

**Exh. SS-5T
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

SUPPLEMENTAL TESTIMONY OF

Scott Sevall

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Revision to DNI Calculation

June 26, 2020

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I. INTRODUCTION

Q. Please state your name.

A. My name is Scott Sevall.

Q. Are you the same Scott Sevall who filed testimony in this docket with the Washington Utilities and Transportation Commission (Commission) on behalf of Commission Staff (Staff) on May 27, 2020?

A. Yes.

II. SCOPE AND SUMMARY OF RECOMMENDATION

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

A. Here, I discuss a revision to the Distributable Net Income (DNI), which I originally addressed in my May 27, 2020 testimony.

Q. Please summarize your recommendations?

A. I revise my original recommendation regarding the DNI of \$409,608 and recommend the Commission set a DNI of \$400,855.

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

2 A. Yes. I prepared Exh. SS-2r Average Historical Assignments and Distribution
3 Calculation. This exhibit is a revised version of Exh. SS-2 filed on May 27, 2020.

4

5 **III. ADJUSTMENT TO DISTRIBUTABLE NET INCOME**

6

7 **Q. In your original testimony did you recommend a DNI?**

8 A. Yes. In my original testimony I recommended a DNI of \$409,608.¹

9

10 **Q. Are you proposing to revise the DNI you originally testified to?**

11 A. Yes. I now calculate that a DNI of \$ 400,855 is appropriate.

12

13 **Q. What led you to change your recommendation?**

14 A. After further review of the Board of Pilotage Commissioners (BPC) annual reports
15 and Exh. AMCL-2 Sch.1.1, I discovered the historical disbursement number used in
16 my calculation included expense items that are also reflected as expenses on Staff's
17 Pro Forma Income Statement. These expense items are paid by Puget Sound Pilots
18 (PSP) on behalf of the pilots and are included on the income statement as part of the
19 association's costs. This means the original number I calculated must be adjusted for
20 these costs to prevent a double recovery.² I also removed the call back adjustment
21 from my calculation for reasons discussed below.

¹ Sevall, Exh. SS-1T at 17:12-13.

² LaRue, Exh. AMCL-2.

1 **Q. What are the costs double-recovered if no revision is made?**

2 A. The costs that would be double-recovered, absent this revision, are the costs of
3 medical insurance, travel expenses, and individual business expenses for the years
4 prior to 2018.

5
6 **Q. The costs you now remove are reflected on the income statement and were
7 included in your original DNI, correct?**

8 A. Yes. Both my original DNI calculation and the results of the income statement
9 included in the total revenue requirement had these costs recorded. These costs are
10 also recorded in Exh AMCL-2, thus these costs would be included in the revenue
11 requirement twice, both on the income statement and as an embedded component of
12 pilot DNI.

13
14 **Q. Do pilots still receive the benefit of medical insurance and the other costs you
15 removed from DNI?**

16 A. Yes. The benefit is paid by PSP on behalf of the pilots and the costs are shown on the
17 income statement.

18
19 **Q. During the process of re-calculating DNI did you revise any other components
20 of your DNI calculation?**

21 A. Yes. I corrected the number of assignments reported for 2015. In my original exhibit
22 I inadvertently used the number of vessel moves instead of the number of pilot
23 assignments. I also removed the portion of the calculation that adjusted for the value

1 of call back assignments in each period, and two lines that have no impact on the
2 calculation at all.

3

4 **Q. In this testimony you revise your calculation of DNI. Is that revision reflected**
5 **on Exhibit SS-2r, Sch. 2.3?**

6 A. Yes. The method discussed in SS-1T adjusted the historical DNI by the estimated
7 call back value for the period.³ This adjustment understated the per assignment DNI.
8 When first proposed, the adjustment was intended to remove the cost of a liability
9 that had not been booked, and I believed the amount was being double-collected.
10 However, upon further review I do not believe that to be the case.

11

12 **Q. Explain your revised calculation, which is reflected on Exhibit SS-2r, Sch. 2.3.**

13 A. My revised calculation determines the historical per assignment DNI and multiplies
14 that by the historical average assignments. I maintain the inflation adjustment that I
15 testified to in SS-1T.⁴

16

17 **Q. Does Exh. SS-2r highlight the cells you revised?**

18 A. Yes. The revised cells are highlighted in Exh. SS-2r.

19

20 **Q. Please state your revised recommendation for DNI.**

21 A. I recommend a DNI of \$400,855.

³ Sevall, Exh. SS-1T at 15:20-16:15.

⁴ Sevall, Exh. SS-1T at 16:17-19.

1 **Q. Please state the impact of this adjustment on total distributable net income**
2 **(TDNI).**

3 A. This revision to DNI reduces TDNI by \$463,725.

4

5 **Q. Does your recommendation here impact Staff's recommended revenue**
6 **requirement in this proceeding?**

7 A. Yes. Staff will be providing a revised revenue requirement, previously depicted in
8 Exh. AMCL-2, when Staff files its cross-answering testimony on July 13, 2020. The
9 revised revenue requirement will incorporate this revision and any additional
10 revisions that may be discussed in Staff's cross-answering testimony.

11

12 **Q. Does your revised recommendation impact the rate design for this proceeding?**

13 A. Yes. Staff will be providing a revised rate design, previously depicted in Exh. SS-3,
14 when Staff files its file cross-answering testimony, which will incorporate this
15 revision as well as any additional revisions Staff deems necessary.

16

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

18 A. Yes, it does.