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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,
Complainant,
v.
PUGET SOUND PILOTS,
Respondent.

DOCKET NO. TP-

**TESTIMONY OF
LINDA STYRK
EXECUTIVE DIRECTOR, PUGET SOUND PILOTS**

NOVEMBER 19, 2019

TESTIMONY OF LINDA STYRK, Exh. LS-1T - i

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EXHIBIT LIST		
Exhibit No.	Description	Page Referenced
LS-2	Curriculum Vitae of Linda Styrk	1
LS-3	Note A.d. (pg 26) of PSP's 2018 financial statement.	2

TESTIMONY OF LINDA STYRK, Exh. LS-1T - ii

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I. INTRODUCTION

Q: Please state your name, position at Puget Sound Pilots and business address.

A: My name is Linda Styrk. I am the Executive Director of the Puget Sound Pilots (“PSP”) which is headquartered at 2003 Western Ave, Suite 200, Seattle, WA 98121.

Q: How long have you been Executive Director at PSP? What are your duties as Executive Director of PSP?

A: Since September 2015. Before that I was employed by the Port of Seattle for nearly a decade and the first female managing director of the seaport. As Executive Director of PSP, my duties are substantial in overseeing the day-to-day business operations of the pilot association including administration, finance, personnel, customer and vendor relationships, public and media relations, working with consultants and other outside professional advisors, securing outside financing or loans, negotiating leases, negotiating contracts and collective bargaining agreements and interacting with state and local governments and regulatory agencies.

Q: Will you please describe your educational/work experience prior to joining PSP?

A: Please see my curriculum vitae attached as Exh. LS-2 for these additional details.

II. SUMMARY

Q: Please summarize for us the purpose of your direct testimony in this matter.

A: I am testifying on behalf of PSP in support of its tariff filing to explain some of expenses that have been and will be incurred by pilots which we are seeking to recoup in rates, including individual business expenses and transportation expenses of the pilots. I am also offering testimony to describe how the 2017-2018 tariff freeze imposed by the legislature on top of their unadjusted levels since 2015 has impacted pilot income. Also, because of my experience working in the port and maritime

1 industry, I will also offer some general comments on port competitiveness issues and
2 the effect of pilotage rates on same.

3 **A. Individual Business Expense**

4 **Q: Do the pilots incur any business expenses that are separate and apart from the**
5 **expenses incurred by the pilot association?**

6 **A:** Yes. There is currently an individual business expense (“IBE”) deduction allowance
7 for disability insurance.

8 **Q: Do those expenses appear in PSP’s financial statement?**

9 **A:** Yes. The IBE deduction allowance is reported on page 7, line 11 of Statements of
10 Revenues, Expenses and Changes in Pilots Equity and also on pg. 26 of the Note A.d.
11 to the Schedule of Days of Service of Pilotage Revenue and Expense; Note A.d. (pg 26)
12 of PSP’s 2018 financial statement. Exh. LS-3.

13 1. Transportation Expenses

14 **Q: Does the current pilotage tariff for the Puget Sound include transportation**
15 **expense charges?**

16 **A:** Yes, it does.

17 **Q: Can you explain the background for those charges?**

18 **A:** The tariff transportation expense charge is applied to each vessel assignment invoice to
19 cover the cost of the pilot’s transportation to the vessel. The charge is a flat fee based
20 on the estimated cost of transportation between Seattle and that port at which service is
21 provided. Pilots also incur transportation expense when repositioning between the
22 inbound hub at the Port Angeles Pilot Station or the outbound hub (Seattle-side port
23 location) to mitigate the imbalance in vessel arrival and departure schedules. Pilots are
24 repositioned in anticipation of the demand of pilots needed to provide board on arrival

1 service and to prevent vessel delays. Repositioning assignments are not associated with
2 a specific vessel at time of pilot dispatch. Since this repositioning expense cannot
3 feasibly be linked to a specific vessel for billing purposes, it is reported as an operating
4 expense under the account: "Transportation Expense, P.A."

5 **Q: Is PSP proposing a change to how transportation expenses are charged?**

6 **A:** Yes. The tariff PSP is proposing does not eliminate the transportation charge, but
7 instead bases it on an average of PSP's actually incurred transportation expenses.
8 Under this proposal, each vessel will pay an equal and flat transportation charge for
9 each vessel movement.

10 **Q: How was the average cost of transportation calculated?**

11 **A:** PSP performed a three-month cost of service study of transportation expenses in 2019.
12 During the study, the pilots travelled to and from vessel and repositioning assignments
13 using third party transportation companies or by driving their own vehicles. For each
14 assignment, vendors invoiced PSP for services provided and receipts and/or mileage
15 reimbursement forms were received from the pilots who were reimbursed for their
16 expenses. The proposed transportation charge is based on the average per-assignment
17 expense to PSP.

18 **B. Impacts of Rate Freeze**

19 **Q: When was the last time PSP sought a rate increase?**

20 **A:** Prior to 2017, PSP submitted a tariff proposal for consideration of the Board of Pilotage
21 Commissioners annually, which was the previous requirement by statute to set the
22 pilotage tariff on an annual basis.

23 **Q: Did the Board of Pilotage Commissioners grant a rate increase in 2016?**

24 **A:** No, it there has been no rate adjustment granted to the PSP since July 2015.

1 **Q: Why hasn't PSP submitted a new tariff proposal since 2016?**

2 **A:** In the 2017-2018 legislative session, the legislature conditioned its appropriation to the
3 Board of Pilotage Commissioners upon three items, which included that it collect the
4 first \$150,000 of tariff revenue generated by the Puget Sound Pilots to pay for liability
5 account (SILA) premiums, that it not increase the pilotage tariff above the rates existing
6 on January 1, 2017, and that it impose a surcharge of \$16 per assignment invoiced for
7 SILA.

8 **Q: Did the Board of Pilotage Commissioners take any actions implementing those**
9 **conditions?**

10 **A:** In 2017, the BPC used an emergency rulemaking to adopt WAC 363-116-301, to
11 implement each of the three conditions.

12 **Q: Has PSP paid the \$150,000 tax to the BPC each year?**

13 **A:** Yes, PSP has paid to the BPC \$150,000 annually in July 2017, 2018 and 2019.

14 **Q: Did PSP seek to recoup that tax in rates?**

15 **A:** No. The Board's rule prohibited PSP from seeking any rate increase. My
16 understanding is that it was not until July 1, 2019 that PSP is permitted to seek a rate
17 adjustment under the new legislation transferring pilot ratesetting authority to the
18 Commission.

19 **Q: Did PSP have any growth in expenses during that time period that it was unable to**
20 **recoup in rates?**

21 **A:** Absolutely, as you can see from the testimony and exhibits submitted by Weldon
22 Burton and Jessica Norris. Many line items of expenses have increased over that four
23 plus year period of rate freezes.

24 **Q: Have there been other noticeable trends as concerns balance sheet liability issues?**

1 **A:** Well, the one I would suggest as most material is compensation days (“Callback Days”)
2 or essentially, banked overtime for the pilots. With the chronic shortage of pilots,
3 weekly and cruise season demand surges, the “bank” of callback days as a debit owed
4 to PSP members is growing significantly.

5 **Q: Can you please describe in more detail this accumulating liability?**

6 **A:** Yes, although this is an unrecorded liability as Note 10, pp. 18 and 19 of the audited
7 financials reflect (see Exh. JN-3), their aggregate value grew by almost \$1.4 million in
8 2018 and that is an item of operating cost that must be included in the evaluation of
9 PSP.

10 **C. Impact of Pilotage Rates on Maritime Port Charges**

11 **Q: You indicated at the start of your testimony that you had served almost ten years**
12 **with the Ports of Seattle and the last five years as the Managing Director of the**
13 **Seaport.**

14 **A:** Yes.

15 **Q: In that capacity, did you come to evaluate the impact of pilotage cost on overall**
16 **port charges?**

17 **A:** Yes, in that role I became familiar with various factors impacting port economics that
18 covered a rather vast array of topics. Based on my long experience, I am aware that in
19 the overall basket of charges assessed port users i.e. for container handling equipment,
20 fuel, labor, stevedoring, lines, berthing, etc., the cost of the individual pilot is an
21 infinitesimal percentage of total port call and terminal charges.

22 **Q: Does this conclude your testimony?**

23 **A:** Yes it does.