

**Exh. MY-11T
Docket TP-220513
Witness: Mike Young**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND PILOTS,

Respondent.

DOCKET TP-220513

CROSS-ANSWERING TESTIMONY OF

MIKE YOUNG

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Compensation Days, Medical and Pension, Automatic Adjusters, Number of pilots

March 3, 2023

TABLE OF CONTENTS

I. INTRODUCTION 1

II. SCOPE AND SUMMARY OF TESTIMONY 1

III. DISCUSSION 2

 A. TOTE Marine Alaska Billing Rate 2

 B. Call Back Expense 3

 C. Automatic Adjusters 4

 D. Pension Costs 6

 E. Health Insurance 8

 F. Number of Pilots 9

 G. Other Comments 10

1 I. INTRODUCTION

2

3 Q. Please state your name and business address.

4 A. My name is Mike Young, and my business address is 621 Woodland Square Loop
5 SE, Lacey, Washington, 98503.

6

7 Q. Are you the same Mike Young who filed testimony in this docket on February
8 10, 2023, on behalf of Commission Staff?

9 A. Yes.

10

11 II. SCOPE AND SUMMARY OF TESTIMONY

12

13 Q. What is the scope and purpose of your cross-answering testimony?

14 A. I will discuss the billing issue put forth by Tote Marine Alaska, LLC, as well as
15 testimony concerning call-back expenses, pilots' pro-forma pension and medical
16 expenses, number of pilots, service reliability and other topics addressed by Pacific
17 Merchant Shipping Association (PMSA) witness Michael Moore.

18

19 Q. Have you prepared any exhibits in support of your testimony?

20 A. No.

21

22

1 **III. DISCUSSION**

2

3 **A. TOTE Marine Alaska, LLC Billing Issues**

4

5 **Q. Did you review the testimony submitted by Alyson Atalie Dubs**
6 **on behalf of TOTE MARINE ALASKA, LLC?**

7 A. Yes. TOTE is proposing that its vessels Midnight Sun and NorthStar be billed using
8 the vessels' Domestic Gross Tonnage (GRT) instead of the International Gross
9 Tonnage (IGT).¹ The current tariff does not make allowance for these two vessels
10 and TOTE was, accordingly, billed using the IGT.

11

12 **Q. Does Staff agree with TOTE's proposal?**

13 A. Yes.

14

15 **Q. Why?**

16 A. As Ms. Dubs states in her testimony, PSP billed Tote for these vessels based on their
17 GRT tons between the time when the vessels were initially launched into dedicated
18 coastwise service and the effective date of PSP's current tariff.² Staff believes that it
19 was intended in the prior case, TP-190976, that these two vessels would be billed
20 based on GRT, and that an oversight in the tariff document compelled PSP to bill
21 according to the IGT instead.

22

¹ Dubs, Exh. AAD-1T at 2.

² Dubs, EXH. AAD-1T at 5 ¶ 5.

1 **Q. What was this oversight?**

2 A. The tariff language was written as follows:

3 **Item 300 – Inter-Harbor Vessel Movements.**

4 All inter-harbor vessel movement shall be assessed a Tonnage Charge
5 and a Service Time Charge.

6 The Tonnage Charge shall be based on the Vessel’s International Gross
7 Tonnage.

8 There was no mention of the billing exception for the two named vessels, which had
9 been applied numerous times prior to the enactment of this tariff.

10

11 **Q. How can this oversight be prevented in the future?**

12 A. Staff believes the tariff language is generally appropriate, but that PSP should
13 include language specifically naming the Midnight Sun and NorthStar and providing
14 that they be billed based on GRT.

15

16 **B. Call Back Expense**

17

18 **Q. Did you review the testimony relating to Call Back Expense submitted by
19 Captain Michael Moore?**

20 A. Yes.

21

22 **Q. How did Capt. Moore propose handling call backs?**

23 A. Capt. Moore’s views coincide with Staff’s to some extent. Like Staff, Capt. Moore
24 concludes that call back days should not be included as an expense for calculating

1 the revenue requirement, citing the Commission’s previous Order 09 in TP-190976
2 as support. But, unlike Staff, Capt. Moore states that the “liability” of \$389,350 be
3 treated as deferred revenue, as directed by the Commission.³
4

5 **Q. Do you agree with Captain Moore’s proposed treatment of the call back**
6 **liability?**

7 A. No. As stated in my initial testimony, Staff believes that the “liability” for call back
8 days is simply an amount owed from one pilot or group of pilots (owners) to other
9 individual pilots (owners). It should not be an expense, nor should it be a deferred
10 revenue because the revenue was actually earned when the service was performed
11 and invoiced (due and measurable concept of accrual accounting). Instead, it should
12 be recorded solely on the balance sheet as an equity transaction. Staff adheres to its
13 earlier recommendation that the Commission should remove \$389,350 from the
14 revenue requirement, and again it offers no specific accounting methodology to deal
15 with the equity transaction.
16

17 **C. Automatic Adjusters**
18

19 **Q. PSP proposed several automatic adjusters; did PMSA agree to the adoption of**
20 **any of the proposed adjusters in its testimony?**

21 A. No. PMSA opposes all the proposed automatic adjusters, including the proposed cost
22 of living (COLA) adjuster, generally on the basis that the adjusters would replace the

³ Exh. MM-1T at page 65 lines 22-26.

1 formulas already used by the commission to determine tariff rates and avoid future
2 review of tariff rates.⁴ Capt. Moore goes on to explain other specific reasons why
3 each of the adjusters should not be allowed.

4
5 **Q. Does this change any of Staff's recommendations on the proposed automatic**
6 **adjusters?**

7 A. No. Although Staff did not characterize the proposed automatic adjusters as
8 replacements for the rate setting process, Staff did reach the same conclusion that
9 most of the automatic adjusters would not take into account other relevant factors
10 that would normally be reviewed in a general rate proceeding. Staff stands by its
11 original view that rates set by the Commission provide an *opportunity* to earn the
12 revenue requirement through prudent management, and that these proposed adjusters
13 (save the COLA adjuster) are designed to guarantee earnings tied to a specific
14 revenue requirement without consideration of management or efficiency decisions.

15
16 **Q. Why did Capt. Moore recommend rejecting the proposed COLA automatic**
17 **adjuster?**

18 A. Captain Moore states that a COLA applied to tariff rates would likely lead to
19 Distributable Net Income (DNI) increases actually higher than the cost of living.⁵ He
20 states that PSP's expenses have already increased significantly over the previous rate
21 filing, and that by cost cutting PSP could realize a higher DNI without the need for
22 an automatic adjuster.

⁴ Exh. MM-1T at 201: 20-23.

⁵ Exh. MM-1T at 211:12-17.

1 **Q. But Staff thinks a COLA automatic adjuster is appropriate?**

2 A. As stated in my previous testimony, Staff would not be opposed to an automatic
3 adjuster that functions as a COLA. Staff believes the function of automatic adjusters
4 is to streamline the filing process and avoid (or defer) the cost of an adjudication to
5 provide a rate increase when expenses increase, reducing administrative burdens on
6 the Commission and the parties to the pilotage rate-setting process.

7
8 **Q. What recommendation does Staff offer as to PSP's request for an annual
9 COLA?**

10 A. Staff reiterates its initial recommendation that the Commission approve a COLA,
11 even if it is not specifically the adjuster proposed by PSP.

12

13 **D. Pension Costs**

14

15 **Q. Did you review the testimony relating to Pension costs and the proposed pension
16 surcharge submitted by Captain Michael Moore?**

17 A. Yes.

18

19 **Q. How does PMSA's recommendations regarding the proposed pension costs
20 differ from Staff's?**

21 A. In his testimony, Captain Moore expressed concerns about the proposed pension
22 costs and surcharges, specifically that PSP's actuarial calculations are incorrect, that
23 PSP has chosen to manage its retirement plan outside the Employee Retirement

1 Income Security Act (ERISA), and that PSP has not fully disclosed the entirety of
2 the retirement compensation available or applicable to its members. Captain Moore
3 also believes that PSP did not follow the direction provided by the Commission with
4 regard to development of a new pension plan.⁶ Finally, PMSA suggests that pension
5 costs should be the responsibility of the pilots as individual owners, rather than an
6 expense of the organization.⁷

7
8 **Q. Staff agree with Capt. Moore's assessment of PSP's treatment of pension costs?**

9 A. Yes and No. Staff is certainly not an actuarial expert and could not make an
10 evaluation of PSP's calculations. Staff is aware that PSP has employed an actuary to
11 assist in the development of the to be developed defined benefit plan (and associated
12 transition), but that plan has not been completely developed and Staff has chosen to
13 disallow the pension adjustment included by PSP, as stated in my previous
14 testimony. Nor is Staff privy to the particulars of how PSP develops and applies
15 retirement rules to its members. Those issues are more appropriately dealt with by
16 the Board, the association, and its members, with the Commission addressing them
17 only through its ratemaking process. However, Staff does agree with PMSA in that
18 PSP has not yet followed the direction of the Commission in developing a new
19 defined benefit plan, and any adjustments or surcharges to recover costs for that plan
20 are premature.

21
22

⁶ Exh. MM-1T at 215:11-17.

⁷ Exh. MM-1T at 36:1-17.

1 **Q. What about moving pension costs to Distributable Net Income?**

2 A. Staff agrees that this should be effected, and believes the Commission was already
3 headed in this direction when it directed PSP and PMSA to develop a defined benefit
4 plan. Although the Commission did not explicitly state the costs and contributions
5 of the plan would be the individual pilots' responsibility, its directive to move
6 medical insurance to the DNI calculation supports Staff's belief this is intended to be
7 applied to retirement costs as well. However, since the retirement plan is not fully
8 developed, there is no pressing need to make that determination at this point in time.

9

10 **Q. How does Staff recommend that the Commission address pension costs?**

11 A. Staff stands by its original recommendation to leave pension plan costs at the level of
12 the previous rate case. Staff believes those costs are the best currently available
13 known and measurable proxy for pension costs going forward.

14

15 **E. Health Insurance**

16

17 **Q. Did you review the testimony relating to medical insurance costs submitted by**

18 **Captain Michael Moore?**

19 A. Yes. PMSA's view matches that of Staff for this item.⁸

20

21

⁸ Exh. MM-1T at 35:25

1 **F. Number of Pilots**

2

3 **Q. Did you review the testimony relating to number of pilots submitted by Captain**
4 **Michael Moore?**

5 A. Yes.

6

7 **Q. What does PMSA propose for the number of pilots?**

8 A. Essentially PMSA proposes using 55 pilots for the first two years, with an increase to
9 56 in the third year, with a corresponding change in TDNI. This is based on the
10 actual number of licensed pilots, and the maximum number of licensed pilots. PMSA
11 used an average assignment level (based on 7,483 ship movements) to calculate a
12 requirement of 54 pilots, plus one for the PSP president.⁹

13

14 **Q. Is this different than Staff's calculation?**

15 A. Not really. Staff started with the 52 “pilot FTEs” funded by the commission in
16 current rates and divided that by the number of assignments in the previous filing to
17 determine an average assignment level. Staff then used the same 7,483 ship
18 movements to calculate the required number of “pilot FTEs” which was rounded to
19 56, and also matched the figure proposed by PSP. Basically, Staff used the previous
20 rate case as its starting point whereas PMSA used a five-year data average to
21 determine assignment level.

22

⁹ Exh. MM-1T at 19:17-20.

1 **Q. Why didn't Staff adjust the number of pilots in subsequent years?**

2 A. Staff used the FTE concept, or full-time equivalent, to determine the number of
3 pilots to be used for calculating the revenue requirement. In the previous case, Staff
4 had proposed using the actual number of pilots, but the Commission chose to fund an
5 "FTE pilot" level instead. The concept is that regardless of how many actual pilots
6 are available, rates should be set at the level of pilots required to perform the
7 expected service based on average assignment levels. This concept addresses the
8 issue of the President of PSP being a licensed pilot while not making ship
9 movements, and makes the issue of actual licensed pilots the responsibility of the
10 Board, where that should rest. Once rates are set, the Board and PSP can then
11 manage the actual number of pilots-new licensees and retirees, which may mean
12 more or less than the average assignment level per pilot. Staff believes PMSA's
13 testimony is along similar lines.

14
15 **G. Other Topics**

16
17 **Q. Do you have other comments about the testimony of PMSA?**

18 A. Captain Moore provided considerable testimony addressing efficiency measures,
19 safety, and reliability. While Captain Moore has the knowledge and experience to
20 discuss these issues, Staff does not. Therefore, Staff does not have any comments to
21 provide on these subjects.

22

23

1 **Q. Does Staff propose changing any of its previous recommendations based on the**
2 **testimony of the intervenors?**

3 A. No. Staff stands by its original recommendations and does not believe that any of its
4 adjustments conflict with testimony provided by the intervenors.

5

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

7 A. Yes.