Docket No. TP-220513 - Vol. VI WUTC v. Puget Sound Pilots April 7, 2023



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Page 672 Page 674 1 PROCEEDINGS 1 A. I have not. 2 2 Q. And you have no experience providing actuarial Friday, April 7, 2023; 9:03 a.m. 3 services for the maintenance of a defined benefit 3 --000--4 multiple employer plan? 4 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 7 you updated your savings estimates of moving away from here to continue the evidentiary hearing in Docket TP-220513. We're resuming with PSP's witnesses, 8 the current funded plan to a new funded plan; correct? 8 9 9 A. Yes. and the first witness we'll be calling today is 10 10 Christopher Wood. 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. All right. Great. If you'd please raise 13 A. I cited -- I cited 124 million and 100 million 13 14 14 your right hand, I'll swear you in. with the savings. 15 15 Do you swear or affirm that the testimony Q. Also, Alternative 1, your corrected savings are now 124 million? 16 you give today is the truth, the whole truth, and 16 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 Q. And under your analysis, all these savings are 21 the witness? MR. HAGLUND: Yes. 22 attributable to investment earnings on the larger 22 23 23 Mr. Wood, how many years have you worked contributions of pilots in the early years of the plan? 24 as an actuary? 24 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 2 or in the first approximately 15 years, yeah, before and rebuttal testimony in this case? 3 3 THE WITNESS: Yes, I did. reaching a steady state, at which, at that point, MR. HAGLUND: Is it true and accurate to 4 4 inflation will inevitably cause it to gradually 5 5 the best of your knowledge? increase. 6 THE WITNESS: Yes, it is. 6 Q. And so just to confirm, that -- the reason that you have the savings that you referred to in your 7 MR. HAGLUND: I tender the witness for 7 prior testimony just a moment ago is because of those 8 8 cross. JUDGE HOWARD: All right. Ms. DeLappe, 9 9 contributions in the early years of the plan, the 10 10 investment earnings on those? you may proceed. 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 13 **CROSS-EXAMINATION** is more front-loaded would be a way of thinking about it BY MS. DeLAPPE 14 14 in that that creates an opportunity for investment 15 Q. And good morning, Mr. Wood. 15 earnings to offset future costs. Q. So calculating investment returns accurately 16 A. Good morning. 16 Q. You -- just as a preliminary matter, in your is crucial to determining the savings; right? 17 17 capacity as a pension actuary, do you read and apply A. Yes, I would say so. 18 18 sections of the Internal Revenue Code specific to that 19 19 Q. In your rebuttal testimony -- and now I'm at 20 work? 20 Page 4, Line 25 and going on to the next page -- you 21 A. Yes. 21 assumed investment returns would match the discount 22 Q. Okay. And before your work with PSP, have you 22 rates being used to determine the plan liabilities; 23 ever been retained in an actuarial capacity in support 23 right? 24 of the creation of a defined benefit multiple employer 24 25 plan? 25 Q. And you also testified, quote, "The discount

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rates mandated by the minimum funding rules are based upon high-quality corporate bond rates in effect as of the valuation date"?

A. Yes. Yes, I did.

MR. HAGLUND: Speak up a little bit. MS. DeLAPPE: Thank you.

- Q. (By Ms. DeLappe) Do you agree that the mandated discount rates in effect as of the valuation date are currently based on 25-year averages of high-quality corporate bond rates with fixed minimums applied?
 - A. Yes.

- Q. And for the investment return to match the discount rate -- now on Page 5 of your rebuttal testimony -- you quote, "Assume that a professionally managed pension trust would be able to earn a rate of return on plan assets at least equal to the rate of return generated by a portfolio of high-quality corporate bonds"; right?
 - A. Yes. Yes, I said that.
- Q. So, in other words, you are assuming a rate of return for this new funded plan would be based on the returns of investments in this new portfolio of high-quality corporate bonds?
- A. No. I'm not assuming that the plan invests only in high-quality corporate bonds.

cases, even goes outside strictly just equities and bonds in order to maximize, with the new contracts, the risk tolerances for the return on the portfolio.

Q. Does any of your testimony address investment return volatility?

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- A. No.
- Q. If investment earnings are the apparent savings, then could the savings that are earned with any type of funding or contribution plan -- I guess, let me back up and restate this.

So if investment earnings are the apparent savings, then could those savings be achieved with any type of funding or contribution plan that is ultimately selected?

MR. HAGLUND: Objection. Vague.
THE WITNESS: You mean any -- can I -can you clarify? Are you talking about any plan with -JUDGE HOWARD: After there's an
objection, I will -- I'll need to rule. Perhaps -perhaps the question could be rephrased slightly.

MS. DeLAPPE: Thank you.

Q. (By Ms. DeLappe) So, Mr. Wood, earlier, we talked about investment earnings as the basis for the apparent savings. So could those savings be earned with any type of funding or contribution plan that PSP

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Q. Can you explain that, please?

A. Sure. The pension plans, in general, invest in a mix of equities and bond instruments. That is done on the basis of analysis and asset consultants who will 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 mix of equities and bonds.

But it -- I would say it's inevitably, except in very, very unusual circumstances, going to include some mix -- you know, the basic standard that people often refer to is 60/40 equity to bond, but there certainly are ones that are different from that, something more like 50/50 or 40/60.

Q. So when we look at the investment returns that will be needed given the mandated discount rates, will they actually need to -- will they need to be more aggressive than just assuming that the investments will naturally return a rate generated by -- they -- you know, what they would if they were generated on a portfolio of current high-quality bonds?

A. I'm not sure I would characterize it as needing to be greater so much as, you know, a responsible investment philosophy and approach will produce some mix of investments that, you know, in many

Page 679

ultimately selects?

A. No, if I understand you correctly, and it 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.

Q. And so putting aside -- let's say all things being equal as far as the portfolio that they are investing in, would you agree that the savings from those earnings could be earned regardless of the type of funding or contribution plan that PSP ultimately selects?

A. So you're not talking about investment philosophy here, you're talking about the plan?

Q. Correct.

A. I guess I would say that any approach that results in prefunding.

Q. Any plan that results in prefunding?

A. Not a plan. It's not the plan that decides the funding. It's the funding policy that the plan sponsor has.

Q. I'm trying to fill in the words that are not coming through. There seems to be a problem with the connection.

A. Okay.

JUDGE HOWARD: I'm wondering if the

Page 680 Page 682 1 microphone could be a little bit closer to Mr. Wood or 1 A. Correct. 2 2 Q. It's -if he needs to raise his voice some? I'm not entirely 3 sure if that's the issue, but that might be the issue. 3 A. I'm not adding an active participant. I'm MR. HAGLUND: We're moving it closer to adding a participant. Because in Year 1, you have no 4 4 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 7 THE WITNESS: Do you want to do your Do you understand what I'm saying? 8 8 MS. DeLAPPE: Yes, I think we're -- the question again? 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 returns that can produce savings. 15 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. assumptions about the growth of the pilotage core are Thank you, Mr. Wood. 18 18 19 based -- if we turn to Page 8 of your rebuttal 19 JUDGE HOWARD: All right. Any redirect? 20 20 MR. HAGLUND: Yes, your Honor, briefly. testimony, Line 7, you said they're based on 56 Year 1 21 participants, all active and adding one net additional 21 REDIRECT EXAMINATION 22 participant each year; is that correct? 2.2 23 23 A. That was an assumption that was used for BY MR. HAGLUND 24 purposes of estimating the PBGC premiums. 24 Q. Mr. Wood, you were asked some questions about 25 Q. Mm-hmm. And so if you start with 56 pilots 25 the investment earnings that would be the source of the Page 681 Page 683 and you add one net additional participant each year of 1 substantial savings by transition in Alternative 1, 1 2 your 50-year projection, would your projections end with 2 which has the retirees -- existing retirees paid through 3 3 an assumption of 106 total pilots? the continuation of the pay-as-you-go system, but 4 transitions on all active pilots, including their past 4 A. No, and perhaps my description of the approach 5 5 was ambiguous. What I was intending to say is that service accruals, to the fully funded defined benefit 6 they're -- they're adding one additional participant 6 plan. 7 from the perspective of PBGC counting how many 7 Now, you, in your testimony, note that you 8 8 used a 5 percent net of investment costs rate of return participants you have in the plan and they include 9 retired participants in that count. So what I'm saying 9 on the investments that grow in the trust as it is fully 10 is the total count of participants each year, 56 is 10 funded over 15 years. Could you -- in -- was the --11 going to be the actives. That's what we assumed in the 11 could you describe why you think that was an appropriate 12 projections. But what's happening is that as they 12 and conservative figure to project and use as the 13 13 assumption for average rate of return on investments in retire, the total number of participants covered by the 14 the trust? 14 plan will increase until it eventually approaches a 15 15 steady state. A. I think in this testimony I clarified that the 16 16 Q. And so are you looking at Page 8 of your expectation was that the investments would earn exactly 17 testimony? If you could look at Lines 7 and 8. 17 the discount rate that was being used to discount

liabilities, which is a combination of three interest

rates. I'd have to look, it's something like 4.75. I

think we have it here, 4.75, 5 percent, and 5.74. And

there's -- you can produce a -- you can calculate a

single effective interest rate just for purposes of, you

population. And for over the 50 years, it changes a

know, being able to have an idea what -- you know, what

that comes out to be in some of the demographics of the

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each year."

over year?

So was that -- and I'll just read it. It

participant each year in a 2023 rate of \$96 per

says, "PBGC flat-rate premium based on 56 Year 1

participants all active and adding one net additional

participant that is increased by its affected inflation

So you're not growing the pilotage core year

	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	Mo. Dob a 1 E. Mank you, you Honor.
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.
23	OTHER BANNETS. 140, your Honor.		7. 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.		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	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 unintentional. So I would say no, but no, we wouldn't want to do that.
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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Page 688 Page 690 1 Q. Yeah. So just hypothetically, if a pilot 1 a customer; right? 2 2 worked 165 assignments in a year and that included a 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 7 A. Well, we would never intentionally dispatch a A. No. There's only Puget Sound Pilots for Puget 8 8 pilot outside of the rest rules. It has happened and Sound ports. 9 9 it's been a mistake, but very seldom. 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 as a dispatcher for PSP for several decades now; right? 13 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? discuss it with them at length, and most delays are --15 16 we hope are insignificant. 16 A. I do. 17 Q. And you've established good working 17 Q. So --18 relationships with your colleagues and your customers? A. Some of them obviously are very painful. 18 19 19 Q. Yes. And when that occurs, your customer, A. Very much so, I believe. 20 20 Q. When there are not enough pilots, regardless 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 when there are not enough who make themselves available 22 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 2 Thank you, Mr. Valentine. Q. Now, you've provided an email, Exhibit BV2, 3 3 THE WITNESS: Thank you. from PSP President Carlson. 4 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 8 Q. (By Ms. DeLappe) Wonderful. So it's an email 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 to any delay over five hours. I am keenly aware of the 11 delay is necessary, what -- could you give the 11 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 14 they're resolved cooperatively and by mutual agreement take the heat for anything over five hours." 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 22 make those calls. 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 25 with the shipping agents? customer's ship on time and you don't want to disappoint

Page 692 Page 694 1 1 half-hour or the hour change, is that a -- is that an A. Yes, I am. Some of the agents are my very 2 2 best friends. issue with your agents, with your customers, generally? 3 3 Q. And what's the name of that club that agents 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 inside port, a half-hour to an hour change to a daytime 5 agents are members of? 5 6 A. We meet regularly in the Yukon Club. And, 6 job is also usually pretty insignificant. 7 7 Q. Now, PSP is recording all of these delays unfortunately, it was yesterday, so I missed that one, 8 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 10 missed yesterday's meeting? 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 13 A. Yes. recording delays. Q. So you say that these agents are your friends, 14 14 MR. HAGLUND: It's within the delay 15 15 is it fair to say that you are able to work out a category, your Honor. It's -- you can't get -negotiated agreement on the delay almost all the time? 16 JUDGE HOWARD: I -- the cross did raise 16 A. Almost all the time, yes. 17 17 the Exhibit BV-2, so I'm going to allow some redirect on 18 Q. When it comes to -- there's testimony --18 19 regarding delays, you also got testimony about the 19 Q. (By Mr. Haglund) Do you recall the question, 20 20 discretion that you have and it's referenced in that Mr. Valentine? 21 21 email that Ms. DeLappe inquired about that you, as 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 23 five hours. 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 jobs on watch? 1 or 2021? 1 2 2 A. Yes, very much so. A. I am hopeful that they're all recorded. It's Q. Could you provide a couple of examples of how 3 3 possible that, you know, we've got busy and not recorded 4 4 you use modest delays to achieve greater pilot on-watch one. I don't know for sure. 5 Q. But is this the --5 efficiency? 6 A. Yes. Let me use an example of a vessel coming 6 A. It's possible. 7 into Port Angeles, let's say, for bunkers for fuel. 7 Q. It has been the effort for a couple years now 8 8 Let's use 0430 or 0400 is the expected ETA. If we move to accurately report all the delays regardless of that -- if we delay that vessel a half-hour or an hour 9 9 whether they are insignificant to the ship or not. 10 to 0500, we would reduce the three-and-out impact for 10 A. Yes. 11 Q. Okay. Lastly, when it comes to PSP's 11 Puget Sound Pilots because that's considered a night 12 watch, and three-and-outs are very severe to dispatch in 12 objective in terms of providing pilotage service, how 13 13 would you characterize what your goal is? losing pilots. 14 Q. Because with the three-and-out, what's the 14 A. My goal, and I believe the goal of all the 15 15 interval of time that the pilot must be off -- you know, dispatchers, is to produce a pilot at the ordered time 16 off-duty? 16 specified by the agent at all times with, like, no 17 A. Well, they must be off when he finishes that 17 delays. 18 last night assignment until 0800 the following morning 18 Q. So you're striving to provide on-demand 19 before he can be called for work again. 19 service? 20 Q. So the example you just gave, you moved the 20 21 start time for the job a half-hour or an hour to get it 21 Q. But given the size of the pilot core and the 22 past 0500 and you avoid that night label for the -- for 22 work/rest rules, et cetera, delays are -- have been 23 the assignment? 23 inevitable in recent years? 24 24 A. Correct. A. That's correct. 25 25 Q. Now, when you call an agent to talk about the Q. Okay. No further questions.

	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	25	instance, then that would be part of what PSP is
			Page 699
1		1	proposing to include in the expenses under the tariffs,
1 2	persuasive in the testimony they elicit. All right. Mr. Burton, can you hear and	1	proposing to include in the expenses under the famils.
2		2	
2	· · · · · · · · · · · · · · · · · · ·	2	would you agree with that?
3 4	see me all right?	3	would you agree with that? A. PSP plan proposes to include the expense of
4	see me all right? THE WITNESS: Yes, I can.	3 4	would you agree with that? A. PSP plan proposes to include the expense of transportation from the port of origin to the the
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Page 700 Page 702 1 1 in testimony in this case? been -- been redacted, and those "from" locations that 2 2 are redacted are the pilot's personal residence. A. Not to my knowledge. 3 Q. Let's turn now to your pro forma spreadsheet, 3 Q. Thank you. please, Mr. Burton, at WTB-05, and specifically in the And sometimes it's in the "to" location that 4 4 5 the redaction occurs. It's also because that's their 5 results of operations tab. residence? 6 Are you there? 6 7 7 A. That's to their personal residence. That's A. We're pulling it up right now. 8 8 Q. Thank you. Let me know. correct. 9 9 Q. So nearly all the invoices you have provided A. Okay. 10 10 us have one address or the other in the trip redacted 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 A. That is correct. 12 revenues and proposed expenses based on the tests here, 12 Q. So to -- if you could please turn to 13 13 which, in this case, is 2021; right? Exhibit WTB-18X, and that is the Commission's order, 14 14 A. That's correct. final order in the last rate case. Are you familiar 15 Q. In Column G, pro forma results, this is the 15 with this? 16 summary that PSP is proposing after all the restatements 16 17 A. Yes, ma'am. 17 and adjustments; correct? Q. If you could turn to Page 86, Paragraph 274 --18 A. That is the restated results for the pro forma 18 19 so let me just get there with you. So that's 86 of the 19 20 exhibit, and do you see there --20 Q. So after all the restatements and adjustments, 21 what is the total revenue that PSP is proposing at 21 A. Yes. Q. So --22 Row 17, Column G? 22 23 23 A. I have it. 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. paragraph: "To the extent that PSP contracts with the 2.5 25 Q. (By Ms. DeLappe) Yeah. Page 701 Page 703 transportation companies owned by member pilots, PSP 1 A. I'm sorry. Column G, excuse me. I was 1 2 2 should establish that these contracts are reasonable and looking at the Excel Column G. The pro forma is 3 3 do not result in inflated transportation expenses. \$48,029,036. 4 4 Accordingly, we expect proactive disclosure of such Q. Thank you, Mr. Burton. 5 5 agreements in future rate case filings." And after all restatements and adjustments, 6 Do you agree that PSP has included Green Car 6 the total expenses that PSP is proposing at Row 74, in 7 Club as one of the vendors in the transportation 7 Column G, would you agree with me that it is 8 8 \$19,139,323? requests in this current case? A. Yes. ma'am. 9 9 A. Yes, I would. 10 Q. As we established in the prior rate case, 10 Q. And after all restatements and adjustments, Green Car Club is owned by a group of pilots; right? 11 the total distributive revenue that PSP is proposing at 11 12 A. That is correct, and the pilots basically, to 12 Row 77, Column G, is \$28,889,713? 13 13 my understanding, only charge the operating expenses and A. That is correct. 14 a minor surcharge for capital replacement. 14 Q. Total distributive revenue is total profit for 15 15 Q. And, Mr. Burton, if we could just stick with this enterprise, would you agree? And let me -- it's 16 answering my question and then you can stop. I need to 16 net income that is total revenue less total expenses and 17 get through my time with you pretty quickly. 17 available for distribution to individual pilots, would 18 Did you or anyone else at PSP provide a 18 you agree with all of that? 19 proactive disclosure of the Green Car Club contract or 19 A. That is correct. 20 agreement or payments from PSP back to other PSP-owned 20 Q. For 2021, the total distributive revenue based 21 companies in its testimony? 21 on the restated results, so Row 77, Column E, is 2.2 22 \$13,946,112? A. I think the Green Car Club is the only entity 23 such as you described and I personally did not. 23 A. That is correct. That's what it shows. 24 Q. And are you aware of anyone else at PSP 24 Q. So bottom line, in PSP's pro forma is that PSP 25 25 providing any proactive disclosure of that information is proposing an increase in distributive revenue from

Page 704 Page 706 is: "Do you agree with Mr. Young's claim that PSP 1 the \$13,946,112 in 2021 to \$28,889,714 in the new rate 1 2 2 refused to provide requested information?" Is that year? 3 3 A. I would disagree with that. The per book right? amount -- 16,399,000 is the amount prior to regulatory 4 4 A. No, I do not agree with that. 5 5 adjustments, and the increase to 28 million is the -- is Q. No, I'm sorry. I'm just asking you if that's the difference, so it's \$28,889,713 minus \$16,399,852. 6 6 the question on the -- in the testimony. 7 7 Q. And can you direct us to the cell that you're 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 9 A. The cell -- the -- that is Cell Column C, as I stated in my supplemental testimony, supporting 10 10 Row 77. That's the per book amount. 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. increase the profit of this enterprise by for in terms 13 13 Q. Okay. In your answer, you state that, quote, 14 "PSP was fully responsive to staff's requests"; is that 14 of an increase in net income for pilots? 15 15 A. I would have to get a calculator to calculate 16 that, but it's approximately 50 percent. 16 A. That's correct. 17 Q. Thank you. 17 Q. Okay. Do you have a copy of Exhibit MY-2 with MS. DeLAPPE: No further questions, 18 you? 18 19 19 your Honor. 20 20 Q. All right. Could you review Exhibit MY-2 and And thank you, Mr. Burton. 21 let me know when you're finished? 21 JUDGE HOWARD: Any redirect? 22 A. Yes. 2.2 MR. HAGLUND: Yes, briefly. 23 Q. All right. And Exhibit MY-2 is PSP's 23 24 24 responses to UTC Staff Data Requests Numbers 26, 30, 33, 2.5 25 and 38: correct? Page 705 Page 707 1 1 A. That's correct. REDIRECT EXAMINATION BY MR. HAGLUND 2 Q. Did you write these responses? 2 3 Q. Mr. Burton, are you aware of the type of 3 A. I did. registered entity that the Green Car Club is? 4 4 Q. All right. And the first data request 5 5 response in this exhibit is Staff DR 26; correct? A. My understanding is it's a domestic LLC. 6 Q. Is it a for-profit or a non-profit entity? 6 A. That's correct. 7 A. It's a non-profit entity. 7 Q. Could you read the response you wrote to Staff 8 8 MR. HAGLUND: No further questions. DR 26 for me? A. The test period for TP-220513 is the calendar 9 JUDGE HOWARD: All right. Staff also 9 10 10 year 2021, 2021, and 220513-PSP-WP SB-22 pro forma on indicate cross from this witness. 11 6/29/22 was withdrawn by PSP. Please provide staff 11 MR. CALLAGHAN: Thank you, your Honor. 12 reasoning for requesting an unduly burdensome additional 12 13 13 six months of data for an exhibit that has been **CROSS-EXAMINATION** BY MR. CALLAGHAN 14 14 withdrawn. 15 Q. All right. You don't provide the information 15 Q. Good morning, Mr. Burton. that staff asked for in this data request, do you? 16 16 A. Good morning. Q. Do you have a copy of your rebuttal testimony 17 17 A. No. I do not. 18 with you? 18 Q. All right. Why didn't you provide this 19 A. Yes, I do. 19 information? 20 Q. Could you turn to Page 6 and let me know when 20 A. Because it's outside the test period. We 21 you're there? 21 proposed a test period of calendar year 2021. They were 22 A. We're pulling it up right now, Page 6. 22 requesting information through the end of June '22. 23 Q. Yeah. 23 Q. All right. In -- so is it your understanding 24 24 that requesting information outside of the test year is A. Okay. 25 Q. All right. The first question on this page off-limits? 25

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1 1 Q. All right. And what's your understanding of A. This case is a litigated case, and moving the 2 offsetting factors for pro forma adjustments? 2 test period forward six months would corrupt the data 3 and information that we had developed for this case. 3 A. Define "offsetting factors," please? 4 Q. Well, so do you know whether or not a party This -- the rate year will be beginning sometime in '23, 4 5 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 7 and information. What do you mean by that? adjustments? 8 A. We would have to rebuild and redo all the data 8 A. I provide pro forma adjustments based on the 9 9 for -- for a bifurcated test period, when all of the 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. Q. Do you provide any information about other 11 and filed with the Commission. 11 Q. So you didn't provide this information 12 aspects of PSP's expenses, finances, that might offset 12 for 2022 because you didn't think you needed to? 13 13 those 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, but I -- I analyze the cost data that I have and what 15 was the test period was calendar year 2021. The case 15 was filed in 2022 with a -- with a -- as a contested 16 the known and measurable cost increases are going 16 17 17 case, which would put the case not being finalized until 18 2023 which is the rate year. The test year and the rate 18 Q. All right. And, again, in your response to 19 19 DR 30(c), you don't specifically raise an objection to year do not have to necessarily simultaneously agree. the question, do you? 20 20 In the unlitigated test cases, yes, generally, A. No, I do not specifically raise an objection. 21 the test year and the subsequent rate year are very 21 Q. All right. Could you read the request and 22 close, sometimes, as close as 60 to 90 days. This one 22 23 was at least 15 months away from the test period. 23 your response to Staff DR 33(b) for me? 24 Q. So you didn't provide the information for 2022 24 A. Being, "Please provide receipts/invoices for the month of June -- February '21, May of 2021, December 2.5 because, in your mind, it was irrelevant to the case? 2.5 Page 709 Page 711 1 of 2021, February of 2022, and June 2022." A. That's correct. 1 Response: "February '22, 2022, and June 2022 2 Q. Okay. Did you object to this data request? 2 are outside the test period. All other requested 3 3 invoices are attached. PSP responds to DR 33." Q. Does -- does PSP object to this data request? 4 4 5 A. Not necessarily, but I asked for staff 5 Q. All right. And so for Staff DR 38, you don't 6 reasoning for requesting additional information and an 6 provide the data that staff requested for 2022 there 7 unduly burdensome six months of data for an exhibit that 7 either, do you? 8 8 had been withdrawn. A. No, we do not provide the 2022 adjustments. Q. But you don't say, "PSP objects," or, "I Q. All right. But is it your -- still your 9 9 10 object," to this question. Do you? 10 testimony that PSP was, quote, "fully responsive to A. No, sir. I'm not an attorney. 11 11 staff's requests"? 12 Q. All right. So are you aware of whether or not 12 A. Yes, I do, because we're proposing a 2023 rate 13 there is a process to seek clarification for a data 13 year and those are the adjustments that were provided. request that was unclear to you? Q. And for that reason, you were fully responsive 14 14 15 A. Not specifically, no. 15 to staff's data request? 16 Q. All right. Could you turn to -- in MY-2, your 16 A. I believe so, yes. Q. All right. Could you turn to Page 10, 17 response to Staff DR 30(c) you don't provide a general 17 18 ledger for January through June of 2022 as staff 18 Line 16, of your rebuttal testimony? 19 requested, did you? 19 Let me know when you get there. 20 A. That is correct. 20 A. Page, yes. 21 Q. And that's for the same reason? 21 Q. All right. In this part of your testimony, 2.2 A. That is correct. 22 you are disagreeing with Staff Witness Young's position 23 Q. All right. So, Mr. Burton, PSP has proposed 23 on the RedCloud Consulting costs; correct? pro forma adjustments in this case, haven't they? 24 2.4 A. That is correct. 25 25 A. That is correct. Q. And you state that the preliminary results of

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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 --3 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 6 suspended the work of RedCloud Consulting because it 6 Q. Okay. So I have one last set of questions and 7 7 wanted to be sure that the work completed to date was in I want to clarify PSP's position on the impacts of the line with the -- what the commission intended prior to 8 PPP loan and its forgiveness on rates going forward. 8 9 9 continuing the project. Is that accurate? 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. 11 have no impact on rates going forward, and the rationale 12 12 is that because that's an event that's not going to A. My rebuttal or -- okay. We have Mike Young's 13 rebuttal up. Excuse me. We had the wrong testimony. 13 reoccur in the rate year; correct? 14 14 A. That is -- that is a nonrecurring event that I'm sorry. 15 Q. Oh, no problem. Take your time. 15 was a special program by the federal government for all A. We want my rebuttal testimony, WTB rebuttal, 16 companies. To imply that those monies should be 16 17 17 included in rates would react -- would be retroactive Page 10. 18 18 (Pause in the proceedings.) rate-making. 19 19 Q. So taking them out of the rate-making MR. HAGLUND: Okay. It's up now, 20 20 Page 10. calculation to make sure that they don't have an impact, 21 Q. (By Mr. Callaghan) Do you want me to ask the that wouldn't be retroactive rate-making, though, would 21 question again? 22 22 23 A. It was -- the monies were received and 23 A. Yes, please. 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 25 in June of 2021. That forgiveness was not considered Page 713 Page 715 that the work completed to date was in line with what income by the federal or state government. 1 1 2 2 Q. Right. the commission intended prior to continuing the project; 3 is that right? 3 So my question is: The loan and its A. That's correct. 4 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 RedCloud Consulting was in line with what the commission 7 7 whatsoever. 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 10 performing was to further enhance and improve the you, your Honor. 11 11 dispatch system. And they basically put RedCloud on JUDGE HOWARD: Any redirect? MR. HAGLUND: Yes, briefly, your Honor. 12 hold to go through this case and get -- get through this 12 13 13 filing. They fully intend to request that RedCloud 14 return and complete the project after the case is 14 REDIRECT EXAMINATION 15 complete. 15 BY MR. HAGLUND 16 Q. To your knowledge, did PSP ever seek 16 Q. Mr. Burton, did -- with respect to the DRs 17 clarification from the commission regarding whether the 17 that you were asked about, did staff follow-up in any initial results of RedCloud Consulting were in line with 18 18 19 what the commission intended? 19 A. No, they did not. 20 A. No, I'm not aware of that. 20 Q. To your knowledge, was there any motion to 21 Q. All right. In your testimony, you state that 21 compel production of those materials? 22 the preliminary results were extremely positive. That's 2.2 A. No. 23 quite an endorsement, and so why suspend this work if it 23 MR. HAGLUND: No further questions. 24 24 was extremely positive? JUDGE HOWARD: All right. Do we have any 25 25 A. Because it's my understanding that they chose questions from the bench for this witness?

Page 716 Page 718 1 CHAIR DANNER: Yeah. I have a few. 1 CHAIR DANNER: Okay. And, also, you 2 2 Good morning, Mr. Weldon. Just following 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 year for certain expenses? Do I recall the fuel, for explain to us in detail how that was useful to customers 4 4 5 5 example, you used 2022? using PSP services. THE WITNESS: It's -- it's enhancing the 6 THE WITNESS: We updated fuel costs 6 7 7 through the errata through '23, through March of -- I 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 10 THE WITNESS: Staff adjusted fuel through 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 CHAIR DANNER: Are there any other the best -- that's my best understanding, Commissioner. 14 14 instances where you used 2022 for expenses? CHAIR DANNER: Hmm. All right. Thank 15 15 THE WITNESS: Not to my knowledge, 16 16 you. I have no further questions. JUDGE HOWARD: Any further questions from 17 Commissioner, not that I recall immediately. 17 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 level as prior years and going forward. 1 when you see those. 2 2 CHAIR DANNER: Mm-hmm. Mm-hmm. Okay. THE WITNESS: Page 8 of the testimony. 3 3 Could I ask you also, we have a WAC, 480-07-525(4)(m), COMMISSIONER DOUMIT: Page 8 of the 4 that requires a submission of projected changes in 4 testimony, yeah. And I can refer to what I'm talking 5 vessel assignments when submitting a general rate case. 5 about here if you want to jog your memory. 6 I'm just wondering if you can tell me where I would find 6 The testimony is that PSP has deferred 7 that in the testimony and exhibits? 7 funds relating to the last rate case in 8 THE WITNESS: I believe it's in the 8 Docket TP-190976, totaling \$124,239 reflecting the incremental difference in revenue collected from the --9 revenue calculation, Commissioner. I can't give you the 9 10 exact page number right off the top of my head. Sorry, 10 from TOTE based on the prior GRT tonnage versus a tariff 11 11 I can --GT ICT measurement. And I want to just point out what 12 CHAIR DANNER: Maybe that's -- maybe 12 TOTE claims, that the GT ICT results in \$378,411.84 in 13 that's something we could get, because I didn't -- I 13 additional costs in Rate Year 1, and \$383,825.92 in wasn't able to find it and I just want to make sure it's 14 14 additional costs in Rate Year 2. 15 either there or that you filed a request for rule 15 Do you agree with those TOTE 16 16 calculations? And if not, just please state the reasons exemption. 17 THE WITNESS: We will get that 17 for the disagreement. information to you, Commissioner. 18 THE WITNESS: The adjustment I made was 18 CHAIR DANNER: All right. I appreciate based on the Order 13, I believe, in -- at the 19 19 20 it very much. 20 commission regarding TOTE made the calculation we 21 And you were asked some questions about 21 overcharged. 22 RedCloud. I just want to make sure you said that you 22 COMMISSIONER DOUMIT: Okay. Explain --23 were going to postpone it until after this rate case and 23 elucidate a little further, if you would, please? 24 so it has not been resumed; is that correct? 24 THE WITNESS: Okay. And I would have to 25 THE WITNESS: That is correct. 25 pull it up, but in the -- in the original case, in, I

Page 720 Page 722 think it was Order 13, where the Commission basically 1 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 5 And if you'll give me a minute, I'll find views on it were, so, no, I don't need it. I do, 6 6 however, want to know where I could find the projected my... 7 7 changes in vessel assignments in the record. COMMISSIONER DOUMIT: Take your time. 8 Thank you. 8 MR. HAGLUND: We'll get that to you, 9 MR. HAGLUND: Commissioner, the pages 9 Commissioner. 10 10 that we had up, I don't think is the right page. Were 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. COMMISSIONER DOUMIT: Hold on. Just a 13 JUDGE HOWARD: All right. Thank you. I 13 minute. I'll check. Supplemental testimony, it must anticipate that we may be issuing written bench requests 14 14 that will provide more specific language for PSP and a 15 15 16 MR. HAGLUND: So was it on Page 8, 16 response timeline for any of these possible bench requests that have come up just now, and that will be 17 because we don't see figures on Page 8. 17 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 20 for your testimony today. I believe that will conclude apologize. 21 21 your examination and you are excused from the remainder Let me just ask: Would you agree that 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 2.5 MR. HAGLUND: Can we take a brief break? Page 721 Page 723 1 international measurement, was 124,239? 124,239? 1 JUDGE HOWARD: I think a brief break 2 2 would be -- would be good. We were a little short with MR. HAGLUND: I believe that is the 3 3 our breaks yesterday. I think it would be fine to correct number we have presented. 4 4 THE WITNESS: Yes. return to a more normal break schedule. Let's take a MR. HAGLUND: That covers the partial 5 5 15-minute break and return here at 10:37. 6 year in 2021 and then into current. 6 All right. We are off the record. Thank 7 COMMISSIONER DOUMIT: Right. I'm asking 7 vou. 8 Mr. Burton why -- to explain the discrepancy, which 8 (A break was taken from 10:23 a.m. to 10:37 a.m.) 9 Mr. Haglund just helped you with, and I guess that may 9 10 be the answer. 10 JUDGE HOWARD: Let's get back on the Why the difference between your -- what 11 11 record. It's 10:37 a.m. We're returning after our 12 you preserved and what TOTE has claimed? 12 morning break. THE WITNESS: I cannot tell you. I have 13 13 Our next witness is Kathleen Nalty with 14 not reconciled those differences. 14 PMSA. 15 MR. HAGLUND: If you wish, Commissioner, 15 Can you see and hear me all right? we could make this is a subject of the bench? 16 16 THE WITNESS: Yes. 17 COMMISSIONER DOUMIT: Yes, let's do that. JUDGE HOWARD: All right. Great. If 17 18 you'd please raise your right hand, I'll swear you in. Yes, let's do that. Thank you. 18 19 MR. HAGLUND: And I take it, 19 Do you swear or affirm that the testimony 20 Commissioner Danner, should we treat the -- the issue on 20 you give today is the truth, the whole truth, and 21 the changes in -- or the assignments issue you requested 21 nothing but the truth? 22 the information about, and the information you asked 22 THE WITNESS: Yes. 23 about regarding the suspension of RedCloud is not in 23 JUDGE HOWARD: All right. Thank you. 24 Mr. Valentine's testimony. I don't think it's explained 24 Ms. DeLappe, would you please introduce 25 25 directly anywhere but we could answer that question if the witness?

Page 724 Page 726 1 MS. DeLAPPE: Ms. Nalty, could you please 1 taken." 2 2 Do you stand by that testimony? state your full name? 3 THE WITNESS: My name is Kathleen Nalty. 3 A. Yes. MS. DeLAPPE: And can you tell us your Q. Okay. And wouldn't you agree that that's 4 4 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 7 Kathleen Nalty Consulting. I own my own consulting dynamics within their own organization or industry that 8 8 can make their input into DEI-related strategic planning 9 9 MS. DeLAPPE: As you know, your prefiled 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 JUDGE HOWARD: All right. PSP indicated your cross-examination. And one of the points that you 15 15 cross, and you may proceed. 16 16 make --17 MR. BRICKENSTEIN: Thank you, your Honor. 17 MR. BRICKENSTEIN: If you could please 18 pull up Page 18, lines 18 through 21? 18 19 **CROSS-EXAMINATION** 19 Q. (By Mr. Brickenstein) You say: "Advancing DEI 20 BY MR. BRICKENSTEIN 20 leads to better decision-making, performance, Q. Good morning, Ms. Nalty, and thank you for 21 21 productivity, retention, innovation, engagement, which being here. My name's Eric Brickenstein and I'm an means that organization and individual members will 22 22 attorney for the Puget Sound Pilots. 23 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 2.5 little bit? Page 725 Page 727 Colorado Law School in 1985. 1 A. Sure. There's been a number of research 1 2 2 Q. But for the past 22 years, a little over two 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 right? 4 4 of diversity within them and an inclusive environment 5 5 A. Yes, mm-hmm. 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 business benefits to having that kind of environment be 9 space, have you? 9 10 10 present within an organization. A. That's correct. Q. Okay. And just -- in looking at your CV, I 11 Q. Thank you. 11 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 accurate? 14 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 2.0 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 24 they can," quote, unquote, "own it, which will increase 24 think I know what you're referring to. 25 25 the chances that any solutions or actions will be MR. BRICKENSTEIN: Mr. Crandall, can you

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go to SB-1T, at Page 4, Lines 9 through 14, or I guess it's actually Lines 8 through 13. Excuse me.

G. (By Mr. Brickenstein) Is that the passage that you were referring to, Ms. Nalty?

A. Let me just take a look really quick.

G. Sure. And I can -- I can read it as well if

- Q. Sure. And I can -- I can read it as well if you'd like.
 - A. No, no.
- Q. It says --

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- A. No, I can --
- Q. Oh, no. No problem. Go ahead.
- A. This was one of the passages that I had been exposed to that I thought evidenced a better understanding of why diversity in organizations is so critical, but part of it is not just the diversity itself, but the inclusive workplace environment that is necessary.
- Q. I--
 - A. But diversity does -- yes, sorry, go ahead.
 - Q. No, no, no problem. And I think that's a great point and I think it's another area of our agreement and we're going to get to it, inclusiveness, in just a second -- inclusion in just a second.
 - A. All right.
 - Q. But, first, I want to read you the Puget Sound

that's one way of kind of encapsulating it.

- Q. Sure. It's a quote from Page 9 of your testimony.
 - A. Mm-hmm.
- Q. So you would agree, in other words, that the opinions of employees from diverse or underrepresented backgrounds themselves, whether they feel included or excluded, that's an important measure of the organization's performance on inclusion; fair?

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- A. I'm sorry. Can you ask that question again?
- Q. Sure.

Would you agree that the opinions of the employees themselves that come from diverse and underrepresented backgrounds within an organization, whether they feel included or excluded among their colleagues and within their work environment, that's an important measure of how the organization's performing with respect to inclusion, is it not?

- A. Lagree.
 - Q. Thank you.

Are you aware -- I know you read some of Captain Bendixen's testimony. Are you aware that she's the first female pilot with PSP and is also a member of the Board of Pilotage Commissioners?

A. Yes, I've been made aware of that.

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Pilots' mission statement, okay?

It says: "The mission of the pilots is to ensure against the loss of lives, the loss of or damage to property and vessels, and to protect the marine environment by maintaining efficient and competent piloted service on the state's inland waters within the Puget Sound pilotage district."

And so I guess my question for you is: You would agree that with respect to PSP, achieving greater diversity within the pilot core is really a critical step to maximizing safety on the water and environmental protection in Washington; correct?

- A. Yes.
- Q. Okay. Thank you.

Now, let's turn to inclusiveness. And as I mentioned, I think it's another area you're going find a 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 that people have within the organization; right?
 - A. Yes. I mean, it's -- it's more than that, but

MR. BRICKENSTEIN: Okay. Can we go ahead

MR. BRICKENSTEIN: Okay. Can we go ahead and pull up SB-01T at Page 6, Lines 14 through 20?

Q. (By Mr. Brickenstein) And I'd like to -- I'd

like to read you another excerpt from Captain Bendixen's testimony. She says: "I had also been mentored by Puget Sound Pilots while sailing as a young third mate.

years of my career, checking in, offering advice, and
encouraging me to grow my career. The positive impact
that these pilots and their outreach had on me is a key
reason that I became a Puget Sound Pilot. The
supportive culture of our association continued once I

These individual pilots followed me during the early

supportive culture of our association continued once I became a pilot, with more senior pilots providing guidance on challenging jobs and encouraging me to take on leadership roles."

And I guess my question for you, Ms. Nalty, is 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 insofar as we were just discussing the views of the

16 (Pages 728 to 731)

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employees themselves on whether or not they feel included, this would certainly be an indicator of an inclusive environment, would it not?

A. Well, this particular testimony seems to be from before she became a pilot. Oh, she says the supportive culture of the association, so, again, yes. And it's my understanding that she's the only female pilot in the entire organization, and I'm -- I'm glad to hear that she thinks that it is supportive. But, again, it's just the experience of one single person, and whether someone else coming into the organization may feel that supportive culture, that's just speculation. Who would know?

Q. Sure. No, that's fair, and you're correct that Captain Bendixen is the only female pilot currently, and that's exactly what we're working to change.

Let's look at another excerpt from her testimony.

MR. BRICKENSTEIN: Mr. Crandall, if you could go to Page 7, at Lines 1 through 20.

Q. (By Mr. Brickenstein) And this is a passage where Captain Bendixen discusses Puget Sound Pilots' response to physical limitations that she experienced during her pregnancy and her recovery from a complicated that be?

A. Again, it's just a single employee in a majority -- in a dominant group environment. There's research that is referred to as the locker room and living room syndrome where white men are more comfortable with white women, for example, because they encounter them in their living rooms and, perhaps -- you know, perhaps -- I mean, we're just speculating, but if it had been -- if she had been a female employee of color or an LGBTQ female employee or any other intersectional identity, there might not have been quite as, you know, a welcoming environment provided. I don't know. It's -- it's just hard to make generalizations based on the experience of one person.

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Q. Perhaps, Ms. Nalty, and you are just speculating. And this was Ms. Bendixen's -- or Captain Bendixen's -- excuse me -- lived experience, but you didn't answer my question which is just: If one of your clients came to you and said, "Hey, I have an employee from an underrepresented background, and this was their feedback on my organization after, say, participating in one of your workshops," what would you reply email look like? What would your reaction be?

A. Again, I would have to tell the client that the lived experience of one person is important and

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childbirth.

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And so I'll just -- I'll quote again: "Upon reviewing notice from my doctor that I was not fit for duty, the PSP board unanimously voted to apply the rule" -- and I'll just represent to you that the rule she's referring to is PSP's major medical leave policy -- "so they applied the rule to my pregnancy when I was no longer fit to climb a pilot ladder and to recover following a complicated delivery. Even before I was declared not fit for duty, my fellow pilots routinely volunteered their time to work for me, trade assignments with me, and generally do anything they could to support me as we traveled together down the path of discovering how a pilot in Washington can balance our incredibly" -excuse me -- "our incredible professional challenges and being a mother. For me" -- and, again, she's speaking just for her own experience -- "this entire experience proved more than perhaps any other that PSP doesn't just claim to be supportive of its pilots, but actually walks the walk."

And so my question for you, Ms. Nalty, in your experience as a DEI consultant to law firms and other large companies, if one of your clients received that type of the feedback from an employee from an underrepresented background, what would your reaction to Page 735

should be taken as -- at face value. But in a -- a majority-dominated culture, the research says that if you bring in people from other underrepresented groups, the environment may not treat them the same. That's what I'm trying to express.

So I would tell the client, "That's wonderful that you've got that single employee that's having that experience of belonging and inclusion, but what if you brought in other people from a variety of diverse backgrounds? Would the culture still be the same? Would they be as welcoming? Would they be as investing in that person's success?"

- Q. Thank you. Right. And -- and just to be clear -- and that is, again, exactly what we're trying to accomplish, and you state in your testimony that if an organization does not practice inclusion -- this is at Page 12 of your testimony -- then that group will not achieve its DEI goals; right?
 - A. Right.
- Q. And -- and I just want to be clear that apart from your speculation about what might happen if somebody joined PSP, all of the evidence in this case is that PSP is practicing inclusion -- isn't that true? -aside from your speculation.

A. No. I can't agree with you, because their

Page 736

- 1 inclusiveness is a process that an organization engages
- 2 in to de-bias all of their processes. So I -- I
- 3 understand that there is a new maternity policy, which
- 4 is -- you know, kudos to the organization for adding
- 5 that policy to the books. But, you know, a single
 - policy or some outreach are just sort of the -- the
- 5 beginning steps of creating a fully-inclusive

- 8 organization that would be viewed as being welcoming of
- 9 a wider variety of people, not just white women, for 10 example.
 - Q. Right. And I think, you know, another point that comes across, and we don't have time or need to rehash all the evidence in this case, but I think another point where PSP would agree with you on multiple fronts is that we should never be satisfied and we should always be striving for improvement in all facets, be that DEI or navigation or, you know, what have you, so I -- I agree with that point, but do I want to turn to another topic.
 - MS. DeLAPPE: I would object to counsel continuing to state his own opinions as part of the testimony here. The witness is Ms. Nalty.
- JUDGE HOWARD: I will have to grant that objection. The -- of course, cross-examination should be almost strictly an opportunity for simply asking

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Page 739

- They seek personal reassurances/references that the organization is a good place to work so they're relying more on personal avenues rather than job postings"; is that that correct?
 - A. Yes.
- Q. Okay. Did you -- well, I guess, first, let me ask you this: Did you -- did you have an opportunity to read Captain Dempsey's testimony?
- A. I don't know if I recall specifically reading Captain Dempsey's testimony.
 - Q. Okay. So -- I'm sorry. Go ahead.
 - A. Is there anything in particular that --
- Q. Yeah. There is, and I'll pull it up for you in a second, but, first, I'll just go ahead and represent to you that Captain -- Captain Dempsey's the first Columbia River Bar Pilot. She was also the first female captain to deliver -- and this is in her testimony -- military supplies into a war zone. And, more recently, she's been involved with the Washington Board of Pilot Commissioners' Diversity, Equity, and Inclusion Committee.
- MR. BRICKENSTEIN: And so go ahead and pull up DDD-1T, Page 4, Lines 12 through 25.
- Q. (By Mr. Brickenstein) And I think this is a good tie-in, and I'll ask you about it in a second, to

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questions and counsel's opinions are -- cannot be relied on as evidence.

MR. BRICKENSTEIN: Sure. Thank you, your Honor, and I'm moving on.

Q. (By Mr. Brickenstein) And I want to turn to another topic, which is recruiting. And I think it's another area where we're going to find agreement -- right? -- because even though inclusion is critical to an organization's DEI success, in order to build diversity within an organization, you do also need to have effective recruiting.

You would agree with that, Ms. Nalty; correct? A. Yes.

Q. Okay. And one thing that you say in your testimony --

MR. BRICKENSTEIN: And, Mr. Crandall, if we could pull up KN-13, Lines 4 through 12.

Oh, I beg your pardon, it's Page 13,

KN-1, Page 13. Yeah, my fault.

Lines 4 through 12, please.

Q. (By Mr. Brickenstein) You say, Ms. Nalty:
"Research by the Corporate Executive Board referenced above" – that's the research that you cite – "shows that people in underrepresented groups conduct job searches much differently than those in majority groups.

what -- to what you were just discussing in your testimony.

But there's -- there's a question presented by PSP. It says: "Can you provide an example of how you assisted a young woman pursuing a career in the maritime industry?"

And -- and interestingly enough, the example that Captain Dempsey gives is -- is Captain Bendixen. And she says: "Yes, I'll use Captain Sandy Bendixen, the first female pilot licensed in Washington." And she goes on to describe -- and we don't need to read it in full -- you can if you'd like.

But she goes on to describe all of the efforts that she made to welcome Captain Bendixen into the profession, to encourage her to become a pilot, taking her out to sea, and then she also sets her up with another female pilot, Captain Anne McIntyre, former Columbia River Pilot who is also a witness in this case, for further inclusive experience and -- and training, or exposure, I should say.

Would you agree that this is an example of the type of recruiting outreach that you've identified as being critical to recruiting candidates from underrepresented backgrounds? That's the personal touch that is important?

18 (Pages 736 to 739)

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A. Yes. This is -- and this is one example of what needs to be done to create a better and more diverse pipeline into this -- not just this industry, but any other sector industry.

Q. Right.

A. This is what's not happening on a regular basis in organizations that are dominated by white men.

Q. Right. So --

A. They are -- I'm sorry. Go ahead.

Q. Oh, no, no. Continue. I didn't mean to cut you off. Go ahead.

A. Yeah. So the research, and even my anecdotal experience over the past two decades, demonstrates that majority groups, which, in most sectors and industries, are white men, are exhibiting affinity bias and investing in the success and futures of people who remind them of themselves. And people who are outside of that affinity group, women, people of color, LGBTQ people, et cetera, are often not invested in at the same level.

But you -- here is one example of a female pilot reaching out, understanding that another female pilot might not benefit from the -- you know, the majority group's mentoring and sponsorship, and taking personal responsibility for pulling that person, you

Page 6 at Lines 1 and 2.

I want to read you now sort of a counterpoint from Captain Bendixen's testimony about her experience now that she is a pilot and in that mentorship role.

She says: "On a personal level, I find it deeply upsetting that at this time I cannot honestly and in good conscience mentor and encourage an interested female captain to pursue a career with Puget Sound Pilots when I know full-well that the benefits of almost any other pilotage district in the country are superior to Puget Sound, and that for the first time in my and most of my colleagues' professional maritime careers, we will soon be entirely without funded medical benefits."

Now, Ms. Nalty, my question for you is this: As a DEI expert who recognizes the importance of personal reassurances to diverse candidates, don't you find it incredibly disturbing that PSP's first female pilot who believes that the organization is inclusive, nevertheless, cannot in good conscience advise up-and-coming female mariners to pursue a career with PSP? Isn't that hugely problematic?

- A. Can you ask the question again, please?
- Q. Sure.

Ms. Nalty, as a DEI expert, who recognizes the importance of personal reassurances to diverse

Page 741

know, up and investing in that person. And I'm sure that Captain Bendixen would look to her as having, you know, made a significant difference in her becoming -- in Captain Bendixen becoming a pilot. That's what happens.

Q. Absolutely. No question, and so I appreciate that.

And you would, of course, commend Captain McIntyre in the same respect for --

- A. Mm-hmm, yes.
- Q. You would agree that during that process, that interpersonal recruitment, it's critical for the person in the mentor position to give candid and honest advice with the person coming up; right? Whether this is an organization they should want to join or not want to join, honesty is a huge part of that trust relationship, isn't it?
- A. I don't think you have to be an expert to answer that in the affirmative. I mean, you know, that's human nature --
 - Q. Right. Thank you.
- A. -- for us to --
 - Q. Perfect. Let's go back to Captain Bendixen's testimony, SB-1T at Page 5, and it starts on Line 23 -- excuse me -- 22 through 26, and then we continue to

candidates, don't you find it incredibly disturbing that PSP's first female pilot cannot, despite the fact that she finds PSP an inclusive organization, nevertheless, cannot in good conscience advise other female mariners to pursue a career with PSP? Doesn't that disturb you?

A. You know, I don't know that I can say that it disturbs me. I don't -- I don't know about the foundation for her -- I don't know anything about the medical benefits or any of the circumstances that she finds herself in a situation where she feels that she personally can't recommend or bring people in.

It -- I would wonder if that didn't go to what -- I mean, I'm -- I'm confused about why she feels included within the organization, but on the -- at the same time, she doesn't feel like she can in good conscience recruit people into the organization. I just -- I find it confusing --

- Q. Well, she tells you that.
- A. -- more than anything.
- Q. She tells you why, doesn't she? Because compensation and benefits aren't competitive; isn't that what she says?
- A. Well, her previous -- the previous statements that we were just talking about was, you know, she had a personal experience with respect to, you know, not --

19 (Pages 740 to 743)

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Page 744

her pregnancy and her colleagues made her feel very included, which is an indication of an inclusive organization. But yet now, here, we have something apparently oppositional to that, and so I -- I don't know that I can comment on this specific situation, because it is -- you've got two kind of diametrically

Q. Right. There are?

opposing things going on for her.

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A. And so I don't -- I don't know that -- I don't feel comfortable drawing a conclusion or saying that I am personally upset or -- it's confusing to me why there's this discrepancy.

Q. Okay. And just to be clear, I think I heard you say earlier it's because you don't really know anything about the compensation or benefits to form an opinion; right? I mean, you would need to know more about the situation, wouldn't you?

A. I don't even know if I knew more about the compensation and benefits that I could answer your specific question. You're -- because you're talking about one single individual, and in part of her testimony she's saying, well, I feel -- I feel included by my colleagues, but then in another situation, she's saying we aren't inclusive, so I -- I don't know.

Q. Lunderstand.

that in a moment too, because I think there are a couple instances in your testimony where what's fundamentally at issue gets a little bit distorted, but we'll get there in a second.

For now --

MS. DeLAPPE: Objection. If Counsel could refrain, please, from commenting I would ask.

JUDGE HOWARD: I will -- I will grant the objection again.

I also just want to raise a separate concern for the clarity of the record that we're posing one question to the witness at a time and not a long question followed by a different short question. So let's try to be mindful of that so the witness is -- we're clear on what -- which question the witness is being asked to answer.

MR. BRICKENSTEIN: Thank you, your Honor. I'll be mindful of that moving forward.

If we could please go back to SB-1T, at Page 9, Lines 5 through 16?

Q. (By Mr. Brickenstein) And, Ms. Nalty, I'll give you a moment to read this, but I'll just represent to you that the gist of what Captain Bendixen is saying is that based on her experience with PSP and its reputation as an inclusive organization, she feels that it would be

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A. Sorry I can't be more helpful.

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 I -- I didn't believe that the recommendations or actions should be solely dependent on compensation.

Q. Thank -- thank you, and we're going get to

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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 has no experience with the maritime industry or what goes into a top mariner's decision-making process when considering the potential career move from employed

Page 748 Page 750 1 captain to the pilotage profession." 1 compensation listed." I apologize. I have the wrong 2 2 And then if you go down to Page 3 of citation. 3 3 Captain Dempsey's testimony, at Lines 2 through 13, she CHAIR DANNER: Counsel, it's on Page 6, 4 4 goes on, and I'll skip ahead to the sentence that starts Lines 2 and 3. 5 5 with "in my opinion." MR. BRICKENSTEIN: Okay. Thank you, 6 She says: "In my opinion, if PSP is to 6 Commissioner 7 7 attract a significant number of female and 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 1.0 increase PSP's pay and benefits to a 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 13 So my -- my question for you, again, Ms. Nalty: Doesn't that fundamentally mischaracterize Ms. Nalty, is: Doesn't Captain Dempsey's testimony also what's at issue here, this notion that compensation is a 14 14 standalone strategy? 15 contradict your position? 15 A. They have their opinion, and mine is based on 16 A. I wasn't intending to characterize it as 16 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 18 ever seen any research or run into any organizations wide variety of sectors and industries, because the 19 issues, especially around recruiting, are pretty 19 where the people who are in a majority group were trying 20 20 ubiquitous. There are many other types of organizations to leverage diversity by raising compensation 21 21 and industries and sectors that also have, you know, substantially. 22 Q. Okay. Because, Ms. Nalty, no one in this case 22 serious recruiting problems, and they can have their 23 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 25 A. Not that I know of.

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a little colloquy where we discussed when you worked with leaders, you don't prescribe, you know, a specific course of action. You -- you agreed with me that it's important to take into account the leaders within their industry's expertise and valuable knowledge regarding the particulars of their organization and sector. Do you recall that?

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A. I do recall that, and I do -- I -- that is the general rule of thumb that I follow, but I do also bring to their knowledge the research studies that show that diverse candidates really do focus on much, much more than compensation. So -- and that's what I was trying to bring to this exercise is that understanding that it's not just compensation.

Q. I understand. And that actually -- that brings me to another -- to another point, because I agree it's not just compensation.

MR. BRICKENSTEIN: If we could turn to Ms. Nalty's testimony, KN-1T, Page 5 at Lines 17 through 18

Q. (By Mr. Brickenstein) And you state, Ms. Nalty, and this is in the summary of the purpose of your testimony.

MR. BRICKENSTEIN: Well, Mr. Crandall, if you could do a search for "I have never seen

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Q. Okay. And we don't need to go through all the evidence in this case regarding PSP's DEI work, but wouldn't you agree that Captain Dempsey and Captain Bendixen's and PSP's point is that they are engaged in outreach, they're walking the walk on inclusion, they're implementing DEI initiatives on multiple fronts, and those efforts are being undermined by a lack of competitive compensation and benefits?

A. I don't -- I'm not going to comment on what their point is. I don't know about the compensation situation. I -- you're asking me to agree with something that is overbroad. If you could be more specific.

Q. It's okay – it's okay, Ms. Nalty. I'll move on, and I just have a final point. You would agree, wouldn't you, that DEI work requires a team effort and that it starts with leaders and decision-makers and persons in positions of power taking the lead and taking bold steps that are necessary to move the ball forward; correct?

A. I would agree with that.

Q. Okay. Now, I understand that you disagree with -- you and Captain Dempsey and Captain Bendixen have different views of the role of compensation and promoting DEI, but just assume for the moment that

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Captains Bendixen and Dempsey are correct. In that instance, wouldn't you agree that this rate case, the Commission has a unique and compelling opportunity to position the Puget Sound Pilots as a leader in improving diversity in the maritime sector, which is, I think we all agree, deeply in need of these efforts?

A. I think the question is really, really broad. If you could be more specific, that would be very helpful.

Q. It's okay, Ms. Nalty. I don't have any further questions for you. Thank you for your time today.

JUDGE HOWARD: Do we have any redirect?
MS. DeLAPPE: Yes. Thank you,
your Honor.

REDIRECT EXAMINATION

BY MS. DeLAPPE

Q. Ms. Nalty, counsel asked you about your experience in DEI consulting and he presented Captain Dempsey's opinion that you have no experience specifically with maritime pilots.

Could you give us some sense of the types of industries and sectors that you have done DEI work with?

A. Yes. Thank you so much.

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New Mexico. And I've worked with Laradon, which is a nonprofit organization serving people with disabilities here in the Denver area, which is where I'm located; and the American Mountain Guide Association, which is headquartered in Boulder, Colorado.

Q. Which of all of this experience would you say is most like the PSP pilots from what you've observed?

A. You know, I found it very interesting the similarities with the American Mountain Guide Association. Mountain guides are working in very, very dangerous circumstances, and so safety is a top concern for them. And they go through a very rigorous training, mentoring, sponsorship, testing-type of circumstance to certify the mountain guides in their organization.

And I worked with them a few -- few years ago because the profession, like the pilots, were dominated by white men who really weren't assessing women, and especially women of color, in the same way that they would be potentially assessing other white men. So the association recognized that and brought me in to do some training on unconscious bias and to work with them to show them how not just diversity is important, but inclusiveness, which means addressing the bias that can show up in all of the structures and processes of the organization.

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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 departments for big and small companies, government law offices, and nonprofit bar associations. When I started my own consulting company in 2013, I began to interact with clients from all kinds of sectors and industries. And in the past five years, have had about 150 different clients that I've worked with.

So this -- this, you know, let's talk about government agencies. I've consulted with municipalities like the suburban city council of a Midwest suburb; Burbank Power and Water, which is a utilities provider in California -- Burbank, California; state agencies like the Colorado Attorney General's Office; and federal government agencies, I have extensive experience with federal government agencies like the Environmental Protection Agency, the Western Area Power Administration, Bureau of Land Management, et cetera; corporations from the smallest family-owned manufacturing company in the Midwest, all the way up to major companies like Microsoft, Procter & Gamble, BNSF, for example.

And then nonprofits, I just came back this week from working with the National Dance Institute in

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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 sessions that I led was at their national conference in Salt Lake City a few years ago. I was brought in to make a presentation on unconscious bias, and the -- my co-presenter who was a very experienced mountain guide from Canada had a lot of experience with cognitive biases. And he and I made a presentation that was really powerful, because I gave the workplace types of examples and he gave the mountain guiding examples.

So they brought me in -- back in the next year. That was so successful they brought me back in the next year to lead a session on gender bias, and people reported that they had a lot of really profound a-ha moments as a result. And I later found out that a female -- a female of color, an Asian female, who had gone through the testing cycle and had been turned down, had later then gone back through the testing cycle and had been certified as a mountain guide, which, you know, I see that as evidence of some progress within that organization, so yeah.

Q. In your experience, do people in different industries act differently around DEI issues?

A. No. These -- these issues, the problems that

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people are facing, are really ubiquitous. Like, the -- I literally use the same types of training for people in any kind of sector or industry because the fundamental issues are all really the same.

- Q. And would you --
- A. I'm sorry.

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Q. Go ahead.

A. Well, I customize it to speak to their particular sector, industry, or, you know, whatever. I mean, I spoke to the mountain guides, for example, a bit differently than I did to the executive at Procter & Gamble, but the foundational issues are all really the same.

Q. And would you say that solutions are essentially the same also?

A. Many of the solutions are the same. So when I take people through this leadership training, when I take leaders through this training, I show them all of the options. And I actually use a maturity model to show them, you know, how, you know, there are some efforts which PSP has undertaken to begin the process of becoming a more mature organization in terms of advancing DEI, but I also exposed them to the additional things that they could be doing to become more advanced or mature, which are signaled to candidates. Like, if

think that I'm critical of the efforts that have been

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made, but they're really at just the beginning stages.

And so the maturity model that I use is of

four levels. Level 1 is really just a reactive organization and just doing the bare minimum that's required by law or regulation, like not really -- not really focused on diversifying at all.

Level 2, which I -- from my personal assessment, it appears that PSP is entering into a level 2, which is, you know, understanding that diversity is important and wanting greater diversity, but making the fundamental error that it's mostly just about recruiting and getting people into the organization. That's where most organizations have fallen down.

Because unless they have inclusion, which is a Level 3 activity, which is led by leaders, their efforts to try to recruit will never stick. It's not sustainable unless you fundamentally change the culture of the organization to be more inclusive of just white women, to be inclusive of people in other demographic groups. You change the structures, so de-biasing structures, adding -- I mean, no doubt about it, adding the maternity policy, kudos to PSP, but, you know, that -- that can't be just the only thing that changes, right?

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candidates see the minimum that's being undertaken, then 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 DEI?

A. So from the documents that I've reviewed, they're off to a good start. I don't want anyone to

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So it's structures, behaviors, so are the 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 organization has never worked as a strategy for -- for organizations.

Q. And you'll recall that counsel asked you several questions involving compensation. Is compensation, in your experience, ever a DEI issue?

A. I've never seen it as a DEI issue before, apart from pay equity issues. Pay equity is not an issue in this case, but I have never seen compensation

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Page 760 postured in this way in my over-two decades of experience. Q. And so what -- when you say "in this way," you mean DEI used as a rationale for paying everyone in the organization more? A. Yes. Q. Do you have any concerns about this rationale

Q. Do you have any concerns about this rationals in PSP's case here with respect to PSP's ability to recruit more diverse candidates?
 A. I'm actually really concerned for the

A. I'm actually really concerned for the organization on this, especially because, you know, the -- I referenced earlier the disgust about performative efforts that are being made in organizations, that if the word got out that a group of white people wanted a pay raise on the pretext of diversity, using diversity to justify a pay raise for a majority-dominated organization, if that got out, I'm just -- I'm just worried about how people would take that, especially in this context of being so upset that, you know, organizations say they want to do the right thing and have all these wonderful diversity statements, but then nothing ever actually changes in organizations.

Q. In the cross-exhibits that PSP filed, did you find further support for what you have observed about how potential job candidates view compensation?

spoke with people about this and interviewed them, they found that the people who were interested in potentially applying for positions had a willingness to pay -- it's called "WTP." They would accept less compensation to be able to work for an organization that they thought was more advanced in DEI. Because if you're working in an organization that is not inclusive of you and you're subjected to micro-aggressions and all of the inequities that can happen in an organization that's not very

expert. I think that human beings understand that.

Q. Thank you. I have no further questions,
Ms. Nalty.

JUDGE HOWARD: Do we have any questions from the bench for this witness?

advanced in DEI, no amount of money is worth that kind

of experience. That -- and I don't even say that as an

CHAIR DANNER: No, your Honor.
COMMISSIONER DOUMIT: No thanks,
your Honor.

JUDGE HOWARD: Thank you, Ms. Nalty, for your testimony.

THE WITNESS: Thank you all.

JUDGE HOWARD: You are excused from the remainder of the hearing.

THE WITNESS: Thank you so much.

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A. I'm sorry, Ms. DeLappe. Can you restate that question?

Q. Certainly.

So you've reviewed the cross-exhibits that PSP filed for you? There were some articles?

A. Yes, yes. There was the research study, yes, that I actually had referenced in my testimony, yes.

Q. And did you find further support for the position that you stated about how potential job candidates view compensation as a factor or not?

A. Yes. Well, there were two significant findings from that research study, which the working paper was published last year about a year ago. The first significant finding was that very large percentages of people are interested in organizations that have greater diversity, and that the -- in the experiment that was done, people were more inclined to clickthrough on a job posting if there was information that indicated that the organization offering the job 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.

The second finding was when they went and they

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JUDGE HOWARD: I see it is 11:37. I appreciate her staying a few minutes over if that was inconvenient for her.

Let's confer. I think we can -- do we want to try to fit in a short witness before lunch or do we want to break for lunch now?

MR. HAGLUND: Well, your Honor, we have just two 15-minute witnesses. We were -- one of them has to catch a plane at 2:00 from -- I don't know where in Seattle -- at SeaTac.

Could we -- and I'm not sure whether
Ms. DeLappe has very much for Ms. Norris. Do you -- do
you have 15 full minutes for Jessica Norris,
Ms. DeLappe?

MS. DeLAPPE: That depends partly on the witness, but I am planning on 15 minutes. Thank you. And I'm available any time.

JUDGE HOWARD: Then would it be suitable to take Norris?

MR. HAGLUND: And I guess we'd like to 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 sound fine to everyone?

Page 764 Page 766 1 1 MR. HAGLUND: Well, my only concern is movements as one example where we're looking at the 2 2 maybe we should go with Eriksen. He's the one that's percent change or the change from one period to the 3 3 got the plane to catch. next, and there certainly was a great amount of movement 4 4 and volatility from the one period to another that can JUDGE HOWARD: Okay. 5 5 MR. HAGLUND: Let's go with Mr. Eriksen. be witnessed. JUDGE HOWARD: All right. Let's move to 6 Q. Mr. Eriksen, I don't believe that responded to 6 7 7 my question. If you could please go to Exhibit KAE-6X, Ken Eriksen. 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 10 Do you swear or affirm that the testimony 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 your response there? Quote: "I have not attempted to 13 THE WITNESS: Yes. JUDGE HOWARD: All right. Thank you. 14 develop a numeric value for," quote, "the norm -- the 14 15 known probability of traffic volatility which was not Mr. Haglund, could you please introduce 15 included in the scope of work under IHS Markit's 16 16 the witness? 17 17 contract with PSP." MR. HAGLUND: Yes. 18 Mr. Eriksen, you've been -- who are you 18 Do you stand by that answer? 19 19 employed by now and what's your position? A. Yes, I do. 20 20 Q. In your section on ship traffic volatility, THE WITNESS: I'm employed by S&P Global 21 you provided multiple charts and graphs related to 21 and I'm the Senior Vice President. MR. HAGLUND: And do you have any 22 22 different commodities, shipping volumes, and other types 23 23 connections to the Pacific Northwest? 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 Page 765 Page 767 1 MR. HAGLUND: Did you prepare original 1 great amount of data that we were able to pull together and rebuttal testimony in this rate case? 2 from a rich database and a great resource. 2 3 THE WITNESS: Yes, I did. 3 Q. As your -- as a result of your review of these 4 traffic patterns, you concluded it is impossible to 4 MR. HAGLUND: And is it true and accurate 5 predict vessel traffic; right? 5 to the best of your knowledge? 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 8 very difficult to do. cross-examination. Q. And, in fact, you said -- if you could please 9 JUDGE HOWARD: All right. Please 9 10 10 turn to your testimony at Page 16 and look at Line 12 proceed. through 14. Could you just confirm, you did say it was 11 11 12 **CROSS-EXAMINATION** 12 impossible, didn't you? 13 BY MS. DeLAPPE 13 A. Yes. Because of the various things I just Q. Good morning, Mr. Eriksen. 14 14 described with the different types of vessels and the 15 activities that take place with the classes and such. 15 A. Good morning, Ms. DeLappe. Q. In your testimony, you include comments Q. So, Mr. Eriksen, I'm just confirming one part 16 16 regarding ship traffic volatility; correct? of that. You don't have to repeat the whole thing. 17 17 In this discovery -- in discovery, you 18 A. Yes. 18 Q. But your analysis -- your analysis did not explained that it is impossible to predict this with a 19 19 20 develop a metric for the application of known 20 high degree of certainty. Do you recall that? 21 probability of traffic volatility for the Puget Sound, 21 A. Yes. Q. That does not mean that vessel traffic 22 did it? 22 23 23 forecasts are all together impossible to -- for A. We -- what I looked at was the different types 24 24 predictions; right? of traffic. It's a very diverse traffic on the Puget 25 25 A. Predicting a big picture and it's something Sound. And, certainly, I did if you look at grain

Page 768 Page 770 1 freight rates, do you? that we do regularly, and we're looking at forecasts 1 2 2 based on a number of factors. But to start to break it A. Not in this particular example right here. Q. Not in this engagement, you mean? 3 down by individual vessels or types, the size of a class 3 4 4 A. Not -- that's correct. of vessels or such, that's where it gets to be very Q. Have those -- have the freight rates that you 5 problematic then. 5 Q. Would you please turn back to KAE-6X, presented here, have they changed significantly since 6 6 7 Page 22 -- 21, excuse me. So that's Data Request 422. 7 the filing of this rate case? 8 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 the various decision-makers in that data request; profitability," end quote, this year for global 13 13 container carriers? 14 correct? 14 15 15 A. That's correct. 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 -you agree with me that long-term cargo forecasts are 17 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 20 tools and resources, especially around using scenario A. Yes. Q. And are you not familiar then with the article 21 analysis, high/low base activity. 21 22 Q. Did PSP engage IHS Markit to conduct any 22 from April 3, 2023, titled "Shipper savings to rocket in forecasts or projections for the Puget Sound in this 23 2023 at expense of carrier profits"? 23 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 Q. So you don't necessarily follow the news that 1 perform for PSP. Q. Let's go back to your testimony, and this time 2 your firm puts out on that topic? 2 I'll look at the next page, Page 17, starting at the top 3 3 A. I do follow the news that our company 4 publishes. We do publish quite a bit. We have 35,000 4 of that page. 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 8 MR. HAGLUND: Your Honor, I object to A. Just one -- just one second. Page 17, 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. A. Okay. We're there. 11 MS. DeLAPPE: And it was unintentional, 11 Q. And so that's the -- this section is entitled 12 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. section, you show data about freight rates; right? 14 14 MS. DeLAPPE: Thank you. 15 15 A. Yes. THE WITNESS: Thank you, sir. 16 Q. There is no analysis of that data, is there? And so when I -- when I look at the 16 17 17 A. Other than describing what has transpired in 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 22 the articles that your firm publishes on the specific correct? 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 25 Q. And you don't provide any projections about Q. And so -- but that article about shippers,

Page 772 Page 774 Markit, and source IHS Markit; correct? 1 that there's plunging profitability for global container 1 2 carriers, you don't recall seeing that come out this 2 A. Yes. 3 Q. If you could turn now to your rebuttal 3 testimony, Exhibit KAE-4T at Page 2. 4 4 A. I don't see it in front of me to know exactly. 5 I'd have to look at it to verify. 5 A. Okay. We're there. Q. You don't have any basis to believe the data 6 Q. And do you also see a chart -- charts there? 6 7 7 in your testimony applies to current or future freight On Pages 2 through 11, you'll see some charts. 8 8 rates, do you? 9 9 Q. And they're showing -- what source do they A. Well, they're current through the time that I 10 10 published my testimony and prepared it and submitted it show? 11 and was not asked to forecast freight rates for this 11 A. IHS Markit, and that's inadvertent. That was 12 actually PSP data that we used. 12 particular case. Q. So as we've discussed, freight rates have 13 13 Q. The source for the data in all of your charts changed guite a bit. Are you positing that your -- what 14 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 that that testimony applies to current or future date 16 PSP data. 16 17 freight rates? 17 Q. If you could turn to -- back to 18 Exhibit KAE-6X, and this time turn to Page 4. 18 A. That was at the time of submission. I believe 19 19 this was in July of 2022, so it would've been through 20 20 Q. And this request, Number 392, there were that time and, certainly, there has been changes since 21 21 then. requests about specific charts that you had, and you Q. Again, if you would please answer the 22 said there the data was sourced from Puget Sound Pilots 22 23 question. 23 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? 2.5 applies to the freight rates as they are now, today, and 25 A. Yes. That was in reference to an Excel file Page 773 Page 775 in the future, yes or no? 1 that we had used and submitted. 1 2 2 Q. So PMSA brought this to your attention, this A. The -- my testimony applies to what I've been 3 3 discrepancy in the source information, in data requests asked to contribute and to respond to questions and what 4 4 well before you filed your rebuttal testimony; right? I have submitted in testimony. 5 Q. And so that applied to the freight rates only 5 A. Yes. 6 as of that time: correct? 6 Q. But you did not correct the discrepancy? 7 A. That's what I was asked to address for this 7 A. That would appear so. That's an oversight on 8 testimony. 8 that. Q. If we could please turn to Page 5 of your 9 9 Q. And, in fact, in your rebuttal testimony, you 10 original testimony. 10 have additional charts that have that same type of A. I'm there. 11 mistake? 11 12 Q. Thank you. 12 A. Yes. 13 You'll see there that there are some charts 13 Q. In your initial testimony, original testimony and that at the bottom they are copyrighted IHS Markit. at Page 32, you're showing data there from various 14 14 15 15 ports; right? Q. And these ones say, "Source: Puget Sound 16 16 A. I'm sorry. Which -- repeat that again? 17 Pilots"; right? 17 Which? 18 A. Yes. 18 Q. On Page 32 of your original testimony. 19 Q. And, now, if you could move -- go to the 19 A. Yes. 20 charts on Page 32 through -- there are some on 32 and 20 Q. You're showing data from various ports? 21 several pages thereafter. 21 A. That's correct. Pilot groups. 22 Do you see those tables on Page 32 of your 22 Q. Okay. And so on -- I see there, pilot group, 23 testimony? 23 yeah. 24 24 And so on what basis did you conclude that A. I can see charts on those pages. 25 25 Q. And at the bottom, it's copyrighted IHS this -- that these pilot groups were the right ones to

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1 1 use for your analysis? Q. And as you -- could you explain why the 2 2 comparison was made to major ports on the west coast? A. This was information from PSP, and this was 3 3 compiled through a number -- through their efforts, I A. The comparison was to these major ports on the 4 4 understand, of invoices of actual activity for different west coast because there's where this business is 5 5 operated. This is where the pilot group is functioning, types of vessels. Q. And so you didn't select which pilot groups to 6 6 and there was information available through the pilot --7 7 use? PSP on different vessel types for these different ports. 8 8 A. Those were prepared -- those were made For example, the Columbia River Bar and the 9 9 available, and so I used what was available. Columbia River Pilots was a very good example to use and 10 10 Q. Are you familiar with data that 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 13 A. I understand there's been probably some Similarly, we had information that was made available to 14 14 submitted, but I can't say that I'm completely familiar us for British Columbia, and that gave us a comparable 15 15 without reference to it. look at what was within these areas that the Puget Sound 16 Q. So have you looked at the lists of pilotage 16 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 19 just to -- just to confirm. 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? Captain Carlson's. You'll see a list of other pilotage 22 22 A. Yes, and from that information --23 23 grounds, and if you could just, in looking at them, 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 779 Page 777 A. There are similarities and there are some 1 very -- a select number of questions that relate to 1 2 2 differences, yes. 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 4 differences, do you? ports. And -- and we're entitled, I think, to make sure 5 A. No, I do not. 5 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 8 JUDGE HOWARD: I'm -- I'm persuaded that JUDGE HOWARD: Any redirect? PMSA did raise the issue why these ports were selected, 9 MR. HAGLUND: Yes, your Honor. 9 10 10 at least to a degree, and so I will allow some questions 11 11 REDIRECT EXAMINATION 12 BY MR. HAGLUND 12 Q. (By Mr. Haglund) So do you recall the question? 13 Q. Now, Mr. Eriksen, let's talk about the charts 13 A. Yeah. In looking at the different metrics, I 14 that -- let's pull up the charts on your original 14 think, along the lines -- along those lines, testimony that start on Page 32. Is it -- if you go 15 15 Mr. Haglund. Q. Let me rephrase the question. 16 to -- actually, let's go to Page 31, the page before 16 17 those charts start. 17 What's your understanding about why the west This is KAE-1, Page 31. 18 18 coast ports were selected for this Pilotage B Cost 19 A. Okay. Yes. 19 Comparison to PSP's proposed rates? 20 Q. And do you see the question there: "Did you 20 A. There's similarities, and there's certainly 21 prepare a comparison of PSP's proposed pilotage rates in 21 some competitive pressures on the system there. And the 22 this rate case to the existing rates charged to specific 22 PSP, from what -- the information we received and looked 23 vessels in five ship type classes in the major port 23 at and analyzed, that I looked at, were that they were 24 clusters on the west coast?" 24 lower fees and fares for the PSP. 25 25 A. Yes. Not only that, when I looked at that and

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assessed it on different metrics, whether it was on a per mile or per hour, or even on some distances, very competitive. And, in fact, the PSP was much lower and their rates were such in a position that were very important for us to look at these different regions or these different major pilot groups on the west coast that gave some comparability to address things around why would a vessel go to one place or another. And it wasn't so much about the pilot rates as much as about what's available for commerce to take place.

Q. So let's -- let me ask you some questions about the specific charts Ms. DeLappe referenced. At the bottom of Page 32 --

MS. DeLAPPE: Objection, your Honor. I only asked about the source information, and every time counsel for PSP wants to then dig into testimony about all the underlying data in charts. My -- my questions were very narrow.

JUDGE HOWARD: I think -- I think it was fair to -- for Mr. Haglund to do a bit of a redirect on the issue of why these pilot groups were chosen, but I don't think we've opened it up to redirect in detail into the impacts of these different fees by pilot group on port competitiveness. So some of these distinctions are a little fine to make, but I think that that's in

volatility and the reference was made to the chart on Page 5 of this original testimony, if we could go to

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With respect to the Puget Sound mix of traffic, based upon your background and experience, Mr. Eriksen, how would you characterize its diversity?

A. It's very diverse. Obviously, from these charts here, you can see from, especially the top chart on total assignments of looking at container and tanker, plus bulker, represent more than 80 percent of the volume -- number of assignments that the pilots have.

When I look at the diversity of these vessels, in particular, on the container you see different size trends taking place where the ships are getting larger or there's larger ships accessing the Puget Sound pilotage grounds. Similarly, on the bulker side, what we're seeing is that the bulkers are actually getting loaded with more commodity volume at a higher level, and certainly the diversity's very unique in that regard in providing a very competitive opportunity for shippers to ship through the Pacific Northwest.

- Q. And --
- A. Puget Sound, pardon me.
- Q. You were asked some questions about volatility, and what is your testimony regarding the --

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the interest of fairness.

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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.

This was prepared as part of your original testimony; is that right?

- A. Yes, that's correct.
- Q. And it carried through February of 2022?
- A. Yes, that's correct.
- Q. Do you recall that PMSA asked you, in the data request, to provide an updated chart in early this year and did you do so?
 - A. Yes, they did, and yes, we -- I provided that.
- Q. And it showed the accurate projection of -- or history of rates going down in the last six months?
- A. That's correct. And, in particular, on this chart here, this is an export move. This is moving from the US West Coast to China, and quite frankly, this rate didn't correct as much as some other freight rates, but this one remained pretty high that we would see relative to history.
 - Q. And you were asked some questions about

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 global in nature, local as well, that we look at the trade and economic flows to the United States and to the world.

Q. So I think you missed part of the question. In -- what is your opinion about the impact of diversity? Does it -- in traffic, does it increase or decrease the volatility that you described exists in this pilotage district?

- A. I think it increases some of the volatility.
- Q. No further questions.

JUDGE HOWARD: Do we have any questions from the bench?

COMMISSIONER DOUMIT: No, your Honor. CHAIR DANNER: No, your Honor. COMMISSIONER RENDAHL: No, your Honor. JUDGE HOWARD: All right. Hearing none, thank you for your testimony, Mr. Eriksen.

THE WITNESS: Thank you, your Honor.

29 (Pages 780 to 783)

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1		1	BY MS. DeLAPPE
1	JUDGE HOWARD: Thank you.	2	
2	All right. With that, Mr. Haglund, I		Q. And good afternoon, Ms. Norris. A. Good afternoon.
3	believe we discussed the possibility of calling	3 4	
4	Ms. Norris. I think, though, it might be best to break	5	Q. Could you please turn to Exhibit JJN-05? And
5	for lunch first. Are you agreeable to that?	6	if you could just confirm this information at this exhibit's about PSP's 2022 draft audit financials?
6 7	MR. HAGLUND: Yes, your Honor. JUDGE HOWARD: All right. Let's take a	7	
8	45-minute lunch and let's resume at 12:50.	8	A. Yes. Q. Okay. Thank you.
9		9	And in Exhibit JJN-7 and you don't have to
10	All right. We are off the record.	10	turn to that, but that was also submitted by you. It's
11	(A break was taken from	11	PSP's 2022 audited financial statement; right?
12	12:05 p.m. to 12:52 p.m.)	12	A. Yes.
13	JUDGE HOWARD: All right. Let's get back on the record. We're returning after lunch. It's	13	
14	12:53 p.m. We're resuming with PSP's witness,	14	JUDGE HOWARD: Ms. DeLappe, I believe
15	Jessica Norris.	15	JJN-6 and 7 were rejected. MS. DeLAPPE: Oh, thank you.
16		16	· · · · · · · · · · · · · · · · · · ·
16 17	Ms. Norris, would you please raise your	17	Q. (By Ms. DeLappe) And for purposes just of your testimony, could you please, Ms. Norris, just confirm
18	right hand and I'll swear you in? THE WITNESS: Yes.	18	that you that both of those documents were PSP's
		19	filing of 2022 financial information?
19	JUDGE HOWARD: Do you swear or affirm		<u> </u>
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 22	but, yes.
22 23	THE WITNESS: Yes.	23	Q. Thank you.
24	JUDGE HOWARD: All right. Thank you.	24	And did you hear this morning, Mr. Burton's testimony?
25	Mr. Haglund, please could you please introduce the witness?	25	A. I did.
25	introduce the witness?	25	A. Tala.
	Page 785		
	rage 703		Page 787
1	MR. HAGLUND: Yes.	1	Page 787 Q. And did you hear him testify that I'll
1 2	_	1 2	
	MR. HAGLUND: Yes.		Q. And did you hear him testify that I'll
2	MR. HAGLUND: Yes. Ms. Norris, what is your position?	2	Q. And did you hear him testify that I'll summarize in my own words that withholding
2	MR. HAGLUND: Yes. Ms. Norris, what is your position? THE WITNESS: I'm a partner at	2 3	Q. And did you hear him testify that I'll summarize in my own words that withholding information in discovery about 2022 was proper because
2 3 4	MR. HAGLUND: Yes. Ms. Norris, what is your position? THE WITNESS: I'm a partner at Shannon & Associates.	2 3 4	Q. And did you hear him testify that I'll summarize in my own words that withholding information in discovery about 2022 was proper because the test year at issue in this case is 2021?
2 3 4 5	MR. HAGLUND: Yes. Ms. Norris, what is your position? THE WITNESS: I'm a partner at Shannon & Associates. MR. HAGLUND: And how long have you	2 3 4 5	Q. And did you hear him testify that I'll summarize in my own words that withholding information in discovery about 2022 was proper because the test year at issue in this case is 2021? A. I did hear that.
2 3 4 5 6	MR. HAGLUND: Yes. Ms. Norris, what is your position? THE WITNESS: I'm a partner at Shannon & Associates. MR. HAGLUND: And how long have you served as the lead auditor for PSP in connection with	2 3 4 5 6	Q. And did you hear him testify that I'll summarize in my own words that withholding information in discovery about 2022 was proper because the test year at issue in this case is 2021? A. I did hear that. Q. Do you perceive a conflict between your
2 3 4 5 6 7	MR. HAGLUND: Yes. Ms. Norris, what is your position? THE WITNESS: I'm a partner at Shannon & Associates. MR. HAGLUND: And how long have you served as the lead auditor for PSP in connection with the preparation of their annual financial statements and	2 3 4 5 6 7	 Q. And did you hear him testify that I'll summarize in my own words that withholding information in discovery about 2022 was proper because the test year at issue in this case is 2021? A. I did hear that. Q. Do you perceive a conflict between your filing 2022 financial information and Mr. Burton's
2 3 4 5 6 7 8	MR. HAGLUND: Yes. Ms. Norris, what is your position? THE WITNESS: I'm a partner at Shannon & Associates. MR. HAGLUND: And how long have you served as the lead auditor for PSP in connection with the preparation of their annual financial statements and audit?	2 3 4 5 6 7 8	 Q. And did you hear him testify that I'll summarize in my own words that withholding information in discovery about 2022 was proper because the test year at issue in this case is 2021? A. I did hear that. Q. Do you perceive a conflict between your filing 2022 financial information and Mr. Burton's position?
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Page 788 Page 790 whether that sometimes occurs? 1 he included the December 15, 2022, roster from the BPC 1 2 coinciding with the -- their last meeting of 2022. 2 A. I think that sometimes occurs, yes. 3 3 And if you could go ahead and turn to Q. Could you turn to Exhibit IC-14? And that's a Exhibit WTB-20X, do you agree with me, once you get 4 spreadsheet that was prepared -- submitted by 4 5 5 there, that that shows 53 licensed pilots at the end Captain Carlson in his rebuttal. Let me know when 6 of 2022? 6 you're there. 7 7 A. Is there a count on here? A. I'm there. 8 Q. So you see in the tab for 2022, the number of 8 Q. Go ahead and count, please. 9 9 pilots that he has for Puget Sound? That's in Column D A. Yeah, I counted 53. 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. Q. 48.5, and your Exhibit JJN-05, states that 14 burning comp days after they turned in their licenses to 14 the BPC? the 2022 working pilot roster averaged 52.5 pilots; 15 15 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. seen this list. Our list comes from the amount of 18 Q. Do you know what would account for the 18 19 19 discrepancy of about four pilots? pilots on distribution --20 Q. Do you know --20 A. I don't know how this information was 21 A. -- on the distribution --21 prepared. Our formula is to take the number of duty Q. -- if any -- go ahead. 2.2 22 days divided by the days in the year. 23 23 A. On the distribution report. Q. Let's turn now to Exhibit JJN-8X. And you'll 24 Q. And so do you know anything else that might 24 recognize, I think, that these are data requests that 25 account for the discrepancy of three pilots between the 25 were addressed to you. Page 789 Page 791 PSP financials and the Board of Pilotage Commissioners' 1 1 A. Yes. 2 2 Q. And if you could turn to Page 2. That's PMSA records for 2022? 3 Data Request No. 164. 3 A. There could be timing of new pilots or retired 4 Am I correct in understanding, from your 4 pilots from the date this was prepared and the date that response here, that if a pilot retires without standing 5 I pulled mine. 5 6 Q. So the date that is in your footnote is 6 callback days, the pilot just stays on the roster until 7 December 31, 2022; right? 7 all their accumulated callback days have been burned? 8 8 A. Correct. A. Can you rephrase the first part of that 9 Q. And the date on this document is 9 10 December 15, 2022; right? 10 Q. So if a pilot retires without standing 11 callback days, the pilot stays on the roster until all 11 A. Correct. 12 Q. So do you think the most likely reason would 12 their accumulated callback days have been burned; is 13 be the burning of comp days after pilots had turned in 13 that right? 14 their licenses for the --A. Yes. 14 15 Q. Could you please turn to Page 9 of this 15 A. Again, I don't -- I don't know what was used exhibit and answer this for me: There is no specific 16 16 to accumulate this information on where the licensed 17 pilots, you know, came from, so I don't really have any 17 comp day accounting by individual in the schedule of distribution of pilotage revenues; right? 18 comment on where this information comes from. 18 19 Q. Okay. So earlier, just a moment ago, in your 19 A. That is accurate. 20 testimony, you said it might be a situation of burning 20 Q. And individuals cannot receive specific comp 21 comp days after pilots turned in their license. 21 day cash payments; right? 2.2 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 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 day of service that 25 25 cannot provide service to vessels, are you aware of they do not actually work?

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 So the only way that pilots can get paid for a 3 3 disbursements do not equal stated earnings? comp day is through credit of a day of service that they 4 A. There's expenses or adjustments that come out 4 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 --Q. And --7 7 get basically a future day for working a day. 8 Q. So are comp days paid as reflected in the days 8 A. -- or possible insurance payments. Sorry. 9 9 Q. Mm-hmm. And so what are the situations in of service calculation? And I'll refer you here to 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 13 the exhibit number, please? reducing their check. 14 Q. And when you say insurance, what type of 14 MS. DeLAPPE: Yes. JJN-2, and there at 15 Page 24, there's a schedule of days of service and insurance are you talking about as one of the 15 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 21 Q. Would a pilot that no longer is actively A. The days of service is the days a pilot is on 22 piloting and no longer has a license to pilot, would 22 the distribution. So if they're burning comp days, 23 23 they have expenses that would require adjustments from they're on the distribution. 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 Page 793 Page 795 an active pilot who is piloting versus which pilots are 1 of what I look at. 1 getting days of service credit for burning callbacks 2 Q. Let's look -- one last area of questions I 2 3 while not actively piloting? 3 have for you. If you could look at Exhibit WTB-18X, 4 I -- this is the order -- the final order from the last 4 A. No. 5 Q. If you could now turn to Exhibit JJN-13X, and rate case. I presume you're familiar with this? 5 6 you'll see this shows a summary of the details of 6 A. Yes. 7 individual distributions to pilots with anonymized pilot 7 Q. If you could look -- turn to Page 76 of the 8 numbers and actual check amounts for each month, so 8 exhibit, which is Page 71 of the order, Paragraph 236. starting at Page 2. 9 9 And I'll just read to you the part I'd like to 10 A. Okay. 10 focus on. It says: "PSP must defer the revenue from a Q. And you recognize this document; right? 11 callback assignment in order to properly attribute the 11 12 costs" -- excuse me -- "attribute the costs to the 12 A. Yes. 13 Q. Let's turn to Pages 14 and 15, please. 13 vessel that caused PSP to incur the expense at the time So, there, we see the information for 14 14 the expense was incurred." So going back to your Exhibit JJN-5, if we July 2021, and the stated earnings per pilot that month 15 15 was \$33,656.87; right? look at Page 2, you list callback days as a line item 16 16 under "Seattle Office Operating Expense and 17 A. Yes. 17 Q. But the actual check amounts vary, don't they? Administrative Overhead"; right? 18 18 19 19 A. Yes. 20 Q. So if -- I won't ask you to -- I won't spend 20 Q. So that's Number 2 on that list? 21 time looking at this in detail, but if -- if only four 21 A. Yes. 22 of the pilots that month received a check equal to the 22 Q. Would you agree with me that this is not 23 stated earnings, is it possible that some or all of 23 deferring the revenue to attribute the costs to the 24 those pilots were burning callback days? 24 vessel that caused the expense at the time the expense 25 25 was occurred -- incurred? A. I'm unable to comment without looking at

Page 796 Page 798 1 1 and the money set aside for callback days as they occur A. No, I would disagree. This -- this is putting 2 2 the expense in the period when the vessel moved. in a given month? Would you explain that? Q. How does it attribute the costs to the vessel 3 3 A. Yes. So in a given month, there's a report 4 that caused the expense? that lists the total number of callback days worked. So 4 5 A. It doesn't attribute it to the specific 5 that -- that report increase -- so if a callback day is 6 6 worked, there's an additional expense that is shown here vessel, but it does attribute it to the period in which 7 7 the vessel movement occurred. 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. Q. So -- and you explain in that Footnote 4, how 14 doesn't attribute it to a specific vessel. In the 14 this approach complies with Order 09? 15 accounting records, it puts it -- puts the expense in 15 the period in which it happens so that the pilot 16 16 A. Yes. 17 17 Q. Okay. Now, you were asked some questions distributions are reduced as a result of those 18 about the difference in the amount earned by each pilot, 18 additional days. 19 Q. I see I have no further time. Thank you. 19 which, under the bylaws, is equal per pilot, and the 20 actual cash distribution check received. 20 JUDGE HOWARD: Any redirect? 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 23 REDIRECT EXAMINATION occurs? 24 BY MR. HAGLUND 24 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 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 1 2 2 a full copy of the 2022 audit that you prepared. 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 call out Note 4. And is this -- what's the purpose of 6 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 8 A. This footnote is to explain how the callback their -- to reduce their buy-in liability. Q. And do you happen to recall the approximate 9 days are accounted for and to describe the callback day 9 10 liability on the financial statements. 10 amount of the buy-in for a new pilot in 2022? Q. And is this the footnote where you are 11 A. I could look that up, but I believe it was 11 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? money that every new licensee must pay in on a monthly 14 A. Yes. We went back to May 1, 2021, to describe 15 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 17 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 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 25 money generated? Or how is -- how is the accrual made that the right reference to the tabs, this is an Excel

	Page 800	1	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 12	tabulated this, the Puget Sound number of pilots entry for 2022 on this workload table?	11 12	means, next, we are turning to Christopher Noble, and then we will turn to the two staff witnesses. And we
13	A. No.	13	
14	Q. Okay. Thank you. No further questions.	14	will also touch on Jordan Royer to make sure there are
15	JUDGE HOWARD: Do we have any questions	15	no bench questions for Jordan Royer.
16	from the bench?	16	So Christopher Noble, is Mr. Noble 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
23	TOO, make concer,		bo you swear or animir that the testimony
	Page 801		Page 803
1	Commissioner Rendahl. I had in my mind, I had deemed	1	you give today is the truth, the whole truth, and
2	that PSP submitted it as cross-exhibit for	2	nothing but the truth?
3	Captain Moore, and that was that was appropriate.	3	THE WITNESS: I do.
4	What I struck was what I rejected was	4	JUDGE HOWARD: All right. Ms. DeLappe,
5	the submission of that as supplemental testimony on, I	5	would you please introduce the witness?
6	believe it was, March 24th outside of the procedural	6	MS. DeLAPPE: Thank you.
7	schedule.	7	Mr. Noble, could you please state your
8	COMMISSIONER RENDAHL: Okay. I just	8	full name?
9	wanted to raise that. I have no further questions.	9	THE WITNESS: Christopher F. Noble.
10	JUDGE HOWARD: All right. Hearing no	10	MS. DeLAPPE: As you know, your prefiled
11	further bench questions, Ms. Morris Ms. Norris	11	testimony and exhibits have already been accepted into
12	excuse me thank you for your testimony. You are	12	evidence. Are you now adopting those under oath?
13	excused from the remainder of the hearing.	13	THE WITNESS: Yes, I am.
14	THE WITNESS: Thank you.	14	MS. DeLAPPE: I tender the witness.
15	JUDGE HOWARD: And I believe that	15	JUDGE HOWARD: All right. And PSP
16	concludes the planned cross of PSP witnesses. Is that	16	indicated cross for this witness and you may proceed.
17	correct, Ms. DeLappe?	17	MR. HAGLUND: Thank you, your Honor.
18	MS. DeLAPPE: Yes, your Honor. Thank	18	00000 57/44/11/15/51/1
19	you.	19	CROSS-EXAMINATION
20	JUDGE HOWARD: All right. And I will	20	BY MR. HAGLUND
21	note that no party requested to cross the remaining PSP	21	Q. Mr. Noble, it's true, is it not, that you're
22	witnesses, which include: Captain Dempsey, Diamond,	22	not a pension attorney?
23 24	Johnson, Jordan, Captain Julien, Captain McIntyre,	23	A. That's accurate, yes.
. 1 /1	Nielsen, Semler, Tabler, Titone I may be saying that	24	 Q. Okay. And you're not qualified to offer
		٥٦	
25	wrong Captain Wodehouse.	25	opinions on pension law issues?

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A. Opinions not in the legal sense. As an involved actuary, I was tested on the requirements for qualified pension plans by the Joint Board for the Enrollment of Actuaries, which is operated under the Department of the Treasury and the Department of Labor. And as an enrolled actuary, I was expected to be able to understand and apply the sections of the code that are

Q. Okay. Is it fair to say that you concluded, in your testimony, in a couple of places, that Christopher Wood's projections of the 50-year cost projections under a number of scenarios for the transitioning the PSP pension plan to -- well, let me start over.

applicable to defined benefit pension plans.

You're familiar with the projections that Christopher Wood made over 50-year timeframes for two different alternative transitions of the pay-as-you-go pension plan to a fully defined -- a fully funded defined benefit plan; is that right?

- A. I'm familiar with those projections, yes.
- Q. And is it fair to say that in your testimony you concluded that Mr. Wood's projections were reasonable in terms of the assumptions utilized? In other words, based on the assumptions he utilized, the projections were accurate?

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And, furthermore, I don't believe that Mr. Wood even agreed that his investment rate of return was 5 percent. I think he, in his cross this morning, agreed that it was higher and, in fact, I would argue that it's higher than he said it was.

- Q. So as you heard Mr. Wood this morning, you thought he said that the assumption he made was different than 5 percent?
 - A. Yes.
 - Q. He discussed --

A. He assumed that the investment rate of return would match the discount rates, and there are three discount rates, 4.75 percent, 5.0 percent, and 5.74 percent, that apply to different periods in the projection. And calculating an investment rate of return in that scenario is a little bit complicated, but it certainly would be higher than 5 percent, and I believe that Mr. Wood agreed to that.

Q. Well, the -- we got a record of what he said this morning, and it will speak for itself.

I have another question for you. In your projection -- if we could go to your -- I want to pull a portion of your testimony that relates to my next question at CNIT -- 1T, Page 13.

A. This is my testimony?

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A. Yes. Based on the assumptions he utilized, it appear to me that the projections were consistent with those assumptions.

Q. Okay. And then you did some of your own projections where you reduced the rate of return; is that right?

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 points for comparison purposes.

- Q. Okay. And Mr. Wood testified earlier today, and there were some questions about the 5 percent rate of investment return, net of investment costs, that he incorporated into his projections. Did you hear that testimony earlier?
 - A. I did hear that testimony earlier, yes.
- Q. And so my question is: Did you, in your alternative, reduce that rate of return by 100 basis points, in other words, from 5 percent to 4 percent?

A. First of all, the projections I provided were based off of an earlier set of projections from Mr. Wood, the ones in his original testimony, not the ones in his rebuttal. And his expected rate of return was significantly higher in those -- in those original projections because he had higher discount rates.

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- Q. Yes, this -- and it'll be on the screen in a moment if you have a screen there, but...
- A. I have a screen. I have it here in front of me on paper as well.
- Q. Okay. However, you wish to look at it, but if you could call out the first paragraph. That's Number 2 there.

So the -- the -- is it true, Mr. Noble, that your projections reduced the active pilot count to 44 pilots?

A. One of the projections that I provided did. I provided two sets of projections in my report. One of them retained the 52 active pilots that had been used in Mr. Wood's original testimony, in his original exhibits, and the other one reduced the active participant count to 44 pilots, again, for comparison purposes.

- Q. What was your -- did you receive some instructions from PMSA regarding reducing the pilot count to 44 for purposes of a pension cost illustration?
- A. Yeah. PMSA asked me to display sensitivity of the projections to both the discount rate and the active pilot count.
- Q. Did you learn from PMSA that they have an intent to see pilot numbers drop to that level through attrition?

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A. I don't believe that they -- I heard any such intent. I was requested to show what the projections would look like if the active participant count did drop, not -- not with an understanding that that was what was going to happen, but for comparison purposes and to understand the sensitivity of those projections through the active participant count.

Q. Okay. Thank you for clarifying that. That's all the questions I have.

JUDGE HOWARD: Any redirect? MS. DeLAPPE: Yes, thank you.

REDIRECT EXAMINATION

BY MS. DeLAPPE

Q. Mr. Noble, counsel asked you just now about your opinions about the reasonableness of Mr. Wood's assumptions and about the rate of return. Would you please explain your view of the investment return assumption used by Mr. Wood?

A. Mr. Wood, as he said very clearly in his testimony, based his investment return as equal to the discount rate. And that's a complicated assertion or statement because there were actually three discount rates. And so what that means is that you have to take the assets that are in the trust, the benefits, and a

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year 20, and so they only need to earn 5 percent. And that means that the assets that were set aside are no longer sufficient and there would be an increase in the assets to make that up.

So his claim -- his projections that are based on no gain or loss really comes down to a projection that there will be losses on the liability that need to be made up by gains on the assets in order to have no net gains or losses. So even looking at those three discount rates that he used, which would point to an investment rate of return in excess of 5 percent, the actual rate of return that would be required is higher than that.

Furthermore, Mr. Wood asserted that the discount rates were based on current rates of return on high grade corporate bonds. They are not. They are based on long-term average rates of return of high-grade corporate bonds, and that difference means that you can't make that discount rate on an investment of high-quality fixed-income investments. It would need to be an allocation to riskier asset classes, such as equities, which Mr. Wood, in his testimony this morning, acknowledged would be likely, but that additional risk is part of the investment return that he has assumed.

Q. You were also asked a little bit about your --

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certain portion of them are assigned -- assigned in at least a book sense, not necessarily in any legal sense, to pay the benefits in the first five years. Another portion to pay benefits in the subsequent 15 years, so there's 16 through 20, and the remainder to pay benefits after 20 years.

And the first portion needs to earn a rate of interest equal to the discount rate for those first five years, which was 4.75 percent. The next portion would be to -- would need to earn a rate of interest of 5 percent to pay benefits in the next 15 years. And the last remaining portion would need to earn an investment return of 5.74 percent.

Now, in the projected plan, which starts with no retirees, there would be very few benefit payments in the first five years, so very little of the assets would be allocated to payment of benefits in the first five years. Nearly all of them would be for the subsequent periods and would need to earn rates of return for 5 percent or 5.74 percent.

Furthermore, Mr. Wood assumed the same set of discount rates in each subsequent year, and what that means is that originally the -- the payments that were assigned to year 21, which would've needed to earn 5.74 percent, the next year those payments were only in

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generally, your knowledge as an actuary, the type of actuarial work that -- and experience that you have.

Can you tell us your view of the complexity of the actuarial work that would be needed for the -- PSP's proposed plan?

A. The multiple-employer defined benefit plan that is proposed is -- it certainly is allowed. There's a section of the Internal Revenue Code for such plans, but they're not common. And part of the reason they're not common is because they're complicated, and the Internal Revenue Code specifies that the contribution from each employer -- that would be each pilot in this plan -- needs to be at least the minimum that would be required if that pilot maintained their own plan, which means that in order to do the actuarial work, the actuary would need to first divide the assets in the trust and allocate those between the various pilots and then do a minimum required calculation for each pilot in order to determine what each pilot's contribution would need to be.

That's quite an extensive set of calculations, and those calculations need to be documented in an attachment to the Schedule SB filed that's part of the 5500 filing that needs to be made every year. So I believe that that's pretty onerous for a plan of this

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	Page 812		
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 10	original testimony of Mr. McNeil and Mr. Wood pointed	9	MR. HAGLUND: Your Honor, PSP has decided
11	out some of the advantages to participants. But because	10 11	to waive cross-examination of Ms. Simmons.
12	participants in the plan need to make contributions based on minimum at least the minimum required	12	JUDGE HOWARD: All right. Thank you. 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	their pay, and that's assuming that the plan doesn't	22	you give today is the truth, the whole truth, and
23	have gains or losses, that is, that the assumptions are	23	nothing but the truth?
24	met.	24	THE WITNESS: I do.
25	In the event that there are losses, which, in	25	JUDGE HOWARD: Thank you.
			·
	Page 813		Page 815
1	_	1	
1 2	the course of a pilot's career, there almost certainly	1 2	Mr. Callaghan, would you please introduce
2	the course of a pilot's career, there almost certainly will be at some point, those required contributions	2	Mr. Callaghan, would you please introduce the witness?
2	the course of a pilot's career, there almost certainly will be at some point, those required contributions could be very volatile, and pilots could see a dramatic	2	Mr. Callaghan, would you please introduce the witness? MR. CALLAGHAN: Yes, your Honor. Thank
2 3 4	the course of a pilot's career, there almost certainly will be at some point, those required contributions could be very volatile, and pilots could see a dramatic increase suddenly and, potentially unexpectedly, in the	2	Mr. Callaghan, would you please introduce the witness? MR. CALLAGHAN: Yes, your Honor. Thank you.
2	the course of a pilot's career, there almost certainly will be at some point, those required contributions could be very volatile, and pilots could see a dramatic increase suddenly and, potentially unexpectedly, in the contribution that they need to make to the plan from one	2 3 4	Mr. Callaghan, would you please introduce the witness? MR. CALLAGHAN: Yes, your Honor. Thank you. Good afternoon, Ms. Simmons.
2 3 4 5	the course of a pilot's career, there almost certainly will be at some point, those required contributions could be very volatile, and pilots could see a dramatic increase suddenly and, potentially unexpectedly, in the contribution that they need to make to the plan from one year to the next.	2 3 4 5	Mr. Callaghan, would you please introduce the witness? MR. CALLAGHAN: Yes, your Honor. Thank you. Good afternoon, Ms. Simmons. THE WITNESS: Good afternoon.
2 3 4 5 6	the course of a pilot's career, there almost certainly will be at some point, those required contributions could be very volatile, and pilots could see a dramatic increase suddenly and, potentially unexpectedly, in the contribution that they need to make to the plan from one	2 3 4 5 6	Mr. Callaghan, would you please introduce the witness? MR. CALLAGHAN: Yes, your Honor. Thank you. Good afternoon, Ms. Simmons.
2 3 4 5 6 7	the course of a pilot's career, there almost certainly will be at some point, those required contributions could be very volatile, and pilots could see a dramatic increase suddenly and, potentially unexpectedly, in the 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	2 3 4 5 6 7	Mr. Callaghan, would you please introduce the witness? MR. CALLAGHAN: Yes, your Honor. Thank you. Good afternoon, Ms. Simmons. THE WITNESS: Good afternoon. MR. CALLAGHAN: Could you please state
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	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 20	JUDGE HOWARD: Yes.
20	the loan.	20	If you'd please raise your right hand,
21	Is staff accepting the adjustment R08 as		I'll 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 24	recommending removing R08 as it's stated in your testimony? There's a little bit of inconsistency	24	you give today is the truth, the whole truth, and nothing but the truth?
25	between those two, between JNS-2r and JNS-1T, at	25	THE WITNESS: I do.
23	between those two, between 5NO-21 and 5NO-11, at	23	THE WITNESS. Tub.
	Page 817		Page 819
1	_	1	
1 2	Page 817 Page 11. And I may be misunderstanding it, but if you could please clarify, that would be helpful.	1 2	Page 819 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?
2 3	Page 11. And I may be misunderstanding it, but if you could please clarify, that would be helpful. THE WITNESS: I do not see there's an R08	2 3	JUDGE HOWARD: All right. Mr. Callaghan, could you please introduce the witness? MR. CALLAGHAN: Yes, your Honor. Thank
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1 **CROSS-EXAMINATION** 1 supported. 2 2 BY MR. HAGLUND 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 4 understand the staff's position on the PSP pro forma 4 related to Page 1 of this document, is it fair to say 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 7 And in your testimony you -- if we go to 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 9 original testimony. And you say, at Line 15 there, in what that amount is. If we could call out the 10 10 answer to the question whether staff recommends highlighted line, which was \$5,275,000 and change. including pension costs through that adjustment, and you 11 11 Do you recognize this page as the document 12 12 from the schedule from the prior rate case that shows say no. 13 13 Then, you go on -- let's go to the bottom of 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 15 that the commission addresses pension costs? And you A. Yes. state there: "Staff proposes leaving pension plan costs 16 Q. And if we go to Page 2 of this document, this 16 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 20 Do you see that testimony? Puget Sound Pilots in 2021 of 5,517,000, over 275 -- or, 21 21 A. Yes. over \$225,000 more than the amount approved in Order 09. Q. And does -- do you stand by that position, or 22 22 Do you see that? has staff had to back the \$902,000 pro forma adjustment 23 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 Page 821 Page 823 1 pro forma adjustment that you are proposing to disallow 1 adjustment, we did not add it back in. However, I think 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, 7 the disallowance of approximately 1.2 million dollars as 8 8 JNS-10T. This is her rebuttal testimony at Page 3. opposed to 900,000? 9 And if you look at the -- to call out the 9 A. Well, actually --10 first question and answer, she's asked what specifically 10 Q. Is that correct? does staff wish to revise, and Number 3 is pilot pension 11 11 A. I'm sorry? 12 staff missed adding in PSP's pro forma amount of 12 Q. Is that correct? 13 \$902,000. 13 A. I would have to say no because the amount that 14 Doesn't that indicate you were recognizing 14 we used in our calculation for the revenue requirement that as a cost to be recovered in terms of what staff 15 15 was the 5,570,478. So the only amount excluded is 16 was recommending? 16 the 902,438 adjustment. 17 A. No. I think what Ms. Simmons is referring to 17 Q. Okay. So when you say in your testimony -- if 18 here is the corrections that were made to the exhibit, 18 we could call that back up, MY-1T, at the bottom of 19 JNS-2, and corrected in JNS-2r, in which the removal of 19 Page 22, and we'll go on to the top of Page 23, you're 20 the 902,000 has been initially left off and was included 20 saying there, at the bottom of 22: "Staff proposes 21 in the correction. 21 leaving pension costs at the level of the previous rate 2.2 Q. Okay. So you -- staff stands by your 22 case." 23 testimony that this \$902,000 pro forma adjustment should 23 You're changing that position to proposing 24 be disallowed? 24 leaving them at the level incurred in the test year? 25 25 A. That's correct. I do not believe it was A. Well, again, you know, the number used in the

Page 822

Page 824 Page 826 1 1 isn't that the case? calculation is the amount from the -- from 2021, so I 2 2 would say there's an oversight in the favor of the 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 7 the Puget Sound Pilots seek in the way of pension costs 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 9 \$6.4 million, should be disallowed all the way down to 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 20 now 1.2 million dollars of known pension costs? extra \$275,000 reduction in the pension amount that 21 21 would be recovered in the tariff you would propose; A. Staff requested the general ledgers for the 22 correct? 22 test year and the general ledgers for January through 23 23 A. Per my testimony, that is correct. But, 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 2.5 pension, were there? And you're not contesting these Page 825 Page 827 1 payments weren't made, are you? 1 rates. Q. Well, I guess you're confusing me here, 2 A. I'm not contesting that they were not made. 2 3 3 Mr. Young. What should the commission do, in your 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 8 A. I do not recall. A. I don't -- there was --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 \$5,517,000 actual pension costs in the test year of 2021 11 measurable cost that the commission has required under 11 12 not a known and measurable expense? 12 that Washington Supreme Court case to recognize and make sure are covered in the tariff; is that your position? 13 13 A. Well, I'm not saying that it was not known and 14 MR. CALLAGHAN: Objection. Calls for a 14 measurable. I'm just saying that it hasn't been 15 15 supported. legal opinion. Q. How has it not been supported? This is a MR. HAGLUND: I'll withdraw the question. 16 16 17 17 public -- this is an audit performed by a CPA. Q. (By Mr. Haglund) And do you recognize, Mr. Young, that if the -- if the 1.2 million dollars 18 18 A. We don't know exactly what formulation was 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

40 (Pages 824 to 827)

on the new proposed plan. That was not clear in the

footnotes that the pay-as-you-go plan has continued;

Q. The 2021 audit is awfully clear in its

filing that the pilots made.

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each one of the Puget Sound Pilots?

absolutely clear that it will, won't it?

Q. Well, it's not quite possibly, is it? It's

A. Quite possibly.

Page 828 Page 830 1 1 Q. You did not look at Mr. Lough's testimony that A. Well, any -- yeah, any amount that you pay out 2 2 assembled all of the comparable pilot income data that as an expense, yes, would probably reduce the amount 3 is publicly available from around the country? 3 available for the pilots' distributions. 4 4 Q. And if I divide 56 -- or divide 1.2 million A. I scanned it when it was submitted, but I did 5 5 dollars, rounding it by 56, that's \$21,428 that would 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 7 Pilot if there are 56; correct? A. Yes. 8 8 Q. And did you review all of the exhibits? A. Yes. According to your math, yes. 9 9 A. I don't recall them. I probably looked -- I Q. Okay. Now, let's turn to the DNI topic. Is 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 review the testimony of Mr. Moore? 13 cross-answering testimony? 13 14 A. That's correct. 14 A. Yes. Q. Captain Moore on behalf of the PMSA? 15 Q. And the only place where one can find any 15 16 reference in your exhibits to DNI is if we could call up 16 A. Yes. Most of it, yes. 17 MY-9, Page 1. The one behind -- the next page. That's 17 Q. If we could call up MM-1T, Page 190, and if we 18 the cover page. If we could call out that table, and 18 could call out the five bullet points there? These are 19 would you agree that the line that says "target DNI of 19 five items that Mr. Moore -- Captain Moore claims are 20 56 pilots" on this exhibit of yours is the only place in 20 necessary in order to conduct any sort of comparable your testimony where you, on behalf of UTC staff, 21 21 pilot group analysis. address the topic of distributable net income for Puget Do you remember reading these bullet points? 22 22 23 23 Sound Pilots in this rate case? A. I don't remember reading them. I may have. 24 24 A. Directly, that's correct. Q. Do you -- is it your position that in order to 25 Q. And if one wishes to determine how -- if you 25 compare pilot groups from around the country, that the Page 829 Page 831 look at that line, it has a listing of the total amount 1 commission must have detailed data regarding the 1 2 2 day-to-day work in each pilotage district under devoted to DNI per the current rates as you list them. And then it has PSP's proposed rates, some -- the first 3 consideration for comparison purposes? 3 column's 21 million, PSP proposed rate column is 4 4 MR. CALLAGHAN: Objection, your Honor. 5 5 33.58 million, and then staff's proposed rates is This is outside the scope of Mr. Young's testimony. 6 \$24.85 million. Do you see that? 6 MR. HAGLUND: Your Honor, he has a 7 A. Yes. 7 reference in his testimony to DNI. It's the most -- one 8 Q. And is it correct that you used 56 pilots as 8 of the most important issues in the case. MR. CALLAGHAN: Your Honor --9 the funded number of pilots recommended? 9 10 A. Yes, that's correct. 10 MR. HAGLUND: I should be able to explore Q. And the DNI is -- one can reverse engineer 11 11 what his understanding is of this particular key issue. 12 what you've done because there's a reference, I think, 12 MR. CALLAGHAN: Your Honor, Mr. Young has 13 in your testimony to adding the \$1.88 million in medical 13 a reference to the DNI in the calculation in Exhibit 09. 14 insurance costs to DNI. And is it a fair statement that 14 He does not, anywhere in his testimony, talk about the 15 15 this \$24.85 million is the combination of the same DNI standards for comparability. 16 16 as was approved in Order 09 for the second tariff year, JUDGE HOWARD: I will allow Mr. Haglund 17 \$410,075 times 56 pilots plus the \$1.88 million in 17 to explore this a little bit further because this is a 18 medical insurance costs: is that correct? 18 key element in the revenue requirement, and it is an 19 A. Yes, that's correct. And that is the 19 element of Mr. Young's testimony. 2.0 calculation that's shown at the bottom of the page 20 Q. (By Mr. Haglund) So, Mr. Young, my question for 21 there. 21 you was, and I'll try to move through these very 2.2 Q. Okay. Did you -- did you review Mr. Lough's 22 quickly, is: Is it staff's position that detailed 23 testimony in evaluating the DNI recommendation to make 23 day-to-day work data is necessary to compare pilot 24 in this case? 24 groups? 25 25 A. No, I did not. A. Well, I don't know because I did not look at

Page 832 Page 834 1 1 comparability as an issue in this case. Asked and answered. Mr. Young has already stated that 2 2 Q. Okay. Then I won't go through the rest of the he didn't evaluate comparability as an issue in this 3 3 bullets, but let me ask you these questions. case. 4 4 MR. HAGLUND: If we could call up -- this 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 stated, I did not look at comparability. The commission 6 an order from the Louisiana Pilotage Fee Commission. 6 7 7 This is DL-07. If we could look at Page 35 of that is not required to do that. The commission established 8 8 a DNI in the previous case so I did not go any further 9 9 And if we could -- actually, I was into it than that. 10 10 mistaken, it should be page -- yeah, that's -- that was 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 weak 12 If we could call -- if we could highlight 12 evidence to reject PSP's comparable income information 13 13 the first five lines of the second-to-last paragraph on 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 Mr. Young, that the Louisiana Pilotage Fee Commission, 16 16 case? Q. Yes, yes. 17 like the UTC, will periodically engage experts to do 17 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 20 for pilots in the United States ports other than the they're not -- they're not required to. They may choose 21 21 state of Louisiana; found that in this December 1, 2020, 22 22 order -- '21 order, actually, to be \$478,000 per pilot MR. HAGLUND: Okay. And let me ask that 23 23 reflecting the range there. the Exhibit DL-22 be placed on the screen. 24 Did you examine this order? 24 Q. (By Mr. Haglund) Do you recall looking at this 25 A. I did not. 25 exhibit to Mr. Lough's testimony, which is the -- a copy Page 833 Page 835 Q. So if we go to the next page -- well, if you of the 2022 new contract substantially increasing 1 1 2 compensation to the Grays Harbor pilots that was -didn't -- well, let me -- I -- I have a quick question 2 3 3 on the next page, and if you could call out the upper A. No, I don't recall this. 4 Q. So if we could go to Page 2, you don't recall 4 part through the block quote. 5 the base salary at the Number 1 there in the middle 5 Here, this is the next page in this rate 6 order, noting that the Louisiana Pilotage Fee 6 being increased to \$350,000? 7 Commission's consultant recommended that the average 7 A. No. The Grays Harbor pilots are in a 8 8 annual pilot compensations to be used for rate-making different rate-setting situation so I did not consider any of their -- their information in this case. 9 purposes in this case be the \$586,019, which was the 9 10 target net approved in this rate order. 10 Q. So let me ask you this, Mr. Young: Did you And then the rationale supporting that, which happen to observe in the Louisiana rate order that was 11 11 12 is in the block quote, referenced the fact that they 12 DL-07, and in at least two Oregon Board of Maritime 13 took the actual income for one pilot group in Louisiana, 13 Pilots' rate orders that were attached to Mr. Lough's 14 the New Orleans-Baton Rouge Pilots, acronym NOBRA, and 14 testimony, that these both reference the importance of 15 increased that by 100 -- or by 22.67 percent because 15 parity in compensation and benefits within a state in 16 they had more movements -- or handles is the term 16 terms of how the state treats its state-licensed pilots? 17 there -- and that's how they derived the \$586,019 target 17 A. Are you asking me if I read those orders? 18 net compensation that was approved in that case. 18 Q. Yes. 19 My question for you, Mr. Young, is in 19 A. I did not consider them in my -- constructing 20 evaluating your staff recommendation to the commission 20 my case for testimony in this -- in this case. 21 on proposed DNI in this case, did you evaluate the level 21 Q. Were you aware that the Grays Harbor pilots

are also licensed by the State of Washington as

A. I would've made that assumption, yes.

state-licensed pilots by the Board of the Pilotage

of compensation being paid to pilots in the state of --

MR. CALLAGHAN: Objection, your Honor.

another pilot group in the State of Washington,

specifically the Grays Harbor pilots?

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Commissioners?

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- Q. And if the table prepared by Mr. Lough shows that the Grays Harbor pilots were projected to earn 497,000 in 2023, as a matter of policy, do you think it's appropriate for the UTC to approve a substantially lower level of pay for the Puget Sound Pilots?
- A. Again, the situations are not identical. I would have to, you know, examine them side by side to determine, you know, if it -- what similarities occurred and what differences occurred. There could be a lot of reasons for why the pay would be different.
- Q. Did you listen to Captain Moore's testimony yesterday?
 - A. Yes, I did.

- Q. Did you -- when the discussion of Grays Harbor came up, do you recall him stating that one of the reasons he didn't oppose the Grays Harbor 15 percent increase in its tariff was because of the need to have at least two pilots even though there wasn't enough work for two pilots? Do you remember that?
 - A. I do remember him saying that, yes.
- Q. And the data assembled by -- did you read Captain Carlson's rebuttal testimony?
 - A. Yes, I did.
- Q. And then so you did review the workload evaluation and table in his testimony showing that

Q. (By Mr. Haglund) Okay. So this is the rebuttal testimony of Ken Eriksen, and did you review that testimony, Mr. Young?

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- A. I scanned it, yes.
- Q. And one of the things that it does on a couple of pages is where there is overlap between the types of traffic that -- types of vessels that go into Grays Harbor and that also go into Puget Sound. Grays Harbor has much less diversity of ship traffic, but one of those that -- where they both have the same vessels come into their pilotage grounds is bulk carriers, grain primarily.

And the upper chart here shows the cost in -shows -- compares the pilotage fees in thousands of
dollars per assignment for a vessel going into Puget
Sound, specifically a five-hold dry bulk carrier vessel
heading into Grays Harbor along with several other
ports. Do you see this?

- A. Yes.
- Q. And the -- the -- what you see on this chart is the level of charge by Puget Sound using -- the Puget Sound Pilots using their proposed rates and the current -- compared to the current rates for Grays Harbor.
 - Do you see that the cost is substantially

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among, I think, 13 pilot groups on the list, that Puget Sound Pilots were the second hardest-working in terms of total hours working on task within that table. Did you see that too?

A. I don't recall off the top of my head, but probably. If it's in the table, it was probably there.

- Q. And do you think it's an appropriate policy for purposes of rate-setting involving state-licensed pilots in the State of Washington for a small group with low traffic, low level of overall work, to earn substantially more than your recommended level of DNI in this case?
- A. I think the rates ought to be set based on the cost of providing the service that's delivered.
- Q. Well, the cost of the service that is delivered includes, as the single biggest component of the rate, the net income paid to pilots, does it not?

A. That's a possibility, yes.

MR. HAGLUND: Well, let's -- let me put up another exhibit. If we could go to KAE-4T, Page 4.

No, this is KAE. This is a totally --

this is Ken Eriksen's testimony. We used it, and go to Page 4.

Did you -- that's the -- okay. That'sgreat.

higher, approximately \$7,000 for a movement into Grays

Harbor compared to less than \$5,000 in Puget Sound? Do you see that?

A. When you say "costs," you're talking about the

fee -- the fee actually charged, correct?

Q. Yes, I am.

A. Okav.

Q. Don't you think that analyzing the pilotage fee levels is a pertinent inquiry in trying to assess, in a sophisticated and comprehensive way, the fair, just, and reasonable level of distributable net income that the Puget Sound Pilots should earn? And that's the end of my question. Would you -- wouldn't it be important to look at this sort of data?

A. Well, it depends. We have multiple garbage companies providing service in King County, and we don't examine the rates of the other garbage companies to determine the rate for the company that's filled the rate case, so I did not do that in this case either. I would have to know all about the cost data that supports this before I could do any kind of comparison.

Q. Did you -- did you happen to attend or did you -- have you reviewed the public comment testimony yet?

I was at the hearing.

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- Q. Did you review the written submissions?
- A. I have not had time to do that, no.

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Q. So let me represent to you that one of the exhibits in this case is a letter from a pilot.

MR. HAGLUND: Whoops. If we could -- actually, I wanted to go back to one other page of this -- of that exhibit, and that's on Page 5. The upper or the lower -- or, I'm sorry, you need to get to Page 5.

- Q. (By Mr. Haglund) The other example where there's overlap in vessel type calling both Puget Sound and Grays Harbor is this one, and this is for small tanker vessels. Again, you see significantly higher pilotage costs for that small tanker going into Grays Harbor compared to Puget Sound; correct?
- A. That appears to be what the chart is showing, ves.
- Q. And doesn't this tell you, in no uncertain terms, that a higher level of DNI could easily be absorbed given the relative difference in rates for -- in terms of higher level for Puget Sound?
 - A. I'm not sure what you mean by "absorbed."
- Q. Well, the rates would not be higher in Puget Sound if they -- the proposed rates of PSP for this class of ship, it's all on the basis of tonnage and then

- testimony, sir?
- A. No. Our review of the DEI accounts were limited to the actual expenses during the test year.
- Q. Now, I'd like to turn to a subset of the DNI issue that I omitted.

On your exhibit, which is the sole place where you deal with DNI, on that tabulation which is MY-9 -- if we could pull that back up -- you recommend that the medical insurance premiums of \$1.88 million be included in DNI; correct?

- A. Yes.
- Q. Isn't that completely inconsistent with the language the commission used in Order 9 that DNI is distributable net income? If you add a cost of medical insurance, which is a benefit, to DNI you're not increasing distributable net income, are you?
- A. Well, the -- the direct answer to your question is no, but I believe that the directive in Order 9 from the commission was that the pilots should be paying their own medical premiums. If we do not include this cost as part of the DNI calculation, then it would've removed that expense out of the equation entirely, which then would have eaten into each pilot's individual income.
 - Q. So PSP appreciates staff recommending that

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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 Mr. Young's testimony. He did not provide any testimony regarding comparability.

JUDGE HOWARD: Well, I -- I did -- I did find it important to allow Mr. Haglund to fully explore bases for Mr. Young's testimony and whether he considered some of these factors. I think we've probably reached the limits of the relevance of this particular issue, but I did want to allow Mr. Haglund some leeway to explore Mr. Young's opinions on this.

MR. HAGLUND: And I've reached the end of that topic. I appreciate your allowing it, your Honor.

Q. (By Mr. Haglund) Moving on to the topic of DEI, there's a reference in staff's testimony to recognizing the importance of DEI, but there's no comment whatsoever, Mr. Young, in your testimony or that of your colleague, on the testimony of the ten witnesses in this case who state unequivocally that the lack of competitive pay and benefits for Puget Sound Pilots will hurt their DEI efforts.

Did you give any consideration to that

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this cost be recovered in the tariff, but let me ask you this question. The universal approach of other state regulators of pilot groups is to use the term "target net income" to be defined as the amount of income that net income that the pilot is supposed to have after all expenses, benefits included, are covered by the tariff.

Would you agree that it would be appropriate to consider changing DNI to target net income so that there's -- there can be an apples-to-apples comparison with other jurisdictions in the United States where that is the predominant term?

A. Yeah. I am not an expert on the, you know, terminology. If that's the correct term, that's -- that should be the correct term then.

Q. Okay. Now, let's turn to the topic of auto adjusters. Did you -- if we could pull up JR-23, Page 71.

While, it's coming up, Mr. Young, let me represent to you that this is a page from the final report that a cost of some \$600,000 that the legislature commissioned, which was the Washington State pilotage analysis, some, I think, 200 pages, and this particular page deals with auto adjusters to the tariff.

And if you could call out the best practice at the very bottom, it states: "Best practice: The tariff

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and fee-setting process should include automatic adjusters, which help avoid the need for annual reviews," and rate cases for that matter.

Do you concur with the policy that automatic adjusters to a tariff have the potential to reduce the need for expensive, time-consuming rate cases?

- A. I do, and I believe I stated that in my testimony.
- Q. But you only -- you only recommended one automatic adjuster, that being the COLA, cost of living tied to the CPI for Seattle/Bellevue; correct?
 - A. That's correct.

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Q. Okay. And for the record, PSP supports your position on that. It's the same as ours, but I want to ask you about a couple other adjusters.

Did you review the testimony of Michael Titone, a former shipping industry executive, as well as employee in the financial area, chief financial officer and industry liaison for the Columbia River Bar Pilots for a number of years?

A. I'm not recalling that. Again, if it was with the initial filing, I probably scanned through it, but I -- it's not clear in my memory right now.

Q. Okay. This is -- it's MJT-01, and this is actually rebuttal testimony. Let's call it up. I have

You'd agree, wouldn't you, that one of the -that, ultimately, this commission is going to make a decision on a distributable net income? They're going to pick a number that they put into their order; right?

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- Q. And they will also approve the different insurances, medical insurance, hopefully, license defense insurance, other insurances, plus the license fee, those are going to be known numbers on a per-pilot basis; correct?
- A. Well, I think that was two questions, but, yes, on a per-pilot basis, I would agree with you. And, yes, the commission will determine the correct amounts for those.
- Q. Okay. And let's just, for purposes of round numbers in this question, assume that the DNI is set and then you add the benefits and it adds up to \$700,000. It would be relatively easy, wouldn't it, to have an auto adjuster to the tariff where it went up by the percent that \$700,000 bears to the total revenue requirement. It's going to be in the neighborhood of potentially 1-point-something percent, that it would be relatively easy to have an automatic adjuster that has the tariff go up with new licensees or go down by the same amount with a retiree; would you agree?

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some particular questions I'd like to put to you, and if we could go to Page 7.

And when you were reviewing the Louisiana Pilotage Fee Commission rate order that we referenced earlier, which I think is DL-06, did you happen to observe that that pilotage rate regulator adopted an automatic tariff adjuster for new licensees as well as a reduction automatic adjuster for retirement?

- A. Yeah, that's not -- I don't recall. I'm sorry.
- Q. Okay. Wouldn't you agree that where the commission, in this case, will ultimately determine precisely what distributable net income or target net income is supposed to be for going forward with the new rate order and also what the level of benefits and other pilot-specific annual costs are, that it's a relatively simple calculation to derive the total gross cost of each pilot position -- licensed pilot position at PSP? That's a relatively simple calculation to make once the commission makes these decisions regarding DNI, et cetera; correct?
- A. I'm -- I'm sorry. I'm not quite following. Could you try that one more time?
- Q. Yeah. I'll try it another -- I'll try it again.

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- A. Well, I would agree that it would be easy, but that's ignoring other factors that would -- that would 3 affect total revenue requirement.
 - Q. Okay. Well, you've answered my question and I'll -- I'll move on.

And would you also agree that when it comes to PSP's retirement plan that the number of existing retirees is a known number throughout the year?

- A. I would agree that it can be determined how many have actually retired, yes.
- Q. And would you agree that once a -- based on your knowledge of the materials in this case, would you agree that when a PSP pilot retires, that that pilot then receives a fixed amount per year that's paid monthly and it is determined at the time of their retirement? It's a calculation of years of service times 1.5 percent times the average of their last three years of DNI. And once that's determined, the amount is set and that's their annual retirement going forward. You're aware of that, are you not?
- A. Without being aware of the details of the -the rules that require that.
- Q. Okay. Well, I'd ask you to assume that it's that simple of a calculation: Time of service times 1.5 percent times three-year average of your last three

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vears.

Given the ease of that calculation, wouldn't you agree that it's relatively easy to keep track of the annual cost of your existing retirees?

- A. It should be.
- Q. And at the end of a given calendar year, it -based upon information received from those retiree -those pilots who are close to retirement, one could
 pursue those inquiries and determine, with a fair level
 of confidence, how much the cost in that next year would
 increase with new retirements or potentially decrease
 with deaths. Wouldn't you agree?
- A. Well, I would -- you know, we can always speculate, you know, who might pass away and who might retire. You know, there's actuarial data, et cetera, but until that actually happens it's not known and measurable.
- Q. Well, no, I'm I'm only talking about known deaths, not projected deaths.
- A. Okay.
 - Q. So --
- A. Sorry.
- 23 Q. Yeah. No problem.

But so my question is: Wouldn't you agree that the UTC could follow the example of multiple other

automatic adjusters, isn't that your understanding?

- A. Yes. My understanding is that is in the -either the statute or the rule, but I can't remember which but they allow automatic adjusters.
- Q. I can represent to you it's definitely in the statute.

And if these automatic adjusters were used, wouldn't they reduce your regulatory burden as an agency?

- A. Absolutely.
- Q. And if -- let me ask you this: From the standpoint of the UTC staff and the regulatory burdens that a pilotage case can impose upon the agency, would you agree, as a policy matter, it would be preferable to have in place a tariff that actually encourages -- or a tariff that establishes conditions that move the interval between general rate cases from 18 months to five or more years? That would be a good outcome, wouldn't it?
- A. It would, but the interval and the triggers for the reviews is the key issue here.
 - Q. Triggers for the reviews.

A. So, yeah, if you're proposing an automatic adjuster that would be in place for five years, at what point do the actual costs get reviewed? And I'm talking

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states where the pension costs are the subject of an annual surcharge that's designed to collect the necessary funds to pay the pension benefits and that it is adjusted on an annual basis taking into account the known and measurable changes from that year and the known and measurable data concerning known retirement dates in the next year and one could have a surcharge that is tracking that cost with any over or under collection being adjusted — being carried forward to the next year? That's something that could be done; correct?

A. Mathematically, yes, but that's not how we set rates here. It hasn't been how the commission has set rites in the past. So, again, it ignores other -- other factors.

The automatic adjusters that were proposed were proposed to adjust the actual tariff rate rather than, you know, specifically examining any of the expense amounts as you're suggesting, for instance, for retirement costs.

Q. Isn't it true, Mr. Young, that the legislature specifically authorized the UTC to make use of automatic tariff adjusters for its pilotage rate-setting cases provided that they were reasonable and justified by the evidence? Broad authority granted to the UTC to use

about in total.

Q. Sure, but let me just share some other experience with -- in other states.

When it comes to the COLA you're proposing, you're not proposing a time limit on it, are you?

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 this -- in David Lough's testimony. There are at least two orders where rather than tie it to the CPI, the -- this is the case in Florida in a couple of those exhibits, where they actually specify a list of, I think, ten years' worth of specified percentages that were actually agreed to by the parties rather than tie it to a specific CPI. But, generally speaking, those states that have a COLA on their -- applicable to their tariff for a pilotage ground, there's no time limit on the COLA.

So let me ask you this: If -- if the COLA, as that report I referenced earlier, stated will encourage less frequent rate cases, wouldn't you agree that if for some reason the COLA is too high or too low or there are other developments that warrant either industry or the pilot group petitioning for a new rate case, they should be the ones to trigger the change and the -- and the UTC

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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 2 A. Yes, that's -- that is how it works now, your Honor. 3 3 right? JUDGE HOWARD: I'm going to deny the 4 Q. Yeah. 4 objection. 5 5 A. Any party that has an interest can ask for a THE WITNESS: So I get to answer the 6 change to the tariff. 6 question; is that correct? 7 7 Q. If a gas company likes their rates for ten 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 9 rate case for ten years, do you? been frustrated from the beginning of the lack of 10 1.0 A. Well, the actual -- the answer would be no, 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 13 13 often to make sure the rates maintain their fairness, 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 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 21 you feel that there was insufficient support for those is our last witness and we may be done very shortly 22 22 parts? 23 23 MR. HAGLUND: That's --A. Yes, absolutely. As I responded to 24 (Pause in the proceedings.) 24 Mr. Haglund earlier about the retirement, you know, we 25 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 1 Thank you. names. I have no idea how those dollars were calculated 2 2 JUDGE HOWARD: All right. Thank you. or why it was higher in 2023 compared to 2022, which we 3 3 Mr. Callaghan, any redirect? didn't get, or 2021. So, yeah, there was really not 4 much for us to review there. 4 MR. CALLAGHAN: Yes, your Honor. I will 5 Q. So if there was insufficient evidence for 5 be brief. 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 8 you just felt they hadn't met their burden in those BY MR. CALLAGHAN Q. Mr. Young, you were asked by counsel for PSP 9 9 other aspects of the case? 10 whether or not you -- you read through or evaluated 10 A. Yeah. Again, you know, the actual comparability in this case; correct? 11 expenditures are concrete numbers and we can look at 11 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 instance; is that right? 14 14 comparability, it's a little bit more ethereal. So 15 again, just way more effort than we had the resources to 15 A. That's correct. Q. Why is that? 16 direct towards that. 16 Q. Okay. And Mr. Haglund asked you about staff's 17 A. Well, apart from the volume of data, there 17 18 was -- staff had limited resources to address this. 18 position on the automatic adjusters. Do you recall 19 It's not a requirement and we chose to focus on the 19 that? 20 actual expenditures and reviewing those actual costs 20 21 which I think had increased significantly since the 21 Q. And in your testimony, you go through your 22 22 rationale for rejecting most of those adjusters; previous case. 23 Q. And in addition to those reasons, is it also 23 correct? 24 true that staff's position was that PSP had not met its 24 A. Yes. Those -- most of the adjusters were 25 25 burden? designed to attain a specific revenue amount, which I

Page 856 Page 858 1 1 believe, you know, feeds into the target DNI, I suppose, For page limits, we're planning -- we're 2 2 going set the page limit for the initial post-hearing is the correct term. And that can be, again, is not how 3 3 briefs as being 60 pages, 6-0, pages in length. And the the commission sets rates. You know, the revenue post-hearing reply briefs will be limited to 20 pages in 4 4 requirement is not a guarantee of earning. Q. All right. And Mr. Haglund asked you about 5 5 length. wouldn't it be easier to have these adjusters? Wouldn't 6 6 And then on the issue of public comments, 7 7 it reduce the burden on the commission and staff to have Mr. Callaghan, was staff anticipating submitting a 8 these adjusters? Do you remember those questions? 8 public comment exhibit which would be marked as a bench 9 A. Yes. 9 exhibit? 10 1.0 Q. All right. And despite that, you still hold MR. CALLAGHAN: Yes, your Honor, in 11 by your position in your initial testimony on the 11 response to the usual bench requests. 12 automatic adjusters; correct? 12 JUDGE HOWARD: Yes. I'm not recalling. I A. Yes. I mean, the commission has a duty to 13 don't believe we normally issue a bench request that's 13 specifically asking for the public comment exhibit. I 14 perform, and that's -- that entails setting fair, just, 14 15 reasonable, and sufficient rates. 15 believe sometimes that it's simply submitted following Q. And is that more important than the issues of 16 the hearing. In this case, it would be staff. 16 17 commission workload and so on and so forth? 17 However, is one or two weeks sufficient? 18 A. Yes, absolutely. 18 Do you prefer two weeks over one? 19 Q. All right. So even though it might be easier 19 MR. CALLAGHAN: I have not specifically 20 for you, personally, you are -- you are against those 20 talked to the staff member who usually does this 21 adjusters; correct? 21 recently, so I would prefer two. 22 A. Yes. 22 JUDGE HOWARD: All right. Two weeks from Q. All right. That's all the questions I have. 23 23 today would be the deadline for the public comment exhibit then. Thank you. 24 JUDGE HOWARD: All right. Just because I 24 25 do not want an objection doesn't mean I won't -- I won't 25 MR. CALLAGHAN: Thank you, your Honor. Page 857 Page 859 1 point out a leading question if that occurs more. 1 JUDGE HOWARD: Are there any questions 2 All right. You were finished, 2 from the parties before we adjourn? 3 Mr. Callaghan? 3 MR. HAGLUND: When -- your Honor, when 4 will a transcript of the hearing be available? 4 MR. CALLAGHAN: Yes, your Honor. Thank 5 5 you. JUDGE HOWARD: It's normally posted to 6 JUDGE HOWARD: Are there any questions 6 the docket within about -- about a week -- about a week. 7 from the bench for this witness? 7 MR. HAGLUND: And could we possibly move 8 COMMISSIONER DOUMIT: No, your Honor. 8 up the public comment exhibit to one week? If we get it 9 CHAIR DANNER: No, your Honor. 9 two weeks out with one week to go on the briefing, it 10 COMMISSIONER RENDAHL: No, your Honor. I 10 makes it hard to take it into account. It seems like if believe we have a number of bench requests, though, that 11 11 it's not much material, it should be relatively easy to 12 we will be submitting. 12 assemble. 13 JUDGE HOWARD: All right. Thank you, 13 JUDGE HOWARD: Given that this -- there 14 should be a relatively limited number of comments and 14 Mr. Young, for your testimony. 15 THE WITNESS: Thank you. 15 there's the concern from one of the parties. JUDGE HOWARD: You are excused. 16 16 Mr. Callaghan, I'm going to reverse myself here and 17 17 All right. Before we adjourn in just a suggest that we go -- I -- let's do a one-week deadline 18 moment here, we have a couple of brief procedural 18 on the public comment exhibit. If staff does need more 19 matters. As Commission Rendahl noted, we'll be issuing 19 time, staff can request that and we can consider 20 some clarifying bench requests, and those will be 20 two weeks. So the public comment exhibit would be due 21 certainly posted in the near future here. 21 in one week from today. 22 In terms of briefing, we have 22 MR. CALLAGHAN: Thank you, your Honor. 23 post-hearing briefing on the schedule. The initial 23 JUDGE HOWARD: All right. Any further 24 brief's due on April 28th. The post-hearing reply 24 questions from the parties? 25 25 brief's due on May 12th. MR. HAGLUND: None from PSP, your Honor.

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1	Thank you.	
2	MS. DeLAPPE: Just a thank you from PMSA	
3	for everyone.	
4	JUDGE HOWARD: Thank you.	
5	MR. CALLAGHAN: Thank you to the Court	
6	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 14	We are adjourned. Thank you. (Hearing adjourned at 2:55 p.m.)	
15	(Hearing adjourned at 2.55 p.m.)	
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