

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,  
Complainant,

v.

PUGET SOUND PILOTS,  
Respondent.

Docket TP-190976

DECLARATION OF MARK HALE

I, Mark Hale, declare as follows:

1. My name is Mark Hale. I make this declaration in support of Puget Sound Pilots' Petition for Reconsideration of Order 13 based upon my personal knowledge.
2. I am a Certified Public Accountant. For the past 10 years, I have served as a tax consultant and accountant for Puget Sound Pilots ("PSP").
3. Members of Puget Sound Pilots are compensated on a monthly basis pursuant to Section 16 of Puget Sound Pilots' Bylaws. Applying the rules contained in that Section, PSP's Members receive income distributions that are based primarily on a share of pooled monthly revenue less pooled monthly expenses.
4. I have reviewed the Commission's Order 13 and understand that that Order requires PSP to defer revenue retroactive to August 26, 2021. In order for PSP to comply with the Commission's Order, distributions made on or after August 26, 2021 must be recalculated to account for the liability created. In addition, properly funding the regulatory liability would require PSP to reserve from future distributions an amount equal to the amount of liability.
5. In short, complying with Order 13 would require PSP to pursue one of two options, either of which would impose a heavy burden on PSP. First, PSP could attempt to "claw back" distributions previously made to PSP's current and former members. Second, PSP

DECLARATION OF MARK HALE -1-


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could reserve future revenues sufficient to fund the amount of the deferral applied retroactively.

6. In my experience, it is difficult or infeasible to “claw back” distributed revenue. PSP would therefore most likely reserve future revenue from members to fund the deferral. I understand, however, that PSP has added new members since August 26, 2021. In my opinion, it would be inappropriate for PSP to require these new members to fund from their distributions a retroactive liability that accrued before they joined PSP and from which they received no material benefit.
7. In addition to creating unfairness to PSP’s newer members, recalculating 2021 distributions to account for a substantial retroactive revenue deferral would disrupt PSP’s accounting process and create significant added expense. PSP began its book closing process for 2021 on January 27, 2022 and its audit commenced on February 22, 2022. At this late stage, recalculating 2021 distributions as Order 13 effectively requires would substantially delay PSP’s ability to prepare its 2021 financial statements and complete its audit and tax returns.

THE FOREGOING IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF WASHINGTON.

SIGNED this 7th day of March, 2022, at Seattle, Washington.

  
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Mark Hale