Exhibit No. SS-4T Docket TS-160479 Witness: Scott Sevall

## BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In re Application of

**DOCKET TS-160479** 

MEI NORTHWEST LLC

For a Certificate of Public Convenience and Necessity to Operate Vessels in Furnishing Passenger Ferry Service

## CROSS-ANSWERING TESTIMONY OF

SCOTT SEVALL

## STAFF OF WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Cross-Answering Testimony

**December 5, 2016** 

## TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	REVIEW OF FITNESS	2
	LIST OF EXHIBITS	

Staff's Comparison of Estimated Expenses

Exhibit No. SS-5

1		I. INTRODUCTION
2		
3	Q.	Please state your name, business address, and position of employment.
4	A.	My name is Scott Sevall. My business address is the Richard Hemstad Building,
5		1300 South Evergreen Park Drive Southwest, P.O. Box 47250, Olympia,
6		Washington 98504.
7		
8	Q.	Are you the same Scott Sevall who submitted response testimony on behalf of
9		Staff on November 2, 2016, in this docket?
10	A.	Yes.
11		
12	Q.	What is the purpose of your cross-answering testimony?
13	A.	I am responding to Arrow Launch Service, Inc.'s witness Weldon Burton's critique
14		of the financial fitness of the applicant.
15		
16	Q.	Have you prepared exhibits?
17	A.	Yes. I have prepared one exhibit:
18		Exhibit No. SS-5 Staff's Comparison of Estimated Expenses.
19		

II	REVIEW	OF FITNESS

2

1

Q. State law requires that MEI have the financial resources to operate its proposed service for at least 12 months. Given the testimony provided by Arrow Launch through Mr. Burton, has your opinion changed as to whether MEI has the ability to meet this requirement?

7 A. No. My opinion has not changed.

8

- Q. After reviewing the pro forma financials provided by Mr. Burton, and,
  assuming the changes he proposes, what is your conclusion regarding the
  financial ability of MEI to operate for the period required by statute?
- 12 A. I continue to conclude, even while including Mr. Burton's adjustments into my
  13 analysis on a pro forma basis, that MEI has the financial resources to operate the
  14 proposed service for the required 12 months.

15

- 16 Q. Please describe how you arrived at your conclusion.
- I increased MEI's expenses by the pro forma amounts presented in Mr. Burton's testimony.<sup>2</sup> With those changes, my calculation of MEI's expected expenses would be \$793,076.<sup>3</sup> If MEI incurred the expenses estimated by Mr. Burton and achieved \$700,000 of revenue, MEI would incur an operating loss of \$93,076. Any cash flow demands required from a first-year operating loss would be available from the

<sup>&</sup>lt;sup>1</sup> RCW 81.84.020(2).

<sup>&</sup>lt;sup>2</sup> Burton. Exh. No. WB-1T at 4:6-7, 4:21-5:2.

<sup>&</sup>lt;sup>3</sup> Sevall, Exh. No. SS-5.

1	\$300,000 cash on hand. <sup>4</sup> The only way MEI would become non-viable for the 12-
2	month period would be if the operating results produce an operating loss greater than
3	\$300,000. In my estimation, that is an unlikely scenario.

4

- Q. In your opinion, does the company have the financial ability to provide the proposed service for at least 12 months?
- 7 A. Yes. The applicant has the financial resources to operate the proposed service for at
  8 least 12 months, based upon the company's filed pro forma financial statement of
  9 operations. In addition, it is my opinion that even with the pro forma adjustments
  10 provided by Mr. Burton, MEI maintains the financial wherewithal to provide launch
  11 service for the required minimum 12-month period.

12

- 13 Q. Does this conclude your testimony?
- 14 A. Yes.

<sup>&</sup>lt;sup>4</sup> Esch, Exh. No. RSE-1T at 13:21-22.