

**Exh. DPK-4  
Docket TP-190976  
Witness: Danny Kermode**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND PILOTS,**

**Respondent.**

**DOCKET TP-190976**

**EXHIBIT TO  
CROSS-ANSWERING TESTIMONY OF**

**Danny Kermode CPA**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*PSP Response to UTC Staff Data Request No. 54*

**July 13, 2020**

DATE PREPARED: March 11, 2020	WITNESS: Jessica Norris
DOCKET: TP-190976	RESPONDER: Jessica Norris
REQUESTER: UTC Staff	Puget Sound Pilots

**DATA REQUESTS DIRECTED TO: Jessica Norris**

**UTC STAFF DATA REQUEST NO. 54:**

At page 2, lines 23-24 of Exh. JN-1T, you note that Callback Days are a material and growing liability. When responding, assume the callback liability is recorded on the PSP accounting books.

- a. Please provide the journal entry that would be used to record the callback liability on the books of PSP as of December 31, 2019 and at the end of test year.
- b. Please provide the journal entry required to record the test year's incurred callback liability.
- c. Please provide the journal entry required to record the test year's used callback liability.

**RESPONSE TO DATA REQUEST NO. 54:**

**CAVEAT:** In offering a response to this Staff data request, it is critical to emphasize that the below hypothetical journal entries would not be feasible or accurate under the present operating rules of the Puget Sound Pilots or the present tariff funding since callback days are not funded in the tariff when first incurred.

[Responses on following page to preserve formatting]

**Response to (a):**

In response to item (a), it is noted that this is a “memo only” entry as this liability was incurred by individual pilots over a long period of time but has not historically funded through the tariff while the days were being incurred.

Memo only journal entry for call back liability at December 31, 2019:

	<u>Debit</u>	<u>Credit</u>
Call back day liability		7,052,506
Retained Earnings (prior year impact)	6,927,172	
Current year increase (account unknown - memo only)	125,334	

Memo only journal entry for call back liability at June 30, 2019:

	<u>Debit</u>	<u>Credit</u>
Call back day liability		6,783,048 *
Retained Earnings (prior year impact)	5,851,620	**
Test year increase (account unknown - memo only)	931,428	

\* calculated based on call back days outstanding at June 30, 2019 - using December 31, 2019 - income per pilot

\*\* calculated based on call back days outstanding at June 30, 2018 - using December 31, 2018 - income per pilot

**Response to (b) and (c):**

**Note:** Again, these hypothetical journal entries are not feasible or accurate under the present PSP Operating Rules, or under the circumstances by which Callback Days have been funded by the Board of Pilotage Commissioners. This response is as requested based on some hypothetical scenarios. Below are two hypothetical situations.

**Hypothetical situation #1** – liability is funded through a rate setting process and the allocated revenue specifically for call back days would be identified separately and accrued

**Response (b) – as revenue is earned**

Customers billed:

	<u>Debit</u>	<u>Credit</u>
Accounts receivable	XX	
Call back day liability		XX

Response (c) – as call back days are used/paid out

	<u>Debit</u>	<u>Credit</u>
Call back day liability	XX	
Cash		XX

**Hypothetical situation #2** – liability is funded through a rate setting process the allocated revenue specifically for call back days would be included in PSP revenue and an associated liability and expense would be calculated monthly to offset the revenue included to working pilots.

**Response (b) – as revenue is earned**

Customers billed:

	<u>Debit</u>	<u>Credit</u>
AR	XX	
Revenue		XX

Expense accrued:

	<u>Debit</u>	<u>Credit</u>
Call back day expense	XX	
Call back day liability		XX

**Response (c) – as call back days are used/paid out**

	<u>Debit</u>	<u>Credit</u>
Call back day liability	XX	
Cash		XX