EXH. IC-16Tr
DOCKET TP-250574
2025 PSP GENERAL RATE CASE
WITNESS: CAPTAIN IVAN CARLSON

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **PUGET SOUND PILOTS,** **Respondent.**	**Docket TP-250574**

PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF

CAPTAIN IVAN CARLSON

ON BEHALF OF PUGET SOUND PILOTS

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PUGET SOUND PILOTS

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CONTENTS

I. INTRODUCTION 1

II. THE PILOT COMPENSATION STUDY SUPPORTS PSP'S PROPOSED DNI AND THE COMMISSION SHOULD REJECT PROPOSALS THAT WOULD KEEP PSP AT THE LOW END OF NATIONAL COMPENSATION....7

A. Response to Commission Staff Testimony on DNI....7

B. Response to PMSA Testimony on Pilot Compensation....17

III. PSP'S PROPOSED TDNI REFLECTS THE NUMBER OF PILOTS DETERMINED TO PROVIDE SAFE AND EFFICIENT PILOTAGE SERVICE BY THE BPC AND EFFORTS TO UNDERCUT THE BPC'S DETERMINATION SHOULD BE REJECTED 40

IV. THE COMMISSION SHOULD REJECT PENSION PROPOSALS BY STAFF AND PMSA THAT ARE INCONSISTENT WITH THE COMMISSION'S PRIOR ORDERS AND WOULD BE CATASTROPHIC TO PSP 62

A. Response to Commission Staff Testimony on Pension 68

B. Response to PMSA Testimony on Pension....70

V. PSP PROVIDED VESSEL TRAFFIC CONSISTENT WITH COMMISSION RULES AND HAS UPDATED IT ON REBUTTAL 74

VI. PMSA'S RECOMMENDATIONS AND PROPOSED EFFICIENCY MEASURES ARE UNNECESSARY, DUPLICATIVE AND SHOULD BE REJECTED....81

VII. REBUTTAL OF OTHER ISSUES RAISED BY PMSA....94

VIII. CONCLUSION....100

PUGET SOUND PILOTS

PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF CAPTAIN IVAN CARLSON

LIST OF EXHIBITS

Exh. IC-17	Maritime Publications List for Pilot Exam
Exh. IC-18	State of Residence of Licensed Pilots at Application
Exh. IC-19	BPC Presentation: Pilot Licensures and Retirements
Exh. IC-20	Articles on Mariner Shortage
Exh. IC-21	BPC Meeting Minutes 8-15-2024
Exh. IC-22	BPC Meeting Minutes 11-16-23
Exh. IC-23	BPC Meeting Minutes 11-21-2024
Exh. IC-24	PMSA Response to PSP Data Request No. 008
Exh. IC-25	PSP's Response to Staff Data Request 1
Exh. IC-26	AAL Modeled to 2024 TAL
Exh. IC-27	1-15-2026 BPC Meeting Audio File
Exh. IC-28	SB 5248 Senate Bill Report, Feb. 6, 2025
Exh. IC-29	Puget Sound Pilotage Service Presentation to the BPC, 02-15-2024
Exh. IC-30	2024 PPA Annual Report
Exh. IC-31	Oregon Board of Maritime Pilots, Case No. BP-17, Final Order
Exh. IC-32r	Updated Traffic Projection
Exh. IC-33	Marine Exchange of Puget Sound 2025 Annual Report
Exh. IC-34	PSP Dispatch Memo re. Bulk Ships Departing Tacoma
Exh. IC-35	Marine Safety Occurrence - MSC Ilenia

Exh. IC-36 Staff Response to PSP Data Request No. 4

PUGET SOUND PILOTS

PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF CAPTAIN IVAN CARLSON

I. INTRODUCTION

Q. Are you the same Ivan Carlson who submitted Prefiled Direct Testimony on July 29, 2025 on behalf of Puget Sound Pilots ("PSP") in this proceeding?

A. Yes, on July 29, 2025 I filed the Prefiled Direct Testimony of Ivan Carlson, Exhibit IC-01T, and 14 supporting exhibits (Exh. IC-02 through Exh. IC-15).

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony responds to issues raised by Commission Staff and Pacific Merchant Shipping Association ("PMSA") in response testimony filed on January 2, 2026. I also respond to issues raised by Commission Staff witnesses Scott Sevall. I further respond to issues raised in testimony by PMSA witnesses Spencer Cohen Ph.D., Captain Michael Moore, and John E. Veentjer.

Q. What issues do these witnesses raise that you rebut?

A. I rebut the following issues raised:

- Distributed net income ("DNI"): I respond to Commission Staff witness Sevall and PMSA witnesses Cohen and Moore. Other PSP witnesses providing rebuttal testimony on this issue are R. Lane Sisung, Ann LaRue, and Jorge Viso, American Pilots' Association ("APA") President.

- Total distributed net income ("TDNI") and number of pilots, including average assignment level ("AAL") rate methodology: I respond to Commission Staff witness Sevall and PMSA witnesses Cohen and Moore. PSP witness Ann LaRue also provides rebuttal on this issue.

- Pension/Retirement Plan: I respond to proposals from Commission Staff witness Sevall and PMSA witness Moore with respect to PSP's pension. Other PSP witnesses addressing this issue are Bruce McNeil and Walter Tabler.

- Vessel Traffic: I respond to PMSA witnesses Veentjer and Moore. Other PSP witnesses addressing this issue are Ann LaRue and R. Lane Sisung.

- Proposed efficiency measures and other miscellaneous issues and recommendations: I respond to PMSA witness Moore.

Q. Please summarize your impression of the testimony of PMSA witnesses.

A. I disagree strongly with many recommendations made by PMSA witnesses as discussed later in my testimony. I am also concerned with Captain Moore's attempts to relitigate issues that have been decided at the Board of Pilotage Commissioners ("BPC") and have the Commission make rulings that would conflict with determinations by the BPC regarding pilot and maritime safety.

Of particular concern is PMSA's proposals to undo the work PSP has done over the past three years to develop a multiple employer defined benefit plan ("MEP")

consistent with directions from the Commission. Most significantly, PMSA's proposal to defund PSP's legacy retirement obligations would have severe real-world consequences for PSP and for the delivery of safe pilotage service. As explained in the Prefiled Rebuttal Testimony of Walter S. Tabler, Exh. WST-01T, if tariff funding of PSP's accrued retirement obligations were discontinued, PSP would be unable to meet those obligations, which could trigger a destabilizing cascade of litigation and potential liquidation. That outcome would be catastrophic for PSP and would severely disrupt pilotage service in Puget Sound, with obvious negative consequences for the safe movement of vessels. Those consequences run directly contrary to the interests of ratepayers. Ratepayers benefit from a stable, safe, and uninterrupted pilotage system that allows maritime commerce to move reliably through Washington's waters.

I have also identified several errors with the calculations and assumptions of PMSA witnesses. These are pointed out in my testimony as well as other PSP rebuttal testimony.

In addition, I am concerned with inaccurate and misleading statements in Captain Moore's testimony. Not only does this raise concerns about candor to the Commission, it causes additional attorney and pilot time to track down and correct inaccurate quotations, citations, and assertions.

Relatedly, I am concerned that, in particular, Captain Moore's 220 pages of testimony and 40-plus exhibits, burdens the record. He returns to certain issues—for example, average assignment level—multiple times over the course of his

sprawling 220-page testimony and covers the same ground as other PMSA witnesses. This necessarily makes it more difficult to respond in rebuttal and will require more pages of rebuttal testimony from PSP. In addition to being repetitive and excessive, his testimony is unnecessarily hyperbolic.[1] It is inconsistent with the message PSP has heard from the Commission—that cases should be streamlined and avoid incendiary litigation tactics.[2]

Q. Can you elaborate on the inaccuracies and misleading statements in PMSA testimony?

A. Yes. A few of them are listed below and discussed later in my testimony and the testimony of other PSP witnesses. PMSA witness Captain Michael Moore:

- misquotes and misrepresents the Commission's orders;[3]
- purports to quote PSP witness Bruce McNeil but instead quotes PMSA's own witness Susan Hoffman;[4]

[1] For example, referring to PSP's current pay as you go pension as a "disaster of a retirement system" and using phrases such as "wildly inconsistent data years" and "mathematically absurd" when referencing PSP's compensation study.

[2] *See, e.g.,* Docket TP-220513, Order 08 ¶ 61 (setting an expectation that litigating parties will work together in good faith and avoid strong-armed litigation tactics).

[3] *See* Exh. MM-01T at 98:20-24 (inaccurately quoting Docket TP-190976, Order 09 ¶ 153). This is discussed later in my testimony. He also claims that a defined contribution plan is consistent with the Commission's Order 09 in Docket TP-190976, misrepresenting the fact that the Commission expressly ordered PSP to "develop[] a plan to transition to a fully funded, defined-benefit retirement plan." Docket TP-190976 Order 09 ¶ 191.

[4] Both PMSA witnesses Hoffman and Moore put words in PSP witness McNeil's mouth that he did not say, but Moore uses quotation marks misleadingly attributing it to McNeil. Moore, Exh. MM-01T at 113:8-12 ("In an August 2, 2024, email, included as Exhibit SKH-05, Mr. McNeil characterizes DOL as 'reluctant to issue a favorable Advisory Opinion' because approving PSP's request would be 'diametrically opposed to the reasons for which the MEP regulations were adopted.'"). Moore's quotes necessarily lead one to believe Mr. McNeil said these words in his email. He did not. PMSA's witness Hoffman characterized McNeil's email in these words. *See also* Hoffman, Exh. SKH-01T at 16:17-25; *see* Exh. BJM-07T at 15.

- falsely claims that PSP introduced evidence of its expected rate of return on retirement savings in this case, by misrepresenting PSP witness LaRue's testimony; [5]

- falsely attributes a statement to me that is not supported by the citation he provides and is contradicted by the Commission's findings of fact in Docket TP-190976;[6]

- misleadingly conflates the two separate components of the UPC Pilot Compensation Study—cash only compensation and cash plus benefits (excluding pension) compensation;[7]

- falsely claims that PSP failed to remove "Comp Day Expense"/call back expense from its revenue requirement[8] when the direct testimony and exhibit of PSP's accounting witness clearly demonstrates that this was removed;[9]

[5] Moore, Exh. MM-01T at 171:20-23. LaRue's testimony is asking the Commission to allow an operating margin. PSP has not introduced evidence on an expected rate of return on retirement savings. *See* Exh. AML-1T at 24:3-10.

[6] *See* Exh. MM-01T at 216:5-8 (falsely claiming PSP projected 59 pilots by end of 2020 and citing as evidence my rebuttal testimony filed two years later, which citation does not mention number of pilots). However, the Findings of Fact in Docket TP-190976 ¶ 410 states that "PSP projects that 52 FTE pilots will be licensed by the end of 2021."

[7] Moore refers to $729,467, which is the cash plus benefits (excluding pension) results of the Pilot Compensation Study, but compares it to tables showing cash only compensation and claim the numbers were "totally made up." *See* Exh. RLS-04 at 10 ("cash compensation portion"); *Compare id.*at 49 (stating $729,467 is the cash and benefits compensation). He also largely ignores the location and CPI adjustments made in the Pilot Compensation Study.

[8] *See* Exh. MM-01T at 131:8-21.

[9] Moore interchangeably uses call back days and comp day expense and claims they were not removed from the revenue requirement. Moore, Exh. MM-01T at 131-133. LaRue's direct testimony shows that comp days (of which callback days are a component) have been removed from PSP's revenue requirement. *See* LaRue, Exh. AML-01T at 33:14-16; Exh. AML-03, Sch. 1.2 line 91; Exh. AML-09T.

- fails to apply methodologies in a manner consistent with prior Commission orders, despite claiming to do so;[10]
- misrepresents facts and data;[11]
- mixes and matches time periods to manipulate a correlation factor to reach his desired outcome;[12]
- misrepresents BPC rulings regarding target assignment level and call backs.[13]

Q. Please summarize your high-level impression of Commission Staff's testimony.

A. Commission Staff witness Scott Sevall supports an increase in DNI based on PSP's Pilot Compensation Study, which Mr. Sevall finds compelling, clear, complete, and generally consistent with Commission direction regarding such surveys. I do not agree with his proposals regarding the number of pilots, nor do I agree with his proposal to drastically cut PSP's existing retirement program.

[10] Moore, Exh. MM-01T at 158:3-12 (acknowledging 2021 should not be used as a COVID year and then factoring 2021 into his analysis).

[11] Moore, Exh. MM-01T 89:22–90:1 (claiming 31 qualified pilotage candidates in 2024 when PMSA's Exh. JR-02 shows 26 qualified pilotage candidates). In another example, Moore lists 10 candidates as "Entered Training (Puget Sound) when there are only 9. Exh. MM-11 uses conflicting headings in the exhibit, to create ambiguity.

[12] Moore claims to use a "proven correlation ratio" but he uses a ten-year average assignment level but then applies the 20-year average arrival to assignment correlation factor. Exh. MM-01T at 144:14-26.

[13] Exh. MM-1T at 153. *See* Exh. IC-27 at 2:20-3:39 (BPC chair stating there is not a buffer for the TAL of 123, with further explanation that the target assignment level is 123, the highest off-watch assignments we want to tolerate is 5% but we're not planning to exceed the TAL; we're planning to hit the TAL."); Exh. IC-08 at 4 ("BPC seeks to *limit* callbacks to 5%. Not *require* 5% callbacks" and recommending ranges between 0-5% callbacks be forecasted).

II. THE PILOT COMPENSATION STUDY SUPPORTS PSP'S PROPOSED DNI AND THE COMMISSION SHOULD REJECT PROPOSALS THAT WOULD KEEP PSP AT THE LOW END OF NATIONAL COMPENSATION

A. Response to Commission Staff Testimony on DNI

Q. What is Commission Staff witness Scott Sevall's view of the pilot compensation study provided by PSP?

A. Mr. Sevall testifies that PSP's salary survey is compelling and, that it "is the clearest and most complete salary evidence that PSP has provided in any case."[14] He testified that "[t]he information provided in the survey is clearly laid out and you can follow where the information came from and how the model adjusts data to find a recommendation."[15] He recommends that the Commission give the survey due consideration in determining an appropriate DNI.[16]

Q. What does Commission Staff witness Scott Sevall propose for pilot compensation in this case?

A. Mr. Sevall supports a DNI of $641,587. He reaches this number by establishing a range of reasonableness that is largely based on PSP's Pilot Compensation Study. His range of reasonableness includes

- on the low end, the current authorized DNI adjusted with the CPI; and
- on the high end, the simple average in the pilot compensation study plus one standard deviation.

[14] Sevall, Exh. SS-1T at 8:8-9.
[15] Sevall, Exh. SS-1T at 8:9-11.
[16] Sevall, Exh. SS-1T at 9:7-10.

Based on this methodology, he testifies that his range is $486,475 to $814,308. He gives greater weight to the compensation for pilots serving west coast ports to reach his proposed DNI of $641,587.

Q. Do you see any issues with this calculation?

A. Yes. In Mr. Sevall's range of reasonableness calculation, he appears to have made a CPI input error. This is discussed in more detail in the Prefiled Rebuttal Testimony of R. Lane Sisung, Exh. RLS-05T.

Q. Do you agree with his proposal for DNI in this case?

A. Witness Sevall makes a solid step forward on DNI, because he treats the Pilot Compensation Study proffered by Lane Sisung as credible evidence and uses it to benchmark compensation rather than relying only on backward-looking averages. As noted, he derives his number by more heavily weighting the west coast average as set forth in PSP's Pilot Compensation Study. While I appreciate his recognition of the need to increase DNI, his proposal would leave PSP well below the national average, and for that reason I disagree with his proposed DNI.

Q. Do you agree with Scott Sevall's view that the old methodology using a five-year average is not appropriate?

A. Yes. Mr. Sevall, who worked on PSP's inaugural rate case in 2019, notes that the model used in 2019 is not appropriate when a robust study of pilot compensation is available, as is currently the case. The five-year average was used when, from

Commission Staff's perspective, the pilot compensation study was deficient. As Mr. Sevall notes, that old methodology (i.e., using a five-year average) would result in a substantial decrease in pilot income based on historical data that is outdated.[17]

Q. Has the Commission recognized that there are reasons to deviate from prior methodologies?

A. Yes. In PSP's last case, the Commission recognized that it is more important to arrive at a fair, just, reasonable, and sufficient end-result rather than continuing a specific methodology for calculating DNI unchanged.[18] There are reasons to depart from the historical average approach in this case.

Q. Why is it reasonable for the Commission to depart from the historical-average approach used in prior cases when setting DNI in this docket?

A. When the historical average was used in PSP's inaugural case at the Commission in 2019, there was no standard by which to evaluate pilot compensation. Commission Staff's DNI witness has testified that the historical-average approach was a practical proxy in the first case, and that the purpose of a salary survey is to benchmark DNI against market evidence and to determine a fair rate. In the Commission's July 2024 Staff-led Technical Workshop, Mr. Sevall stated:

> Since the first case where I was tasked with, you know, the DNI equations . . . . how do we tackle it or how do we

[17] Sevall, Exh. SS-1T at 7:11-8:6.
[18] Docket TP-220513, Order 08 ¶ 125.

> benchmark it. In that case I ended up just using the historical average as everybody knows. . . . but I can't necessarily say, you know, I could say in that case, hey, that was a justifiable position. But you know, do we do we always look at a couple of year history . . . or should we actually try to benchmark this thing which is what my idea or concept of a salary survey is really trying to do is actually benchmark and say hey this this is what a fair rate is.[19]

That statement captures why reliance on a backward-looking average was defensible as a starting point, but not a permanent limitation. Where the record now includes robust benchmarking evidence, it is reasonable for the Commission to weigh that evidence in setting DNI.

Mr. Sevall's remarks also informed PSP's decision to commission the UPC Pilot Compensation Study. Those remarks gave PSP a reasonable expectation that the Commission would consider benchmarking evidence that is transparent, replicable, and directed to the question Mr. Sevall posed: what is a fair rate for pilot compensation.

Q. Do you agree that it is appropriate to weight west coast ports more heavily?

A. No. PSP maintains that national average is the appropriate compensation benchmark and does not agree with placing greater weight on west coast ports.

[19] Docket TP-220513, Hybrid Pilotage Rate Setting Workshop, Zoom Recording (1:11:04 – 1:12:12).

Q. Can you elaborate on why national average should be used rather than west coast average?

A. As noted in my direct testimony, Washington State has taken numerous steps to enhance the ability to recruit nationally for pilot candidates,[20] including the 2005 passage of Substitute Senate Bill 5150 ("SSB 5150"). The legislative history of SSB 5150 confirms that the intent was to broaden the applicant pool beyond Washington State and to attract pilots from a national pool. This intent is evidenced by the testimony of BPC Vice Chair Charles Davis to the House Transportation Committee on March 22, 2005: "We believe that we're not necessarily attracting the absolute best pilots that are **obtainable in a national pool . . . ."**.[21]

Q. Did other parties support this legislation that moved towards a national pool for pilots in 2005?

A. Yes. In addition to the BPC, other parties who supported the passing of SSB 5150 included PSP, PMSA, the WA Public Ports Association, the Port of Grays Harbor, and the Inland Boatmen's Union.[22]

[20] *See* Exh. IC-1T at 17-20.
[21] *See* Testimony to the House Transportation Committee, March 22, 2005 at 21:17, found at https://tvw.org/video/house-transportation-cmte-2005031177/?eventID=2005031177.
[22] *See* Exh. IC-04 at 4, 11-12, and 65.

Q. Is there other evidence of the BPC's desire to recruit nationally for pilots?

A. Yes. The BPC's current exam process further reinforces that Washington is intentionally recruiting from a national candidate pool. For example, the knowledge-based portion of the exam is now designed and administered in a manner that does not advantage mariners who already live or work in the Pacific Northwest. In its publicly posted exam guidance, the BPC explains that local knowledge was removed from the written exam specifically "to offer a level-playing field for mariners not from the Pacific Northwest," and further states that "Washington State desires to attract the best candidates from across the country."[23]

In addition, the Board distributes pilot exam recruitment and information through national maritime publications and industry outlets as part of the exam process.[24] I am providing as Exh. IC-17 the list of publications and industry outlets nationwide in which the Board distributes information about pilotage exams.

The BPC also uses state resources to support pilot recruitment and workforce development through sponsorship and Staff attendance at national maritime conferences, including multiple events focused on increasing participation of

23 Washington State Board of Pilotage Commissioners, 2026 Exam Resources, FAQ "If local knowledge is the basis for being a pilot, why is local knowledge not being taken into account?" (BPC explains local knowledge was removed "to offer a level-playing field for mariners not from the Pacific Northwest," and that "Washington State desires to attract the best candidates from across the country") found at https://pilotage.wa.gov/2026-exam-resources.

24 Exh. IC-17 Maritime Publications List 2026 (BPC distribution of exam advertisements / outreach through national maritime outlets).

women in maritime careers.[25] These conferences are held across the country and reflect the Board's active, national-facing recruitment posture, including targeted outreach to expand the pipeline of qualified applicants from under-represented backgrounds. Further detail of the BPC's efforts to recruit diverse candidates from a national pool are found in Exh-IC-06.

These steps are consistent with the Board's broader objective of expanding the candidate pipeline and recruiting competitively from the national maritime workforce. As BPC Chair Tonn has said:

> A strong pool of highly qualified pilot aspirants is imperative to filling available and authorized pilot positions. To attract the mariners required, Washington state needs to remain competitive with other pilotage districts, and specifically west coast pilotage districts.[26]

Q. In the 20 years since SSB 5150 attempted to broaden Washington's ability to recruit from a national pool, how effective has PSP been at recruiting pilots nationally?

A. The data indicates that PSP is recruiting and competing nationally for highly skilled candidates, but with limited success. Despite sustained state recruitment efforts—including the passage of SSB 5150, national advertising, attendance at

[25] These events include the 2024 MARAD Women on the Water Conference (Massachusetts) (BPC 2024 Annual Report); 2024 Women in Maritime Leadership Conference (California) (BPC 2024 Annual Report); 2025 Women Offshore Leadership Summit (Texas) (BPC Pilotage Quarterly – Summer 2025); 2026 Women on the Water Professional Development Conference (Maryland) (BPC Pilotage Quarterly – Winter 2026); 2026 Women in Maritime Leadership Conference (California) (BPC Pilotage Quarterly – Winter 2026). *See also* Carlson, Exh. IC-01T at 28:16-29:3; Exh. IC-06.

[26] Carlson, Exh. IC-05 (Docket TP-240966, BPC, Puget Sound Pilotage Tariff, Training Surcharge/Trainee Stipend Increase Request pp. 3-4).

national conferences, and changes to exam standards intended to "offer a level playing field for mariners not from the Pacific Northwest"—more than 85 percent of pilots resided in Washington or Oregon prior to becoming state-licensed pilots. *See* Exh. IC-18. Taken together, these outcomes indicate that PSP has continued to rely on a geographically concentrated, regional—rather than national—applicant pool.

Q. If the Commission ultimately decides to place greater emphasis on west coast pilot compensation, has UPC provided the Commission any tools to evaluate different weighting approaches?

A. Yes. Consistent with that objective, Lane Sisung's updated work provides the Commission a transparent set of options to evaluate how different levels of west coast emphasis affect the result. In rebuttal, Sisung added a "West Coast" tab to his updated workbook, presented as Exh. RLS-06, that provides three weightings depending on the level of preference the Commission may choose to apply.

Q. Mr. Sevall notes that some of the districts in the Pilot Compensation Study have older financial disclosures. How do you respond?

A. PSP witness Lane Sisung addresses this in more detail in his rebuttal testimony. However, as he explains, the average compensation *increases* when only financials from 2023 and later are considered. Retaining some older data also increased the sample size. In addition, since the filing of Sisung's direct testimony, UPC obtained additional publicly available financial and compensation

data and provides an updated workbook that supplements the original. The update incorporates more recent financial statements that became available after the direct case, including 2024 financial statements for several pilot associations and newly available Key West Pilots information. *See* Exh. RLS-06.

Q. How do you respond to Mr. Sevall's concern that there is no workload comparison?

A. Workload comparisons are not uniform across pilot groups and often are not publicly available. Staff witness Sevall concedes that this information may not exist.[27] The unavailability of this type of work detail is addressed in more detail in the Prefiled Rebuttal Testimony of R. Lane Sisung, Exh. RLS-05T. The general comparability of workload across pilot groups is addressed in the Prefiled Rebuttal Testimony of Capt. Jorge Viso, Exh. JJV-01T.

Q. How does Staff witness Sevall address comparability of pilots?

A. He generally concludes that pilots are comparable across pilotage districts. More specifically, he "define[s] a maritime pilot as a maritime professional with local knowledge. While the local knowledge may differ from one geographic district to another, those are environmental constraints which the service provider (pilot) must work with. The simple fact is each pilot regardless of the district they serve

[27] Sevall, Exh. SS-1T at 10:2-4.

is tasked with providing the same service. In this manner every pilot is comparable."[28]

Q. Does Staff witness Sevall have any other recommendations pertaining to DNI?

A. Yes, he suggests that the Commission set the authorized DNI as a benchmark in this proceeding. As I understand his testimony, he proposes to keep the DNI benchmark for a five-year period but adjust the benchmarked DNI by a widely accepted indicator like Seattle inflation as published by the Bureau of Labor Statistics.[29] This would avoid the need for repeated salary surveys in each case.

Q. Do you agree with this approach?

A. In some respects, yes, I agree. PSP has proposed setting the DNI in this case based on national average, and then adjusting it using CPI going forward. This annual COLA adjustment would prevent erosion of the DNI's purchasing power, and help to avoid frequent rate cases. However, I have two concerns with this approach. My first concern is being precluded from bringing forth benchmarking evidence in future cases if the Commission sets the DNI at the low end of Mr. Sevall's scale. My second concern is that without an annual CPI adjustment, more frequent rate case filings will occur. Witness Sisung speaks to the CPI adjustment as well.

[28] Sevall, Exh. SS-1T at 10:15-20.
[29] Sevall, Exh. SS-1T at 12:6-14.

Q. Has PSP's work on its Pilot Compensation Survey distracted it from pursuing a fully-funded defined benefit plan, as Staff witness Sevall claims?

A. No. The work undertaken to commission a pilot compensation study had nothing to do with the speed of obtaining federal MEP approvals. With respect to the defined benefit plan, PSP has worked diligently since the last case to obtain the necessary approvals for its multiple employer defined benefit plan. I am pleased to report that after PSP filed its direct case, it received an IRS determination that the MEP is a tax-qualified plan. That determination was received in October 2025 and is a major step towards implementing the MEP, as I discuss later in my testimony. This process for obtaining approvals is detailed in the direct and rebuttal testimony of PSP witness Bruce McNeil. As he states, there are factors outside of PSP's control that have slowed the process.

B. Response to PMSA Testimony on Pilot Compensation

Q. What is PMSA's position with respect to DNI in this case?

A. PMSA proposes to decrease the DNI substantially from the current Commission authorized DNI of $475,733, to either $427,286 or $436,893 per pilot.[30] PSP witness LaRue's rebuttal testimony and Exh. AML-12 demonstrate that when all PMSA's proposal are considered—including drastically slashing the pension, funding of four pilots authorized by BPC, funding transportation charge below

[30] Moore, Exh. MM-01T at 160:2.

actual costs, disallowing recovery of consulting costs and legal costs, etc.—PMSA's DNI proposal is much lower.

Q. Are there problems with the methodology Captain Moore uses to support this reduced DNI proposal?

A. Yes. Captain Moore's methodology is internally inconsistent and selectively applies the Commission's prior approach. Captain Moore explains that in Final Order 08 the Commission modified its DNI averaging methodology "to exclude pandemic years 2020 and 2021 as anomalous," but then includes 2021 in his DNI averaging calculation in Exhibit MM-29.[31] If 2021 is anomalous and should be excluded, it should not be included in the averaging period that PMSA is asking the Commission to adopt. This selective treatment of the pandemic years appears designed to produce a lower DNI outcome, rather than to apply a consistent and principled methodology. This is yet another example of Captain Moore presenting a methodology description that he does not consistently apply in his own analysis, and it calls into question the reliability of his broader DNI assertions in this case.

Q. Does PMSA have a history of advocating for decreased DNI?

A. Yes. Although in Docket TP-220513, PMSA claimed it was proposing "modest increases" to DNI, the Commission noted this claim was incorrect:

> We also comment on PMSA's argument that it is proposing "modest increases" to DNI. This argument conflates the distinction between actual and authorized DNIs. PMSA is

[31] Moore, Exh. MM-01T 158:3-12.

recommending a decrease in authorized DNI compared to Final Order 08, and it is simply incorrect to claim otherwise.[32]

Q. Does PMSA agree with Commission Staff witness Scott Sevall that PSP's Pilot Compensation Study is compelling, clear, and the most complete survey provided to the Commission?

A. No, PMSA describes the study as "mathematically absurd" and less compelling than the prior compensation studies submitted by PSP.[33]

Q. How do you respond?

At a high level, I would note that this is a common refrain from PMSA witness Moore in every case. In the 2019 case, he criticized the comparability of other districts.[34] In the 2022 case he claimed the study was less compelling than the prior study.[35] In this case, he claims both the last two studies were more compelling.

More specifically, his statements about the UPC pilot compensation study are misleading. It is not clear to me that Captain Moore has delved into the detailed study performed by UPC, based on his testimony. Either he does not understand, or he ignores, concepts like weighted average, as well as the fact that the UPC compensation study looks at pilot compensation in two ways—on a cash only basis and on a cash plus benefits (excluding pension) basis. He conflates the two

[32] Docket TP-220513, Order 08 at ¶ 126.
[33] Moore, Exh. MM-1T at 69:17, 72:4.
[34] *See* Docket TP-190976, Moore, MM-1Tr at 129-131.
[35] *See* Docket TP- 220513, Moore, MM-1T at 184-197.

in his analysis. All of this is addressed in more detail in the rebuttal testimony of R. Lane Sisung.

Q. Captain Moore suggests that the only reasonable way to adjust DNI is to continue using the Commission's historical averaging approach from prior orders. Do you agree?

A. No. The Commission's obligation is to set fair, just, reasonable, and sufficient rates based on the evidence in the record. The fact that a method was used in prior proceedings does not mean it must be used indefinitely, particularly where more robust evidence is available. Here, Staff's own witness explains that the historical-average model was a substitute created out of necessity when PSP had not provided robust compensation evidence. Staff witness Sevall now testifies that the Commission should not set a new DNI based on an average of prior Commission decisions, and he recommends using the salary survey to benchmark a reasonable range of compensation.

Q. What specific problems do you see with Moore's use of historical averaging to determine DNI?

A. There are several problems. First, Moore uses 2021 DNI, despite the Commission identifying that as an outlier year that should not be used for determining DNI.[36] Second, Moore uses the actual reported DNI per pilot for 2021 – 2024, without consideration to the fact that PSP was not earning its authorized DNI in each of

[36] Docket TP- 220513, Order 08 ¶ 125.

those years, and in three of the four years actual DNI was well below the authorized DNI level. Third, Moore makes questionable adjustments to increase the actual DNI, but even with these adjustments, PSP's actual earned DNI falls below the authorized DNI. Moore then further adjusts these below-authorized DNI numbers to CPI to create his four year average for 2025 DNI. The table below demonstrates the underearning of DNI that is built into Moore's four-year average.

Table 1: Underearning on DNI 2021-2025

Year	BPC Reported DNI	UTC Authorized DNI	Amount of Underearning: Authorized Minus Actual DNI	Moore's Questionable Medical and Callback Adjusted DNI	Amount of Underearning: Authorized Minus "Moore Adjusted" DNI
2021*	$295,616	$400,855	$105,239	$334,064	$ 66,791
2022	$329,292	$410,075	$ 80,783	$373,642	$ 36,433
2023	$342,605	$429,108**	$ 86,503	$379,589	$49,519
2024	$449,591	$475,733	$ 26,142	$456,024	$ 19,709

* Commission excluded 2021 in Docket TP-220513, Order 08.
**Reflects 8.5 months at $410,075 and 3.5 months at $475,733.

The Commission should authorize a process for determining DNI that allows PSP to earn its authorized return rather than basing DNI on a historical average in years when PSP was unable to earn its authorized return. Such an approach is punitive and creates a downward spiral, where the inability to earn the authorized DNI results in the DNI being set lower, which is precisely what PMSA proposes

in this case. The Pilot Compensation Study produced by PSP provides the solid evidentiary record on which the Commission can determine a target DNI, rather than relying on historical averages that are well below PSP's authorized DNI.

Q. Captain Moore argues that the cost of PSP's Pilot Compensation Study should be borne by PSP, not ratepayers. How do you respond?

A. I disagree. The Pilot Compensation Study was prepared to develop and present evidence on an issue that is central to this case, the appropriate level of DNI. The study improved the quality and transparency of the record on compensation, and Staff's witness describes it as the clearest and most complete salary evidence PSP has provided, and recommends that the Commission give it due consideration.

When a party incurs reasonable expert costs to develop evidence on a disputed ratemaking issue, those costs are properly considered in rates, subject to the Commission's ordinary prudence and reasonableness review. Moore's proposal would discourage parties from improving the evidentiary record on issues the Commission must decide.

Q. How do you respond to Captain's Moore's extensive testimony on PSP's ability to attract and retain pilots?

A. I discuss Captain Moore's attract and retain testimony more specifically below, but first, from a broader perspective, it is important to refocus on what the statutory standard is for rate proceedings. It is not "attract and retain." As the

Commission has emphasized in past cases, when setting a DNI,[37] and in rate proceedings in general,[38] the Commission sets rates that are fair, just, reasonable, and sufficient." The Commission has defined this as follows:

> In any general rate proceeding, the Commission's ultimate goal is to set rates that are fair to customers and to the Company's shareholders; just in the sense of being based solely on the record developed in a rate proceeding; reasonable in light of the range of possible outcomes supported by the evidence; and sufficient to meet the needs of the company to cover its expenses and attract necessary capital on reasonable terms.[39]

Q. Does the PSP's proposed DNI meet the fair, just, reasonable, and sufficient standard?

A. Yes it does. It is "fair" because it balances the interests of PSP's customers and its pilots. PSP is not seeking a DNI that is at the high end of the range in the Pilot Compensation Study. We request a DNI that is an average of the pilot groups in the study.

PSP's proposed DNI is "just" because it is based on substantial evidence in the record in this proceeding. The Pilot Compensation Study is robust. The final sample group includes 653 pilots and 22 pilot associations, more than half of the membership of the American Pilots' Association. It compares pilot compensation in two ways: cash only and cash plus benefits (excluding pension). It calculates average compensation on a per pilot basis (simple average) and also by pilot

[37] Docket TP-220513, Order 08 at ¶ 130.
[38] Docket TP-190976, Order 09 at ¶ 43.
[39] Docket TP-190976, Order 09 at ¶ 43.

association (weighted average). The Pilot Compensation Study, Exh. RLS-04 includes a 63-page narrative report supported by 61 exhibits to the report and three appendices. Appendix C to Exh. RLS-04 is an expansive spreadsheet that shows the native results of the study, the calculations, and the raw data on which the study relies.[40]

The Pilot Compensation Study is "reasonable" because it proposes a range of possible outcomes—based on simple average, weighted average, cash only compensation, or cash plus benefits (minus pension) compensation.

It meets the "sufficient" standard because it will allow PSP to do what the State of Washington and the Board of Pilotage Commission have been trying to do for several years—to compete nationally to attract qualified candidates in an era where mariners are aging, and the pool of mariners is declining.

Q. How do you respond to Captain Moore's claim that PSP is able to adequately attract and retain pilots to perform essential pilotage service and so increased compensation is not necessary?

A. This is a very short-sighted perspective. Captain Moore ignores the concerns expressed by the Chair of the Board of Pilotage Commission regarding the increased frequency of exams that are necessary to have a sufficient number of qualified candidates who can pass the exam and complete training.[41] From

[40] On rebuttal, Sisung provides an update to the spreadsheet that was provided as Appendix C to Exh. RLS-04. The updated spreadsheet is provided as Exh. RLS-06.

[41] Carlson, Exh. IC-01T at 25:20-26:25.

Captain Moore's perspective we would wait until there was a severe shortage of pilots before increasing compensation. This is not prudent planning. The aging pilot corps and upcoming retirements, combined with the lack of diversity and need to attract diverse candidates, requires a more forward-looking approach.

Q. Can you elaborate on the aging pilot corps?

A. Yes, a recent presentation prepared by the Board of Pilotage Commission demonstrates the concern of the aging pilot corps. This presentation is provided as Exh. IC-19. As shown, there are 16 pilots at PSP who are aged 63-67 and nearing retirement, and there are 17 pilots between 55 and 60 years old. While the mandatory retirement age is 70, the average retirement age is 64. The number of pilots nearing retirement age demonstrates the need to recruit aggressively to attract qualified candidates over the next few years to replace the aging pilot corps.

Q. Are you aware of other evidence demonstrating a shortage of mariners in the upcoming years?

A. Yes, I have provided an exhibit that provides articles discussing the mariner shortage in Washington State and around the country. It is Exh. IC-20. In addition, recent legislation in Washington recognizes the need to recruit more broadly for mariners to work with the Washington State Ferry ("WSF") service. The new law modernizes the state salary survey process by expanding the

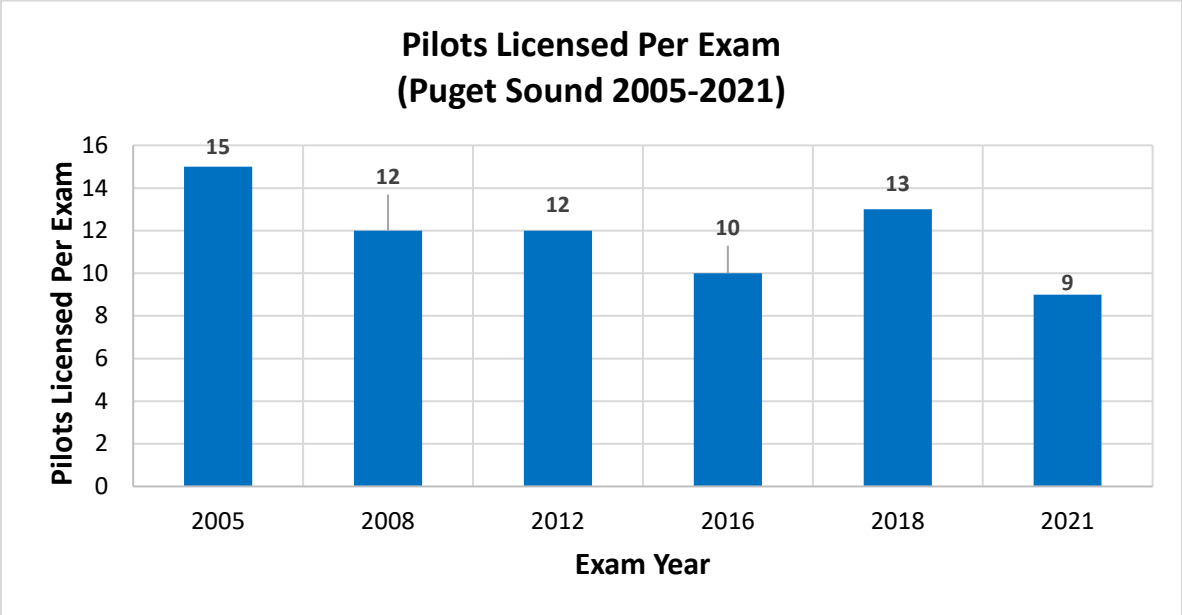
comparator set beyond Washington employees "who perform directly comparable but not necessarily identical work".[42]

Q. Do you agree with Captain Moore's statement that the PSP pilotage district successfully attracts qualified candidates, maintains adequate training pipelines, experiences no retention problems, and continues to train and license new pilots to meet service demands?

A. As stated above, it is important to be forward looking. The results of the Pilot Compensation Survey demonstrate that PSP is unlikely to attract and retain pilots in the future, as it experiences significant retirements, if its compensation remains at the bottom of the range of pilot compensation. Recruitment cannot be evaluated based only on how many people apply or pass an exam. The meaningful question is how many candidates ultimately complete training and become licensed pilots. PMSA's exhibit demonstrates the decline in licensed pilots resulting from the exam.[43] Figure 1, below, shows the number of candidates who completed training and became licensed Puget Sound Pilots from each exam cohort from 2005 through 2021. Although there was another exam in 2024, it is too early to know the total number of licensed pilots from that exam.

[42] Laws of 2025, ch. 296 (SHB 1264), § 1 (amending RCW 47.64.006); *see* RCW 47.64.170.
[43] Royer, Exh. JR-2.

Figure 1: Puget Sound Pilots Licensed Per Exam 2005-2021.



Q. Capt. Moore claims that the 2024 exam resulted in 31 qualified applicants.[44] Is that true?

A. No. Although Captain Moore is correct that 31 individuals applied for the 2024 exam, his own Exh. MM-11 distinguishes between the number of *applicants* and those who were *qualified*, or approved to take the exam. That dataset shows 26 qualified applicants for the 2024 exam. Of those, 13 passed the exam and became eligible to enter training.

Q. What concerns do you have with Moore's Exh. MM-11?

A. He incorrectly identifies the number of pilots from the 2024 exam that started training in Puget Sound. There were nine candidates, not ten. Moore's graph and

[44] Moore, Exh. MM-01T 89:22–90:1.

table of data is wrong. While his graph and table are specifically labeled "Entered Training Puget Sound", he includes pilots who are not in the Puget Sound Pilotage District training program. One of the candidates he includes started in Gray's Harbor pilotage district.

From a higher-level perspective, Exh. MM-11 seems designed to confuse the facts. At the top of the document he claims it is showing "Puget Sound and Gray's Harbor Districts Combined (2012-2024)." Yet the table showing the number of candidates entering training states "Entered Training (Puget Sound)". Then, despite limiting the column to candidates who entered training in Puget Sound, his 2024 exam year figure for "Entered Training" includes both Puget Sound and Gray's Harbor.

Q. Please comment on the recruitment pipeline since the 2024 pilot exam.

A. Although nine candidates from the 2024 exam have entered the Puget Sound Pilot District training program, it is still necessary to hold another exam in 2026 to maintain an adequate pipeline given upcoming retirements and the time required for candidates to complete training and become licensed pilots. The reasons the next exam may be required sooner than expected, and why the exam process is burdensome and expensive for the State and pilots, are addressed below.

Q. Captain Moore claims the "BPC has proven adept" at timing exams[45] and that the BPC "administers exams as frequently as necessary… approximately every 2–4 years." [46] How do you respond?

A. Captain Moore's framing treats exam frequency as a sign of a "healthy system," but the regulator's own statements show the opposite. At the July 2024 UTC Staff technical workshop, BPC Chair Tonn explained:

> We just gave an exam and we have a brand new list and I'm very concerned that that new list of possible aspirants is pretty short and we're going to end up giving an exam in the not too distant future again. And you know our exams could be good for as long as four years. But I bet this list will be used up in less than two years. [47]

That same concern is reflected in the August 15, 2024 BPC meeting minutes:

> Chair Tonn was concerned with the number of successful candidates from last exam and how quickly the BPC will need another exam. She added that it is a lot of work, especially for staff and pilots to complete the process. She was disappointed that it will have to be done again so soon.[48]

In short, the condensed timing of the next exam is not proof of a "healthy system." It is driven by list exhaustion, retirements, and national recruiting dynamics, and it can force the state and PSP into another exam cycle much sooner than would be efficient for the system.

[45] Moore, Exh. MM-01T 93:10-12.
[46] Moore, Exh. MM-01T 93:20-23.
[47] Docket TP-220513, Recording of July 24, 2024 Pilotage Workshop at 1:39:50 – 1:41:04.
[48] Exh. IC-21 (8-15-2024 BPC Meeting Minutes).

Q. What other evidence demonstrates that the pilot exam process is burdensome for the state and for pilots?

A. The BPC minutes from the 2024 exam preparation period reflect that the exam process requires substantial pilot and staff effort. For example, in November 2023 the BPC discussed exam preparation activity and reported dozens of pilot-days spent on exam work.[49]

Consistent with that, the BPC later discussed the next exam cycle (Spring 2026) and recommended structuring the Exam Committee as an ongoing committee specifically to "minimize the workload" leading up to the next exam.[50]

Q. Are 13 passing candidates well within the historical norm and entirely adequate to meet anticipated demand as Moore claims?

A. No, given the upcoming retirements and the shortage of mariners across the country, it is not sufficient. Further, while there were 13 candidates who passed, there are 10 who have entered the training program. And candidates who qualified to take the exam, passed the exam, and entered training, are not the same as licensed pilots. PMSA's Exh. JR-02 contains the full exam dataset, showing that the number of applicants who are licensed is frequently lower than those who

[49] Exh. IC-22 (11-16-23 BPC Meeting Minutes, "Commissioner Bendixen updated the Board on the evolution of the exam process. She shared that there have been 31 PSP pilot days and 12 GH pilot days spent working on the exam.").

[50] Exh. IC-23 (11-21-2024 BPC Meeting Minutes, "At previous Board meetings, Commissioner Bendixen shared that the TEC has been discussing the next exam, which will likely take place in Spring of 2026. In order to minimize the workload leading up to the next exam, it is recommended that the Exam Committee be an ongoing committee rather than just the 6 months leading up to an exam.").

enter training. Moore omits the critical "got licensed" category when he carries the data over to Exh. MM-11, which overstates the success rate of the BPC's exam and training program.

Q. How do you respond to Captain Moore's claim that there is no correlation between pilot compensation levels and the number of exam applicants?

A. I believe common sense tells us that applicants consider compensation levels when making decisions about where to work. That is true for pilots as well as most other professions. But, importantly, this is not just common sense. BPC Chair Tonn stated at the July 2024 UTC Staff-led technical workshop that "income level is a really key part of whether we can even get them to take our exam."[51]

Q. Captain Moore testifies that in PSP's first rate case the Commission "specifically found" that "Captain Moore's analysis comparing PSP pilot compensation to that of tug captains working in the local market and ferry captains in the State of Washington is much more persuasive than PSP's analysis of compensation in other pilotage organizations."[52] Does Order 09 contain that quoted sentence?

A. No**.** Order 09 does not contain that quoted sentence. The Commission's statement in the attract-and-retain discussion is that "PMSA presents much more persuasive

[51] Docket TP-220513, Recording of July 24, 2024 Pilotage Workshop at 01:40:55–01:41:05.
[52] Moore, Exh. MM-01T at 98:20-24.

evidence on this issue,"[53] and the Order then explains that conclusion by reference to candidate-pool evidence and the economic incentive for local mariners to apply.

Q. What is the significance of that distinction?

A. It matters because Order 09 did not adopt tug and ferry wages as a required DNI benchmark, nor did it hold that local tug/ferry comparisons are categorically more persuasive than pilotage-to-pilotage benchmarking. Rather, on that record, the Commission found PMSA's attract-and-retain evidence more persuasive and gave PSP's pilotage-district comparability analysis little weight because PSP failed to provide sufficient underlying data to support it.

Captain Moore's Order 09 citation illustrates a recurring problem in his testimony: he presents his own characterization of prior Commission orders or other witnesses' testimony as a direct quotation, and in doing so misrepresents the record. This requires diligent scrutiny of his testimony to determine if the facts support his statements.

[53] Docket TP-190976, Order 09 ¶ 153.

Q. Captain Moore relies on Washington BLS wage data for "Captains, Mates, and Pilots," and he selects the 90th percentile as the relevant comparison point.[54] What is the core problem with using that data the way he does?

A. The core problem is that the BLS category he relies on is a broad occupational grouping that does not distinguish between mariners who meet the minimum qualifications to apply for the Washington State BPC licensing exam and those who do not. Captain Moore does not establish what portion of that dataset is exam-eligible, or otherwise comparable to the labor market from which PSP must recruit state-licensed pilots. He acknowledges that he does not have this information in a data request response: "I do not know from the BLS data set and Exhibit MM-13 how many of the 1,600 individuals in the data set possess the minimum qualifications to apply for the BPC exam."[55]

Q. Captain Moore says he uses the 90th percentile because it represents "the highest earners in the candidate pool" and is "exactly the tier" from which pilot trainees are drawn.[56] Do you agree?

A. No. First, selecting the 90th percentile assumes, without foundation, that the top 10% of a broad occupational category is the right proxy for the candidate pool relevant to Washington's pilotage system. Second, the claim that it is "exactly the tier" is inconsistent with the premise that Washington recruits and competes

[54] Moore, Exh. MM-01T at 100:16-102:22, 168:15-23.
[55] Exh. IC-24 (PMSA Response to PSP Data Request No. 008).
[56] Moore, Exh. MM-01T at 100:2-10.

nationally for pilot candidates, not merely within a Washington-only wage distribution.

Q. What weight should the Commission give the BLS data in determining DNI in this case?

A. At most, the BLS occupational wage statistic provides general context regarding some maritime wages. It does not establish which of those wage earners are exam-eligible for PSP. Further, it does not establish a reliable benchmark for DNI, and it carries far less weight than the UPC Pilot Compensation Study, which was developed for the specific purpose of assessing what constitutes a fair and reasonable DNI for state-licensed pilots.

Q. How do you respond to Captain Moore's claim that because there are plenty of lower paid ferry captains and tug boat captains in the Puget Sound region, PSP's current DNI is reasonable and should in fact be lowered?

A. First, it is important to recognize that there is a vast difference in terms of the skills required and job demands for Puget Sound Pilots as compared to tug boat captains and Washington State Ferry captains. The existence of lesser paid mariners working in the Pacific Northwest does not equate to a flush field of pilot candidates for Puget Sound Pilots. Indeed, anywhere that pilots operate, there will be other lesser paid mariners working nearby. While a few WSF captains have passed the state exam and become pilots with PSP over the years, including

me, there are also some who have not passed the state exam, have not successfully completed the training program, and many who choose not to take the exam.

Second, Captain Moore's testimony is less than forthright when discussing the WSF captains. They are not state licensed pilots. To become a Puget Sound Pilot, they must sit for the BPC state-licensing exam, which is more extensive than obtaining the federal pilotage endorsement. Further, while WSF captains have a federal pilotage endorsement, it is much more limited than the federal endorsement that is required for PSP. Specifically, WSF captains must hold federal pilotage only for the route(s) on which they operate. Captain Moore provides no evidence of which federal endorsements WSF captains hold or how many hold the federal endorsement required of Washington state-licensed pilots, namely: "First Class Pilot of vessels of unlimited tonnage upon Puget Sound and all connecting inland waters including the waters of Haro Strait, Boundary Pass, and Strait of Georgia." The existence of route-specific federal endorsements for ferry operations does not establish that WSF captains hold the broader federal endorsement associated with Washington state pilotage, or that they are similarly situated to Washington state-licensed pilots for purposes of setting DNI.

Third, while WSF captains perform demanding work, Captain Moore's comparison does not reflect the breadth of vessels, waters, and operating conditions that Washington state pilots must cover. WSF captains pilot one type of vessel, a ferry, over a limited number of routes and terminals. In contrast, state-licensed pilots with PSP cover extensive waters from the Strait of Juan De Fuca

and throughout Puget Sound, and routinely handle a wide variety of deep-draft vessels including loaded tankers under tug escort, ultra-large container ships, car carriers, bulkers, freighters, and mega-cruise ships. These vessels present materially different handling characteristics, propulsion and control systems, and maneuvering limitations. Pilots must be proficient across those vessel types and propulsion arrangements and must routinely direct tug assistance in confined waterways. WSF captains are not confronted with that breadth of vessel types, propulsion systems, and pilotage conditions. By comparison, WSF operates approximately 21 ferries on routes between 20 terminals.[57] PSP's response to Commission Staff Data Request No. 1 details the over 100 terminals and anchorages that PSP pilots serve, requiring extensive local knowledge which includes precise bathymetry for vessels with minimal under-keel clearance.[58]

Q. Do you agree with Captain Moore's view that a pilot compensation study demonstrating national average is irrelevant to the Commission's consideration of DNI?[59]

A. No. I do not agree. The Commission made clear in both of PSP's prior cases that while it is not expressly required by statute to consider other pilotage districts as comparators, it was giving PSP's pilot compensation studies weight based on their reliability and relevance to the particular facts at hand.[60] PSP has taken steps to

[57] *See e.g.*, https://wsdot.com/ferries/vesselwatch/.
[58] *See* Exh. IC-25 (PSP's Response to Staff DR 1).
[59] Moore, Exh. MM-01T at 9, 106.
[60] Docket TP-190976, Order 09 ¶141 ("We thus consider PSP's testimony and exhibits concerning comparable pilotage districts as evidence to support its proposed DNI and afford it weight based on its

comply with the factors that the Commission has identified as important to consider in a pilot compensation study. This is discussed in more detail in the rebuttal testimony of R. Lane Sisung.

Q. Why did PSP not attempt to compare PSP's operations to others in the study?

A. Each district is unique, and yet state-licensed pilots throughout the U.S. undergo the same types of training and share common skills and responsibilities. This is discussed in more detail in the rebuttal testimony of Captain Jorge Viso, President of the American Pilots' Association, who has documented approximately 190 ride-along trips with state-licensed pilots. It is also addressed in the Pilot Compensation Study, Exh. RLS-4, and the Prefiled Rebuttal Testimony of R. Lane Sisung, Exh. RLS-05T. And it is a viewpoint shared by Commission Staff witness Scott Sevall.[61]

In the past two cases the Commission commented on the differing comparisons of pilotage grounds. While there may be different ways to compare pilotage grounds—whether by geography, vessel traffic, size of the pilotage group and territory, or other factors—the evidence in this case demonstrates that state licensed pilots generally must possess the same skills and shoulder the same responsibilities.

reliability and relevance to the particular facts of the case."); Docket TP-220513, Order 08 ¶ 117 (applying the same standard and giving it weight based on its reliability and relevance).

[61] Sevall, Exh. SS-1T at 10:18-20 ("The simple fact is each pilot regardless of the district they serve is tasked with providing the same service. In this manner every pilot is comparable.").

Q. Captain Moore suggests using bridge hours when comparing PSP to WSF captains.[62] Does Washington law define pilot assignments in terms of bridge hours?

A. No. Chapter 88.16 RCW does not reference bridge hours or bridge time but instead refers to assignments and assignment time.[63] WAC 363-116-081(3) includes bridge hours as just one component of assignment time:

> An assignment begins at call time and ends at check-in time and includes preparation time and travel time to and from the ship in addition to bridge time. Call time allows one to two hours of preparation before the start of travel time to the ship. Check-in time occurs when travel time from the ship is completed. In the Puget Sound Pilotage District, travel times are documented in the Puget Sound Pilots operating rules and may be reviewed by the Board from time to time.

Q. What is the significance of Washington defining assignment time rather than bridge time?

A. As evidenced by the statute and rule I cite above, the state of Washington recognizes that the work a pilot undertakes for an assignment encompasses more than bridge hours. It includes the time preparing for an assignment, typically one to two hours, which involves checking weather, tides, currents, waterway conflicts, and arranging tugs, among other tasks, as well as the time it takes to travel to and from an assignment in the expansive PSP pilotage grounds. For this

[62] Exh. MM-01T at 105, n. 112.

[63] For example, RCW 88.16.103(1) provides that "Pilots shall have a mandatory rest period of at least ten hours with an opportunity for eight hours of uninterrupted sleep after completion of an assignment within a harbor area, as defined by the board of pilotage commissioners, provided the combined total duration of harbor assignment time does not exceed thirteen hours."

reason, a comparison of bridge hours should not be a defining comparator amongst pilot groups, when the state of Washington considers bridge time only one component of an assignment.

Q. Turning now to PMSA witness Spencer Cohen's testimony, how do you respond to his suggestions that adjusting DNI by CPI is not appropriate?

A. Frankly, I am surprised and disappointed, as I believe this is inconsistent with his prior work. Specifically, in his Exh. SC-03, which is the Washington State Pilotage Final Report and Recommendations to the Washington State Joint Transportation Committee, he endorsed the consumer price index repeatedly in his "best practices" summaries and recommendations. For example, when encouraging the use of automatic adjustors for pilotage rate changes he noted that "[s]ince 1993, the consumer price index has been accepted as an appropriate cost of living adjustment factor."[64] He similarly notes as a "best practice" that "[s]ince the 1990s, the OBMP[65] has used the consumer price index for the Portland-Vancouver metropolitan area as a cost of living adjustment to automatically adjust the tariff." He recommends the use of such auto adjusters, which in several states contributes to greater predictability for stakeholders."[66] He notes as a "key takeaway" that "each year cost-of-living adjustment (COLA") is used to automatically adjust TNI and TGI for Oregon pilots.[67] In light of his prior work

[64] Cohen, Exh. SC-03 at 73.
[65] Oregon Board of Maritime Pilots.
[66] Cohen, Exh. SC-03 at 87.
[67] Cohen, Exh. SC-03 at 108.

for the Washington Legislature, I am surprised that he discounts the use of the consumer price index in setting DNI.

III. PSP'S PROPOSED TDNI REFLECTS THE NUMBER OF PILOTS DETERMINED TO PROVIDE SAFE AND EFFICIENT PILOTAGE SERVICE BY THE BPC AND EFFORTS TO UNDERCUT THE BPC'S DETERMINATION SHOULD BE REJECTED

Q. Please provide the number of currently licensed pilots and PSP's projection of licensed pilots for the rate year.

A. PSP projects it will reach 59 licensed pilots in the rate year. There are currently 56 licensed pilots, and the state currently has three trainees that are expected to be licensed by July, 2026. Due to an unexpected retirement, I have revised my projection of rate year licensed pilots down from 60 pilots to 59 pilots.

Q. What number of pilots has the BPC authorized?

A. The BPC authorized 60 pilots in August 2024 based on a target assignment level of 123.

Q. Both Staff and PMSA take the position that the number of pilots funded should fall within a range, with a floor equal to the actual number of licensed pilots and a ceiling equal to the BPC-authorized number. Do you agree with this proposed range?

A. No. PSP's position is that the Commission should fund the number of pilots authorized by the BPC. The BPC, as the safety regulator, establishes the target assignment level and the authorized pilot staffing level needed for safe and

efficient service, and those determinations should inform the number of pilots funded. At the August 2024 BPC meeting, the target assignment level was set by the BPC at 123, and based on that target assignment level, the number of licensed pilots was set at 60. This is the number of pilots the Commission should fund, because it is the number authorized by the Board of Pilotage Commission to maintain safe and efficient service. As previously noted, PSP expects to be at 59 pilots in the rate year.

Q. What if the Commission were to elect to fund the number of pilots within a range?

A. If the Commission elects to fund within a range, it is reasonable to treat the actual number of currently licensed pilots (currently 56) as the floor and the BPC-authorized number of pilots (60) as the ceiling. To ensure the order is implemented accurately, PSP proposes that the compliance filing include a ministerial TDNI recalculation using the most current pilot count consistent with the Commission's determination in the final order: if the Commission adopts the floor, the compliance filing should calculate TDNI using the actual number of licensed pilots as of the compliance filing date (or tariff effective date); if the Commission adopts the ceiling, the compliance filing should calculate TDNI using the BPC-authorized number in effect at that time. Because the pilot count directly drives TDNI and the overall revenue requirement, it is more foundational to accurate implementation than line-item inputs such as fuel expense. This approach recognizes that both the licensed count and the authorized count can

change between the close of the record and the start of the rate year, and is consistent with the Commission's use of compliance filings to update other inputs such as fuel expense.

Q. Does Commission Staff witness Sevall agree that if the BPC licenses three additional pilots by July 2026, those additional pilots should be funded?

A. Yes. In response to a data request, Commission Staff witness Sevall agreed that if the BPC licenses three additional pilots prior to July 2026, the "floor" would be raised and he would agree to funding the actual number of licensed pilots.[68]

Q. Why does PMSA propose that the Commission fund a different number of licensed pilots than the BPC has authorized?

A. As I discuss in more detail below, PMSA witness Moore proposes using an outdated methodology for determining the number of funded pilots. His methodology, the average assignment level, conflicts with the determination of the Pilot Safety Committee, affirmed by the BPC, that a safe and efficient target assignment level is 123 and the number of licensed pilots should be based on that target assignment level.

Q. Are there other reasons why PMSA opposes funding the number of pilots authorized by the BPC?

A. Yes. PMSA does not agree with PSP's projection of pilots for the rate year.

[68] Exh. IC-36 (Staff Response to PSP Data Request No. 4).

Q. Have PMSA's projections of licensed pilots been accurate in past cases?

A. No.

Q. How did PMSA's projections of the number of licensed pilots in Docket TP-220513 compare to the actual number of licensed pilots?

A. In PSP's last rate case in Docket TP-220513, PMSA opposed immediate funding of 56 pilots, despite the fact that the BPC had authorized 56 pilots. PMSA projected that PSP would not reach 56 pilots until "rate year three" of PMSA's proposed multiyear rate plan.[69] PMSA asked the Commission to wait until rate year three (August 2025-July 2026) to fund 56 pilots. PMSA's projections were clearly deficient in that case when compared to the actual number of licensed pilots at PSP. PSP reached 56 licensed pilots in March 2024, during the first rate year, and the number of licensed pilots reached 57 in August 2024, exceeding the number of pilots funded by the Commission approximately one year after Order 08 was issued.

Q. As you mentioned, Captain Moore advocates for the use of average assignment level ("AAL") in determining the number of pilots to fund. Do you have concerns with his approach?

A. Yes. My primary concern is that using the average assignment level sets the number of assignments at a level above what the Board of Pilotage

[69] Docket TP-220513, Order 08 ¶ 147.

Commissioners determined in 2024 to be a safe level of assignments. This is a change since the last case, and I discussed this at length in my direct testimony.[70] Captain Moore ignores this important change implemented by the Board of Pilotage Commissioners for safety purposes, which is inconsistent with the use of an historical average assignment level for setting the number of pilots.

Q. Captain Moore claims that PSP is reprising the same arguments it made in past cases about AAL. How are the facts different in this case?

A. In past cases, PSP urged the Commission to recognize safety concerns associated with the average assignment level that was being proposed. The Commission determined that those safety concerns were within the province of the BPC, PSP's safety regulator. In this case, the safety regulator has spoken on what is a safe number of assignments. The BPC set the target assignment level at 123 in August 2024. The Commission has stated that "ratesetting proceedings before the Commission should support the provision of pilotage services deemed necessary by the BPC",[71] and to do so, the Commission should not use an outdated average assignment level that has been rendered moot by the recent safety determinations of the BPC.

[70] *See* Exh. IC-01T at 32-37.
[71] Docket TP-220513, Order 08 at ¶158.

Q. Please describe the AAL that PMSA proposes to use in this case and how it compares to the target assignment level set by the BPC's Pilot Safety Committee.

A. PMSA proposes to use either a five-year AAL, going back to 2021-2025, or a three-year AAL, dating back to 2022. With either option, the Commission would be funding pilots based on an AAL that is well above what the BPC has determined to be a safe target assignment level. PMSA's five-year average would use an average assignment level of 138.5, significantly higher than the target assignment level of 123 set by the BPC. PMSA's three-year average would use an average assignment level of 137.3, which is also significantly higher than the BPC's target assignment level of 123.[72]

Q. Please elaborate on why the average assignment level is inconsistent with the BPC's target assignment level.

A. As I testified in my direct testimony, the BPC's Pilot Safety Committee recommended a target assignment level of 123, after extensive study. Captain Moore serves on the Pilot Safety Committee that made this recommendation. The Pilot Safety Committee Charter states that the purpose of the Pilot Safety Committee is to "ensure that pilotage services in Washington State are conducted in a safe and efficient manner consistent with the Board's mission of safety."[73] The BPC unanimously accepted the recommendation of its Pilot Safety

[72] Moore, Exh. MM-01T at 213:12-14.
[73] Exh. IC-09, Pilot Safety Committee Charter.

Committee and authorized a target assignment level of 123,[74] which reflects the safe on-watch assignment level expected of pilots.

The target assignment level of 123 was developed using the 2019 rest-rule changes and five years of pilot assignment data, including the number of licensed pilots, on-watch assignments, training days, upgrade trips, and essential service activities.

By contrast, AAL simply looks at average assignments over a historical period. It was originally calculated using 2014–2018 data, when rest rules were considerably less stringent, and it does not account for these changes in workload factors. In its very nature, AAL is a trailing indicator of the staffing policy set by our safety regulator. Even once PSP reaches the authorized number of pilots, AAL will take three years by Staff's current model to reflect the target assignment level set by the BPC Pilot Safety Committee and approved by the BPC in 2024. We therefore recommend that the Commission move away from the lagging AAL model and instead fund pilot staffing based on the target assignment level and workload required by our safety regulator. This is consistent with the Commission's direction in Docket TP-220513:

> Thus, we agree with PSP and Staff that the Commission should fund 56 pilots in the rate year. It may take time for additional licensed pilots to join the association, but this means that the actual working pilots will be required to take on additional assignments in the interim. As the Commission recognized in Final Order 09, "[b]y funding additional pilots above the number of currently working

[74] Exh. IC-08, p. 20.

> pilots," the Commission's methodology "proposes to place a 'premium' into rates that will then be distributed among the pilots, reflecting the value of their additional work.[75]

Q. Have there been any other changes to pilot efficiency during that time?

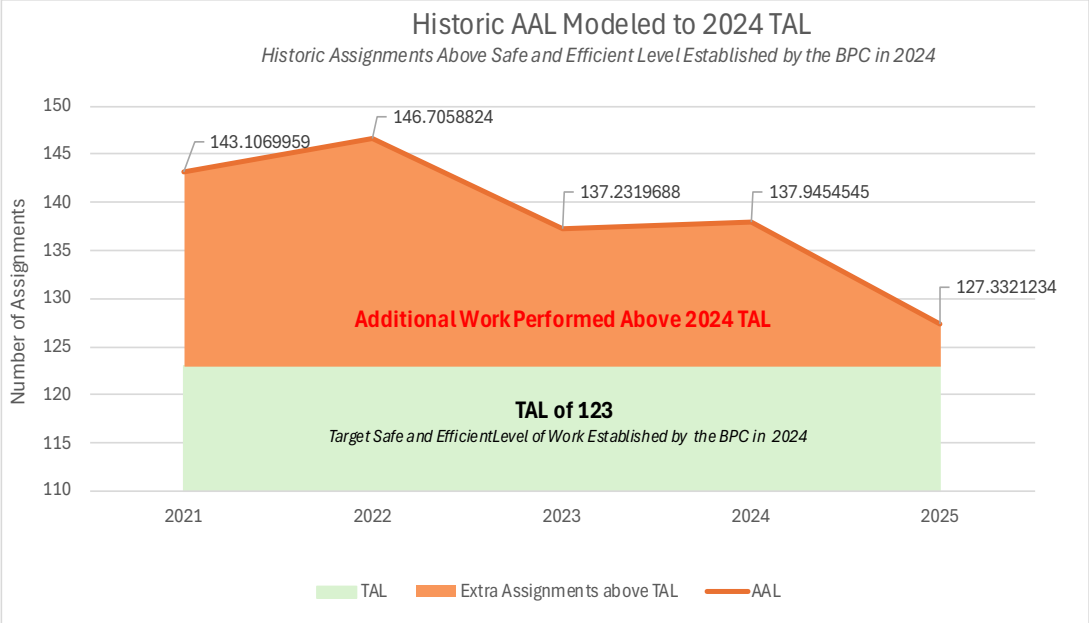
A. Yes. PSP developed and implemented several efficiency measures in early 2022 that improved how work is distributed and performed on-watch under the 2019 rest rules.

Q. You mentioned that the target assignment level of 123, approved by the BPC in 2024, was developed using data dating back to 2019, including rest rules and five years of pilot assignment data. If the target assignment level of 123 had been in effect during the years studied, how much additional work would pilots have performed above the safe and efficient target assignment level in the last five years?

A. A significant amount. As shown in Exh. IC-26, pilots performed between 4 and 23 additional jobs per year above what is now considered safe and efficient as of August 2024. The graph is shown in Figure 2 below:

[75] Docket TP-220513, Order 08 ¶ 164.

Figure 2: Actual Assignments Above the BPC's Safe and Efficient Level



Q. Why is this important?

A. It is important to address PMSA's suggestion that pilots are doing less work. This information is relevant for three reasons.

First, it shows that as BPC policies are implemented, on-watch assignments will naturally move toward the target assignment level as the state licenses the appropriate number of pilots to meet that TAL.

Second, it demonstrates that even if PSP wanted pilots to work above what is now considered safe and efficient—as PMSA suggests in order to reach a higher DNI—PSP does not control either the number of licensed pilots or individual pilot workloads.

Third, it highlights how hard Puget Sound Pilots have worked over the past five years, during which they consistently worked at or above levels that are now considered safe and efficient, while still under-earning DNI.

Q. Do you agree with Exh. MM-28 and the table on page 151 of Capt. Moore's testimony purporting to justify 56 licensed pilots?

A. No, I disagree with it for several reasons. First, he projects a number of assignments for 2026 that is inconsistent with the facts. He projects 6,962 assignments. As I demonstrate later in my testimony, a more accurate projection of assignments is 7,186, which includes calendar year 2025 actual assignments adjusted by known and measurable changes for 2026.

Second, in all three of his scenarios, the average assignment level is above the BPC target assignment level. Both his proposed four-year average DNI AAL of 138.5 and his three-year average DNI AAL of 137.3 are significantly above the BPC authorized target assignment level of 123.

Q. How do you respond to Moore's claim that TAL addresses on-watch assignments while AAL is based on total assignments per pilot (both on-watch and off-watch including callbacks)?[76]

A. While the TAL is a measure of on-watch assignments, it is clearly the BPC's position that the TAL is a target to be met—not a target to be missed by five percent.[77]

In his testimony, Capt. Moore attempts to add five percent of assignments back onto the approved TAL to arrive at a figure of 129.[78] This is the same argument raised by Shipping Industry BPC Commissioner Drennen at the January 16, 2026 BPC meeting while advocating for a reduction in pilots. That argument was explicitly rejected by BPC Chair Tonn and BPC staff, who clarified how the TAL is intended to function. It is a target to be hit, not exceeded.[79]

Based on that discussion, any assertion that a target assignment level of 129 will be used to set staffing levels is unfounded. The Board's clear and stated intent is to staff to the approved target assignment level, the level it has determined to be safe and efficient. Funding a number of pilots other than that informed by the target assignment level, as Capt. Moore suggests, intrudes on the BPC's statutory authority to determine and staff the appropriate number of pilots and will result in

[76] *See* Moore, Exh. MM-1T at 153.
[77] Exh. IC-27 1-15-2026 BPC Meeting - Part 3 of 3.mp4 (02:20 – 3:39).
[78] Exh. MM-01T at 153.
[79] Exh. IC-27 1-15-2026 BPC Meeting - Part 3 of 3.mp4 (02:20 -.3:39).

underfunding PSP, as the BPC will ultimately license the number of pilots required to meet its target assignment level.

Capt. Moore further compounds this error by applying his unsupported TAL of 129, together with his calculated average assignment level, to his disputed traffic projection to arrive at staffing estimates of 53.9 and 54.9 funded pilots.[80] In doing so, he fails to account for additional pilots the BPC explicitly authorizes to cover workload, including one pilot serving as president and one pilot to account for the average number of pilots not fit for duty.[81]

The BPC will convene later this month to review the appropriate number of pilots. Accordingly, we request that the Commission order the compliance filing to calculate TDNI based on the BPC's authorized number of pilots in effect at that time to ensure the tariff is based on the most current traffic data and the BPC's safety determinations. This will reduce regulatory lag and ensure the Commission funds the appropriate number of pilots in the rate year.

Q. Is there support in the Commission Order 08 in Docket TP-220513 for moving away from the AAL approach?

A. Yes. In that case the Commission reiterated that its limited role as an economic regulator should support the provision of pilotage service deemed necessary by

[80] Exh. MM-01T at 153:14-18.
[81] Ex. IC-08 at 11.

the BPC.[82] Notably, when quoting this paragraph of the Commission's final order in Docket TP-220513, Captain Moore omits the language shown in bold below:

> In this case, we again emphasize the Commission's limited role as the economic regulator of pilotage services. **Although the facts and circumstances may vary over time, ratesetting proceedings before the Commission should support the provision of pilotage services deemed necessary by the BPC.** By determining the number of funded pilots based on an averaging of recent pilot assignments, the Commission determines PSP's additional annual revenue requirement and provides reasonable compensation to pilots without intruding into areas properly reserved for the BPC.[83]

The BPC determined in 2024 that a safe target assignment level is 123, rather than the previous target assignment level of 145. Based on this target assignment level, the BPC voted to authorize 60 licensed pilots. Therefore, the historical AAL used in past rate cases is no longer consistent with the BPC's determination of what is the necessary number of pilots. If the Commission is to adhere to its limited role as the economic regulator of pilotage service and "support the provision of pilotage services deemed necessary by the BPC," it must consider changes made by the BPC to target assignment levels in 2024 based on findings of the pilot safety committee, and fund the number of licensed pilots authorized by the BPC based on the target assignment level of 123.

[82] Docket TP-220513, Order 08, ¶ 158.
[83] *Id.* (emphasis added).

Q. How do you respond to PMSA's claim that the current tariff is rewarding the degradation of pilot efficiency with more revenue?

A. I disagree. In Order 09, the Commission stated: "The authorized DNI amounts per pilot represent an opportunity and not a guaranteed amount in the two-year rate plan. The actual DNI per pilot will depend on the actual number of vessel assignments and PSP's actual expenses to determine the TDNI amount."[84] Because DNI is based on actual vessel assignments, PSP cannot increase revenues through inefficiency; mathematically, fewer assignments result in lower DNI.

Q. Do you agree with PMSA's claim that the degradation of the AAL in 2025 has exposed some significant errors in the management of pilot dispatching and workload?

A. No. PMSA portrays PSP's 2025 AAL of 127.3 as mismanagement of pilot workload,[85] when in fact it remains 4.3 assignments *above* the target assignment level established by the BPC. Additionally, PMSA makes several unsupported claims—for example, that PSP prioritizes on-watch meetings in lieu of dispatching pilots to vessel assignments.

[84] Docket TP-190976 Order 09, ¶ 167 n. 298.
[85] Moore, Exh. MM-01T at 201:20-21.

Q. PMSA takes issues with PSP's "meetings". Can you please explain what a "meeting" is and what safeguards there are related to meetings and efficiency?

A. Meetings is the term PSP has historically used to describe non-revenue generating work that is nonetheless required to operate a safe pilotage service. "Meetings" include many things such as required trainings, BPC-mandated upgrade trips for pilots increasing the scope of their licenses, testifying before the State Legislature on maritime safety[86], and numerous other essential service activities. Many of these required activities are discussed in PSP's direct testimony, including training and diversity/recruitment efforts. After rate setting was moved to the UTC, PSP has focused on improving documentation of all meetings, to better capture all of the work that a pilot does, and it is disappointing to see Capt. Moore's attempt to use this enhanced documentation against PSP.

In addition, pilots regularly serve on external safety, security, environmental, and operational committees that are integral to the safe flow of maritime commerce in Washington. These commitments are part of the state's broader marine safety ecosystem and help prevent incidents, minimize vessels' impacts on the environment and treaty-protected tribal fishing rights, and keep vessels moving

[86] Exh. IC-28 SB 5248 (SBR, Feb. 6, 2025) (An act relating to creating a work group to make recommendations concerning bridge collisions by large commercial vessels.; PSP's Scott Brewen and Capt. Matt Hannuksela testified in support).

safely through confined waterways and critical port infrastructure. Examples include:

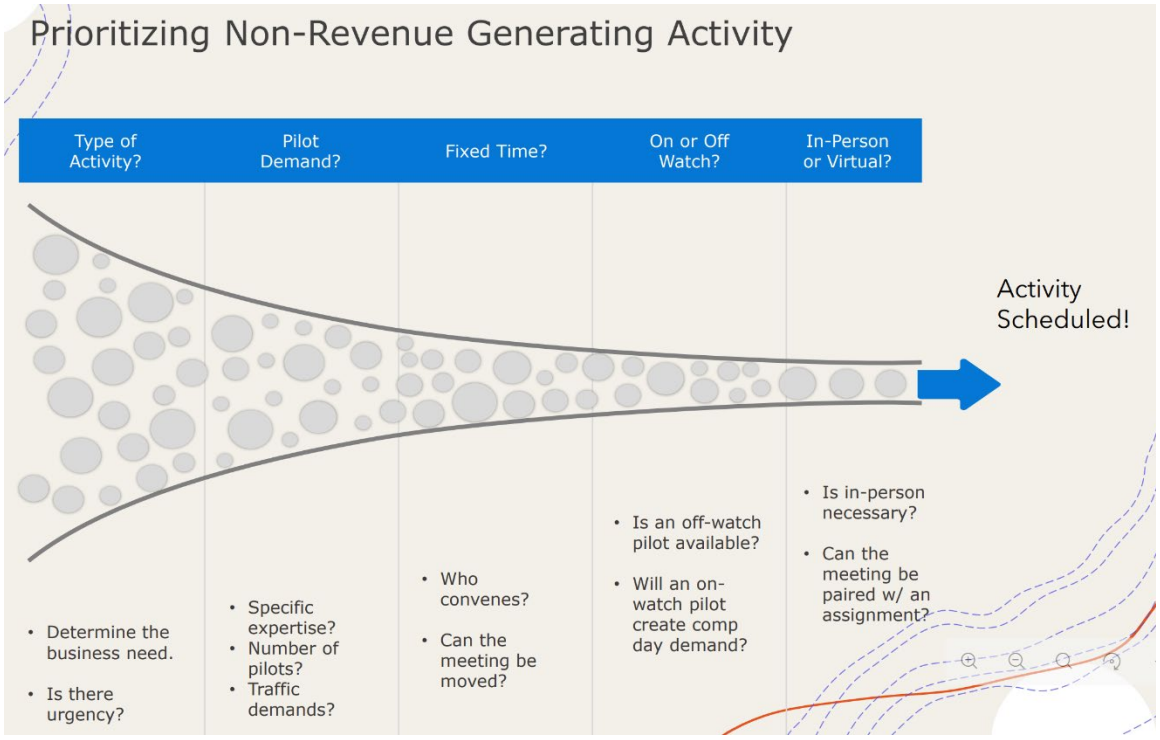
- Army Corps of Engineers (vessel simulation modeling for the Blair Waterway deepening project)
- U.S. Coast Guard Area Maritime Security Committee
- Puget Sound Harbor Safety Committee
- Quiet Sound/ECHO (minimizing vessel impacts to Southern Resident Killer Whales)
- Tribal fishing net coordination and gear loss prevention
- Northwest Straits Foundation (shellfish pot loss prevention)
- NOAA Coast Survey
- U.S. Coast Guard Board of Inquiry (risks to critical port infrastructure from larger commercial vessels)

With regards to safeguards, PSP strives to have a 50% on and 50% off watch meeting ratio and reports all of its meetings to the BPC in its monthly activity report, because it is in their scope as our regulator to *"optimize the operation of a safe, fully regulated, efficient, and competent pilotage service in each district"* RCW 88.16.035(1)(b). Also, it is important to note that when pilots attend meetings off watch to support the pilotage system, they earn no additional compensation.

PSP does not dispatch pilots to non-revenue activities casually. PSP applies a structured set of operational safeguards when scheduling these activities, including evaluating urgency, vessel traffic demand, pilot availability, whether the activity can be performed off-watch, whether the timing can be moved, and

whether participation can be handled virtually or paired with an assignment. Figure 3 illustrates the screening factors PSP uses to minimize operational impacts while still meeting safety, training, and regulatory obligations.

Figure 3: Prioritizing Non-Revenue Generating Activity[87]



In addition, PSP encourages pairing meetings with ship assignments when that can be done safely under BPC rest requirements. Moore's testimony assumes PSP schedules non-revenue work without regard to operational coverage. That assumption is wrong.

[87] Exh. IC-29 (Puget Sound Pilotage Service Presentation to the BPC, 02-15-2024).

Q. Has PSP's position on the average assignment metric changed over the years?

A. PSP has objected to the use of average assignment level to set the number of pilots in every case. PSP has attempted, in prior proceedings, to establish a more appropriate target assignment level at the UTC; however, the Commission has made clear that this is not within its role. As the Commission stated:

> The BPC is charged with determining the number of pilots necessary for safe, efficient pilotage service, and the Commission is charged with setting rates for these pilotage services. Accordingly, we do not determine a TAL for purposes of safety or fatigue management, as these issues fall squarely within the BPC's purview.[88]

The BPC has now set a target assignment level for pilots. PSP therefore supports funding a level of pilot staffing and work consistent with what has been determined to be safe and efficient by its safety regulator.

Q. How do you respond to PMSA's claim that PSP has a record of "grossly overestimating future pilot counts"[89]?

A. This is incorrect. PMSA's own cited testimony undermines its claim. PSP did not "grossly overestimate" pilot counts in Docket TP-190976. In fact, I expressly testified that PSP would not reach 61 pilots.[90] PSP's position was that there was

[88] Docket TP-190976, Order 09 ¶ 86.
[89] Moore, Exh. MM-87 at 87:7-8.
[90] Moore, Exh. MM-01T at 87:15-16.

approximately 61 pilots' worth of work under existing rest rules and operational demands—not that PSP was predicting 61 pilots would be employed.

To be clear: 61 was not a forecast. It was a request for funding sufficient to cover the workload being borne by the pilot corps under the current rest rules, based on PSP's best estimate of staffing needed to safely and reliably perform that work without accruing significant financial loss (though comp day accrual). Ultimately, the BPC generally agreed with PSP and approved 60 pilots in 2024 to cover similar work, demonstrating that PSP's request for funding sufficient to cover the workload was not unreasonable.

Moreover, in my testimony in Docket TP-190976,[91] I expressly noted that pilot staffing projections involve uncertainty due to retirements and training outcomes. Even so, based on the trainees then in the pipeline and expected retirements, I stated that PSP expected to exceed 50 licensed pilots by the end of 2020 and "hope[d] to have more than 52 by the end of 2021 and on a steady upward trajectory thereafter." In fact, PSP reached 52 licensed pilots in early 2022, within months of my projection. Thus, I did not "grossly overestimate" future pilot counts in that case, as Captain Moore claims.

[91] Docket TP-190976, Carlson, Exh. IC-1T at 16:21–17:4.

Q. What broader points are relevant regarding Captain Moore's claims that you projected "59 licensed pilots by end of 2020" and "60-plus" licensed pilots by June 2023?[92]

A. Captain Moore misrepresents the record in several ways. Those projections are not contained in Exhibit IC-08T at page 19 in Docket TP-220513, as Captain Moore claims. Docket TP-220513 was opened on June 29, 2022, well after the end of 2020, so it cannot be used as support for a claimed "end of 2020" forecast.

In Docket TP-190976, my actual testimony was: "Based on our analysis of the current trainees and expected retirements, we are projecting to exceed 50 licensed pilots by the end of 2020, and hope to have more than 52 by the end of 2021 and on a steady upward trajectory thereafter."[93] This is borne out by the Findings of Fact in Order 09 in Docket TP-190976 which states "PSP projects that 52 FTE pilots will be licensed by the end of 2021."[94]

In addition, Captain Moore provides no record citation supporting his claim that I projected "60-plus" licensed pilots by June 2023.

This is yet another example of Captain Moore making claims that are not supported by the factual record, and it calls into question the reliability of his broader assertions regarding PSP's pilot staffing projections.

[92] Moore, Exh. MM-01T at 216 6:9.
[93] Docket TP-190976, Carlson, Exh. IC-1T p 16-17.
[94] Docket TP-190976, Order 09 ¶ 410.

Q. What happens when fewer pilots are funded than the BPC deems are needed?

A. First, it is important to understand that when the BPC authorizes a number of pilots and those pilots become licensed, under current law, PSP has no practical alternative other than accepting the additional pilots into its organization. When the Commission funds fewer licensed pilots than the BPC authorizes, ratepayers benefit at the expense of pilots because they are paying a lower TDNI than what is supported by the actual number of licensed pilots. This creates a failure of co-regulation.

Q. How do you respond to PMSA's statement that PSP's average assignment level is relatively low?

A. PMSA reaches this conclusion by using an outdated metric. The relevant benchmark is the target assignment level adopted by the BPC under the current rest-rule and workload framework. AAL is a trailing statistic that reflects historical conditions and staffing policies and will lag changes implemented by the safety regulator. AAL should not be used to undercut funding for the staffing level the BPC has determined is necessary for safe and efficient pilotage.

Q. Capt. Moore characterizes PSPs' workload, which is above the BPC target assignment level of 123, as inefficiency. How does the BPC's target assignment level compare to nearby pilotage groups?

A. The two major pilot groups to the immediate north and south of Puget Sound are the British Columbia Coast Pilots (BCCP) and the Columbia River Pilots (ColRip). They both have target assignment levels established by their regulators, and they both have substantially similar assignment lengths to PSP. The Pacific Pilotage Authority (PPA), Canada's pilotage regulator for their West Coast, established a 2024 assignment goal for the British Columbia Coast Pilots at 101,[95] with fewer than 2.5% callbacks. The Columbia River Pilots operate with a workload factor of 106.[96]

Q. How does the BPC's target assignment level for PSP compare to the other Washington State pilot group that they regulate?

A. While the BPC has not established a target assignment level for Grays Harbor, their 3 pilots averaged approximately 93 assignments per pilot in 2024[97] (its busiest year in recent history). This workload is significantly below the target assignment level of 123 for PSP set by the BPC.

[95] Exh. IC-30 2024 PPA Annual Report pg.11.
[96] Exh. IC-31, Oregon Board of Maritime Pilots Final Order BP 12 pg. 5, Findings of Fact #2.
[97] Exh. JR-10, 2024 BPC Annual Report pg. 13 (280 jobs divided by 3 full time pilots).

IV. THE COMMISSION SHOULD REJECT PENSION PROPOSALS BY STAFF AND PMSA THAT ARE INCONSISTENT WITH THE COMMISSION'S PRIOR ORDERS AND WOULD BE CATASTROPHIC TO PSP

Q. What do Staff and PMSA propose with respect to pension funding?

A. Staff proposes that individual pilots should bear approximately one-third of the pension cost and recommends disallowing one-third of PSP's pay as you go pension expense. PMSA goes further: it proposes that the Commission find all PSP retirement expenses non-recoverable and remove the entire retirement line item from the revenue requirement, replacing it with a fixed "employer match" contribution. Both proposals would take effect immediately in the rate year.

Q. Please provide a high-level response to the pension proposals by Commission Staff and PMSA.

A. I am dismayed, and frankly, alarmed, by these proposals that are not well thought out, are inconsistent with the Commission's direction in past cases, and would have dire ramifications for PSP, given its obligations to retired pilots. The proposals would abruptly and severely defund the existing pension while PSP is moving forward with getting the necessary approvals for its multiple employer defined benefit plan. Defunding the pension in this way is inconsistent with the intent of the legislature, as is evidenced by testimony from Representative Judy Clibborn, then chair of the House Transportation Committee at the hearing on Senate Bill 6519, when the legislature voted to move economic regulation of the pilots to the Commission. At that time, Representative Clibborn testified to the benefits of moving regulation of PSP to the Commission, including the continued

funding of the pension: "particularly the pensions of those pilots would be funded and what we did in this bill is move the tariff setting to the UTC. so that's the basic underlying part of the bill."[98]

Representative Clibborn's remarks speak to the legislative intent for continued funding of retirement expenses in the tariff when pilotage rate setting was transferred to the UTC. The proposals made in this case by PMSA and Commission Staff are inconsistent with the legislative intent.

Moreover, PSP has taken great care to do what the Commission instructed in the past two cases: take the necessary steps to establish a fully funded defined benefit plan to replace the current unfunded, pay as you go plan.[99] While the process has taken longer than anticipated, progress has been made. Since filing its direct case, PSP has received a determination from the Internal Revenue Service that its proposed MEP is an IRS tax-qualified plan.

Q. Does PSP view Staff's and PMSA's proposals as raising overlapping concerns?

A. Yes. Although Staff's and PMSA's proposals differ in form, they share a common effect: an immediate reallocation of legacy retirement costs that would materially alter PSP's long-standing, tariff-supported retirement framework without a complete record or a workable transition to a funded plan, as the Commission

[98] https://tvw.org/video/house-floor-debate-2018021347/?eventID=2018021347 Rep. Judy Clibborn's remarks at 48:17-49:59.

[99] Docket TP-190976, Order 09 ¶194; Docket TP-220513, Order 08 ¶ 212.

directed. They fly in the face of the Commission's order to proceed with developing and implementing a fully-funded defined benefit plan,[100] which PSP has been working on for the past few years.

Q. Have these parties previously advocated for immediate broad defunding of legacy retirement costs?

A. Commission Staff has not previously made such a draconian request for broad defunding of PSP's legacy retirement plan. In 2019, Commission Staff testified that the Commission should maintain the current pay-as-you-go program but order PSP to develop a plan to transition to a fully funded, defined-benefit retirement plan, as well as full accrual accounting, and the Commission accepted Staff's recommendation. In 2022, Commission Staff proposed maintaining the existing retirement pension cost at the level of the previous rate case because those are the best known and measurable costs, and rejecting PSP's proposed pro forma adjustment. The Commission ultimately ruled that PSP may continue to recover the costs of its retirement plan in rates with a reduced pro forma retirement expense adjustment while PSP seeks approval of its proposed MEP from the IRS and Department of Labor.

In the 2019 general rate, PMSA made a similar request to the request it is making in this case—seeking to defund the pension plan. That request was rejected by

[100] *Id*.

the Commission. PMSA argued, in essence, that PSP has no ongoing obligation to fund its legacy retirement plan that has been in effect for decades.[101]

Q. At a high level, what is PSP's concern with Staff's and PMSA's proposed changes to pension cost recovery?

A. Staff's and PMSA's pension proposals would create an unfair and destabilizing transfer from working pilots to retired pilots by shifting a large share of legacy retirement obligations on to the current (and future) workforce. For decades, PSP's retirement system has been structured and funded through the tariff as part of the total compensation framework for the pilotage system, a public-safety service. Current pilots made long-term career decisions in reliance on that long-standing structure, with the reasonable expectation that retirement benefits would be supported through the tariff and not financed through five or six-figure annual reductions to their own income to pay benefits earned by pilots who retired long before they were licensed.

The historical record supporting that long-standing tariff treatment, industry recognition, and legislative intent is summarized in the Prefiled Rebuttal Testimony of Walter S. Tabler, Exh. WST-01T.

[101] Docket TP-190976, Order 09 ¶¶ 183-84 (discussing PMSA's arguments that the structure and funding of PSP's retirement plan are not variables of the tariff design and that any retirement benefit "liability" exists on PSP's books for its own internal accounting purposes).

Q. What makes these proposals particularly unreasonable from PSP's perspective?

A. These proposals ignore and countermand both of the prior Commission orders. The Commission has ordered PSP to transition to a fully-funded defined benefit plan, which it is doing. The existing pay as you go pension needs to continue while this transition occurs.

Moreover, the abrupt shift would impose an immediate, cliff-like reallocation of costs. In practical terms, the change would take effect in the rate year and instantly convert what has historically been a tariff-supported retirement obligation into a direct and substantial burden on the current and future pilot workforce. That kind of overnight reallocation does not eliminate the obligation; it simply moves it in a way that will predictably impair Washington's ability to attract and retain the caliber of mariners required for safe pilotage in Puget Sound.

The Commission can avoid these concerns by preserving the funding for the legacy retirement plan while PSP continues moving forward with the Commission's direction to seek approval of its MEP. If such issues are to be addressed, they should be raised in the subsequent case when PSP presents its MEP for Commission approval. At that time there will be a fully developed record and opportunity for all affected stakeholders to be heard. The rebuttal schedule in this case (20 business days) does not provide for adequate development of the record to allow the Commission to adjudicate these new

proposals that would cause an abrupt shift of this magnitude in terms of the funding of the legacy retirement plan.

Q. What is PSP asking the Commission to do in this docket with respect to pension cost recovery?

A. The Commission should decline to adopt Staff's or PMSA's new pension cost-shifting proposals in this docket and instead continue to allow recovery of the existing pay as you go pension while PSP follows the Commission direction to pursue transition to a fully funded defined benefit plan.[102] The appropriate forum for any fundamental reallocation of pension expense, if the Commission wishes to consider one, should be a subsequent general rate case (anticipated in late 2026), where all parties can develop a complete record and present fully supported positions on whether, how, and over what transition period pilots should fund any portion of pension benefits or expense. If the Commission wishes to consider any fundamental reallocation of pension expense, any such analysis should address pilot contributions only on a prospective basis, with clear grandfathering protections for current retirees and pilots who have already accrued pension credits, and should provide a workable phase-in that allows prospective pilots to make informed career decisions rather than shifting decades-old legacy obligations onto the future workforce through an abrupt reduction in pilot income.

[102] Docket TP-190976, Order 09 ¶194; Docket TP-220513, Order 08 ¶ 212.

A. Response to Commission Staff Testimony on Pension

Q. What would be the financial impact of Staff's pension proposal?

A. Staff's pension proposal would disallow one-third of PSP's pension expense and would result in a $2.2 million disallowance of retirement costs for existing retirees that PSP has an obligation to pay. It is unreasonable and should be rejected by the Commission.

Q. Staff expresses concern that it was not involved in stakeholder discussions. How do you respond?

A. PSP has complied with the Commission's direction and has pursued the federal steps necessary to implement the MEP. PSP has provided 60-day status reports on the progress of its MEP approval process, which were served on Staff. While Staff may think that additional communications would have been helpful, Staff participation in stakeholder discussions on retirement was not a Commission requirement, and it would be inappropriate to, in effect, impose a penalty based on Staff's preferred process concerns rather than the requirements of the Commission's Order in Docket TP-220513 and the substance of PSP's compliance efforts and progress.

Q. Staff witness Sevall also testifies that five years have passed and the process is ongoing.[103] How do you respond?

A. It was August 2023 when the Commission ordered PSP to seek approval of its proposed multiple employer defined benefit plan ("MEP") from the IRS and obtain an advisory opinion from the Department of Labor. The process of seeking these federal approvals and advice has been ongoing for less than two and a half years. While we anticipated it would move faster, this is a complicated process, given the structure of the Puget Sound Pilots, and PMSA interjecting itself in the process by asking the DOL *not* to issue the advisory opinion. But the good news is that we have obtained a determination from the IRS that the MEP is a tax-qualified plan and we are continuing to move forward with the DOL advisory opinion process.

Q. Staff proposes that MEP transition costs should be deferred. Do you agree?

A. No. A deferral would be a change from the Commission's treatment of MEP-related legal and transition costs in Order 08. The Commission ordered PSP to move forward with its MEP, and the costs for the transition ordered by the Commission should be recoverable in rates without deferral.

[103] Sevall, Exh. SS-1Tr at 15:17-16:8.

B. Response to PMSA Testimony on Pension

Q. Should the Commission consider PMSA's proposal for a defined contribution plan for PSP instead of the MEP?

A. No. Over the course of the past two cases, the Commission has given clear instructions to PSP to establish a fully-funded defined benefit plan.[104] In the last case, in response to a motion for clarification filed by PSP, the Commission made clear that it was not necessary for PSP to "return to the earlier workshop process to consider *what* type of retirement plan should be proposed to the Commission. That would serve little purpose."[105] Instead, "[t]he Commission provided a path forward for review of the proposed MEP."[106]

The Commission should not reverse course at this time, as PMSA proposes, given the amount of work that PSP has undertaken in reliance on the Commission's orders, and given that the IRS has now determined that the MEP is a qualified plan. The Commission should allow PSP to complete the Commission-directed transition to a fully funded defined benefit plan. The costs of the plan can be examined by the Commission and interested parties in PSP's upcoming general rate case.

[104] Docket TP-190976, Order 09 ¶194; Docket TP-220513, Order 08 ¶ 212.
[105] Docket TP-220513, Order 10 ¶ 13 (emphasis in original).
[106] *Id.*

Q. Do you agree with Moore's claim that PMSA's proposal for a defined contribution plan is consistent with the Commission's Order 09 in Docket TP-190976?

A. No, I do not for the reasons stated above. His characterization of the Commission's order is incorrect. The Commission made clear that PSP should pursue a fully-funded defined benefit plan. And the Commission reiterated its position in the 2022 case.[107]

Q. What does PMSA actually propose the Commission establish as the retirement contribution in this docket?

A. PMSA proposes that the Commission (1) find that all PSP retirement expenses for pilots are non-recoverable and remove the entire retirement line item from the revenue requirement, and then (2) impose a new "employer match" retirement contribution paid to PSP in addition to pilot DNI. Captain Moore describes this new contribution as the greater of 6% of pilot taxable DNI or 50% of the maximum SEP-IRA (or Solo 401(k)) contribution limit, whichever is greater.

Q. Captain Moore claims that ratepayers are funding the current pay as you go pension with no end in sight.[108] Do you agree with that assessment?

A. No. PSP is following the Commission's direction to transition to a fully-funded defined benefit plan and has taken concrete steps toward implementation,

[107] Docket TP-220513 Order 08 ¶ 212.
[108] Moore, Exh. MM-01T at 110:5-7.

including obtaining an IRS determination that PSP's proposed MEP is a qualified plan. As PSP witness Bruce McNeil has testified, PSP continues to work through the remaining federal process so that PSP can present the plan to the Commission for approval and inclusion in rates in the appropriate subsequent proceeding.

Finally, the timeline for the DOL advisory opinion process is not fully within PSP's control. As I explain in my direct testimony, several factors likely contributed to the delay, including the need for follow-up explanation given PSP's unique structure, the change in federal administration, and PMSA's decision to interject itself into the DOL process by sending a letter urging the DOL to deny PSP's request. In addition, federal agency timelines can be affected by external disruptions such as government shutdowns and furloughs. The majority of these factors are outside PSP's control. Bruce McNeil addresses the DOL process in more detail.

Q. How do you respond to Moore's assertion that PSP is using the federal process to preserve an "unsustainable status quo indefinitely"?[109]

A. I strongly disagree with this assertion. And it is ironic that PMSA makes this statement, when it is PMSA that has taken steps to prolong the DOL process and argue against DOL providing an advisory opinion to PSP. Despite PMSA's interference, PSP has obtained the determination from the IRS that PSP's MEP is a tax-qualified plan, which is a major step towards moving forward with the MEP.

[109] Moore, Exh. MM-01T at 113:14-21.

Q. Relatedly, do you have concerns about how Captain Moore characterizes the DOL process in his pension testimony?

A. Yes. Captain Moore attributes a quote to PSP witness Bruce McNeil regarding the DOL process that is not a quote from McNeil but a quote from PMSA's own witness.[110] This distortion of the facts is concerning to PSP and should also be concerning to the Commission. PSP witness Bruce McNeil addresses that specific issue and the underlying record in his testimony.

Q. Why does that matter?

A. It goes to the reliability of Moore's testimony and speaks to his credibility as a witness. When he attributes words to another witness that do not appear in the cited record from that witness, the Commission should carefully scrutinize and verify other of Moore's assertions, testimony, and exhibits for their truth and accuracy.

[110] Both PMSA witnesses Hoffman and Moore put words in PSP witness McNeil's mouth that he did not say, but Moore uses quotation marks misleadingly attributing it to McNeil. Moore, Exh. MM-01T at 113:8-12 ("In an August 2, 2024, email, included as Exhibit SKH-05, Mr. McNeil characterizes DOL as "reluctant to issue a favorable Advisory Opinion" because approving PSP's request would be "diametrically opposed to the reasons for which the MEP regulations were adopted."). Moore's quotes necessarily lead one to believe Mr. McNeil said these words in his email. He did not. PMSA's witness Hoffman characterized McNeil's email in these words. *See also* Hoffman, Exh. SKH-01T at 16:17-25; *see* Exh. BJM-07T.

Q. PMSA claims ratepayers may pay "double," by funding PSP's current pay as you go pension while also funding future benefits under the MEP. Is that accurate?

A. No. During a transition there may be incremental cost, but that is not "double payment" of the same benefits. Legacy obligations must be paid as they come due under the unfunded pay as you go pension, and future benefit accruals would be handled under the funded plan once implemented. The question is how to manage the transition prudently, not whether the existence of transition costs justifies abruptly shifting legacy obligations to working pilots.

V. PSP PROVIDED VESSEL TRAFFIC CONSISTENT WITH COMMISSION RULES AND HAS UPDATED IT ON REBUTTAL

Q. How do you respond to PMSA's contention that PSP failed to follow Commission rules because it did not provide projected vessel assignments?

A. I disagree. The relevant rule requires PSP to provide projected changes in vessel assignments and a detailed portrayal of vessel assignments for the previous twelve months along with the associated tariff and fees charged to vessel operators for pilotage services.[111] This information was provided in PSP's direct case as Exh. IC-14. I included a section in my direct testimony titled "Projection of Changes to Vessel Assignments."[112] I projected changes in vessel assignments based on known and measurable changes to vessel traffic—an increase in cruise ships and a

[111] WAC 480-07-525(4)(m).
[112] Exh. IC-01T at 54.

decrease in ATB assignments—and I used the test year as the previous 12 months. I also included the associated tariff and fees charged to vessel operators for pilotage services. In summary, PSP complied with the requirements of WAC 480-07-525(4). For clarity, the net projected vessel traffic in Exh. IC-14 is 7,446, which reflects the test year traffic, plus 40 additional cruise assignments, minus 182 ATB assignments.

Q. PMSA takes issue with differences between Exh. IC-14 vessel traffic and the price out document provided by PSP witness Ann LaRue as Exh. AML-03, Sch.2.02. How do you respond?

A. As explained by witness LaRue and in my direct testimony, these two documents serve different purposes. The price-out document presented by Ann LaRue, Exh. AML-03, Schedule 2.02, uses test year revenues and expenses for test year traffic. As discussed in Ms. LaRue's rebuttal testimony, this is appropriate under the matching principle for ratemaking. My exhibit, Exh. IC-14, is intended to meet the requirement of WAC 480-07-525(4)(m), consistent with the Commission's instructions in prior cases. I project changes in vessel assignments and demonstrate a detailed portrayal of vessel assignments for the previous 12 months (i.e., the historical test year) along with the associated tariff and fees charged to vessel operators for pilotage service.

Q. Did PSP request clarification from the Commission on WAC 480-07-525(4)(m) in its case in chief?[113]

A. Yes. PSP requested clarification on WAC 480-07-525(4)(m) because there is some ambiguity in the WAC, in terms of what period the projected changes in vessel assignments should cover, and whether the "previous twelve months" is the same or different from the historical test year.

REVISED VERSION

Q. Have you updated Exh. IC-14?

A. Yes, I have. It is Exh. IC-32r. As shown on that exhibit, PSP's current projection of vessel assignments for 2026 is ~~7,186~~ 7,114. It is based on actual 2025 assignments plus additional known and measurable changes for 2026. PSP strives to provide the most accurate projection possible and is updating its projected changes in vessel assignments in rebuttal, using actual 2025 assignments, adjusted only for known schedule changes and announcements for 2026. These changes include the following:

- Cruise ship assignments have increased by 60 additional assignments in addition to the 40 additional cruise assignments identified in my direct testimony.
- LNG bunkering for cruise ships is increasing by approximately 39 assignments; and
- Container ships are projected to increase by 52 assignments as reported by Capt. Moore at the January BPC meeting (26 calls, 52 assignments).[114]

[113] Exh. AML-01T at 26-28.

[114] Exh. IC-27 (part 1 of 3 8:22-8:36). At the meeting Moore states: "A fortnight service at Terminal 18 is going to become weekly, so that's 26 additional arrivals and that pretty much addressed the small decrease that we had forecast. So looking pretty steady at this point."

Q. How does this updated vessel traffic compare to the pro forma traffic provided in IC-14?

A. The updated vessel traffic projections I am providing in rebuttal show a decrease of 260 assignments from the initial vessel projections provided in my direct testimony.

Q. Does this reduced vessel traffic affect PSP's request for the number of funded pilots?

A. No. PSP's request for funding of 60 pilots remains reasonable. Applying the BPC's pilot-staffing framework, when 7,186 assignments is divided by the target assignment level of 123, it equals 58.4 pilots. With the addition of the PSP president, this brings the number of pilots to 59.4. When not fit for duty days[115] are added, the number of required pilots exceeds 60.

Q. Does Marine Exchange reporting support the idea that Puget Sound vessel activity has continued to decline steadily as PMSA claims?

A. Not necessarily. The 2025 Marine Exchange Annual Report reflects resilience in recent vessel arrival levels. The Marine Exchange reported 2,545 total vessel arrivals in 2025, compared to 2,596 arrivals in 2024, a difference of only 1.98%.[116] These observations were reported by the Marine Exchange of Puget

[115] Not fit for duty days occur when a pilot has a major injury or illness, lasting more than fourteen days, that makes him or her unfit to perform the duties of a Puget Sound Pilot. The not fit for duty days (NFFD) the BPC used in the 2024 hearing setting 60 pilots was 1. *See* Exh. IC-08 at 4.

[116] Exh. IC-33, Marine Exchange of Puget Sound 2025 Annual Report page 13.

Sound's current Executive Director, Patrick Gallagher, in his presentation to the BPC at their January 15, 2026 meeting. Gallagher described 2025 traffic as "surprisingly resilient" and indicated that the region "may have found [its] floor."[117]

Q. Capt. Moore claims his vessel traffic projections are based on "objective vessel arrival data" and a "proven correlation methodology with 99.65% accuracy."[118] Do you agree that his correlation method is a reliable basis for ratemaking in this case?

A. No. PSP is not disputing the Marine Exchange's raw arrival data. However, Moore's method is not a reliable basis for ratemaking because it applies a manipulated correlation that does not reflect known, measurable operational changes that drive pilot assignments. In contrast, PSP's projections are based on actual recent assignments and specific, documented traffic changes for the rate year, including cruise ship growth, LNG bunkering activity, and Moore's own report to the BPC of increasing containership calls. His "hindcasting" approach is a statistical exercise that ignores material operational drivers and is unnecessary when the Commission has the actual assignment data and identifiable changes that can be directly measured and explained.

[117] Exh. IC-27, 1-15-2026 BPC Meeting Part 1 of 3.m4a (40:56-42:05) (Gallagher's Marine Exchange Presentation to BPC).
[118] Moore, Exh. MM-1T at 145:17-20.

Q. Does Capt. Moore apply his "arrival-to-assignment" correlation factor consistently in his projection?

A. No. Moore mixes time periods in a way that understates assignments. For example, he proposes a 10-year average assignment level as most reasonable, but then applies the 20-year average arrival to assignment correlation factor. This inconsistency matters because the correlation ratio has increased over time due to changes in operations and vessel characteristics. If Moore is using a 10-year traffic baseline, then the correlation ratio, if used, should be taken from the same 10-year period, not from a 20-year average that includes outdated operating conditions.

By way of illustration using Moore's own Exhibit MM-23: he projects arrivals to fall by 10 per year, based on the 10-year average arrival data, to 2,421. He then applies the 20-year average correlation factor (2.8761) to his 10-year arrival baseline, yielding 6,962 assignments. However, if the 10-year average correlation factor (approximately 2.946) is used consistently with the same 10-year arrival data, the 2026 projection increases to approximately 7,132 assignments.

This demonstrates that Moore's mixed-period approach materially depresses his assignment projection. More importantly, it underscores why the Commission should not rely on correlation methodology at all when the record contains actual assignments and identifiable rate-year drivers.

Q. Why has the arrival-to-assignment correlation ratio increased over time?

A. The correlation ratio is not a fixed constant. Circumstances have changed materially over the last 10–20 years. Ships are larger and fewer in number, and larger ships increasingly require two pilots due to restricted waterways and operational risk. There has also been increased use of anchorage and shifting activity,[119] which can increase assignments without a corresponding increase in Marine Exchange-reported arrivals. In addition, fatigue-mitigation efforts consistent with best practices and BPC recommendations[120] have required more pilot exchanges on long transits, particularly when a transit extends beyond 12 hours in the middle of the night. These are operational realities that directly affect assignments and are not captured by a simple long-run average correlation factor.

Q. What is PSP's recommended approach for vessel traffic projections for ratemaking purposes?

A. The Commission should rely on actual assignments adjusted by known, measurable schedule changes and announcements for the rate-year, rather than trendlines, hindcasting, or inconsistent correlation ratios. PSP's approach uses the most recent year of actual assignments as the baseline and then incorporates specific, verifiable changes for the rate year. That approach is transparent, testable, and directly tied to real operational facts, rather than a statistical

[119] Exh. IC-27, 1-15-2026 BPC Meeting Part 1 of 3.m4a (43:34-44:12) (Patrick Gallagher presentation to the BPC: even though overall vessel arrivals are down since the 1990s, the amount of time spent at anchor is increasing. Moreover, the amount of time anchorages get reserved is also increasing.)
[120] *See* Exh. IC-34.

extrapolation that can be manipulated by selecting different averaging windows and assumptions.

This approach also aligns with how pilotage revenues are actually calculated. Using actual assignments as the baseline allows PSP to develop a usable price-out and revenue model based on billing determinants tied to specific vessel calls, such as vessel tonnage, service time, etc. In contrast, Moore's correlation-based projection produces only a topline assignment estimate. It does not provide the vessel-level billing determinants necessary to model revenues and design a tariff that will produce fair, just, reasonable, and sufficient rates.

Q. How do you respond to the PMSA exhibits that use a trend line and suggest a long-term decline in vessel arrivals in Puget Sound?

A. I have reviewed the exhibits provided by Captain John Veentjer and his testimony. Captain Veentjer relies on one-straight-line trend in his graphs to suggest a long-term decline in vessel arrivals. PSP witness Lane Sisung explains in rebuttal why that presentation can be misleading.

VI. PMSA'S RECOMMENDATIONS AND PROPOSED EFFICIENCY MEASURES ARE UNNECESSARY, DUPLICATIVE AND SHOULD BE REJECTED

Q. Have you reviewed Section IX of Captain Moore's testimony in which he proposes "additional operational and efficiency recommendations"?

A. Yes.

Q. What is your high-level response to this section of his testimony?

A. Captain Moore's efficiency criticisms largely repeat the themes he advanced in prior dockets, and the Commission has already evaluated substantially similar proposals and rejected them.[121] In Docket TP-220513, the Commission reviewed these arguments and ultimately declined to adopt PMSA's proposed efficiency measures, noting that the record did not provide a granular assessment of PSP's dispatch system or the hours worked by individual pilots, and expressing hesitation to approve metrics that might create incentives or disincentives at cross-purposes with the BPC's mission. The Commission also recognized PSP's ongoing efficiency work and stated that PSP "deserves credit" for looking for opportunities to improve.

It is clear from reading this section, and the whole of Moore's testimony, that PMSA values efficiency over safety.[122] His proposals blatantly ignore changes in target assignment level that the BPC's pilot safety committee recommended. He urges this Commission to ignore them also.

Notably, the analyses on which he relies are flawed and require scrutiny. For these reasons, his proposals should be rejected. I discuss these concerns in more detail below.

[121] Docket TP-220513, Order 08 ¶¶ 317–321.

[122] For example, "efficiency" (including efficiently and efficient) is mentioned 64 times in his testimony; "safety" (including safely and safe) is referred to 22 times.

Q. How do you respond to Figure H in Captain Moore's testimony claiming efficiency declines by pilots in 2025?

A. In Figure H and Exh. MM-39, Captain Moore once again chooses to disregard the determination by the Board of Pilotage Commission and its safety committee to set the target assignment level at 123 in 2024. Prior to that determination, the target assignment level was set at 145. It is not surprising that it takes more pilots to complete the same level of assignments, when the BPC has determined that the prior target assignment level did not meet its safety standards, and has set the target assignment level at a lower level to enhance pilot and public safety. Captain Moore's own exhibit demonstrates that what he terms "efficiency" means to have an average assignment level that significantly exceeds the target assignment level set by the BPC in August 2024. Captain Moore is attempting an end run around the BPC's determination of a safe target assignment level by asking the Commission to endorse a higher level of assignments in setting pilot compensation.

Q. Please respond to Captain Moore claims of inefficiency—specifically that PSP delays vessels, and inappropriately uses callback days, prioritizes on-watch meetings and has excessive meetings.

A. With respect to vessel delays, PSP has no business incentive to delay ships. Delays occur when there is no rested, available pilot to safely perform the work under applicable rest rules and staffing conditions. The Commission has

recognized that vessel delays can be driven by factors including pilot shortage and rest-rule changes.[123]

With respect to callback days, PSP likewise has no incentive to create or increase callbacks. Callbacks are not a profit center. The Commission recognized in past cases that callbacks benefit vessels by allowing PSP to staff for average demand rather than peak demand and use callbacks to address periods of peak demand.

> PSP's current callback system was created in response to the BPC's decision to staff the Puget Sound pilotage district based on average vessel traffic rather than peak vessel traffic. By staffing at this lower level, vessels benefit from lower rates. But average demand level staffing necessarily increases callback assignments to limit vessel traffic delays.[124]

Consistent with Commission direction in Order 09, PSP transitioned to GAAP accounting for callback liabilities. Revenues are reserved when callback days are worked, which directly reduces pilots' distribution.

Finally, with respect to meetings and alleged "excessive" non-revenue activity, Moore's presentation is misleading. PSP's "meeting" category is a reporting classification for essential service activity ("ESA") that supports a safe, reliable, 24/7 compulsory pilotage service, including operational, training, safety, governance, and regulatory obligations, as I addressed previously in my testimony.

[123] Docket TP-220513, Order 08 ¶ 319.
[124] Docket TP-190976 Order 09 ¶ 226.

PSP makes every effort to pair non-revenue activities with assignments when permitted under BPC rest rules, including under PSP Operating Rule 15.C, which allows combined meeting/ship assignments in accordance with BPC rest rules.

These issues are addressed directly below, including the exam-cycle workload that drives meeting activity and Moore's meeting-count methodology.

In summary, Captain Moore's recurring narrative suggests PSP benefits from inefficiency, delays, and callbacks. It does not. These conditions are driven by rest rules and staffing constraints and create operational burdens and accounting liabilities rather than profits.

Q. Captain Moore states that meeting volume increased by over 500 per year and that on-watch meetings alone surpassed the total number of all meetings in 2019. How does the exam process relate to this claim?[125]

A. Moore's "meeting" totals are not a measure of actual meetings. They are counts of *pilot-attendances* at meetings. As Moore acknowledges, if four pilots attend the same meeting, it is counted as four "meetings."[6] That method inflates the apparent volume of meetings and makes comparisons across years unreliable.

More importantly, Moore's narrative ignores a major driver of meeting volume: the BPC pilot exam. The 2024 exam required extensive PSP participation in exam development, coordination, and administration resulting in over 80 pilot-

[125] Moore, Exh. MM-01T at 208:6-13.

attendances. This is non-revenue generating work that is necessary to support the state's compulsory pilotage licensing and training pipeline.

Moore's testimony simultaneously endorses frequent exams as a sign of a "healthy" system while criticizing PSP for the very meeting workload that exam cycles predictably generate. The Commission should view that contradiction for what it is: a selective use of "meetings" to imply inefficiency while ignoring the regulatory work driving those numbers.

Q. What do PSP's "exam-related meetings" actually involve?

A. They are the substantive work required to develop and administer the psychometrically validated State pilot examination. In general, the exam-related meetings include:

- Simulator evaluation development, beta testing, and grading
- Knowledge-based exam development, including syllabus review, question writing, and review with subject matter experts (pilots)
- Review of exam applications and recommendations to the BPC
- Review of candidate question protests
- Cut score determination and approval by the Pilotage Commissioners

This work is time-sensitive during an exam cycle and requires coordination among BPC staff, outside vendors, and the pilots serving as subject matter

experts. Much of this work occurs during pilots' respite periods in support of Washington's pilotage system.

Q. How should the Commission treat any suggestion that exam-related meeting activity reflects "inefficiency" rather than a regulatory workload?

A. The exam is not optional overhead. It is part of the state's licensing pipeline, which pilots are proud to support. When the BPC itself characterizes the process as expensive and burdensome, and recommends structural changes to reduce workload, it confirms this is a real regulatory burden, not an elective PSP preference. The proper conclusion is not that PSP is "inefficient," but that pilot compensation and staffing must be evaluated with an understanding of the non-bridge, non-revenue, essential service activities that the system requires.

Q. Captain Moore displays multiple graphics and tables on page 203 of his testimony purporting to show that PSP is operating less efficiently. What are your concerns with this testimony and his depictions?

A. There are several problems with Captain Moore's analysis. First, it is not clear what his tables on page 203 are intended to show. There are asterisks and double asterisks by certain headings with no legend explaining the asterisks.

Second, his revenue per assignment numbers have been rejected by the Commission for ratemaking purposes in Docket TP-190976. As the Commission stated, "RPA does not answer the first question of the rate-setting process, which is PSP's revenue requirement. Nor does it answer the second step, which involves

establishing tariff rates."[126] Thus, Captain Moore's RPA tables, graphs, and analysis has limited relevance for the Commission in a rate proceeding. The Commission will consider the sufficiency of rates by establishing a revenue requirement, not through the revenue per assignment methodology used by Captain Moore.

Third, while Captain Moore argues that PSP is operating less efficiently, his table and graphic show that PSP's overall expenses and expenses per assignment have decreased from 2023 to 2024, which would seem to prove the opposite—that PSP is operating more efficiently.

Fourth, with respect to TDNI, Captain Moore seeks to relitigate the Commission's Order 08 in Docket TP-220513. He advocated against the rate increases that the Commission ultimately granted in 2023 including the increase in DNI and the number of pilots. Now he is attempting to use that authorized increase to show that the revenue per assignment has increased. This is not surprising and is expected with a rate increase.

Fifth, his table confirms PSP's testimony that the TDNI per assignment for 2024 is below PSP's target DNI of $475,733 as authorized by the Commission in Order 08 in Docket TP-220513. The Total DNI of $25,419,800 in 2024, when divided by 56 authorized pilots, results in a target DNI of $453,925 for the 56 pilots licensed in 2024, below the target DNI of $475,733 set by the Commission.

[126] Docket TP-190976, Order 09, ¶ 68.

Q. Captain Moore points to Exh. JR-04 as alarming in terms of 2025 revenue per assignment data, which he claims to glean from reports presented to the BPC. How do you respond?

A. As previously stated, the Commission has rejected revenue per assignment metrics for rate-setting purposes. Yet throughout his testimony, Captain Moore seeks to rely on revenue per assignment to establish his position with regard to the rate-setting process and establishing tariff rates, contrary to the Commission's order in Docket TP-190976. Further, it should not be a surprise that after a high volume of vessel traffic and assignments in 2024—in part due to importers front-loading shipments so cargo would arrive before President Trump's trade tariffs took effect in 2025—the assignments dropped in 2025 when the tariffs were imposed. This necessarily affected the number of assignments in 2025, and thus the revenue per assignment.

Q. Do you agree with PMSA's Recommendation #1: Establish AAL-based performance standard as an alternative for the DNI funding floor and ceiling, not just the number of licensed pilots or authorized pilots?

A. No, if the Commission uses a floor and ceiling, the minimum number of pilots funded should be the number of pilots licensed at the time of the compliance filing and the conclusion of this rate case because this number can fluctuate quickly, and the ceiling should be the number of pilots that that was authorized by the BPC.

To establish an AAL performance standard creates an incentive for pilots to work above and beyond the five percent or less callback goal as set by the BPC, PSP's safety regulator. If PMSA is successful in achieving this regressive approach, it will cause a great disconnect between authorized pilots and funded pilots.

Q. Do you agree with PMSA's Recommendation #2: Institute annual efficiency reporting?

A. No, In Order 09, the Commission clearly states: "The BPC is charged with determining the number of pilots necessary for safe, efficient pilotage service, and the Commission is charged with setting rates for these pilotage services."[127]

PSP already participates in extensive monthly reporting to the BPC regarding assignment metrics, staffing, and workload. PSP also provides annual reporting on revenue. In addition, the BPC maintains information regarding pilots who are "not fit for duty", trainees currently in training, and those approved to train. As the regulator responsible for pilot safety, efficiency, and training oversight, the BPC is the appropriate entity for this reporting, and this is where that reporting should continue to reside.

Notably, PMSA has made similar recommendations to the BPC for data gathering that were found by BPC Staff to be inconsistent with the target assignment level

[127] Docket TP-190976, Order 09, ¶ 86.

analysis and labor intensive. The BPC was not interested in increasing the burden of data gathering based on a hypothetical inefficiency.[128]

Requiring duplicative reporting to the UTC—whose role is limited to setting pilotage rates—would be unduly burdensome not only for PSP, but also for Commission Staff.

Q. Do you agree with PMSA's Recommendation #3: Require forecast reconciliation?

A. No. I disagree for several reasons. First, this proposal is built on false information as I discussed earlier in my testimony. Moore's claims regarding my prior projections are not supported by the record in prior cases.

Second, forecasting pilot availability, staffing levels, and target assignment levels are clearly the statutory responsibilities of the Board of Pilotage Commissioners as codified in RCW 88.16.035 and further defined in WAC 363-11-065.

In addition, PSP annually provides audited financial statements and presents them to the BPC. The BPC then incorporates that information into its annual report, which provides transparency and accountability regarding PSP's finances and operations through an established public process. Further, the BPC directly tracks pilot staffing and availability through its oversight of licensed pilots. WAC 363-116-200(6) states: "Any pilot who shall absent himself/herself from his/her pilotage duties or district for a period of sixty days without permission of the

[128] Exh. IC-08 at 11 (August 15, 2024 BPC Meeting Minutes).

board of pilotage commissioners shall be liable to suspension or to the forfeiture of his/her license." This requirement ensures pilots cannot remain inactive beyond 60 days without Board scrutiny and regulatory consequences, making the notion of inflated or misleading "phantom pilot" staffing levels implausible. Therefore, PMSA's claim regarding "phantom pilots" is not credible, and it ignores the Commission's prior direction on this topic.[129] Creating an additional level of reporting and scrutiny of PSP staffing would be duplicative, unduly burdensome, and unnecessary, given that these responsibilities and controls are already clearly established in statute and rule and are actively administered by the BPC.

Q. Do you agree with PMSA's Recommendation #4: Monitor RPA?

A. The Commission has previously rejected RPA for rate-setting purposes and establishing tariff rates.[130] Further, the BPC includes RPA in its annual reports. Requiring PSP and UTC Staff to monitor RPA for UTC purposes would be duplicative, unduly burdensome, and not necessary to ensure appropriate oversight.

[129] Docket TP-220513, Order 08 ¶ 164 ("Thus, we agree with PSP and Staff that the Commission should fund 56 pilots in the rate year. It may take time for additional licensed pilots to join the association, but this means that the actual working pilots will be required to take on additional assignments in the interim. As the Commission recognized in Final Order 09, '[b]y funding additional pilots above the number of currently working pilots,' the Commission's Methodology 'proposes to place a 'premium' into rates that will then be distributed among the pilots.'").

[130] *See* Docket TP-190976, Order 09 ¶¶ 68 ("PMSA argues further that the Commission should include Revenue Per Assignment (RPA) in the revenue requirement formula, noting that the BPC includes RPA in its annual reports. We disagree. As the Oregon Board of Marine Pilotage has persuasively explained, the regulator first determines the pilot association's revenue requirement. Next, similar to the Commission's own rate-setting practice, the regulator should determine the appropriate tariff rates to recover the revenue requirement in light of projected vessel traffic.108 PMSA would collapse this two-step process into a single Equation[.]"

In addition, PMSA attempts to portray RPA as "growing out of control," when the available data do not support that characterization. Over the same period, the Seattle–Tacoma–Bellevue CPI-U increased by approximately 23.5% (Feb 2021 to Dec 2024), indicating that cost pressures in the region have been substantial and that increases in RPA largely track inflationary conditions rather than reflecting unreasonable growth.

Q. Do you agree with PMSA's Recommendation #5: Direct Staff to conduct a stakeholder workshop to consider whether the tariff should be rebalanced to emphasize hours worked over tonnage?

A. Although PSP does support the idea of a Commission Staff-led workshop to study the revenues generated by service time and tonnage, Captain Moore's constant attacks on PSP with unsupported claims of inefficiency, make it difficult to work together on any issue.

Q. Do you agree with PMSA's Recommendation #6: Require PSP to align its BPC reports with UTC Commission orders?

A. No. The BPC already has the authority to request the financial reporting it requires from PSP. It is unreasonable for PMSA to attempt to direct the UTC to direct the BPC to impose additional or different reporting obligations on PSP. Doing so would create duplicative oversight and effectively inject an added layer of regulation into an area where the BPC is already the entity charged with supervising efficient pilotage operations.

In addition, it required significant time and expense for PSP to break down and reformat its accounting records to align with UTC regulatory accounting and reporting requirements. The UTC has also had ongoing visibility into PSP's finances for as long as ratemaking has remained with the Commission. For these reasons, PMSA's proposed reporting changes are unnecessary and would impose material administrative burden without providing meaningful additional oversight.

Finally, it is my belief, that it really does not matter what information PSP provides, the information will be misrepresented and used to drive a wedge rather than seek more positive outcomes that are beneficial to pilots and customers.

VII. REBUTTAL OF OTHER ISSUES RAISED BY PMSA

Q. How do you respond to Captain Moore's testimony that PSP does not contest that the prior two Commission processes created a just tariff?[131]

A. I find this to be a peculiar section of Captain Moore's testimony that misses the mark. He fails to recognize that the focus for the Commission in this case is on the record in *this* case, not the record in prior cases. The Commission cannot rely on a prior record; for rates and its decision to be "just" it must be based on the record before the Commission in this case. PSP's record in this case is robust and supports the rate relief PSP requests.

[131] Moore, Exh. MM-01T at 58-59.

As the Commission has stated, its standard for setting rates is to establish rates that are fair, just, reasonable, and sufficient.[132] PSP agrees this is the standard that the Commission should follow, including when considering TDNI and DNI. The Commission has defined this standard as follows:

> In any general rate proceeding, the Commission's ultimate goal is to set rates that are fair to customers and to the Company's shareholders; just in the sense of being based solely on the record developed in a rate proceeding; reasonable in light of the range of possible outcomes supported by the evidence; and sufficient to meet the needs of the company to cover its expenses and attract necessary capital on reasonable terms.[133]

Q. Based on the Commission's order cited above, what is the relevance of rates being just?

A. For rates to be just, I understand the Commission to say that they must be based solely on the record of evidence in a rate proceeding. In the current case, PSP has presented a strong record for the Commission—a record that is not bloated or focused on irrelevant issues—and that supports PSP's requests in this case. It is important that the Commission base its decision on the evidence in this case. The fact that rates in the prior cases were "just" (based on the record before the Commission in each respective case) does not in any way prevent PSP from bringing forth evidence for the Commission to consider in this case when setting rates, as PSP has done.

[132] Docket TP-220513, Order 08, ¶ 463.
[133] Docket TP-190976, Order 09, ¶ 43.

Q. Is there any relevance in this case to PSP not contesting that the rates in prior cases were just?

A. No, there is no need for PSP to prove the rates in the prior case were "unjust" before seeking rate relief in the current case. In fact, if PSP believed the rates in the prior proceeding to be unjust (i.e., not based on the record in that proceeding) the correct avenue would be to seek judicial review. In short, Captain Moore's section of his testimony stating that "Pilots do not contest that the prior two Commission processes create a just tariff" has no bearing on the current case other than to confirm that the current case should be based on the current record of evidence before the Commission in this case, not on past records of evidence.

Q. Do you agree with Captain Moore's testimony that there are no material changes to pilotage services that justify finding the tariffs insufficient?[134]

A. No. I do not agree with Captain Moore's assessment that there are no material changes to pilotage services since 2023. I also do not agree that this is the appropriate standard for determining whether the current tariff is insufficient.

[134] Moore, Exh. MM-01T at 107-109.

Q. Please elaborate on why Captain Moore's claim that there are no material changes to pilotage services since 2023 is not relevant to whether the tariff is insufficient.

A. The sufficiency of the tariff is based on a financial analysis of the revenue requirement—including an analysis of revenues, expenses, pro forma adjustments, the number of pilots and the appropriate DNI for pilots.

Q. Do you have concerns with Captain Moore's claim that there have been no material changes to actual bridge times to support a finding that the tariff is insufficient?[135]

A. Yes, again Captain Moore improperly limits his focus to bridge hours per assignment when discussing material changes. As I discussed above, under Washington law, the relevant focal point is assignments and assignment times, not bridge hours. Thus, his comparison of bridge hours over the past three cases has limited relevance under Washington law. If he wants to undertake this type of analysis, he should be looking at assignment time, not bridge hours, that are just one component of an assignment.

Q. What are some of the material changes to pilotage service since 2023?

A. There are several changes. First, as discussed previously in my testimony, the BPC set the target assignment level at 123 assignments for safety purposes in 2024, and the BPC authorized 60 pilots for PSP based on the target assignment

[135] Moore, Exh. MM-01T at 109.

level of 123. PSP expects to reach 59 licensed pilots by June 2026. These are material changes that have occurred since PSP's prior case.

Second, PSP's expenses have increased since the revenue requirement was set in the 2023 case. Third, and relatedly, PSP's tariff rates were set in Docket TP-220513 based on a 2021 test year, and the CPI demonstrates that prices have increased substantially since that time.

Fourth, we are seeing larger vessels calling in Puget Sound as compared to 2023, which increases operational complexity and consequence of error. National attention has recently focused on this issue following the March 2024 allision of the containership *Dali* with the Francis Scott Key Bridge in Baltimore after the vessel experienced a loss of propulsion and electrical power, resulting in the collapse of the bridge and the death of six workers. The National Transportation Safety Board has emphasized that increasingly large container vessels create increased risks and operational challenges, particularly in waterways and port infrastructure that were not designed around modern vessel size and maneuvering limitations. This is addressed in more detail in the Prefiled Rebuttal Testimony of Jorge Viso.

These risks are not theoretical for Washington. As noted by Patrick Gallagher, Executive Director of the Marine Exchange of Puget Sound, in their 2025 Annual Report, "In early March, Terminal 5 welcomed the MSC Ilenia, the largest

container vessel ever to call at that facility."[136] This ship is over 1200' long and 155,084 gross tons, substantially larger than the Dali at 984' and 95,128 tons.

Q. Besides the ship's massive size, was there anything notable about the MSC Ilenia's visit to Puget Sound?

A. Yes, there was. Due to her size and the constricted nature of Seattle's West Waterway (between Harbor Island and West Seattle), the MSC Ilenia required two pilots on arrival and two pilots on departure. Both transits proceeded without incident until, after the docking pilot had disembarked after clearing the waterway on departure, the vessel experienced numerous engine malfunctions during the transit to Port Angeles. After evaluating emergency anchorages and the lack of available assist tugs, the pilot proceeded to Port Angeles under reduced power while encountering a 4.5 knot flood current in Admiralty Inlet. The Coast Guard ultimately allowed the ship to proceed to sea where engine repairs were made while drifting off the Washington coast. The report of Marine Safety Occurrence that the assigned pilot filed with the BPC is attached as Exh. IC- 35.[137]

Capt. Moore is an experienced maritime professional, as reflected in his curriculum vitae, and he is well aware that larger vessels and propulsion failures increase risk in confined waterways.

[136] Exh. IC-33.
[137] Exh. IC-35 (2025 Marine Safety Occurrence Report for the MSC Ilenia).

VIII. CONCLUSION

Q. Does that conclude your testimony?

A. Yes, it does.