

**Exh. JNS-1T
Docket TP-220513
Witness: Jaclynn Simmons**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND PILOTS,

Respondent.

DOCKET TP-220513

TESTIMONY OF

JACLYNN SIMMONS

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Individual Expense Account Adjustments

February 10, 2023

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1 **I. INTRODUCTION**

2

3 **Q. Please state your name and business address.**

4 A. My name is Jaclynn Simmons, and my business address is 621 Woodland Square
5 Loop SE, Lacey, Washington, 98503. My business mailing address is P.O. Box
6 47250, Olympia, Washington, 98504-7250. My business email address is
7 Jaclynn.simmons@utc.wa.gov.

8

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

10 A. I am employed by the Washington Utilities and Transportation Commission
11 (Commission) as a Regulatory Analyst in the Telecom, Water, and Transportation
12 Section of the Regulatory Services Division.

13

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

15 A. I have been employed by the Commission since November 1, 2021.

16

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

18 A. I have been employed by the Commission for a little over a year and have worked on
19 general rate cases as an analyst. I hold a bachelor's degree in Environmental
20 Economics and Policy with a second bachelor's degree in Sustainability. Before
21 working at the Commission, I had five years of experience in banking, performing
22 audits and reconciliation of accounts. I attended the National Association of
23 Regulatory Utility Commissioners (NARUC) ratemaking course in May of 2021.

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

2 A. No, but I have worked on many general rate cases here at the Commission.

3

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

5

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

7 A. My testimony and exhibits reflect the results of Staff's analysis of Puget Sound
8 Pilots (PSP or Pilots) test year results of operations. Staff's results reflect its restating
9 adjustments and pro forma, known, and measurable changes.

10

11 **Q. What adjustments do you address in your testimony?**

12 A. I address the following expense accounts:

13 Account 53700- Travel/Promo/Mileage/Marketing

14 Account 53700- Employee Reimbursements-PA

15 Account 50880-009 DEI Donations

16 Account 52050-009 Miscellaneous- other

17 Account 52560-008 Puget Sound, Fuel

18 Account 52660-008 Juan de Fuca, Fuel

19 Account 50100-009 Legal Fees

20 Account 50700-009 Consulting Fees

21 Account 53500-006 Training

22

23

1 **Q. Please summarize your recommendations.**

2 A. I recommend several adjustments that reduce the revenue requirement by a total of
3 \$271,375 and several that increase the revenue requirement by a total of \$632,292.
4 The net effect of these adjustments increases the revenue requirement by \$360,917.
5 This net adjustment to revenue requirement does not include the adjustments
6 discussed in Staff witness Mike Young's testimony.

7
8 **Q. Have you prepared any exhibits in support of your testimony?**

9 A. Yes. I prepared Exhibits JNS-2 through JNS-9.

- 10 • Exh. JNS-2 shows the total case adjustments.
- 11 • Exh. JNS-3 shows the restating adjustments made by staff and provides
12 evidence from the general ledger and data responses from PSP for account
13 53700 Travel/Promo/Etc., Expense.
- 14 • Exh. JNS-4 shows the calculation for the adjustment to DEI Donations
15 account and provides PSP's response to staff's questions regarding the DEI
16 Donation account.
- 17 • Exh. JNS-5 shows Staff's calculations to the Misc. other account and
18 provides PSP's response to Staff's questions regarding this account.
- 19 • Exh. JNS-6 shows Staff's calculations to accounts 52560-008 and 525660-
20 008 to bring fuel costs to the most current 12 months.
- 21 • Exh. JNS-7 shows Staff's adjustments and calculations to account 50100-009
22 Legal expenses.

- 1 • Exh. JNS-8 shows Staff’s adjustments and calculations to account 50700-009
2 Consulting Fees.
3 • Exh. JNS-9 shows Staff’s adjustments and calculations for account 53500-
4 006 Training Expense.
5

6 **III. DISCUSSION**
7

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

9 A. I address PSP’s individual accounts.
10

11 **A. The Commission’s Ratemaking Standards**
12

13 **Q. What is the Commission’s role in setting pilotage rates?**

14 A. The Commission ensures that the rates charged by pilots are fair, just, reasonable,
15 and sufficient, meaning that it basically balances customers’ needs for fair rates for a
16 service they must purchase with the pilots’ interest in fair compensation for services
17 provided.
18

19 **Q. How does the Commission evaluate whether rates are fair, just, reasonable, and**
20 **sufficient?**

21 A. Generally, the Commission ensures that regulated entities recover the prudently
22 incurred costs of providing service to customers and offers the opportunity to earn a
23 fair return on the capital invested in providing service. For pilots, the “fair rate of

1 return” aspect comes in the form of an opportunity to earn a fair distributable net
2 income, or DNI, from the pilots’ association.

3

4 **Q. What is a prudently incurred cost?**

5 A. It’s a cost reasonably incurred.

6

7 **Q. What do you mean by “reasonably incurred?”**

8 A. When looking at prudence, the Commission applies a reasonableness test – asking
9 whether a reasonable regulated entity would incur the expense given what it knew or
10 should have known at the time it made the decision.

11

12 **Q. How does the Commission approach rate setting?**

13 A. The Commission reviews the historical test year expenses and revenues. Staff and
14 other parties may recommend restating and pro forma adjustments, and from that
15 record the Commission determines the revenue required for PSP to make to get a
16 reasonable DNI and pay expenses.

17

18 **Q. What is the historic test year used by the Commission?**

19 A. A historic test year is a recent period for which the regulated entity’s results of
20 operations are available. PSP’s historic test year is 2021.

21

22 **Q. You mentioned that the Commission uses a modified historical test year. What
23 modifications does the Commission allow?**

1 A. The Commission allows for adjustments to the historical test year called restating
2 adjustments. “Restating adjustments adjust the booked operating results for any
3 defects or infirmities in actual recorded results of operations that can distort test
4 period earnings. Restating adjustments are also used to adjust from an as-recorded
5 basis to a basis that the commission accepts for determining rates. Restating
6 adjustments must be calculated based on the unadjusted test year operating results.”¹

7 The Commission also allows adjustments to the historical test year called pro
8 forma adjustments. “Pro forma adjustments give effect for the test period to all
9 known and measurable changes that are not offset by other factors. The company and
10 any other party filing testimony and exhibits proposing pro forma adjustments must
11 identify dollar values and underlying reasons for each proposed pro forma
12 adjustment. Pro forma adjustments must be calculated based on the restated
13 operating results.”²

14
15 **Q. With regard to pro forma adjustments, how does the Commission evaluate
16 whether an expense or change in revenue is known?**

17 A. The expense or change in revenue must have occurred during or after the historic test
18 year and the effects of the expense or change in revenue must be in place during the
19 rate year.

20

¹ WAC 480-07-510(3)(c)(i).

² WAC 480-07-510(3)(c)(ii).

1 **Q. And how does the Commission determine whether an expense or change in**
2 **revenue is measurable?**

3 A. The expense or change in revenue must be concrete, and not an estimate, projection,
4 or budget forecast. The Commission wants a receipt, or some kind of binding
5 document (like a contract) that gives certainty that the regulated entity has incurred
6 or will incur the expense.

7
8 **B. Individual Adjustments**

9
10 **1. Account 53700**

11
12 **Q. Did Staff review account 53700 Travel/Promo/Mileage/Marketing?**

13 A. Yes, Staff reviewed the general ledger for the travel/promo/mileage/marketing
14 account.

15
16 **Q. What are Staff's recommendations?**

17 A. Staff recommends removing \$21,862.57 (R-9) from this account. Items covered in
18 this amount include items like retirement flowers and flowers for sick spouses. Staff
19 also recommends a restating adjustment to bring the per books total of \$30,595 to
20 match the general ledger total of \$27,368, reducing the per book total by \$3227 (R-
21 8).

22

23

24

1 **Q. Why does Staff recommend removing those expenses?**

2 A. These items are not an allowable expense for the rate payer to pay through rates. As
3 discussed above, the Commission allows regulated entities to recover costs incurred
4 to provide service. Ratepayers do not cause the pilots to incur the costs of purchasing
5 flowers in order to provide service. Instead, the owners choose to incur those costs
6 for their own purposes, and they should pay them out of their own funds. Staff thus
7 recommends that the company view these expenses as owner discretionary expenses
8 taken from owner funds.

9

10 **Q What effect does Staff's recommendation have?**

11 A. It reduces the pilots' revenue requirement by \$21,862.57.

12

13 **2. Account 53700**

14

15 **Q. Did Staff review account 53700 Employee Reimbursements-PA?**

16 A. Yes, Staff has reviewed the general ledger for this account.

17

18 **Q. What does Staff recommend regarding account 53700 Employees**
19 **Reimbursement-PA?**

20 A. Staff recommend making a restating adjustment in the amount of \$370 (R-9).

21

22 **Q. Why does Staff make that recommendation?**

23 A. The restating amount eliminates the costs associated with PSP's purchase of a wallet

1 for \$220 and firewood for \$150. Ratepayers did not cause PSP to incur those costs to
2 provide service and they should be removed.

3

4 **Q. Does Staff offer any other recommendations regarding account 53700?**

5 A. Yes. Staff also recommends removing PSP's adjustment of negative \$3,242 P-07 in
6 the testimony of Weldon T Burton in WTB05.

7

8 **Q. Why does Staff make that recommendation?**

9 A. This pro forma adjustment by PSP is to be incurred in 2023. The expense is not
10 known and measurable as the company did not provide support (invoices or signed
11 contracts).

12

13 **Q. What is the effect of Staff's recommendation?**

14 A. It increases the revenue requirement by \$3,612 from what was filed on October 31,
15 2022, in WTB05.

16

17 **3. Account 50880-009**

18

19 **Q. Did Staff review account 50880-009 DEI Donations?**

20 A. Yes, Staff reviewed the Company's general ledger for the Diversity, Equity and
21 Inclusion (DEI) account and asked the Company to provide the company's policy for
22 the account.

23

1 **Q. What action does Staff recommend that the Commission take regarding**
2 **account 50880-009?**

3 A. While Staff doesn't disagree that DEI is important and that the company is trying to
4 align with the state of Washington's priorities, the company did not provide adequate
5 support for expenses booked into the account and therefore the total amount of
6 \$20,000 is not known and measurable and should be disallowed.

7
8 **Q. Why should the Commission disallow recovery of the relevant expenses at this**
9 **time?**

10 A. The costs involved are not known and measurable. The pilots did not incur these
11 costs during the test year, and the costs must satisfy the standards for pro forma
12 adjustments for the pilots to recover them. As discussed above, any such adjustment
13 must involve known and measurable dollar amounts.³ The pilots provided, at best,
14 budget forecasts, not any evidence providing certainty that they would spend the
15 money they seek to recover here.

16
17 **Q. What is the effect of Staff's recommendation?**

18 A. It reduces the pilots' revenue requirement by \$20,000 from what was filed on
19 October 31, 2022, in WTB05.

20

21

³ WAC 480-07-510(3)(c)(ii).

1 **4. Account 52050-009**

2

3 **Q. Did Staff review account 52050-009 Miscellaneous - Other?**

4 A. Yes. Staff reviewed all associated documents for this account.

5

6 **Q. What does Staff recommend regarding account 52050-009?**

7 A. After review of the Paycheck Protection Plan loan (PPP loan) and the associated
8 forgiveness, Staff recommends removing the negative adjustment to the income
9 statement recommend by Weldon T. Burton in his supplemental testimony that was
10 filed on October 31, 2022. The pilots did not incur the expenses during the test year
11 and the loan was later forgiven in full. Thus, the full amount of \$362,969 should be
12 removed.

13

14 **Q. What ratemaking principles were used in Staff's recommendation?**

15 A. Staff cannot say that the costs at issue are known and measurable. As Staff noted
16 above, to be known and measurable, the effects of an event must be in place during
17 the rate year. PSP took out a PPP loan on April 15, 2020; that loan was forgiven on
18 July 23, 2021.⁴ There is no "effect" of the loan in place during the rate year due to its
19 forgiveness. Therefore, the forgiveness should not be accounted as an expense.

20

21 **Q. What is the effect of staff's recommendation?**

22 A. Staff's recommendation increases revenue requirement by \$362,969 (R-12).

⁴ Exh. JNS-5 (PSP response to UTC, Data Request No. 15).

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5. Account 52560-008

Q. Did Staff review account 52560-008 Puget Sound, Fuel?

A. Yes. Staff reviewed invoices and the Company’s general ledger.

Q. What does Staff recommend regarding account 52560-008 Puget Sound, Fuel?

A. After review for the test year and using the most recent 12 months of fuel costs in accordance with Commission practice, Staff recommends restating an additional \$102,936.63 (R-7) into PSP’s revenue requirement. This will allow the company to recover the full costs of fuel in the most recent 12 months, July 2021 through June 2022.

Q. Did you review account 52660-008 Juan de Fuca, Fuel?

A. Yes. Staff reviewed invoices and the Company’s general ledger.

Q. What are your recommendations for account 52660-008 Juan de Fuca, Fuel?

A. After review for the test year and using the most recent 12 months of fuel costs according to Commission practice, Staff recommends restating an additional \$35,731.17 (R-7) into the revenue requirement. This will allow the company to recover the full costs of fuel in the most recent 12 months, July 2021 through June 2022.

1 **Q. What is the effect of Staff's recommendation?**

2 A. It increases revenue requirement by \$138,667.80 from what was filed on October 31,
3 2022, in WTB05.

4

5 **6. Account 50100-009**

6

7 **Q. Did Staff review account 50100-009 Legal fees?**

8 A. Yes. Staff has reviewed the general ledger and PSP's adjustments.

9

10 **Q. What does Staff recommend for account 50100-009 Legal Fees?**

11 A. Staff recommends restating PSP's test year results to remove \$131,331 (R-11) of
12 legal fees, which includes PSP's adjustment R-04 of \$4,658, and amortizing the rate
13 case specific costs over three years. This produces an amortization expense of
14 \$39,119 (PF-3).

15

16 **Q. Why does staff recommend amortizing costs over three years?**

17 A. Because of Commission practice and provisions in Order 09 allowing the
18 amortization of rate case specific items over three years.

19

20 **Q. Why does Staff make this recommendation?**

21 A. Staff agrees with PSP that under Order 09, legal fees PSP incurred litigating its last
22 rate case should be included and restated in. But PSP overstates the amount involved.
23 The amount to be restated in should be \$56,118 (R-13) for years 2024, 2025, 2026,

1 and 2027 as approved in Order 09 in Docket TP-190976. Rates are currently set to
2 recover 2023's portion of the amortization, making the total restating amount
3 \$75,214 and the total pro forma amount of \$39,119.

4
5 **Q. What is the net effect of Staff's recommendation?**

6 A. A total increase of \$75,214 for restating adjustments and increase to the total pro
7 forma amount of \$39,119 from what was filed on October 31, 2022, in WTB05.

8
9 **7. Account 50700-009**

10
11 **Q. Did Staff review account 50700-009 Consulting Fees?**

12 A. Yes. Staff has reviewed the account and general ledgers.

13
14 **Q. What is Staff's recommendation for account 50700-009 Consulting fees?**

15 A. Staff recommends rejecting PSP's adjustment of negative \$30,281 and using the
16 restating adjustment found in Mike Young's testimony, \$117,697 (R-16).

17 Staff also recommends restating PSP's test year results to remove rate case
18 specific items totaling \$55,745.62 (R-10) and then pro forming in an amortization of
19 the \$55,745.62 over a three-year period for a total amount of \$18,582 (R-20) per
20 year.

21
22 **Q. How did Staff calculate the total restating amount?**

23 A. Again, while Staff agrees that under Order 09, prior rate case specific items from

1 PSP's last GRC should be recovered, PSP overstates the amount. For this restating
2 adjustment Staff recommends including in revenue requirement \$16,827 (PF-4) for
3 years 2024, 2025, 2026 and 2027, as approved by the UTC in the last rate case. That
4 reflects the fact that the rates set for 2023 already provide for the recovery of the
5 amortization of rate case specific expenses incurred in the 2019 GRC. The total
6 restating adjustment is \$37,164 and the total pro forma adjustment is \$16,837.

7

8 **Q. Why does Staff recommend amortizing costs over three years?**

9 A. For the same reasons discussed above.

10

11 **Q. What is the effect of Staff's recommendation?**

12 A. The total restating adjustment is \$37,164 and the total pro forma adjustment is
13 \$16,837 from what was filed on October 31, 2022, in WTB05.

14

15 **8. Account 53500-006**

16

17 **Q. Did Staff review account 53500-006 Training?**

18 A. Yes. Staff reviewed the training data provided by PSP.

19

20 **Q. What are Staff's recommendations for account 53500-006 Training?**

21 A. Staff recommends a total pro forma adjustment of \$201,034 (PF-6).

22

23

1 **Q. How and why did Staff determine this amount was appropriate?**

2 A. Staff made a few adjustments. The first adjustment Staff made was to take the
3 average costs at the five schools that PSP provided in DR response 46. This is now
4 the cost used for all pilots that do not know exactly what location will be available at
5 the time they can go.

6 The next adjustment removed the three new pilots listed for training as these
7 pilots are not known and measurable.

8 Finally, Staff took the Bridge Resource Management for Pilots (BRMP)
9 training costs of \$129,500 and amortized it over five years, as these classes happen
10 every five years (per DR response 46).

11

12 **Q. What is the net effect of Staff's recommendations?**

13 A. An increase to the revenue requirement of \$201,034 from what was filed on October
14 31, 2022, in WTB05.

15

16 **Q. Do you have any recommendations for the other adjustments made by PSP in
17 WTB05?**

18 A. No. Staff has reviewed the adjustments and has no issues with the adjustments in
19 WTB05 that have not been mentioned above, with exception of adjustments
20 discussed by Mike Young in his testimony.

21

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

23 A. Yes.