

**Exh. SS-1T
Docket TP-190976
Witness: Scott Sevall**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND PILOTS,

Respondent.

DOCKET TP-190976

TESTIMONY OF

Scott Sevall

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Distributable Net Income, Number of Pilots to Fund, Rate and Tariff Design

May 27, 2020

TABLE OF CONTENTS

I. INTRODUCTION 1

II. SCOPE AND SUMMARY OF RECOMMENDATION 2

III. SUMMARY OF TESTIMONY 4

IV. ADJUSTMENTS 5

 A. Number of Pilots to Fund 5

 B. Distributable Net Income for Pilots 13

 C. Rate Plan 17

 D. Rate Design 18

LIST OF EXHIBITS

- Exh. SS-2 Average Historical Assignments and Distribution Calculation
- Exh. SS-3 Staff Proposed Tariff Rates
- Exh. SS-4 Vessel Entry and Transit Report

1 I. INTRODUCTION

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Q. Please state your name and business address.

A. My name is Scott Sevall, and my business address is 621 Woodland Square Loop SE, Lacey, Washington 98503. My business mailing address is P.O. Box 47250, Olympia, Washington 98504-7250. My business email address is scott.sevall@utc.wa.gov.

Q. By whom are you employed and in what capacity?

A. I am employed by the Washington Utilities and Transportation Commission (Commission) as a Regulatory Analyst in the Water and Transportation Section.

Q. How long have you been employed by the Commission?

A. I have been employed by the Commission since August 2014.

Q. Please state your qualifications to provide testimony in this proceeding.

A. I hold a Bachelor’s Degree in Business Administration, focused in Accounting, from Washington State University. After graduating, I worked for the Washington Department of Ecology performing accounting duties. Prior to attending Washington State University, I was in the United States Navy from 2001 to 2007. I also attended the National Association of Regulatory Utility Commissioners (NARUC) Utility Rate School in 2015.

1 **Q. Have you testified previously before the Commission?**

2 A. Yes.

3

4 **II. SCOPE AND SUMMARY OF RECOMMENDATION**

5

6 **Q. What is the scope and purpose of your testimony?**

7 A. I will discuss Distributable Net Income (DNI) to pilots, the number of pilots to fund,
8 the rate plan proposed by Puget Sound Pilots (PSP), and Staff's proposed rate design.

9 In doing so, I will address:

- 10 • Capt. George Quick's testimony regarding pilot compensation;
- 11 • Capt. Ivan Carlson's testimony regarding pilot compensation and historical
12 funding of call back days;
- 13 • Dr. Sami Khawaja's testimony regarding vessel assignments, pilot workload,
14 and vessel traffic projection; and
- 15 • Mr. Weldon Burton's testimony regarding rate and tariff design.

16

17 **Q. Please summarize your recommendations.**

18 A. I recommend that the Commission fund 52.98 pilots with a DNI of \$409,608. I also
19 recommend that the Commission either reject the rate plan or phase in for rates and
20 adopt Staff's method for maritime vessel projections and Staff's proposed rate
21 design.

22

1 **Q. Have you prepared any exhibits in support of your testimony?**

2 A. Yes. I prepared Exhibits SS-2 and SS-3, both of which are multipage exhibits
3 (schedules listed below), and SS-4, a single exhibit:

4 Exh. SS-2:

- 5 • Average Historical Assignments and Distribution Calculation
6 (Schedule 2.1);
- 7 • Historical Information from Board of Pilotage Commissioners Annual
8 Reports (Schedule 2.2);
- 9 • Calculation Adjusting Historical Distributions (Schedule 2.3); and
- 10 • Historical Vessel Entry and Transit Report (Schedule 2.4).

11 Exh. SS-3:

- 12 • Staff Proposed Tariff Rates (Schedule 3.1);
- 13 • Staff Tonnage Rate Calculation (Schedule 3.2);
- 14 • Staff Hourly Rate Calculation (Schedule 3.3);
- 15 • Staff Transportation Fee Calculation (Schedule 3.4);
- 16 • Staff Random Sample Selection (Schedule 3.5); and
- 17 • Staff Test of Exhibit WTB-11 (Schedule 3.6).

18 Exh. SS-4 Vessel Entry and Transit Report.

19

1 **III. SUMMARY OF TESTIMONY**

2

3 **Q. Please summarize what you will be addressing in your testimony.**

4 A. I address PSP’s proposal to use comparable earnings as a standard to set pilot DNI. I
5 argue that the different regions proposed by PSP as comparable are, in fact, so
6 dissimilar as to negate any usefulness as a benchmark for the Puget Sound region. I
7 also address PSP’s proposal to fund 61.6 pilot positions,¹ which I find to be too
8 large: Instead, I recommend that 52.98 pilots be funded.² I also discuss the
9 appropriate level of DNI that should be included in rates. PSP proposes a DNI of
10 \$500,000 for each pilot.³ I found the request of \$500,000 for each pilot excessive and
11 recommend a DNI of \$409,608 per pilot.⁴ I also address PSP’s proposal to
12 implement a three-year rate plan, which I do not believe is necessary at Staff’s
13 proposed rates.⁵ Finally, I provide testimony supporting PSP’s proposed new tariff
14 design. PSP’s proposed tariff design uses a base rate and a time rate along with
15 additional various line item charges.⁶ It replaces the current tariff design with a
16 clearer tariff structure. While I agree with PSP’s proposed new tariff structure, I do
17 not agree with PSP’s proposed rates because Staff is proposing a lower revenue
18 requirement.⁷

19

¹ Khawaja, Exh. SK-1T at 9:16.
² Sevall, Exh. SS-2, Sch. 2.1 at line 11.
³ Carlson, Exh. IC-1T at 18:18-19.
⁴ Sevall, Exh. SS-2, Sch. 2.1 at line 13.
⁵ Burton, Exh. WTB-1T at 14:9-18.
⁶ Burton, Exh. WTB-8.
⁷ Sevall, Exh. SS-3, Sch. 3.1.

1 **IV. ADJUSTMENTS**

2

3 **A. Number of Pilots to Fund**

4

5 **Q. Have you read the PSP testimony that pertains to the number of pilots to fund?**

6 A. Yes, I have.

7

8 **Q. Before discussing the specifics regarding the number of pilots to fund, please**
9 **discuss the major cost classifications and the calculation for this case.**

10 A. There are two major classifications of costs in this case; operating costs and Total
11 Distributable Net Income (TDNI). The first component, operating costs, includes but
12 is not limited to rent, depreciation, retirement, and employee wages. Operating costs
13 are recorded on the income statement as an expense. The second component, TDNI,
14 is the total amount available for distribution to the pilots.

15 The basic equation, also described in Mr. Kermode’s testimony, is shown
16 below.⁸ Once a revenue requirement is established, specific rates and charges will be
17 calculated to allow recovery of the costs.

18
$$RR = Exp + Dep + Int + TDNI$$
 (Equation 1)

19 Where:

20 RR = Revenue Requirement

21 Exp = General and Operating Expenses (including taxes other than income)

22 Dep = Depreciation Expense

⁸ Kermode, Exh. DPK-1T at 7:11-19.

1 Int = Interest Expense

2 TDNI = Total Distributable Net Income

3

4 **Q. You use the term TDNI above, please describe the formula used to compute**
5 **TDNI for ratemaking purposes.**

6 A. TDNI, the total amount of net income available for distribution to the pilots, can be
7 described as:

8
$$\text{TDNI} = \text{DNI} * \text{Pilots.} \quad (\text{Equation 2})$$

9 Where:

10 TDNI = Total Distributable Net Income

11 DNI = Distributable Net Income

12 Pilots = Number of Funded Pilots

13

14 **Q. Why is Staff calculating a DNI to pilots when wages are part of the operating**
15 **expenses?**

16 A. PSP is an association of pilots working as independent contractors, taxed as a
17 partnership.⁹ Therefore, pilots are not employees. Although pilots perform the
18 primary function of providing maritime pilotage service, they do not receive
19 traditional wages (i.e., payroll). Instead, pilots receive a share of net income after the
20 association (PSP) has paid all of its expenses. The share of net income that each pilot
21 receives is the pilot's compensation for performing pilotage service and is referred to

⁹ Norris, Exh. JN-1T at 1:13-21.

1 as DNI in Staff's testimony.¹⁰ Along with DNI, determining the number of pilots to
2 fund through the tariff is used in calculating TDNI, which then impacts the overall
3 revenue requirement.

4

5 **Q. Please explain the term "target assignment level."**

6 A. The target assignment level (TAL) represents the average amount of pilotage service,
7 in assignments, that an average pilot is expected to perform in the rate year. For
8 example, in 2018 the BPC reported 7,324 total assignments and 50.3 pilots for an
9 average of 145 assignments for the year.¹¹

10

11 **Q. Please describe the equation used to compute the number of pilots used for**
12 **ratemaking purposes.**

13 A. The implied number of pilots required at a set TAL is driven by the number of total
14 assignments expected in the rate year. Its derivation can be described as:

15
$$\text{Pilots} = A^P \div \text{TAL} \qquad \text{(Equation 3)}$$

16 Where:

17
$$\text{Pilots} = \text{Total Required Pilots}$$

18
$$A^P = \text{Projected number of pilotage assignments in the rate year}$$

19
$$\text{TAL} = \text{Target Assignment Level}$$

20

¹⁰ The Board of Pilotage Commissioners uses the term Target Net Income (TNI) rather than Distributable Net Income (DNI). Target Net Income is a common term used in budgeting activities and does not clearly indicate the unique nature of the association's income. Instead Staff uses "Distributable Net Income," as it is more descriptive term of its ratemaking function.

¹¹ Sevall, Exh. SS-2, Sch. 2.2 at column (e).

1 **Q. Please describe your understanding of how PSP calculated their proposed 61.6**
2 **pilots to fund.**

3 A. PSP uses a TAL of 118 to divide their historical assignments of 7,330 from 2018. This
4 results in the funding of 62 Pilots. PSP then adjusts the 62 Pilots by the change in vessel
5 traffic, as a percentage, between the 2018 (historical) assignments and their projected
6 assignments for the future rate year.¹²

7
8 **Q. Based on your understanding, is the equation used by Staff to calculate the**
9 **number of pilots the same equation used by PSP?**

10 A. No. There are similarities, like the fact that both calculations use a vessel projection
11 and a TAL, but how those variables are derived is quite different. I use a historical
12 approach for both TAL and vessel projections. PSP uses a historical approach for
13 their vessel projection and an ideal future situation derived from a study which
14 produced a non-achievable TAL given that the BPC has not authorized a sufficient
15 number of pilotage licenses to achieve such a TAL at this time.

16
17 **Q. Did you calculate projected total pilotage assignments and a TAL?**

18 A. Yes. I calculated projected total pilotage assignments of 7,310 and a TAL of 143.4.¹³

19

¹² Khawaja, Exh. SK-1T at 8:6 - 9:17.

¹³ Sevall, Exh. SS-2, Sch. 2.1 at lines 5, 8.

1 **Q. Please explain how you calculated your projected assignments of 7,310.**

2 A. First, I determined there were 7,334 assignments in the test period.¹⁴ Then I adjusted
3 the historical assignments from the percentage change in vessel traffic from 2018-
4 2019, as reported in the Vessel Entry and Transit Report (VEAT report).¹⁵ The result
5 is my projected assignments which is 7,310.¹⁶

6

7 **Q. Please explain what the VEAT report is and how you use it.**

8 A. The VEAT report is an annual report published by the Washington Department of
9 Ecology that I used as a proxy to adjust the assignments reported by PSP.¹⁷ My
10 approach is based on the premise that if vessel traffic increases or decreases by a
11 certain percentage, so will pilotage assignments. The model PSP provides utilizes the
12 same premise, as they testify to the fact that the ratio of vessel traffic to assignments
13 has remained relatively stable over the years.¹⁸

14

15 **Q. Please explain how you determined your proposed TAL.**

16 A. I took the average pilotage assignments as reported in the Washington Board of
17 Pilotage Commissioners (BPC) Annual Report for the last five years (2014-2018). I
18 then averaged those five annual numbers, producing an average historical
19 assignments of 143.4 per year.¹⁹

20

¹⁴ Sevall, Exh. SS-2, Sch. 2.1 at line 3.

¹⁵ Sevall, Exh. SS-2, Sch. 2.1 at lines 4-5; Sevall, Exh. SS-2, Sch 2.4, cell 14/K.

¹⁶ Sevall, Exh. SS-2, Sch. 2.1 at line 5.

¹⁷ Sevall, Exh. SS-2, Sch. 2.4; Sevall, Exh. SS-4; Burton, Exh. WTB-11.

¹⁸ Khawaja, Exh. SK-1T at 5:11-13.

¹⁹ Sevall, Exh. SS-2, Sch. 2.1 at line 8.

1 **Q. Your calculation to determine “number of pilots to fund” is based on adjusted**
2 **historical test year numbers?**

3 A. Yes. This is the same principle that the Commission uses when setting rates for other
4 regulated industries.²⁰

5
6 **Q. Is PSP’s proposed number of pilots to fund based on historical numbers?**

7 A. No. PSP’s number of pilots to fund is based on using a TAL derived from a fatigue
8 management study commissioned by PSP.²¹

9
10 **Q. Do you recommend the Commission adopt an average historical assignment**
11 **approach to determine TAL?**

12 A. Yes, I propose using a five-year average. Using a historical based assignment level
13 provides funding for the appropriate level of work in this current case and future
14 filings, because this average will be updated in future filings reflecting any changes
15 in vessel traffic and pilot staffing levels

16
17 **Q. Is there a range that the number of pilots to fund should be within?**

18 A. Yes. The low (floor) for that range is the actual number of licensed pilots and the
19 high (ceiling) is the number of approved licenses set by BPC. In this case I believe

²⁰ *Wash. Utils. & Transp. Comm’n v. Pacific Power & Light Co.*, Docket UE-140762, Order 08, 3, ¶ 8 (March 25, 2015).

²¹ Carlson, Exh. IC-1T at 15:18-25.

1 that the number of pilots to fund should be between 47 (actual number of pilots) to
2 56 (the number of currently approved pilots).²²

3

4 **Q. Has PSP proposed a specific number of pilots to fund?**

5 A. Yes. Dr. Khawaja proposed funding 61.6 pilots.²³

6

7 **Q. Can you describe the differences between your approach and the approach used
8 by Dr. Khawaja?**

9 A. Yes. Dr. Khawaja estimates 6,989 assignments for the rate year whereas I estimate
10 7,310 assignments. In addition, Dr. Khawaja also used the 118 TAL, whereas I use
11 the historical level of 143.4. These differences result in the pilots requesting an
12 additional 11 pilots. We both add two full time working pilots to account for the
13 president and vice president. I did not include funding for pilots on major medical.

14

15 **Q. PSP proposes to use a TAL of 118. From a ratemaking point of view, does using
16 a TAL of 118 to set DNI reduce fatigue?**

17 A. No. Using the proposed TAL of 118 does not increase the number of available
18 licensed pilots but would increase TDNI. The actual average assignment would be
19 the result of how many licensed pilots are providing pilotage service, which is 47
20 licensed pilots, meaning fatigue levels will not change. Furthermore, as I understand
21 it, the Commission does not have statutory authority to set the number of pilots and
22 issue maritime pilot licenses; that function is reserved to the BPC. Therefore, Staff

²² Carlson, Exh. IC-1T at 16:19.

²³ Khawaja, Exh. SK-1T at 9:16.

1 recommends that the Commission use historical average assignment levels to
2 calculate TAL because this approach is consistent with Commission practice and
3 PSP's approach does not, in fact, appear to reduce pilot fatigue.

4

5 **Q. After deriving the required number of pilots is there anything else that you did**
6 **to compute the total number of pilots to be funded?**

7 A. Yes, to account for the president and vice president of the association, I add two to
8 the result, as shown in the equation below.

9
$$P^f = (A^P \div TAL) + 2$$
 (Equation 4)

10 Where:

11 P^f = Total required pilots to be funded

12 A^P = Projected number of pilotage assignments in the rate year

13 TAL = Target Assignment Level

14 2 = President and vice president - Administrative Positions

15

16 **Q. Please explain why you add to your equation the president and vice president of**
17 **the association.**

18 A. It is my understanding that both the president and vice president of the association
19 have administrative duties which limit their ability to perform pilotage
20 assignments.²⁴ I believe it is reasonable to fund these two positions in addition to the
21 projected total pilotage assignments divided by TAL.

22

²⁴ vonBrandenfels, Exh. EVB-1T at 15:1-6; Carlson, Exh. IC-1T at 1:8 – 2:5.

1 **Q. In summary, what is the total number of pilots that should be funded using**
2 **your proposed average historical approach?**

3 A. I recommend that the Commission fund 52.98 pilots.
4

5 **B. Distributable Net Income for Pilots**
6

7 **Q. Have you read the PSP testimony that pertains to DNI?**

8 A. Yes, I have.
9

10 **Q. Please explain the relationship between DNI and the number of pilots to fund.**

11 A. The DNI is multiplied by number of pilots to calculate the TDNI.

12
$$\text{TDNI} = \text{DNI} * \text{Pilots} \quad (\text{Equation 2})$$

13 TDNI is then added to the association's operating expenses to calculate the revenue
14 requirement. To review, the equation I presented earlier is below.

15
$$\text{RR} = \text{Exp} + \text{Dep} + \text{Int} + \text{TDNI} \quad (\text{Equation 1})$$

16
17 **Q. Does setting a DNI for rate-setting guarantee that each pilot will receive that**
18 **amount?**

19 A. No. A pilot will have the opportunity to earn the amount, but a pilot may receive
20 more or less depending on variables like vessel traffic, business risks, and effective
21 management. Computing the TDNI allows the calculation of a rate that provides PSP
22 the opportunity to generate the necessary revenue.
23

1 **Q. What amount is PSP proposing as the DNI?**

2 A. PSP proposes \$500,000 for each pilot.²⁵

3

4 **Q. Do you agree with the amount PSP proposes for DNI?**

5 A. No. I have calculated a DNI of \$409,608.²⁶

6

7 **Q. Do you understand how PSP calculated their proposed DNI of \$500,000?**

8 A. Yes. Both Capt. George Quick and Capt. Ivan Carlson testify for PSP on this topic.

9 Capt. Quick testified that the average pilot income ranges between \$550,000 and

10 \$600,000 per year.²⁷ Capt. Carlson testified that PSP is requesting a distribution of

11 \$500,000 for each pilot.²⁸ These amounts are based on pilot earnings in various

12 pilotage districts which Capt. vonBrandenfels cites as comparable pilotage districts.²⁹

13

14 **Q. Did you review the information provided by Capt. vonBrandenfels?**

15 A. Yes, I did. The challenge when using any form of comparable is proving actual

16 comparability. However, in the absence of an audit of the proposed comparable

17 districts, I was unable to verify whether the districts have similar conditions,

18 features, or variables, and by extension, whether the average pilot income of those

19 districts should be considered comparable. The eight districts offered by Capt.

20 vonBrandenfels show the wide breadth of pilotage. The eight comparables include

²⁵ Carlson, Exh. IC-1T at 18:18-19.

²⁶ Sevall, Exh. SS-2, Sch. 2.1 at line 13.

²⁷ Quick, Exh. GQ-1T at 16:4-6.

²⁸ Carlson, Exh. IC-1T at 18:18-19.

²⁹ vonBrandenfels, Exh. EVB-1T at 19:7 - 34:4.

1 bar pilots, river pilots, New Orleans Delta pilots, and harbor pilots. Of course, in a
2 fair evaluation, one must also consider information from pilotage districts excluded
3 from the list of comparable districts.
4

5 **Q. What is your opinion regarding using the earnings data provided by these**
6 **comparables?**

7 A. They appear to not be truly comparable on their face. Not only are the communities
8 they serve unique as to cost of living, but the challenges pilots in those district face
9 in their day-to-day work are not comparable to those faced by Puget Sound pilots.
10 Even assuming that those challenges could be overcome, without a financial audit for
11 each district Staff cannot verify the comparability of the proffered districts.
12

13 **Q. What approach did you use to calculate your proposed \$409,608 DNI?**

14 A. I applied an historical average approach with known and measurable adjustments.³⁰
15

16 **Q. Does your calculation use a five-year historical average like the calculation used**
17 **to determine the number of pilots to fund?**

18 A. Yes.
19

20 **Q. You propose using a five-year historical average with known and measurable**
21 **adjustments. Please explain the adjustments you make.**

³⁰ Sevall, Exh. SS-2, Sch. 2.3.

1 A. I propose two specific adjustments. The first adjustment removes the value of the
2 current period call back assignments. The second adjustment accounts for inflation,
3 bringing the value into the current year.³¹

4
5 **Q. Please walk us through the adjustment for call back.**

6 A. I want to acknowledge that Mr. Kermode will be testifying more in-depth to Staff's
7 position on call backs and the associated liability. I am only testifying to what the
8 call back adjustment calculation does and how it works. First, I divide the TDNI by
9 the annual assignments to determine a DNI per assignment.³² Second, I multiply the
10 DNI per assignment by the number of call back days reported by PSP, resulting in
11 the value of call back days for that given year.³³ Third, I subtract the value of call
12 back days from the TDNI to derive the adjusted TDNI.³⁴ Finally, I divide the
13 adjusted TDNI by the average number of pilots for the given year to determine the
14 adjusted DNI.³⁵ This calculation represents the value of the period's call back days
15 and the DNI without any call back liability associated.

16
17 **Q. Please walk us through the adjustment for inflation?**

18 A. I gross up the adjusted DNI by running it through an inflation calculator from the
19 U.S. Bureau of Labor Statistics.³⁶

³¹ *Id.*

³² Sevall, Exh. SS-2, Sch. 2.3 at line 6.

³³ Sevall, Exh. SS-2, Sch. 2.3 at line 16.

³⁴ Sevall, Exh. SS-2, Sch. 2.3 at line 17.

³⁵ Sevall, Exh. SS-2, Sch. 2.3 at line 18.

³⁶ Sevall, Exh. SS-2, Sch. 2.3 at line 19. Staff requests that the Commission take official notice of the source of the inflation adjustments pursuant to WAC 480-07-495(2).

1 **Q. After you perform both adjustments for each of the five years, you use the**
2 **average of those five years?**

3 A. Yes. The result is \$409,608 for DNI.³⁷

4

5 **Q. Now that you have calculated both the number of pilots to fund and the DNI,**
6 **what do you do next?**

7 A. I multiply the number of pilots by the DNI, which totals \$21,700,741. I then bring
8 the total into the revenue requirement model, which is presented in this case by Staff
9 witness LaRue.³⁸

10

11 **Q. What is your proposed TDNI for the rate year?**

12 A. I recommend funding 52.98 pilots using a DNI of \$409,608, which amounts to a
13 TDNI of \$21,700,741.

14

15 **C. Rate Plan**

16

17 **Q. Have you read the PSP testimony that pertains to the rate plan?**

18 A. Yes, I have.

19

20 **Q. What is PSP proposing regarding a rate plan?**

21 A. PSP proposed to increase tariff rates over a three-year period.³⁹

³⁷ Sevall, Exh. SS-2, Sch. 2.1 at line 13.

³⁸ Sevall, Exh. SS-2, Sch. 2.1 at line 15.

³⁹ Burton, Exh. WTB-1T at 14:7-25.

1 **Q. Do you support PSP's proposed rate plan?**

2 A. No. If the Commission accepts the revenue requirement proposed by Staff, I do not
3 believe rate shock is an issue the Commission would need to address by using a rate
4 plan to phase in rates.

5
6 **Q. Are you proposing a rate plan?**

7 A. No. I do not believe the revenue requirement that Staff calculated requires a rate
8 plan.

9
10 **D. Rate Design**

11
12 **Q. Have you read the PSP testimony that pertains to rate design?**

13 A. Yes, I have.

14
15 **Q. What is PSP proposing with regard to rate design?**

16 A. PSP proposes a restructured design relative to the current tariff. The proposed design
17 consists of two main charges, a base tonnage charge and a service time charge.⁴⁰

18
19 **Q. Do you support PSP's proposed rates?**

20 A. No.

21

⁴⁰ Burton, Exhs. WTB-8, WTB-9, and WTB-10.

1 **Q. Are you proposing different rates?**

2 A. Yes.⁴¹

3

4 **Q. Do you agree with the pilot's proposed tariff design?**

5 A. I agree with the base tonnage charge and service time charge concept, but not the
6 proposed rates as Staff's revenue requirement is different than the revenue
7 requirement PSP proposes. The currently effective tariff has many variables and
8 makes it difficult to calculate a total rate. I understand that the tariff has been in use
9 for quite some time and that shippers are familiar with the current tariff format, but
10 familiarity of the current tariff design is not an adequate reason to continue using the
11 current tariff design.

12

13 **Q. Please explain the new rate design.**

14 A. The proposed tariff has two main rates; a gross tonnage rate and a service time rate.
15 There are also line items for specific events.⁴² The gross tonnage rate operates much
16 like a base rate and the service time rate operates much like the usage rate. This is a
17 significant change from the current tariff which has a length over-all (LOA) charge,
18 gross tonnage charge, and a plethora of other line item charges.⁴³

19

⁴¹ Sevall, Exh. SS-3, Sch. 3.1.

⁴² Burton, Exh. WTB-08.

⁴³ WAC 363-116-300.

1 **Q. Does the current tariff address risk?**

2 A. Yes. I believe it does through the gross tonnage and LOA charge. When I reviewed
3 the current tariff, it appears that if a ship is larger, it pays a much higher rate,
4 therefore addressing the higher risk.⁴⁴

5
6 **Q. Does the proposed tariff address risk?**

7 A. Yes. I believe it does, through the gross tonnage and time charges. The larger the
8 ship, the higher the base tonnage charge. This means a larger risk vessel will pay
9 more commensurate with the additional risk. The time for service also compensates
10 for risk. If two similar size ships enter the pilotage district, but one has a mechanical
11 issue which requires more time to safely maneuver, that ship would pay more. Or if
12 the ship is large enough that a second pilot is needed, then the time rate is incurred
13 for each pilot at the tariffed hourly rate.

14
15 **Q. Have you prepared exhibits that support Staff's proposed rates?**

16 A. Yes. Exhibit SS-3 supports Staff's proposed rates.

17
18 **Q. Without going into the specific detail of each calculation in exhibit SS-3, please
19 provide the concepts employed in the rate design.**

20 A. As mentioned above, there are two main rates, a base tonnage rate which increases
21 with the gross tonnage of the vessel and a service time rate. The base rate and

⁴⁴ *Id.*

1 specific line item rates were designed to cover the costs associated with the income
2 statement. The service time charge is calculated specifically to cover the TDNI.

3

4 **Q. What is your recommendation?**

5 A. I recommend the Commission reject PSP's rate plan and accept the proposed tariff
6 design at Staff's recommended rates.

7

8 **Q. Does this conclude your testimony?**

9 A. Yes.

10