right?	7	A I can't follow that and everything.
8	A. Just one just one second. Page 17,	8	MR. HAGLUND: Your Honor, I object to
9	correct?	9	Ms. DeLappe interrupting when he's just making his
10	Q. Yes.	10	explanation about why he may not have seen that article.
11	A. Okay. We're there.	11	MS. DeLAPPE: And it was unintentional,
12	Q. And so that's the this section is entitled	12	your Honor. I did not mean to step on his lines.
13	"Substantial Increases in Ocean Freight Rates." In that	13	JUDGE HOWARD: Please proceed.
14	section, you show data about freight rates; right?	14	MS. DeLAPPE: Thank you.
15	A. Yes.	15	THE WITNESS: Thank you, sir.
16	Q. There is no analysis of that data, is there?	16	And so when I when I look at the
17	A. Other than describing what has transpired in	17	Journal of Commerce, I do look at that regularly, among
18	the freight rates and the markets that have taken place,	18	many other locations of our services that we provide for
19	that is what I characterized and discussed about what	19	our customers in an ongoing and regular basis.
20	has transpired so there is analysis there.	20	Q. (By Ms. DeLappe) And, Mr. Eriksen, if you'll
21	Q. Analysis in terms of a summary of the data;	21	recall my question was: On this topic, do you follow
22	correct?	22	the articles that your firm publishes on the specific
23	A. That's correct, looking at what has taken	23	topic of freight rates?
24	place with the freight rates over that time frame.	24	A. I do.
25	Q. And you don't provide any projections about	25	Q. And so but that article about shippers,

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	Page 772	Page 774
1	that there's plunging profitability for global container	1 Markit, and source IHS Markit; correct?
2	carriers, you don't recall seeing that come out this	2 A. Yes.
3	week?	3 Q. If you could turn now to your rebuttal
4	A. I don't see it in front of me to know exactly.	4 testimony, Exhibit KAE-4T at Page 2.
5	I'd have to look at it to verify.	5 A. Okay. We're there.
6	Q. You don't have any basis to believe the data	6 Q. And do you also see a chart charts there?
7	in your testimony applies to current or future freight	7 On Pages 2 through 11, you'll see some charts.
8	rates, do you?	8 A. Yes.
9	A. Well, they're current through the time that I	9 Q. And they're showing what source do they
10	published my testimony and prepared it and submitted it	10 show?
11	and was not asked to forecast freight rates for this	11 A. IHS Markit, and that's inadvertent. That was
12	particular case.	12 actually PSP data that we used.
13	Q. So as we've discussed, freight rates have	13 Q. The source for the data in all of your charts
14	changed quite a bit. Are you positing that your what	14 was PSP, wasn't it?
15	you wrote here in the testimony that's in front of us,	15 A. Not all charts, but some of the charts were
16	that that testimony applies to current or future date	16 PSP data.
17	freight rates?	17 Q. If you could turn to back to
18	A. That was at the time of submission. I believe	18 Exhibit KAE-6X, and this time turn to Page 4.
19	this was in July of 2022, so it would've been through	19 A. I'm there.
20	that time and, certainly, there has been changes since	20 Q. And this request, Number 392, there were
21	then.	21 requests about specific charts that you had, and you
22	Q. Again, if you would please answer the	said there the data was sourced from Puget Sound Pilots
23	question.	and you said the same on the next page several pages
24	Is it your position that your testimony	24 following through Page 8; correct?
25	applies to the freight rates as they are now, today, and	A. Yes. That was in reference to an Excel file
	Page 773	Page 775
1		
~	in the future, yes or no?	1 that we had used and submitted.
2	A. The my testimony applies to what I've been	2 Q. So PMSA brought this to your attention, this
3	A. The my testimony applies to what I've been asked to contribute and to respond to questions and what	2 Q. So PMSA brought this to your attention, this 3 discrepancy in the source information, in data requests
3 4	 A. The my testimony applies to what I've been asked to contribute and to respond to questions and what I have submitted in testimony. 	 Q. So PMSA brought this to your attention, this discrepancy in the source information, in data requests well before you filed your rebuttal testimony; right?
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27 (Pages 772 to 775)

	Page 776		Page 778
1	use for your analysis?	1	Q. And as you could you explain why the
2	A. This was information from PSP, and this was	2	comparison was made to major ports on the west coast?
3	compiled through a number through their efforts, I	3	A. The comparison was to these major ports on the
4	understand, of invoices of actual activity for different	4	west coast because there's where this business is
5	types of vessels.	5	operated. This is where the pilot group is functioning,
6	Q. And so you didn't select which pilot groups to	6	and there was information available through the pilot
7	use?	7	PSP on different vessel types for these different ports.
8	A. Those were prepared those were made	8	For example, the Columbia River Bar and the
9	available, and so I used what was available.	9	Columbia River Pilots was a very good example to use and
10	Q. Are you familiar with data that	10	that was a major port cluster that we could evaluate.
11	Captain Carlson and Mr. Lough have submitted in this	11	Similar, for other port ranges, as well, that are within
12	case regarding various pilotage grounds?	12	jurisdiction, if you will, of the west coast.
13	A. I understand there's been probably some	13	Similarly, we had information that was made available to
14^{13}	· ·	14	-
15	submitted, but I can't say that I'm completely familiar without reference to it.	15	us for British Columbia, and that gave us a comparable
		16	look at what was within these areas that the Puget Sound
16	Q. So have you looked at the lists of pilotage		Pilots would have activity to work vessels and for the
17	grounds or ports for those other two witnesses?	17	different types of vessels that access the ports,
18	A. I would have to see what you're referring to	18	whether it's for different types of service or different
19	just to just to confirm.	19	types of business and different types of commodities.
20	Q. Certainly. If you want to turn to	20	Q. And in your testimony, did you address the
21	Exhibit DL-6 for Mr. Lough's and to Exhibit IC-14 for	21	nature of the competition that occurs between ports?
22	Captain Carlson's. You'll see a list of other pilotage	22	A. Yes, and from that information
23	grounds, and if you could just, in looking at them,	23	MS. DeLAPPE: I would object. That is
24	confirm for me that they are fundamentally different	24	not part of what I discussed in cross at all.
25	from the selection that you have in your tables.	25	MR. HAGLUND: Your Honor, she took
	Page 777		Page 779
1	A. There are similarities and there are some	1	very a select number of questions that relate to
2	differences, yes.	2	these charts, which were an effort to convey information
3	Q. And you don't have any idea why there are	3	within the relevant area of competition on west coast
4	differences, do you?	4	
5	-	5	ports. And and we're entitled, I think, to make sure
	A. No, I do not.		that the record is complete and that the narrow
6	MS. DeLAPPE: I have no further	6	questions asked on this broader topic get fully vetted
7	questions. Thank you.	7	in this proceeding.
8 9	JUDGE HOWARD: Any redirect?		JUDGE HOWARD: I'm I'm persuaded that
	MR. HAGLUND: Yes, your Honor.		PMSA did raise the issue why these ports were selected,
10		10	at least to a degree, and so I will allow some questions on this.
11 12	REDIRECT EXAMINATION BY MR. HAGLUND	11 12	
13	Q. Now, Mr. Eriksen, let's talk about the charts		Q. (By Mr. Haglund) So do you recall the question?
		13	A. Yeah. In looking at the different metrics, I
14	that let's pull up the charts on your original	14 15	think, along the lines along those lines,
15	testimony that start on Page 32. Is it if you go		Mr. Haglund.
16	to actually, let's go to Page 31, the page before	16	Q. Let me rephrase the question.
17	those charts start.	17	What's your understanding about why the west
18	This is KAE-1, Page 31.	18	coast ports were selected for this Pilotage B Cost
19 20	A. Okay. Yes.	19	Comparison to PSP's proposed rates?
20 21	Q. And do you see the question there: "Did you propage a comparison of PSP 's propaged pilotage rates in	20	A. There's similarities, and there's certainly
21	prepare a comparison of PSP's proposed pilotage rates in this rate appendent to existing rates observed to experiito	21 22	some competitive pressures on the system there. And the
22	this rate case to the existing rates charged to specific		PSP, from what the information we received and looked
23	vessels in five ship type classes in the major port clusters on the west coast?"	23 24	at and analyzed, that I looked at, were that they were lower fees and fares for the PSP.
24		. /4	
25	A. Yes.	25	Not only that, when I looked at that and

28 (Pages 776 to 779)

	Page 780	Page 782
1	assessed it on different metrics, whether it was on a	1 volatility and the reference was made to the chart on
2	per mile or per hour, or even on some distances, very	2 Page 5 of this original testimony, if we could go to
3	competitive. And, in fact, the PSP was much lower and	3 that.
4	their rates were such in a position that were very	4 With respect to the Puget Sound mix of
5	important for us to look at these different regions or	5 traffic, based upon your background and experience,
6	these different major pilot groups on the west coast	6 Mr. Eriksen, how would you characterize its diversity?
7	that gave some comparability to address things around	7 A. It's very diverse. Obviously, from these
8	why would a vessel go to one place or another. And it	8 charts here, you can see from, especially the top chart
9	wasn't so much about the pilot rates as much as about	⁹ on total assignments of looking at container and tanker,
10	what's available for commerce to take place.	10 plus bulker, represent more than 80 percent of the
11	Q. So let's let me ask you some questions	11 volume number of assignments that the pilots have.
12	about the specific charts Ms. DeLappe referenced.	12 When I look at the diversity of these vessels,
13	At the bottom of Page 32	13 in particular, on the container you see different size
14	MS. DeLAPPE: Objection, your Honor. I	14 trends taking place where the ships are getting larger
15	only asked about the source information, and every time	15 or there's larger ships accessing the Puget Sound
16	counsel for PSP wants to then dig into testimony about	16 pilotage grounds. Similarly, on the bulker side, what
17	all the underlying data in charts. My my questions	17 we're seeing is that the bulkers are actually getting
18	were very narrow.	18 loaded with more commodity volume at a higher level, and
19	JUDGE HOWARD: I think I think it was	19 certainly the diversity's very unique in that regard in
20	fair to for Mr. Haglund to do a bit of a redirect on	20 providing a very competitive opportunity for shippers to
21	the issue of why these pilot groups were chosen, but I	21 ship through the Pacific Northwest.
22	don't think we've opened it up to redirect in detail	22 Q. And
23	into the impacts of these different fees by pilot group	A. Puget Sound, pardon me.
24	on port competitiveness. So some of these distinctions	2.4 Q. You were asked some questions about
25	are a little fine to make, but I think that that's in	25 volatility, and what is your testimony regarding the
	Page 781	Page 783
1	Page 781	Page 783
1 2	the interest of fairness.	1 well, let me ask it this way.
1 2 3	the interest of fairness. MR. HAGLUND: Okay. I'll move on,	 well, let me ask it this way. Does the diversity of the traffic volume in
2	the interest of fairness. MR. HAGLUND: Okay. I'll move on, your Honor. Thank you.	 well, let me ask it this way. Does the diversity of the traffic volume in
2 3	the interest of fairness. MR. HAGLUND: Okay. I'll move on,	 well, let me ask it this way. Does the diversity of the traffic volume in Puget Sound increase or decrease the volatile character
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2 3 4 5 6	the interest of fairness. MR. HAGLUND: Okay. I'll move on, your Honor. Thank you. Q. (By Mr. Haglund) You were asked questions about freight rates, and if we could call up the chart that is on page Page 18 of KAE-1. You were asked questions	 well, let me ask it this way. Does the diversity of the traffic volume in Puget Sound increase or decrease the volatile character of traffic of year-end traffic figures? A. It does, and there's a number of things that drive the changes from one year to next, from one period
2 3 4 5 6 7	the interest of fairness. MR. HAGLUND: Okay. I'll move on, your Honor. Thank you. Q. (By Mr. Haglund) You were asked questions about freight rates, and if we could call up the chart that is on page Page 18 of KAE-1. You were asked questions about this chart.	 well, let me ask it this way. Does the diversity of the traffic volume in Puget Sound increase or decrease the volatile character of traffic of year-end traffic figures? A. It does, and there's a number of things that drive the changes from one year to next, from one period to the next, that are very important. And they're
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	Page 784		Page 786
1	JUDGE HOWARD: Thank you.	1	BY MS. DeLAPPE
2			Q. And good afternoon, Ms. Norris.
	All right. With that, Mr. Haglund, I		A. Good afternoon.
3	believe we discussed the possibility of calling	3	
4	Ms. Norris. I think, though, it might be best to break	4	Q. Could you please turn to Exhibit JJN-05? And
5	for lunch first. Are you agreeable to that?	5	if you could just confirm this information at this
6	MR. HAGLUND: Yes, your Honor.	6	exhibit's about PSP's 2022 draft audit financials?
7	JUDGE HOWARD: All right. Let's take a	7	A. Yes.
8	45-minute lunch and let's resume at 12:50.	8	Q. Okay. Thank you.
9	All right. We are off the record.	9	And in Exhibit JJN-7 and you don't have to
10	(A break was taken from	10	turn to that, but that was also submitted by you. It's
11	12:05 p.m. to 12:52 p.m.)	11	PSP's 2022 audited financial statement; right?
12	JUDGE HOWARD: All right. Let's get back	12	A. Yes.
13	on the record. We're returning after lunch. It's	13	JUDGE HOWARD: Ms. DeLappe, I believe
14	12:53 p.m. We're resuming with PSP's witness,	14	JJN-6 and 7 were rejected.
15	Jessica Norris.	15	MS. DeLAPPE: Oh, thank you.
16	Ms. Norris, would you please raise your	16	Q. (By Ms. DeLappe) And for purposes just of your
17	right hand and I'll swear you in?	17	testimony, could you please, Ms. Norris, just confirm
18	THE WITNESS: Yes.	18	that you that both of those documents were PSP's
19	JUDGE HOWARD: Do you swear or affirm	19	filing of 2022 financial information?
20	that the testimony you give today is the truth, the	20	A. I just saw the cover page of that last one,
21	whole truth, and nothing but the truth?	21	but, yes.
22	THE WITNESS: Yes.	22	Q. Thank you.
23	JUDGE HOWARD: All right. Thank you.	23	And did you hear this morning, Mr. Burton's
23	Mr. Haglund, please could you please	24	testimony?
24	introduce the witness?	25	A. I did.
20		25	A. Tolo.
	Page 785		Page 787
1	MR. HAGLUND: Yes.	1	Q. And did you hear him testify that I'll
2	Ms. Norris, what is your position?	2	summarize in my own words that withholding
3	THE WITNESS: I'm a partner at	3	information in discovery about 2022 was proper because
4	Shannon & Associates.	4	the test year at issue in this case is 2021?
5	MR. HAGLUND: And how long have you	5	A. I did hear that.
6	served as the lead auditor for PSP in connection with	6	Q. Do you perceive a conflict between your
7	the preparation of their annual financial statements and	7	filing 2022 financial information and Mr. Burton's
8	audit?	8	position?
9	THE WITNESS: I have been on the audit	9	A. I don't have any comment on that. I was just
10	for Puget Sound Pilots, I believe, 16 years, and I've	10	asked to file it, and I did not prepare the test year
11	been the signing partner for three.	11	information.
12	MR. HAGLUND: Did you prepare original	12	Q. I have some questions for you about
13	and rebuttal testimony in this case?	13	Exhibit JJN-05. And if you look at Page 1, including
14	THE WITNESS: Yes.	14	the footnote with the asterisk, do you see there that
15	MR. HAGLUND: Is it true and accurate to	15	that it says the active roster for the number of
16	the best of your knowledge?	16	pilots right? was 56 and 51 pilots at
17	THE WITNESS: Yes.	17	December 31, 2022, and 2021?
18	MR. HAGLUND: I tender the witness for	18	A. Yes.
19	Cross.	19	Q. Based upon the days of duty, the 2022 working
20	JUDGE HOWARD: All right. Thank you.	20	pilot roster averaged 52.5 pilots as compared with 52.9
21	Ms. DeLappe, you may proceed.	21	pilots in 2021?
22	MS. DeLAPPE: Thank you, your Honor.	22	A. Yes.
23		23	Q. So from Mr. Burton's exhibits, are you aware
24	CROSS-EXAMINATION	24	that he concluded he included and I can tell you
25		25	the exhibit I'm referring to is Exhibit WTB-20X that

30 (Pages 784 to 787)

1 he included the December 15, 2022, roster from the BPC 1 whether that sometimes occurs?	
2 coinciding with the their last meeting of 2022. 2 A. I think that sometimes occurs,	ves.
3 And if you could go ahead and turn to 3 Q. Could you turn to Exhibit IC-	
4 Exhibit WTB-20X, do you agree with me, once you get 4 spreadsheet that was prepared su	
5 there, that that shows 53 licensed pilots at the end 5 Captain Carlson in his rebuttal. Let	
6 of 2022? 6 you're there.	
7 A. Is there a count on here? 7 A. I'm there.	
8 Q. Go ahead and count, please. 8 Q. So you see in the tab for 202	2. the number of
9 A. Yeah, I counted 53. 9 pilots that he has for Puget Sound?	
10 Q. And so I was I would like to talk a little 10 on Line 17.	
11 bit about why the PSP financials show 56 pilots for as 11 A. Yes.	
12 of the end of 2022 when this roster shows 53 licensed 12 Q. And what's that number?	
13 pilots. Is that because there are three pilots who were 13 A. 48.5.	
burning comp days after they turned in their licenses to 14 Q. 48.5, and your Exhibit JJN-05	5. states that
15 the BPC? 15 the 2022 working pilot roster average	
16 A. That's a possible reason. I don't know where 16 right?	,
17 this list is compiled from. This is the first time I've 17 A. Yes.	
18 seen this list. Our list comes from the amount of 18 Q. Do you know what would act	count for the
19 pilots on distribution 19 discrepancy of about four pilots?	
20 Q. Do you know 20 A. I don't know how this informati	ion was
21 A on the distribution 21 prepared. Our formula is to take the	number of duty
22 Q if any go ahead. 22 days divided by the days in the year.	,
23 A. On the distribution report. 23 Q. Let's turn now to Exhibit JJN	N-8X. And you'll
24 Q. And so do you know anything else that might 24 recognize, I think, that these are dat	a requests that
account for the discrepancy of three pilots between the 25 were addressed to you.	
Page 789	Page 791
1 PSP financials and the Board of Pilotage Commissioners' 1 A. Yes.	
2 records for 2022? 2 Q. And if you could turn to Page	e 2. That's PMSA
A. There could be timing of new pilots or retired 3 Data Request No. 164.	
4 pilots from the date this was prepared and the date that 4 Am I correct in understanding	
5 I pulled mine. 5 response here, that if a pilot retires	
6 Q. So the date that is in your footnote is 6 callback days, the pilot just stays or	
7 December 31, 2022; right? 7 all their accumulated callback days	
8 A. Correct. 8 A. Can you rephrase the first part	t of that
9 Q. And the date on this document is 9 question?	<i>.</i>
10 December 15, 2022; right? 10 Q. So if a pilot retires without st 11 A. Correct 11 collection of the pilot store on the pi	-
11 A. Correct. 11 callback days, the pilot stays on the	
12 Q. So do you think the most likely reason would 12 their accumulated callback days have 13 be the burning of comp days after pilots had turned in 12 their right?	ve been burned; is
13be the burning of comp days after pilots had turned in13that right?14their licenses for the14A, Yes.	
	no Q of this
	-
16to accumulate this information on where the licensed16exhibit and answer this for me: The17pilots, you know, came from, so I don't really have any17comp day accounting by individual i	-
17 pilots, you know, came nom, so room really have any 17 comp day accounting by individual indinindina individual indina individual individual	
10 <th>yın :</th>	yın :
20 testimony, you said it might be a situation of burning 20 Q. And individuals cannot received	ve specific comp
20 testimoly, you said it might be a situation of burning 20 at. And intributation of burning 21 comp days after pilots turned in their license. 21 day cash payments; right?	- openine comp
22 So if you could just answer for me this: If 22 A. That's correct.	
23 PSP continues to pay pilots as if they are licensed 23 Q. So is the only way that pilots	s can get paid
24 after they are no longer licensed by the State and they 24 for a comp day through a credit of a	
25 cannot provide service to vessels, are you aware of 25 they do not actually work?	

31 (Pages 788 to 791)

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	Page 792		Page 794
1	A. I'm not sure I understand the question.	1	specific details.
2	Q. I'll repeat it.	2	Q. Can you explain, in general, why some cash
3	So the only way that pilots can get paid for a	3	disbursements do not equal stated earnings?
4	comp day is through credit of a day of service that they	4	A. There's expenses or adjustments that come out
5	do not actually work; right?	5	after the earnings, for example, buy-ins would reduce
6	A. Correct. So they get paid they get they	6	the actual check paid
7	get basically a future day for working a day.	7	Q. And
8	Q. So are comp days paid as reflected in the days	8	A or possible insurance payments. Sorry.
9	of service calculation? And I'll refer you here to	9	Q. Mm-hmm. And so what are the situations in
10	Exhibit JJN-02, which is a schedule that you provided	10	which a pilot would receive a check that equals stated
11	with your testimony, and specifically, Pages 24 to 27.	11	earnings?
12	COMMISSIONER RENDAHL: Could you repeat	12	A. If they had no adjustments for expenses
13	the exhibit number, please?	13	reducing their check.
14	MS. DeLAPPE: Yes. JJN-2, and there at	14	Q. And when you say insurance, what type of
15	Page 24, there's a schedule of days of service and	15	insurance are you talking about as one of the
16	distribution of pilotage revenue and expense.	16	adjustments?
17	THE WITNESS: Okay. I'm there.	17	A. I don't know specifically without looking at
18	Q. (By Ms. DeLappe) Thank you.	18	the details of it. I just know there's expenses that
19	Are comp days paid as reflected in the days of	19	reduce the actual amount of the check that they get;
20	service calculation in this schedule?	20	there could be.
21	A. The days of service is the days a pilot is on	21	Q. Would a pilot that no longer is actively
22	the distribution. So if they're burning comp days,	22	piloting and no longer has a license to pilot, would
23	they're on the distribution.	23	they have expenses that would require adjustments from
24	Q. From this schedule, is it possible to tell	24	their stated earnings?
25	which pilots are getting credited for days of service as	25	A. I'm not sure. That's beyond the scope of kind
	Dama 702		
1	Page 793		Page 795
1	an active pilot who is piloting versus which pilots are	1	of what I look at.
2	an active pilot who is piloting versus which pilots are getting days of service credit for burning callbacks	2	of what I look at. Q. Let's look one last area of questions I
2 3	an active pilot who is piloting versus which pilots are getting days of service credit for burning callbacks while not actively piloting?	2 3	of what I look at. Q. Let's look one last area of questions I have for you. If you could look at Exhibit WTB-18X,
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32 (Pages 792 to 795)

	Page 796	Page 798
1	A. No, I would disagree. This this is putting	1 and the money set aside for callback days as they occur
2	the expense in the period when the vessel moved.	2 in a given month? Would you explain that?
3	Q. How does it attribute the costs to the vessel	3 A. Yes. So in a given month, there's a report
4	that caused the expense?	4 that lists the total number of callback days worked. So
5	A. It doesn't attribute it to the specific	5 that that report increase so if a callback day is
6	vessel, but it does attribute it to the period in which	6 worked, there's an additional expense that is shown here
7	the vessel movement occurred.	7 to reduce the pilot distributions by the amount of
8	Q. You will agree with me that it is attributed	8 callback days worked. When a callback day is used by a
9	to Seattle office operating expense and administrative	9 pilot, that liability and, respectively, that expense is
10	overhead; right?	10 reduced as that callback day is used. So the liability
11	A. Yes.	11 is a moving number based on the amount of days earned
12	Q. And that's not a vessel; right?	12 or or worked by pilots and the amount of days used or
13	A. That's just a categorization, but, no, it	13 redeemed by pilots.
14	doesn't attribute it to a specific vessel. In the	14 Q. So and you explain in that Footnote 4, how
15	accounting records, it puts it puts the expense in	15 this approach complies with Order 09?
16	the period in which it happens so that the pilot	16 A. Yes.
17	distributions are reduced as a result of those	17 Q. Okay. Now, you were asked some questions
18	additional days.	about the difference in the amount earned by each pilot,
19	Q. I see I have no further time. Thank you.	19 which, under the bylaws, is equal per pilot, and the
20	JUDGE HOWARD: Any redirect?	20 actual cash distribution check received.
21	MR. HAGLUND: Yes, your Honor.	21 And you mentioned buy-ins. Could you explain
22		22 what that buy-ins are and how long that time frame
23	REDIRECT EXAMINATION	23 occurs?
24	BY MR. HAGLUND	A. Yes. So when a pilot becomes a new pilot,
25	Q. So going back to that topic, Ms. Norris, if we	25 there's a calculated buy-in amount, and that amount is
	Page 797	Page 799
1	could just pull up MM-80X? This is in the record. It's	1 divided off the top of my head, I think it's over 84
2	a full copy of the 2022 audit that you prepared.	2 months. And, evenly, every month, for the number of
3	Do you recognize this document?	3 months, it 84 might not be the right amount. I'm
4	A. Yes.	4 just going off the top of my head, but it's divided by a
5	Q. If we could turn to Page 15 and blow up	5 number of months, and that is that amount or that
6	call out Note 4. And is this what's the purpose of	6 payment amount is reduces their distribution every
7	this footnote, Ms. Norris?	7 month. So they don't get that money, it goes into
8	A. This footnote is to explain how the callback	8 their to reduce their buy-in liability.
9	days are accounted for and to describe the callback day	9 Q. And do you happen to recall the approximate
10	liability on the financial statements.	amount of the buy-in for a new pilot in 2022?
11	Q. And is this the footnote where you are	11 A. I could look that up, but I believe it was
12	reporting publicly how PSP implemented the direction to	12 approximately 400,000.
13	use the full accrual method accounting to record	13 Q. Okay. So it's it's a substantial sum of
14	callback day liabilities?	14 money that every new licensee must pay in on a monthly
15	A. Yes. We went back to May 1, 2021, to describe	15 basis over a period of years?
16	how that accounting policy was changed.	16 A. Right.
17	Q. And as a practical matter, you were if you	Q. Okay. Now, if we could put up an exhibit that
18	go to the page that was in draft form, from what was	18 Ms. DeLappe showed you, IC-14, and this is a workload
19	displayed earlier, that's Page 30 of this final audit in	19 table for a particular year. This is for the 2022 year
20	MM-80X.	20 that
21	If we could go to Page 30, and if we look at	21 MS. DeLAPPE: Objection to counsel
22	the Number 2 item there, that's the \$638,334. So that's	22 continuing to testify.
23	accrued, and could you explain what happens on a monthly	23 MR. HAGLUND: Your Honor, I was only
24	basis for the in terms of how is this how is the	24 introducing the exhibit to the witness and making sure
25	money generated? Or how is how is the accrual made	25 that the right reference to the tabs, this is an Excel
		<u> </u>

	Page 800		Page 802
1	spreadsheet. For the record to be clear, one needs to	1	Were there any questions from the bench
2	note the year of the tab.	2	for any of these witnesses?
3	JUDGE HOWARD: I in that particular	3	COMMISSIONER RENDAHL: No, your Honor.
4	instance, I was not as concerned with Mr. Haglund	4	CHAIR DANNER: No, your Honor.
5	describing the exhibit.	5	COMMISSIONER DOUMIT: No, your Honor.
6	Q. (By Mr. Haglund) So my question for you,	6	Thank you.
7	Ms. Norris, is do you know whether not-fit-for-duty	7	JUDGE HOWARD: All right. Thank you.
8	pilots were excluded from the tabulation here?	8	And we have already due to scheduling
9	A. I am unaware if they are or not.	9	issues and requirements, we have already handled the
10	Q. So you don't know how Captain Carlson	10	cross of 3 out of 5 of PMSA's witnesses. I believe that
11	tabulated this, the Puget Sound number of pilots entry	11	means, next, we are turning to Christopher Noble, and
12	for 2022 on this workload table?	12	then we will turn to the two staff witnesses. And we
13	A. No.	13	will also touch on Jordan Royer to make sure there are
14	Q. Okay. Thank you. No further questions.	14	no bench questions for Jordan Royer.
15	JUDGE HOWARD: Do we have any questions	15	So Christopher Noble, is Mr. Noble
16	from the bench?	16	online?
17	COMMISSIONER DOUMIT: None from me,	17	THE WITNESS: I am.
18	your Honor.	18	JUDGE HOWARD: All right. Great.
19	CHAIR DANNER: No, your Honor.	19	Can you see and hear me all right?
20	COMMISSIONER RENDAHL: Your Honor, I just	20	THE WITNESS: I can see and hear you. Am
21	have a procedural issue that I think we could defer to	21	I heard by you as well?
22	later, but I note that MM-80X is the same as JJN-07,	22	JUDGE HOWARD: Yes.
23	which I believe you had rejected earlier, so I don't	23	If you'd please raise your right hand,
24	know how you want to handle that in the record.	24	I'll swear you in.
25	JUDGE HOWARD: Yes, that's correct,	25	Do you swear or affirm that the testimony
	Page 801		Page 803
1		1	
1	Commissioner Rendahl. I had in my mind, I had deemed	1	you give today is the truth, the whole truth, and
2	Commissioner Rendahl. I had in my mind, I had deemed that PSP submitted it as cross-exhibit for	2	you give today is the truth, the whole truth, and nothing but the truth?
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34 (Pages 800 to 803)

	Page 804	Page 806	
1	A. Opinions not in the legal sense. As an	1 And, furthermore, I don't believe that	
2	involved actuary, I was tested on the requirements for	2 Mr. Wood even agreed that his investment rate of return	
3	qualified pension plans by the Joint Board for the	3 was 5 percent. I think he, in his cross this morning,	
4	Enrollment of Actuaries, which is operated under the	4 agreed that it was higher and, in fact, I would argue	
5	Department of the Treasury and the Department of Labor.	5 that it's higher than he said it was.	
6	And as an enrolled actuary, I was expected to be able to	6 Q. So as you heard Mr. Wood this morning, you	
7	understand and apply the sections of the code that are	7 thought he said that the assumption he made was	
8	applicable to defined benefit pension plans.	8 different than 5 percent?	
9	Q. Okay. Is it fair to say that you concluded,	9 A. Yes.	
10	in your testimony, in a couple of places, that	10 Q. He discussed	
11	Christopher Wood's projections of the 50-year cost	11 A. He assumed that the investment rate of return	
12	projections under a number of scenarios for the	12 would match the discount rates, and there are three	
13	transitioning the PSP pension plan to well, let me	13 discount rates, 4.75 percent, 5.0 percent, and	
14	start over.	14 5.74 percent, that apply to different periods in the	
15	You're familiar with the projections that	15 projection. And calculating an investment rate of	
16	Christopher Wood made over 50-year timeframes for two	16 return in that scenario is a little bit complicated, but	
17	different alternative transitions of the pay-as-you-go	17 it certainly would be higher than 5 percent, and I	
18	pension plan to a fully defined a fully funded	18 believe that Mr. Wood agreed to that.	
19	defined benefit plan; is that right?	19Q. Well, the we got a record of what he said	
20	A. I'm familiar with those projections, yes.	20 this morning, and it will speak for itself.	
21	Q. And is it fair to say that in your testimony	21 I have another question for you. In your	
22	you concluded that Mr. Wood's projections were	projection if we could go to your I want to pull a	
23	reasonable in terms of the assumptions utilized? In	23 portion of your testimony that relates to my next	
24	other words, based on the assumptions he utilized, the	24 question at CNIT 1T, Page 13.	
25	projections were accurate?	A. This is my testimony?	
	Page 805	Page 807	
1	A. Yes. Based on the assumptions he utilized, it	1 Q. Yes, this and it'll be on the screen in a	
2	appear to me that the projections were consistent with	2 moment if you have a screen there, but	
3	those assumptions.	3 A. I have a screen. I have it here in front of	
4	Q. Okay. And then you did some of your own	4 me on paper as well.	
5	projections where you reduced the rate of return; is	5 Q. Okay. However, you wish to look at it, but if	
6			
_	that right?	6 you could call out the first paragraph. That's Number 2	
7	A. I did. And in my report to PMSA, I included a	 6 you could call out the first paragraph. That's Number 2 7 there. 	
8	A. I did. And in my report to PMSA, I included a projection that reflected a reduction in the discount	 you could call out the first paragraph. That's Number 2 there. So the the is it true, Mr. Noble, that 	
8 9	A. I did. And in my report to PMSA, I included a projection that reflected a reduction in the discount rates and the expected rate of return of 100 basis	 6 you could call out the first paragraph. That's Number 2 7 there. 8 So the the is it true, Mr. Noble, that 9 your projections reduced the active pilot count to 44 	
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	Page 808		Page 810
--	--	--	--
1	A. I don't believe that they I heard any such	1	year 20, and so they only need to earn 5 percent. And
2	intent. I was requested to show what the projections	2	that means that the assets that were set aside are no
3	would look like if the active participant count did	3	longer sufficient and there would be an increase in the
4	drop, not not with an understanding that that was	4	assets to make that up.
5	what was going to happen, but for comparison purposes	5	So his claim his projections that are based
6	and to understand the sensitivity of those projections	6	on no gain or loss really comes down to a projection
7	through the active participant count.	7	that there will be losses on the liability that need to
8	Q. Okay. Thank you for clarifying that. That's	8	be made up by gains on the assets in order to have no
9	all the questions I have.	9	net gains or losses. So even looking at those three
10	JUDGE HOWARD: Any redirect?	10	discount rates that he used, which would point to an
11	MS. DeLAPPE: Yes, thank you.	11	investment rate of return in excess of 5 percent, the
12		12	actual rate of return that would be required is higher
13	REDIRECT EXAMINATION	13	than that.
14	BY MS. DeLAPPE	14	Furthermore, Mr. Wood asserted that the
15	Q. Mr. Noble, counsel asked you just now about	15	discount rates were based on current rates of return on
16	your opinions about the reasonableness of Mr. Wood's	16	high grade corporate bonds. They are not. They are
17	assumptions and about the rate of return. Would you	17	based on long-term average rates of return of high-grade
18	please explain your view of the investment return	18	corporate bonds, and that difference means that you
19	assumption used by Mr. Wood?	19	can't make that discount rate on an investment of
20	A. Mr. Wood, as he said very clearly in his	20	high-quality fixed-income investments. It would need to
21	testimony, based his investment return as equal to the	21	be an allocation to riskier asset classes, such as
22	discount rate. And that's a complicated assertion or	22	equities, which Mr. Wood, in his testimony this morning,
23	statement because there were actually three discount	23	acknowledged would be likely, but that additional risk
24	rates. And so what that means is that you have to take	24	is part of the investment return that he has assumed.
25	the assets that are in the trust, the benefits, and a	25	Q. You were also asked a little bit about your
	Page 809		
	rage 000		Page 811
1	certain portion of them are assigned assigned in at	1	Page 811 generally, your knowledge as an actuary, the type of
1 2	_	1 2	5
	certain portion of them are assigned assigned in at		generally, your knowledge as an actuary, the type of
2	certain portion of them are assigned assigned in at least a book sense, not necessarily in any legal sense,	2	generally, your knowledge as an actuary, the type of actuarial work that and experience that you have.
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1	size. Multiple employer plans that I have some	1	cross PMSA witness Jordan Royer. Are there any
2	awareness of are not a group of self-employed	2	questions from the bench for this witness?
3	individuals. They are much bigger companies that are	3	CHAIR DANNER: No, your Honor.
4	working together in a single pension plan.	4	COMMISSIONER RENDAHL: No, your Honor.
5	Q. One last question for you, Mr. Noble, in your	5	COMMISSIONER DOUMIT: No, thank you.
6	view, would the proposed plan have any disadvantages for	6	JUDGE HOWARD: All right. Hearing none,
7	pilots compared to the current farebox plan?	7	we are turning to the two staff witnesses. The first
8	A. There are some disadvantages. I think the	8	one is Jaclynn Simmons.
9	original testimony of Mr. McNeil and Mr. Wood pointed	9	MR. HAGLUND: Your Honor, PSP has decided
10	out some of the advantages to participants. But because	10	to waive cross-examination of Ms. Simmons.
11	participants in the plan need to make contributions	11	JUDGE HOWARD: All right. Thank you.
12	based on minimum at least the minimum required	12	Are there any questions from the bench
13	contribution calculation, pilots would see a gradually	13	for Ms. Simmons?
14	increasing rate, a percentage of their pay go to	14	COMMISSIONER RENDAHL: Your Honor, I do
15	contributing to this pension plan during the course of	15	have one.
16	their career if they were making minimum required	16	JUDGE HOWARD: All right. Ms. Simmons,
17	contributions.	17	are you online?
18	So pilots starting out, their contribution	18	THE WITNESS: Yes, your Honor.
19	might be, for example, roughly 4 percent of their pay.	19	JUDGE HOWARD: All right. If you'd
20	But by the time they are ready to retire, their	20	please raise your right, I'll swear you in.
21	contributions would need to be at least 30 percent of	21	Do you swear or affirm that the testimony
22 23	their pay, and that's assuming that the plan doesn't	22 23	you give today is the truth, the whole truth, and
23 24	have gains or losses, that is, that the assumptions are	23	nothing but the truth? THE WITNESS: I do.
24	met. In the event that there are losses, which, in	24	JUDGE HOWARD: Thank you.
23		2.5	JUDGE HOWARD. Mark you.
	Page 813		Page 815
1	the course of a pilot's career, there almost certainly	1	Mr. Callaghan, would you please introduce
2	will be at some point, those required contributions	2	the witness?
3	could be very volatile, and pilots could see a dramatic	3	MR. CALLAGHAN: Yes, your Honor. Thank
	increase suddenly and, potentially unexpectedly, in the		
4		4	you.
4 5	contribution that they need to make to the plan from one	4 5	-
			you.
5	contribution that they need to make to the plan from one	5	you. Good afternoon, Ms. Simmons.
5 6	contribution that they need to make to the plan from one year to the next.	5 6	you. Good afternoon, Ms. Simmons. THE WITNESS: Good afternoon.
5 6 7	contribution that they need to make to the plan from one year to the next. Finally, I think that, as I pointed out in my	5 6 7	you. Good afternoon, Ms. Simmons. THE WITNESS: Good afternoon. MR. CALLAGHAN: Could you please state
5 6 7 8	contribution that they need to make to the plan from one year to the next. Finally, I think that, as I pointed out in my testimony, the pilots, once they've retired, would continue to be participants in the plan. They're not employees of any of the other participants, and so	5 6 7 8	you. Good afternoon, Ms. Simmons. THE WITNESS: Good afternoon. MR. CALLAGHAN: Could you please state your name and spell your last name for the record?
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37 (Pages 812 to 815)

	Page 816		Page 818
1	MR. CALLAGHAN: Thank you. And,	1	remove it to make it a net effect of zero.
2	Ms. Simmons, you became aware of these errors after the	2	COMMISSIONER RENDAHL: Okay. Thank you
3	evidentiary hearing started in the case; correct?	3	very much. That's all I have. Appreciate it.
4	THE WITNESS: Yes, sir.	4	JUDGE HOWARD: All right. Were there any
5	MR. CALLAGHAN: Thank you.	5	further questions from the bench?
6	Staff tenders the witness for bench	6	COMMISSIONER DOUMIT: No, your Honor.
7	questions. Thank you.	7	Thank you.
8	COMMISSIONER RENDAHL: Thank you.	8	JUDGE HOWARD: All right. Thank you.
9	Good afternoon, Ms. Simmons.	9	CHAIR DANNER: No, your Honor.
10	THE WITNESS: Good afternoon.	10	JUDGE HOWARD: Hearing none, thank you,
11	COMMISSIONER RENDAHL: So I have just one	11	Ms. Simmons. You are excused.
12	question for you and that is about the treatment of the	12	THE WITNESS: Thank you.
13	paycheck protection plan loan. Do you recall your	13	JUDGE HOWARD: Our next and last witness
14	testimony on that? I have Page 11 of JNS-1T.	14	on our order of presentation is staff witness
15	THE WITNESS: Yes, ma'am.	15	Mike Young.
16	COMMISSIONER RENDAHL: Okay. And, also,	16	Mr. Young, are you online?
17	I can't pull up your whole spreadsheet, but there is a	17	THE WITNESS: Yes, I am. Can you hear
18	reference in your exhibit JNS-2r, and I'm simply wanting	18	me?
19	clarification on staff's position on the treatment of	19	JUDGE HOWARD: Yes.
20	the loan.	20	If you'd please raise your right hand,
21	Is staff accepting the adjustment R08 as	21	l'Il swear you in.
22	it is indicated in your revenue report model, or are you	22	Do you swear or affirm that the testimony
23	recommending removing R08 as it's stated in your	23	you give today is the truth, the whole truth, and
24	testimony? There's a little bit of inconsistency	24	nothing but the truth?
25	between those two, between JNS-2r and JNS-1T, at	25	THE WITNESS: 1 do.
	Page 817		Daga 910
		1	Page 819
1	Page 11. And I may be misunderstanding it, but if you	1	-
1 2	_	1	JUDGE HOWARD: All right. Mr. Callaghan, could you please introduce the witness?
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2	Page 11. And I may be misunderstanding it, but if you could please clarify, that would be helpful.	2	JUDGE HOWARD: All right. Mr. Callaghan, could you please introduce the witness?
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	Page 820		Page 822
1	CROSS-EXAMINATION	1	supported.
2	BY MR. HAGLUND	2	Q. Okay. So if you could if we could pull up
3	Q. Mr. Young, I'd first like to make sure that we	3	Exhibit MM-74X, and is this before I ask a question
	understand the staff's position on the PSP pro forma	4	related to Page 1 of this document, is it fair to say
4			
5	adjustment or pro forma amount of \$902,000,	5	that you're that staff's position is that the
6	approximately, related to pension costs.	6	pension PSP pension should be funded at the same
7	And in your testimony you if we go to	7	level that was approved in the in Order 09 in the
8	MY-1T, Page 22, this is the pension cost section of your	8	prior rate case? And we've got a page here that shows
9	original testimony. And you say, at Line 15 there, in	9	what that amount is. If we could call out the
10	answer to the question whether staff recommends	10	highlighted line, which was \$5,275,000 and change.
11	including pension costs through that adjustment, and you	11	Do you recognize this page as the document
12	say no.	12	from the schedule from the prior rate case that shows
13	Then, you go on let's go to the bottom of	13	the amount being approved for PSP pension costs in Rate
14	the page and there, you say, how does staff recommend	14	Order 09?
15	that the commission addresses pension costs? And you	15	A. Yes.
16	state there: "Staff proposes leaving pension plan costs	16	Q. And if we go to Page 2 of this document, this
17	at the level of the previous rate case. Staff believes	17	is a of this exhibit, this is a page from the 2021
18	those are the best currently available known and	18	test year audit. And it shows, at Line 24, if we could
19	measurable proxy for pension costs going forward."	19	call that out, an actual pension cost incurred by the
20	Do you see that testimony?	20	Puget Sound Pilots in 2021 of 5,517,000, over 275 or,
21	A. Yes.	21	over \$225,000 more than the amount approved in Order 09.
22	Q. And does do you stand by that position, or	22	Do you see that?
23	has staff had to back the \$902,000 pro forma adjustment	23	A. Yes.
24	into the revenue requirement?	24	Q. And if we look at the and do you in
25	A. I stand by the adjustment. Removing that	25	preparing for today, do you recognize that the \$902,000
1	Page 821 adjustment, we did not add it back in. However, I think	1	Page 823 pro forma adjustment that you are proposing to disallow
2	what you're probably referring to is the per books	2	is the difference between this test year amount of
3	amount as initially filed for 2021 is perhaps not the	3	5.5 million and this roughly 6.4 million in projected
4	same as the amount that was included in the rate	4	pension costs for 2023?
5	calculation in the previous case.	5	A. I believe that's correct.
6	Q. Well, let me let me come back to that		
_		6	Q. So, in effect, your position will result in
7	issue, but let me let's go to Ms. Simmons' testimony,	6 7	Q. So, in effect, your position will result in the disallowance of approximately 1.2 million dollars as
8	issue, but let me let's go to Ms. Simmons' testimony, JNS-10T. This is her rebuttal testimony at Page 3.	6	Q. So, in effect, your position will result in the disallowance of approximately 1.2 million dollars as opposed to 900,000?
8 9	issue, but let me let's go to Ms. Simmons' testimony, JNS-10T. This is her rebuttal testimony at Page 3. And if you look at the to call out the	6 7 8 9	 Q. So, in effect, your position will result in the disallowance of approximately 1.2 million dollars as opposed to 900,000? A. Well, actually
8 9 10	issue, but let me let's go to Ms. Simmons' testimony, JNS-10T. This is her rebuttal testimony at Page 3. And if you look at the to call out the first question and answer, she's asked what specifically	6 7 8 9 10	 Q. So, in effect, your position will result in the disallowance of approximately 1.2 million dollars as opposed to 900,000? A. Well, actually Q. Is that correct?
8 9 10 11	issue, but let me let's go to Ms. Simmons' testimony, JNS-10T. This is her rebuttal testimony at Page 3. And if you look at the to call out the first question and answer, she's asked what specifically does staff wish to revise, and Number 3 is pilot pension	6 7 8 9 10 11	 Q. So, in effect, your position will result in the disallowance of approximately 1.2 million dollars as opposed to 900,000? A. Well, actually Q. Is that correct? A. I'm sorry?
8 9 10 11 12	issue, but let me let's go to Ms. Simmons' testimony, JNS-10T. This is her rebuttal testimony at Page 3. And if you look at the to call out the first question and answer, she's asked what specifically does staff wish to revise, and Number 3 is pilot pension staff missed adding in PSP's pro forma amount of	6 7 8 9 10 11 12	 Q. So, in effect, your position will result in the disallowance of approximately 1.2 million dollars as opposed to 900,000? A. Well, actually Q. Is that correct? A. I'm sorry? Q. Is that correct?
8 9 10 11 12 13	issue, but let me let's go to Ms. Simmons' testimony, JNS-10T. This is her rebuttal testimony at Page 3. And if you look at the to call out the first question and answer, she's asked what specifically does staff wish to revise, and Number 3 is pilot pension staff missed adding in PSP's pro forma amount of \$902,000.	6 7 8 9 10 11 12 13	 Q. So, in effect, your position will result in the disallowance of approximately 1.2 million dollars as opposed to 900,000? A. Well, actually Q. Is that correct? A. I'm sorry? Q. Is that correct? A. I would have to say no because the amount that
8 9 10 11 12 13 14	issue, but let me let's go to Ms. Simmons' testimony, JNS-10T. This is her rebuttal testimony at Page 3. And if you look at the to call out the first question and answer, she's asked what specifically does staff wish to revise, and Number 3 is pilot pension staff missed adding in PSP's pro forma amount of \$902,000. Doesn't that indicate you were recognizing	6 7 8 9 10 11 12 13 14	 Q. So, in effect, your position will result in the disallowance of approximately 1.2 million dollars as opposed to 900,000? A. Well, actually Q. Is that correct? A. I'm sorry? Q. Is that correct? A. I would have to say no because the amount that we used in our calculation for the revenue requirement
8 9 10 11 12 13 14 15	issue, but let me let's go to Ms. Simmons' testimony, JNS-10T. This is her rebuttal testimony at Page 3. And if you look at the to call out the first question and answer, she's asked what specifically does staff wish to revise, and Number 3 is pilot pension staff missed adding in PSP's pro forma amount of \$902,000. Doesn't that indicate you were recognizing that as a cost to be recovered in terms of what staff	6 7 8 9 10 11 12 13 14 15	 Q. So, in effect, your position will result in the disallowance of approximately 1.2 million dollars as opposed to 900,000? A. Well, actually Q. Is that correct? A. I'm sorry? Q. Is that correct? A. I would have to say no because the amount that we used in our calculation for the revenue requirement was the 5,570,478. So the only amount excluded is
8 9 10 11 12 13 14 15 16	issue, but let me let's go to Ms. Simmons' testimony, JNS-10T. This is her rebuttal testimony at Page 3. And if you look at the to call out the first question and answer, she's asked what specifically does staff wish to revise, and Number 3 is pilot pension staff missed adding in PSP's pro forma amount of \$902,000. Doesn't that indicate you were recognizing that as a cost to be recovered in terms of what staff was recommending?	6 7 8 9 10 11 12 13 14 15 16	 Q. So, in effect, your position will result in the disallowance of approximately 1.2 million dollars as opposed to 900,000? A. Well, actually Q. Is that correct? A. I'm sorry? Q. Is that correct? A. I would have to say no because the amount that we used in our calculation for the revenue requirement was the 5,570,478. So the only amount excluded is the 902,438 adjustment.
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8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	 issue, but let me let's go to Ms. Simmons' testimony, JNS-10T. This is her rebuttal testimony at Page 3. And if you look at the to call out the first question and answer, she's asked what specifically does staff wish to revise, and Number 3 is pilot pension staff missed adding in PSP's pro forma amount of \$902,000. Doesn't that indicate you were recognizing that as a cost to be recovered in terms of what staff was recommending? A. No. I think what Ms. Simmons is referring to here is the corrections that were made to the exhibit, JNS-2, and corrected in JNS-2r, in which the removal of the 902,000 has been initially left off and was included in the correction. Q. Okay. So you staff stands by your testimony that this \$902,000 pro forma adjustment should 	6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	 Q. So, in effect, your position will result in the disallowance of approximately 1.2 million dollars as opposed to 900,000? A. Well, actually Q. Is that correct? A. I'm sorry? Q. Is that correct? A. I would have to say no because the amount that we used in our calculation for the revenue requirement was the 5,570,478. So the only amount excluded is the 902,438 adjustment. Q. Okay. So when you say in your testimony if we could call that back up, MY-1T, at the bottom of Page 22, and we'll go on to the top of Page 23, you're saying there, at the bottom of 22: "Staff proposes leaving pension costs at the level of the previous rate case."

39 (Pages 820 to 823)

	Page 824		Page 826
1	calculation is the amount from the from 2021, so I	1	isn't that the case?
2	would say there's an oversight in the favor of the	2	A. I'm not certain.
3	pilots.	3	Q. Did you not review that audit?
4	Q. So well, let me then I I'm not sure I	4	A. We've looked at the numbers. The numbers were
5	understand your position. Is your position is your	5	audited, and I'm not disputing that they were paid.
6	recommendation to the commission that the amount that	6	Q. So let's go to the next page, which is a page
7	the Puget Sound Pilots seek in the way of pension costs	7	from the 2022 audit which is in the record as part of
8	for 2023, which is the estimated actual costs of	8	another exhibit. And, here, we see the actual Puget
9	\$6.4 million, should be disallowed all the way down to	9	Sound retirement pension costs of incurred or paid
10	the 5.25 million from the prior rate case as you state	10	in 2022. It's now up just under \$500,000 to \$6 million.
11	in this first sentence?	11	Is that not a known and measurable cost as reflected by
12	A. Yes. That was the original intent of my	12	a publicly-available audit?
13	testimony was to remove any adjustments or changes to	13	A. Well, again, it's known and measurable in the
14	the pension costs until the revised or updated or the	14	sense that it it was audited, and that amount appears
15	new pension plan had been implemented.	15	to be paid out. But, again, I have no idea how this was
16	Q. So if we go back to Page 2 of Exhibit MM-74X,	16	calculated or how the amounts were determined.
17	this means that there's that the current state of	17	Q. Did staff issue any data requests inquiring
18	your adjustments is not accurate correct? in terms	18	about this particular question before reaching the
19	of what the current record does not reflect this	19	conclusion that it would recommend disallowing what is
20	extra \$275,000 reduction in the pension amount that	20	now 1.2 million dollars of known pension costs?
21	would be recovered in the tariff you would propose;	21	A. Staff requested the general ledgers for the
22	correct?	22	test year and the general ledgers for January through
23	A. Per my testimony, that is correct. But,	23	June of 2021, which we did not receive.
24	again, the actual number this is the actual number	24	Q. There were no questions specific to the
25	that was used in the calculation for staff-proposed	25	pension, were there? And you're not contesting these
	Page 825		Page 827
1	rates.	1	payments weren't made, are you?
2	Q. Well, I guess you're confusing me here,	2	A. I'm not contesting that they were not made.
3	Mr. Young. What should the commission do, in your	3	Q. Okay. Now, did you review the testimony of
4	opinion, disallow 902,000 or 1.2 million?	4	Charles Costanzo and the discussion of the Washington
5	A. If I had to do this over again, I would	5	Supreme Court case involving the pension plan of Pacific
6	probably go with the 1.2 million.	6	Telephone and Telegraph, the 1943 case? Did you review
7	Q. Probably?	7	his testimony on that topic?
8	A. I don't there was	8	A. I do not recall.
9	Q. Okay. So looking at the page that's on the	9	Q. So it's your position that the audited pension
10	screen now, which the 2021 audit, how is the 5.5 the	10	costs of PSP in the test year are not a known and
11	\$5,517,000 actual pension costs in the test year of 2021	11	measurable cost that the commission has required under
12	not a known and measurable expense?	12	that Washington Supreme Court case to recognize and make
13	A. Well, I'm not saying that it was not known and	13	sure are covered in the tariff; is that your position?
14	measurable. I'm just saying that it hasn't been	14	MR. CALLAGHAN: Objection. Calls for a
15	supported.	15	legal opinion.
16	Q. How has it not been supported? This is a	16	MR. HAGLUND: I'll withdraw the question.
17	public this is an audit performed by a CPA.	17	Q. (By Mr. Haglund) And do you recognize,
18	A. We don't know exactly what formulation was	18	Mr. Young, that if the if the 1.2 million dollars
19	used to determine the amounts to contribute to the	19	that you propose be disallowed in projected pension
20	pension plan, and I don't know if that was the existing	20	payments in 2023, that that will increase the expenses
21	pay-as-you-go formulas, or if it was the formulas based	21	that, in turn, increase decrease the net income of
22	on the new proposed plan. That was not clear in the	22	each one of the Puget Sound Pilots?
23	filing that the pilots made.	23	A. Quite possibly.
24	Q. The 2021 audit is awfully clear in its	24	Q. Well, it's not quite possibly, is it? It's
25	footnotes that the pay-as-you-go plan has continued;	25	absolutely clear that it will, won't it?
		1	

40 (Pages 824 to 827)

			D
	Page 828		Page 830
1	A. Well, any yeah, any amount that you pay out	1	Q. You did not look at Mr. Lough's testimony that
2	as an expense, yes, would probably reduce the amount	2	assembled all of the comparable pilot income data that
3	available for the pilots' distributions.	3	is publicly available from around the country?
4	Q. And if I divide 56 or divide 1.2 million	4	A. I scanned it when it was submitted, but I did
5	dollars, rounding it by 56, that's \$21,428 that would	5	not use that in constructing my testimony here.
6	reduce the distributable net income of each Puget Sound	6	Q. Okay. So you did read it when submitted?
7	Pilot if there are 56; correct?	7	A. Yes.
8	A. Yes. According to your math, yes.	8	Q. And did you review all of the exhibits?
9	Q. Okay. Now, let's turn to the DNI topic. Is	9	A. I don't recall them. I probably looked I
10	it it's correct, is it not, that you have no	10	probably looked at them.
11	discussion whatsoever of the distributable net income	11	Q. Okay. Now and they were referenced as
12	topic in either your response testimony or your	12	did you if we could put on the screen did you
13	cross-answering testimony?	13	review the testimony of Mr. Moore?
14	A. That's correct.	14	A. Yes.
15	Q. And the only place where one can find any	15 16	Q. Captain Moore on behalf of the PMSA?
16 17	reference in your exhibits to DNI is if we could call up	17	A. Yes. Most of it, yes.
17	MY-9, Page 1. The one behind the next page. That's	18	Q. If we could call up MM-1T, Page 190, and if we
18 19	the cover page. If we could call out that table, and would you agree that the line that says "target DNI of	18	could call out the five bullet points there? These are five items that Mr. Moore Captain Moore claims are
20	56 pilots" on this exhibit of yours is the only place in	20	•
20 21		20	necessary in order to conduct any sort of comparable pilot group analysis.
22	your testimony where you, on behalf of UTC staff, address the topic of distributable net income for Puget	21	Do you remember reading these bullet points?
22	Sound Pilots in this rate case?	22	A. I don't remember reading them. I may have.
23 24	A. Directly, that's correct.	23	Q. Do you is it your position that in order to
24 25	Q. And if one wishes to determine how if you	24	compare pilot groups from around the country, that the
25	Q. And it one wisnes to determine now - it you	23	compare plior groups nom around the country, that the
	Page 829		Page 831
1		1	
1 2	look at that line, it has a listing of the total amount	1 2	commission must have detailed data regarding the
	look at that line, it has a listing of the total amount devoted to DNI per the current rates as you list them.		commission must have detailed data regarding the day-to-day work in each pilotage district under
2	look at that line, it has a listing of the total amount devoted to DNI per the current rates as you list them. And then it has PSP's proposed rates, some the first	2	commission must have detailed data regarding the day-to-day work in each pilotage district under consideration for comparison purposes?
2 3	look at that line, it has a listing of the total amount devoted to DNI per the current rates as you list them. And then it has PSP's proposed rates, some the first column's 21 million, PSP proposed rate column is	2 3	commission must have detailed data regarding the day-to-day work in each pilotage district under consideration for comparison purposes? MR. CALLAGHAN: Objection, your Honor.
2 3 4	look at that line, it has a listing of the total amount devoted to DNI per the current rates as you list them. And then it has PSP's proposed rates, some the first	2 3 4	commission must have detailed data regarding the day-to-day work in each pilotage district under consideration for comparison purposes?
2 3 4 5	look at that line, it has a listing of the total amount devoted to DNI per the current rates as you list them. And then it has PSP's proposed rates, some the first column's 21 million, PSP proposed rate column is 33.58 million, and then staff's proposed rates is	2 3 4 5	commission must have detailed data regarding the day-to-day work in each pilotage district under consideration for comparison purposes? MR. CALLAGHAN: Objection, your Honor. This is outside the scope of Mr. Young's testimony.
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2 3 4 5 6 7 8 9 10 11 12	 look at that line, it has a listing of the total amount devoted to DNI per the current rates as you list them. And then it has PSP's proposed rates, some the first column's 21 million, PSP proposed rate column is 33.58 million, and then staff's proposed rates is \$24.85 million. Do you see that? A. Yes. Q. And is it correct that you used 56 pilots as the funded number of pilots recommended? A. Yes, that's correct. Q. And the DNI is one can reverse engineer what you've done because there's a reference, I think, 	2 3 4 5 6 7 8 9 10 11 12	commission must have detailed data regarding the day-to-day work in each pilotage district under consideration for comparison purposes? MR. CALLAGHAN: Objection, your Honor. This is outside the scope of Mr. Young's testimony. MR. HAGLUND: Your Honor, he has a reference in his testimony to DNI. It's the most one of the most important issues in the case. MR. CALLAGHAN: Your Honor MR. HAGLUND: I should be able to explore what his understanding is of this particular key issue. MR. CALLAGHAN: Your Honor, Mr. Young has
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41 (Pages 828 to 831)

	Page 832	Page	834
1	comparability as an issue in this case.	1 Asked and answered. Mr. Young has already stated that	
2	Q. Okay. Then I won't go through the rest of the	2 he didn't evaluate comparability as an issue in this	
3	bullets, but let me ask you these questions.	³ case.	
4	MR. HAGLUND: If we could call up this	4 JUDGE HOWARD: I will allow the question.	
5	is one of the exhibits in Mr. Lough's testimony was	5 THE WITNESS: No, I did not. As has been	
б	an order from the Louisiana Pilotage Fee Commission.	6 stated, I did not look at comparability. The commission	
7	This is DL-07. If we could look at Page 35 of that	7 is not required to do that. The commission established	
8	exhibit?	8 a DNI in the previous case so I did not go any further	
9	And if we could actually, I was	⁹ into it than that.	
10	mistaken, it should be page yeah, that's that was	10 Q. (By Mr. Haglund) Isn't it true, Mr. Young, that	
11	37. 35 is what I was looking for. Now you're there.	11 the that the commission decided on the basis of wea	ak
12	If we could call if we could highlight	12 evidence to reject PSP's comparable income informati	on
13	the first five lines of the second-to-last paragraph on	13 as insufficient? They did not decide that it was	
14	the page? The first five lines of the last paragraph.	14 irrelevant to future cases, did they?	
15	Q. (By Mr. Haglund) Let me represent to you,	15 A. Are you referring to the Order 9 from the last	
16	Mr. Young, that the Louisiana Pilotage Fee Commission,	16 case?	
17	like the UTC, will periodically engage experts to do	17 Q. Yes, yes.	
18	work. They engaged a consultant called UPC is the	18 A. I'm aware that the commission did not choose	
19	acronym. They did analysis of the average compensation	19 to use the comparability in that instance, but, again,	
20	for pilots in the United States ports other than the	20 they're not they're not required to. They may choose	
21	state of Louisiana; found that in this December 1, 2020,	21 to.	
22	order '21 order, actually, to be \$478,000 per pilot	22 MR. HAGLUND: Okay. And let me ask that	
23	reflecting the range there.	23 the Exhibit DL-22 be placed on the screen.	
24	Did you examine this order?	Q. (By Mr. Haglund) Do you recall looking at this	
25	A. I did not.	exhibit to Mr. Lough's testimony, which is the a copy	y
	Page 833	Page	835
1	Page 833 Q. So if we go to the next page well, if you	Page 1 of the 2022 new contract substantially increasing	835
1 2			
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42 (Pages 832 to 835)

	Page 836		Page 838
1	Q. And if the table prepared by Mr. Lough shows	1	Q. (By Mr. Haglund) Okay. So this is the rebuttal
2	that the Grays Harbor pilots were projected to earn	2	testimony of Ken Eriksen, and did you review that
3	497,000 in 2023, as a matter of policy, do you think	3	testimony, Mr. Young?
4	it's appropriate for the UTC to approve a substantially	4	A. I scanned it, yes.
5	lower level of pay for the Puget Sound Pilots?	5	Q. And one of the things that it does on a couple
6	A. Again, the situations are not identical. I	6	of pages is where there is overlap between the types of
7	would have to, you know, examine them side by side to	7	traffic that types of vessels that go into Grays
8	determine, you know, if it what similarities occurred	8	Harbor and that also go into Puget Sound. Grays Harbor
9	and what differences occurred. There could be a lot of	9	has much less diversity of ship traffic, but one of
10	reasons for why the pay would be different.	10	those that where they both have the same vessels come
11	Q. Did you listen to Captain Moore's testimony	11	into their pilotage grounds is bulk carriers, grain
12	yesterday?	12	primarily.
13	A. Yes, I did.	13	And the upper chart here shows the cost in
14	Q. Did you when the discussion of Grays Harbor	14	shows compares the pilotage fees in thousands of
15	came up, do you recall him stating that one of the	15	dollars per assignment for a vessel going into Puget
16	reasons he didn't oppose the Grays Harbor 15 percent	16	Sound, specifically a five-hold dry bulk carrier vessel
17	increase in its tariff was because of the need to have	17	heading into Grays Harbor along with several other
18	at least two pilots even though there wasn't enough work	18	ports. Do you see this?
19	for two pilots? Do you remember that?	19	A. Yes.
20	A. I do remember him saying that, yes.	20	Q. And the the what you see on this chart
21	Q. And the data assembled by did you read	21	is the level of charge by Puget Sound using the Puget
22	Captain Carlson's rebuttal testimony?	22	Sound Pilots using their proposed rates and the
23	A. Yes, I did.	23	current compared to the current rates for Grays
24	Q. And then so you did review the workload	24	Harbor.
25	evaluation and table in his testimony showing that	25	Do you see that the cost is substantially
	Page 837		Page 839
1	among, I think, 13 pilot groups on the list, that Puget	1	higher, approximately \$7,000 for a movement into Grays
2	Sound Pilots were the second hardest-working in terms of	2	Harbor compared to less than \$5,000 in Puget Sound? Do
3	total hours working on task within that table. Did you	3	you see that?
4	see that too?	4	A. When you say "costs," you're talking about the
5	A. I don't recall off the top of my head, but	5	fee the fee actually charged, correct?
6	probably. If it's in the table, it was probably there.	6	Q. Yes, I am.
7	Q. And do you think it's an appropriate policy	7	A. Okay.
8	for purposes of rate-setting involving state-licensed	8	Q. Don't you think that analyzing the pilotage
9	pilots in the State of Washington for a small group with	9	fee levels is a pertinent inquiry in trying to assess,
10	low traffic, low level of overall work, to earn	10	in a sophisticated and comprehensive way, the fair,
11	substantially more than your recommended level of DNI in	11	just, and reasonable level of distributable net income
12	this case?	12	that the Puget Sound Pilots should earn? And that's the
13	A. I think the rates ought to be set based on the	13	end of my question. Would you wouldn't it be
14	cost of providing the service that's delivered.	14	important to look at this sort of data?
15	Q. Well, the cost of the service that is	15	A. Well, it depends. We have multiple garbage
16	delivered includes, as the single biggest component of	16	companies providing service in King County, and we don't
17	the rate, the net income paid to pilots, does it not?	17	examine the rates of the other garbage companies to
18	A. That's a possibility, yes.	18	determine the rate for the company that's filled the
19	MR. HAGLUND: Well, let's let me put	19	rate case, so I did not do that in this case either. I
20	up another exhibit. If we could go to KAE-4T, Page 4.	20	would have to know all about the cost data that supports
21	No, this is KAE. This is a totally	21	this before I could do any kind of comparison.
22	this is Ken Eriksen's testimony. We used it, and go to	22	Q. Did you did you happen to attend or did
23	Page 4.	23	you have you reviewed the public comment testimony
24	Did you that's the okay. That's	24	yet?
25	great.	25	A. I was at the hearing.
	-		-

43 (Pages 836 to 839)

	Page 840	Page	842
1	Q. Did you review the written submissions?	1 testimony, sir?	012
2	A. I have not had time to do that, no.	2 A. No. Our review of the DEI accounts were	
3	Q. So let me represent to you that one of the	 Imited to the actual expenses during the test year. 	
4	exhibits in this case is a letter from a pilot.	4 Q. Now, I'd like to turn to a subset of the DNI	
5	MR. HAGLUND: Whoops. If we could	5 issue that I omitted.	
6	actually, I wanted to go back to one other page of	6 On your exhibit, which is the sole place where	
7	this of that exhibit, and that's on Page 5. The	 you deal with DNI, on that tabulation which is MY-9 	
8	upper or the lower or, I'm sorry, you need to get to	8 if we could pull that back up you recommend that t	
9	Page 5.	9 medical insurance premiums of \$1.88 million be inclu	
10	Q. (By Mr. Haglund) The other example where	10 in DNI; correct?	
11	there's overlap in vessel type calling both Puget Sound	11 A. Yes.	
12	and Grays Harbor is this one, and this is for small	12 Q. Isn't that completely inconsistent with the	
13	tanker vessels. Again, you see significantly higher	13 language the commission used in Order 9 that DNI is	
14	pilotage costs for that small tanker going into Grays	14 distributable net income? If you add a cost of medica	al
15	Harbor compared to Puget Sound; correct?	15 insurance, which is a benefit, to DNI you're not	
16	A. That appears to be what the chart is showing,	16 increasing distributable net income, are you?	
17	yes.	A. Well, the the direct answer to your	
18	Q. And doesn't this tell you, in no uncertain	18 question is no, but I believe that the directive in	
19	terms, that a higher level of DNI could easily be	19 Order 9 from the commission was that the pilots should	
20	absorbed given the relative difference in rates for	20 be paying their own medical premiums. If we do not	
21	in terms of higher level for Puget Sound?	21 include this cost as part of the DNI calculation, then	
22	A. I'm not sure what you mean by "absorbed."	it would've removed that expense out of the equation	
23	Q. Well, the rates would not be higher in Puget	entirely, which then would have eaten into each pilot's	
24	Sound if they the proposed rates of PSP for this	24 individual income.	
25	class of ship, it's all on the basis of tonnage and then	25 Q. So PSP appreciates staff recommending that	
	D 041		
	Page 841	Page	843
1	Page 841 the hours devoted to the pilotage assignment, of course,	Page 1 this cost be recovered in the tariff, but let me ask y	
1 2		2	ou
	the hours devoted to the pilotage assignment, of course,	1 this cost be recovered in the tariff, but let me ask y	rou te
2	the hours devoted to the pilotage assignment, of course, but this is the comparison at PSP's proposed pilotage	 this cost be recovered in the tariff, but let me ask y this question. The universal approach of other sta 	rou te t
2 3	the hours devoted to the pilotage assignment, of course, but this is the comparison at PSP's proposed pilotage rates which have a DNI well in excess of \$500,000. MR. CALLAGHAN: Your Honor, I'm going to have to object again. This is outside of the scope of	 this cost be recovered in the tariff, but let me ask y this question. The universal approach of other sta regulators of pilot groups is to use the term "targe net income" to be defined as the amount of income net income that the pilot is supposed to have after 	rou te t e that all
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44 (Pages 840 to 843)

	Page 844	Page 846
1	and fee-setting process should include automatic	1 You'd agree, wouldn't you, that one of the
2	adjusters, which help avoid the need for annual	2 that, ultimately, this commission is going to make a
3	reviews," and rate cases for that matter.	3 decision on a distributable net income? They're going
4	Do you concur with the policy that automatic	4 to pick a number that they put into their order; right?
5	adjusters to a tariff have the potential to reduce the	5 A. Yes.
6	need for expensive, time-consuming rate cases?	6 Q. And they will also approve the different
7	A. I do, and I believe I stated that in my	7 insurances, medical insurance, hopefully, license
8	testimony.	8 defense insurance, other insurances, plus the license
9	Q. But you only you only recommended one	9 fee, those are going to be known numbers on a per-pilot
10	automatic adjuster, that being the COLA, cost of living	10 basis; correct?
11	tied to the CPI for Seattle/Bellevue; correct?	11 A. Well, I think that was two questions, but,
12	A. That's correct.	12 yes, on a per-pilot basis, I would agree with you. And,
13	Q. Okay. And for the record, PSP supports your	13 yes, the commission will determine the correct amounts
14	position on that. It's the same as ours, but I want to	14 for those.
15	ask you about a couple other adjusters.	15 Q. Okay. And let's just, for purposes of round
16	Did you review the testimony of	16 numbers in this question, assume that the DNI is set and
17	Michael Titone, a former shipping industry executive, as	17 then you add the benefits and it adds up to \$700,000.
18	well as employee in the financial area, chief financial	18 It would be relatively easy, wouldn't it, to have an
19	officer and industry liaison for the Columbia River Bar	19 auto adjuster to the tariff where it went up by the
20	Pilots for a number of years?	20 percent that \$700,000 bears to the total revenue
21	A. I'm not recalling that. Again, if it was with	21 requirement. It's going to be in the neighborhood of
22	the initial filing, I probably scanned through it, but	22 potentially 1-point-something percent, that it would be
23	I it's not clear in my memory right now.	²³ relatively easy to have an automatic adjuster that has
24	Q. Okay. This is it's MJT-01, and this is	24 the tariff go up with new licensees or go down by the
25	actually rebuttal testimony. Let's call it up. I have	25 same amount with a retiree; would you agree?
	Page 845	Dama 047
		Page 84/
1	5	Page 847
1	some particular questions I'd like to put to you, and if	1 A. Well, I would agree that it would be easy, but
2	some particular questions I'd like to put to you, and if we could go to Page 7.	1 A. Well, I would agree that it would be easy, but 2 that's ignoring other factors that would that would
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45 (Pages 844 to 847)

	Page 848	Page	850
1	years.	1 automatic adjusters, isn't that your understanding	?
2	Given the ease of that calculation, wouldn't	2 A. Yes. My understanding is that is in the	-
3	you agree that it's relatively easy to keep track of the	3 either the statute or the rule, but I can't remember	
4	annual cost of your existing retirees?	4 which but they allow automatic adjusters.	
5	A. It should be.	5 Q. I can represent to you it's definitely in the	
6	Q. And at the end of a given calendar year, it	6 statute.	
7	based upon information received from those retiree	7 And if these automatic adjusters were used,	
8	those pilots who are close to retirement, one could	8 wouldn't they reduce your regulatory burden as an	า
9	pursue those inquiries and determine, with a fair level	9 agency?	
10	of confidence, how much the cost in that next year would	10 A. Absolutely.	
11	increase with new retirements or potentially decrease	11 Q. And if let me ask you this: From the	
12	with deaths. Wouldn't you agree?	12 standpoint of the UTC staff and the regulatory burg	dens
13	A. Well, I would you know, we can always	13 that a pilotage case can impose upon the agency, w	would
14	speculate, you know, who might pass away and who might	14 you agree, as a policy matter, it would be preferable	le to
15	retire. You know, there's actuarial data, et cetera,	15 have in place a tariff that actually encourages or	а
16	but until that actually happens it's not known and	16 tariff that establishes conditions that move the	
17	measurable.	17 interval between general rate cases from 18 month	
18	Q. Well, no, I'm I'm only talking about known	18 five or more years? That would be a good outcom	ie,
19	deaths, not projected deaths.	19 wouldn't it?	
20	A. Okay.	A. It would, but the interval and the triggers	
21	Q. So	21 for the reviews is the key issue here.	
22	A. Sorry.	22 Q. Triggers for the reviews.	
23	Q. Yeah. No problem.	A. So, yeah, if you're proposing an automatic	
24	But so my question is: Wouldn't you agree	adjuster that would be in place for five years, at what	
25	that the UTC could follow the example of multiple other	25 point do the actual costs get reviewed? And I'm talkin	ng
	Page 849	Page	851
1	states where the pension costs are the subject of an	1 about in total.	
2	annual surcharge that's designed to collect the	2 Q. Sure, but let me just share some other	
3	necessary funds to pay the pension benefits and that it	3 experience with in other states.	
4	is adjusted on an annual basis taking into account the	4 When it comes to the COLA you're proposing,	
5	known and measurable changes from that year and the	5 vou're not proposing a time limit on it, are you?	
6			
	known and measurable data concerning known retirement	6 A. I did not, no.	
7	dates in the next year and one could have a surcharge	 A. I did not, no. Q. Okay. And I'm not aware of well, there are 	
7 8	dates in the next year and one could have a surcharge that is tracking that cost with any over or under	 A. I did not, no. Q. Okay. And I'm not aware of well, there are some states where there are there are exhibits in 	
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	Page 852		Page 854
1	can simply wait for that to happen, can't it?	1	MR. HAGLUND: Objection. Leading,
2	A. Yes, that's that is how it works now,	2	your Honor.
3	right?	3	JUDGE HOWARD: I'm going to deny the
4	Q. Yeah.	4	objection.
5	A. Any party that has an interest can ask for a	5	THE WITNESS: So I get to answer the
6	change to the tariff.	6	question; is that correct?
7	Q. If a gas company likes their rates for ten	7	JUDGE HOWARD: Go ahead, yes.
8	years and the consumers do too, you don't have to have a	8	THE WITNESS: Yes, absolutely. Staff has
9	rate case for ten years, do you?	9	been frustrated from the beginning of the lack of
10	A. Well, the actual the answer would be no,	10	support and calculations for the basic expenditure data,
11	but I believe that the commission would prefer that	11	and, yeah, it's just been, you know, difficult to review
12	that companies are having their rates reviewed more	12	this.
13	often to make sure the rates maintain their fairness,	13	And getting into the area of
14	reasonableness, and sufficiency.	14	comparability requires an apples-to-apples. There's
15	Q. Sure. Okay. I let me just review my	15	you know, that would require many, many hours to break
16	notes.	16	those down to that point where we could compare them
17	THE STENOGRAPHER: And at a good stopping	17	evenly. So, yeah, the lack of support for a lot of it
18	point, the Court Reporter would like a break. We've	18	definitely drove our direction in this case.
19	been going for almost two hours.	19	Q. (By Mr. Callaghan) And in the parts of this
20	JUDGE HOWARD: Certainly. I think this	20	case that staff did analyze, you felt that there did
21	is our last witness and we may be done very shortly	21	you feel that there was insufficient support for those
22	here.	22	parts?
23	MR. HAGLUND: That's	23	A. Yes, absolutely. As I responded to
24 25	(Pause in the proceedings.)	24	Mr. Haglund earlier about the retirement, you know, we
20	MR. HAGLUND: I think that's all I have.	25	received a list of people with dollars attached to their
	Page 853		Page 855
1	Thank you.	1	names. I have no idea how those dollars were calculated
2	JUDGE HOWARD: All right. Thank you.	2	or why it was higher in 2023 compared to 2022, which we
3	Mr. Callaghan, any redirect?	3	didn't get, or 2021. So, yeah, there was really not
4	MR. CALLAGHAN: Yes, your Honor. I will	4	much for us to review there.
5	be brief.	5	Q. So if there was insufficient evidence for
6		6	those pieces of PSP's proposal, would there have been
7	REDIRECT EXAMINATION	7	any point in engaging in the comparability analysis if
8	BY MR. CALLAGHAN	8	you just felt they hadn't met their burden in those
9	Q. Mr. Young, you were asked by counsel for PSP	9	other aspects of the case?
10 11	whether or not you you read through or evaluated comparability in this case; correct?	10 11	A. Yeah. Again, you know, the actual expenditures are concrete numbers and we can look at
12	A. That's correct.	12	general ledgers, we can see what checks they wrote.
13	Q. All right. And staff did not in this	13	When you're talking about issues like
14	instance; is that right?	14	comparability, it's a little bit more ethereal. So
15	A. That's correct.	15	again, just way more effort than we had the resources to
	Q. Why is that?	16	direct towards that.
16		1 10	
16 17	-	17	
	A. Well, apart from the volume of data, there was staff had limited resources to address this.		Q. Okay. And Mr. Haglund asked you about staff's position on the automatic adjusters. Do you recall
17	A. Well, apart from the volume of data, there	17	Q. Okay. And Mr. Haglund asked you about staff's
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17 18 19	 Well, apart from the volume of data, there was staff had limited resources to address this. It's not a requirement and we chose to focus on the 	17 18 19	Q. Okay. And Mr. Haglund asked you about staff's position on the automatic adjusters. Do you recall that?
17 18 19 20	 A. Well, apart from the volume of data, there was staff had limited resources to address this. It's not a requirement and we chose to focus on the actual expenditures and reviewing those actual costs which I think had increased significantly since the previous case. 	17 18 19 20 21 22	 Q. Okay. And Mr. Haglund asked you about staff's position on the automatic adjusters. Do you recall that? A. Yes.
17 18 19 20 21 22 23	 A. Well, apart from the volume of data, there was staff had limited resources to address this. It's not a requirement and we chose to focus on the actual expenditures and reviewing those actual costs which I think had increased significantly since the previous case. Q. And in addition to those reasons, is it also 	17 18 19 20 21 22 23	 Q. Okay. And Mr. Haglund asked you about staff's position on the automatic adjusters. Do you recall that? A. Yes. Q. And in your testimony, you go through your rationale for rejecting most of those adjusters; correct?
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1 believe, you know, feedd into the target DNI, I suppose, is the correct term. And that can be, again, is not how the correct term. And that can be, again, is not how the correct term. And that can be, again, is not how the correct term is not a guarantee of earning. Image: Control term is not a guarantee of earning. 0 A right. And the figured asked you about wouldn't it be easier to have these adjusters? Wouldn't it rotocue to burden on the correct solutions? A, Yes. 10 Q. All right. And the figured asked you about wouldn't it be easier to have these adjusters? Wouldn't it response to he usual beam to correct solution. Mr. Callagharv, was staff a have pathic comments adjusters; correct? 11 A. Yes. Mr. Callagharv, was staff to have perform, and thats - that entails setting fair, just, mean about, and subthout makes. 12 A. Yes. JUDGE HOWARD: Yes, your Honor, in response to the usual beach requests. JUDGE HOWARD: all right. Use assist for othe subthout motor and have against these adjusters; correct? Mr. CalLAGHAN: They would be marked as a bench exhibit? 12 A. Yes. JUDGE HOWARD: All right. The work is a staff to have adjusters; correct? JUDGE HOWARD: All right. The work is a staff to have adjusters; correct? 2 A. Yes. JUDGE HOWARD: All right have about adjusters; correct? JUDGE HOWARD: All right. And work is from the bench for this winnes? 3 Do to ta leading question if that occurs more. COMMISSIONER POUAND: Xe, your Honor. COMMISSIONER PEND		Page 856		Page 858
2 is the correct term. And that can be, again, is not how 2 going set the page limit for the initial post-hearing 3 the correct term. And that can be, again, is not how 2 going set the page limit for the initial post-hearing 4 requirement is not a guarantee of earning. 5 C. All right. And the Aguind asked you about 5 5 C. All right. And the tage again, is not how 6 And then on the issue of public comments. 7 It reduce the burder on the commission and staff to have 6 And then on the issue of public comments. 8 the initian againster? Point of the initian guarantee of earning. 7 9 A. Yes. The correcter? 2 2 11 by your position in your initial testimony on the aution and the mains entails gaint giar, just, 7 Feagrea 51 12 parform, and that - mate analis seturing in right, beasier 1 1 1 13 A. Yes. And is that more important than the issues of 1 1 1 14 parform, and a differt. So went hough it might be easier 1 1 1 1 1 1 <t< th=""><th>1</th><th>believe, you know, feeds into the target DNI. I suppose.</th><th>1</th><th>For page limits, we're planning we're</th></t<>	1	believe, you know, feeds into the target DNI. I suppose.	1	For page limits, we're planning we're
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1	Thank you.
2	MS. DeLAPPE: Just a thank you from PMSA
3	for everyone.
4 5	JUDGE HOWARD: Thank you. MR. CALLAGHAN: Thank you to the Court
5	Reporter. I'm so sorry.
7	MS. DeLAPPE: Yes.
8	MR. HAGLUND: Thanks to all the
9	Commissioners, the Court Reporter, and your Honor.
10	JUDGE HOWARD: Thank you all. Thank you
11	to all the parties, their witnesses, and their
12	attorneys.
13	We are adjourned. Thank you.
14	(Hearing adjourned at 2:55 p.m.)
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18 19	
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	Page 861
1	CERTIFICATE
1 2	OLIVITIONIL
3	STATE OF ARIZONA)
4) COUNTY OF MARICOPA)
5	
6	I, Nicole A. Bulldis, RPR, a Certified Court Reporter, do hereby certify under the laws of the State
7	of Washington:
8	That the foregoing evidentiary hearing was
9	taken stenographically by me on April 7, 2023, and transcribed under my direction;
10	That the witnesses were duly sworn to testify
11	truthfully, and that the transcript of the hearing is full, true, and correct to the best of my ability;
12	That I am not a relative, employee, or counsel
1 2	of any party to this action or relative or employee of
13	such counsel, and that I am not financially interested in the said action or the outcome thereof.
14	
15 16	IN WITNESS WHEREOF, I have hereunto set my
17	hand this 20th day of April 2023.
18	
19 20	Tikilo 💓
21	Nicole A. Bulldis, RPR
22	WA CCR. No. 3384
23	
24 25	
25	

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