

**Exh. SS-6T
Docket TP-190976
Witness: Scott Sevall**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND PILOTS,

Respondent.

DOCKET TP-190976

CROSS-ANSWERING TESTIMONY OF

Scott Sevall

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Number of Pilots to Fund, Yacht Exemptions, Rate and Tariff Design

July 13, 2020

TABLE OF CONTENTS

I. INTRODUCTION1

II. SCOPE AND SUMMARY OF RECOMMENDATION1

III. SUMMARY OF TESTIMONY3

IV. ADJUSTMENTS3

 A. Funding the Vice President as an Administrative Position3

 B. Yacht Exemptions.....6

 C. Tariff and Rate Design.....7

LIST OF EXHIBITS

- Exh. SS-2r2 Average Historical Assignments and Distribution Calculation¹
(SS-2r2 revised 7/13/20)
- Exh. SS-3r Staff Proposed Tariff Rates (SS-3r revised 7/13/20)
- Exh. SS-7 Tariff Invoice Comparison

¹ SS-2r2 (revised 7/13/20) represents a further revision to the SS-2r filed with my supplemental testimony on 6/26/20.

1 **I. INTRODUCTION**

2

3 **Q. Please state your name.**

4 A. My name is Scott Sevall.

5

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

9 A. Yes.

10

11 **II. SCOPE AND SUMMARY OF RECOMMENDATION**

12

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

14 A. I will discuss the number of pilots to fund, the yacht exemption, and Staff's revised
15 rate design. In doing so, I will address:

- 16 • Mike Moore's testimony regarding funding the VP position as an administrative
17 pilot and tariff and rate design.
18 • Monique Webber's testimony regarding the cost of pilotage for recreational
19 Yachts.

20

21 **Q. Please summarize your recommendations?**

22 A. I revise my original recommendation regarding the number of pilots to fund and
23 TDNI. I recommend the Commission fund 51.98 pilots with a DNI of \$400,855

1 which results in a TDNI of \$20,836,161 and that the Commission adopt my revised
2 rate design.

3

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

5 A. Yes. I prepared Exhibits SS-2r2 (revised 7/13/20), SS-3r (revised 7/13/20), and SS-7
6 (schedules listed below):

7 Exh. SS-2r2 (revised 7/13/20):

- 8 • Average Historical Assignments and Distribution Calculation
9 (Schedule 2.1r2) revised 7/13/20;
- 10 • Historical Information from Board of Pilotage Commissioners Annual
11 Reports (Schedule 2.2r) revised 6/26/20;
- 12 • Calculation Adjusting Historical Distributions (Schedule 2.3r) revised
13 6/26/20; and
- 14 • Historical Vessel Entry and Transit Report (Schedule 2.4).

15 Exh. SS-3r (revised 7/13/20):

- 16 • Staff Proposed Tariff Rates (Schedule 3.1r) revised 7/13/20;
- 17 • Staff Tonnage Rate Calculation (Schedule 3.2);
- 18 • Staff Hourly Rate Calculation (Schedule 3.3r) revised 7/13/20;
- 19 • Staff Transportation Fee Calculation (Schedule 3.4);
- 20 • Staff Random Sample Selection (Schedule 3.5); and
- 21 • Staff Test of Exhibit WTB-11 (Schedule 3.6).

22 Exh SS-7

- 23 • Invoice Comparison (Schedule 7.1);

- 1 • Calculation of Invoices (Schedule 7.2);
- 2 • Invoice Detail (Schedule 7.3); and
- 3 • Copy of Rates (Schedule 7.4)

4

5 **III. SUMMARY OF TESTIMONY**

6

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

8 A. I discuss the number of pilots to fund, specifically whether the tariff should fund two
9 administrative pilots. I also address yacht exemptions and whether the Commission
10 should have a different rate for yachts than commercial vessels. Lastly, I will speak
11 to my proposed rate design.

12

13 **IV. ADJUSTMENTS**

14

15 **A. Funding the Vice President as an Administrative Position**

16

17 **Q. In your initial testimony did you testify to a calculation used to determine the**
18 **number of pilots to fund?**

19 A. Yes. I testified to the equation below.

20
$$P^f = (A^P \div TAL) + 2$$
 (Equation 4)

21 Where:

22 P^f = Total required pilots to be funded

23 A^P = Projected number of pilotage assignments in the rate year

1 TAL = Target Assignment Level

2 2 = President and vice president - Administrative Positions²

3

4 **Q. Are you proposing a revision to the calculation you originally testified to?**

5 A. Yes. I am proposing to fund one administrative pilot instead of two administrative
6 pilots. The revised equation is shown below.

7
$$P^f = (A^P \div TAL) + 1$$
 (Equation 4r) revised 7/13/20

8 Where:

9 P^f = Total required pilots to be funded

10 A^P = Projected number of pilotage assignments in the rate year

11 TAL = Target Assignment Level

12 1 = President - Administrative Position

13

14 **Q. How does the revision affect the recommended number of pilots to fund?**

15 A. It reduces it by one from 52.98 to 51.98 pilots to fund.

16

17 **Q. Does removing the Vice President from the equation mean he does not get paid?**

18 A. No. The Vice President will still receive a distribution from the association.

19 Removing an administrative pilot from the equation only affects the tariff rates for
20 pilotage service.

21

1 **Q. Please explain why you determined the Vice President position should not be**
2 **funded in your calculation?**

3 A. Captain Michael Moore opines that the Vice President spent significant time being
4 an analyst but should be spending time doing pilotage and that the most cost
5 effective option would be to hire an analyst at a lower wage than what a maritime
6 pilot receives.³ I acknowledge that this is the first time PSP has filed a pilotage tariff
7 with the Commission and may have been quite time intensive, but that is not a
8 sufficient reason to allow full time funding of an additional administrative pilot into
9 the future given the temporary nature of the initial tariff filing work. Additionally, I
10 reviewed the historical MOU and found that it allowed for funding of one
11 administrative pilot.⁴ Furthermore PSP has not demonstrated that the work being
12 done by the additional administrative pilot must be done by a licensed pilot rather
13 than administrative staff. Given these factors, I now believe the Commission should
14 only fund a single administrative pilot.

15
16 **Q. Is removing the additional administrative pilot from your equation to determine**
17 **the number of pilots to fund your only revision to that equation?**

18 A. Yes. It is my only revision to the equation determining the number of pilots to fund.
19

20 **Q. Do you have an exhibit which calculates the revised number of pilots and the**
21 **revised TDNI?**

22 A. Yes. Exhibit SS-2r2 (revised 7/13/20) shows the revised calculation.

³ Moore, Exh. MM-1Tr at 108:8 – 109:4.

⁴ Tabler, Exh. WT-2.

1 **Q. What is the result of your revised calculation?**

2 A. I recommend the Commission fund 51.98 pilots with a DNI of \$400,855 resulting in
3 a TDNI of \$20,836,161.

4

5 **B. Yacht Exemptions**

6

7 **Q. Have you read the testimony submitted by Monique Webber?**

8 A. Yes.

9

10 **Q. Does Monique Webber make any recommendations?**

11 A. Not explicitly. However, she does testify that higher pilotage rates have negative
12 impacts on the recreational maritime industry and that the Puget Sound competes for
13 business against ports that have easier waiver requirements and lower pilotage rates
14 for recreational vessels.⁵

15

16 **Q. Does Washington have a process where recreational vessels can be exempt from
17 pilotage?**

18 A. Yes.⁶

19

20 **Q. Does the Commission have the power to grant such an exemption?**

21 A. No.

22

⁵ Webber, Exh. MW-1T at 5:11 - 6:14.

⁶ RCW 88.16.070.

1 **Q. Does an exemption offer rate relief?**

2 A. Yes.

3

4 **Q. Do you recommend the Commission create a special pilotage rate for**
5 **recreational vessels?**

6 A. No. First, there is no specific recommendation as to what rate Ms. Webber is
7 proposing, and even if there was, there is no justification as to why the proposed rate
8 would be fair, just, reasonable, and sufficient. Second, there is already an existing
9 process for rate relief for recreational vessels administered by the Board of Pilotage
10 Commissioners. I do not believe another process for rate relief needs to be created.

11

12 **C. Tariff and Rate Design**

13

14 **Q. Have you read the testimony submitted by Captain Moore regarding tariff and**
15 **rate design?**

16 A. Yes.

17

18 **Q. Did Captain Moore's testimony raise any concerns to you about the current**
19 **tariff and rate design?**

20 A. Yes. Captain Moore identified a trend of increasing revenue under the current tariff,
21 despite the negative trend in vessel assignments and the fact the tariff rates have not

1 been revised in sometime.⁷ I wanted to provide some additional explanation of why I
2 believe this trend is occurring.

3

4 **Q. Can you explain why this trend has occurred?**

5 A. Yes. The current tariff has two primary components, a length overall (LOA) rate and
6 a tonnage rate. The LOA rates in the current tariff use zones which are defined by
7 miles traveled and length of the vessel and does not charge a ship more because it
8 took more time to travel the same distance than the average ship.⁸ However, the
9 tonnage rate is broken into three rate ranges that increase as a ship's tonnage
10 increases.⁹

11

12 **Q. Does the tonnage charge in the current tariff generate more revenue even when**
13 **there is a decrease in vessel assignments?**

14 A. I believe so. Under the current tariff, the tonnage rate is an inclining rate, such that
15 there is a positive correlation between a ship's carrying capacity and the rate the ship
16 must pay for pilotage service. This relationship is seen when comparing the tonnage
17 rate ranges within the current tonnage rate structure, as the second tonnage range is
18 nearly 10 times as expensive per ton as the first range, with an even more expensive
19 third tonnage range.¹⁰ As ships have gotten larger, the tariff can generate more
20 revenue because of the higher rates charged in the higher tonnage ranges. Thus,

⁷ Moore, Exh. MM-13r.

⁸ WAC 363-116-300.

⁹ Moore, Exh. MM-06r.

¹⁰ WAC 363-116-300.

1 revenue per assignment can increase even when the tariff rates have not been
2 changed.¹¹

3

4 **Q. Is the proposed tariff design susceptible to a similar trend as the current tariff
5 should average ship tonnage continue to increase?**

6 A. No. The main two components of the proposed PSP tariff design are a base tonnage
7 rate and a service time rate. The service time component will act like a usage rate
8 that the Commission is familiar with, as other regulated industries have a usage rate.
9 The service time rate would replace the LOA rates with a rate for the time spent
10 piloting. The service time rate is also calculated using TDNI, so the hours of pilotage
11 service which are provided during an assignment is the estimated amount that will be
12 available for distribution to pilots for providing pilotage service. If there are more or
13 less hours of piloting work, this rate will produce correspondingly higher or lower
14 revenue. Although my proposed rates include a tonnage rate similar to the current
15 tariff, my rate design uses a declining rate structure instead of the current tariff's
16 inclining rate, which should remove the trend observed under the current tariff. I
17 calculated the tonnage rate using operating expenses, excluding costs for individual
18 rates i.e. transportation or pilot boat rates.

19

20 **Q. What is the impact of your rate design on customers?**

21 A. I have prepared Exh. SS-7 which provides an illustrative comparison showing real
22 dollar and percentage changes of the current tariff rates to the proposed tariff rates.

¹¹ Moore, Exh. MM-13r.
CROSS-ANSWERING TESTIMONY
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Docket TP-190976

1 The result is that ships in the 0-20,000 ton and 20,000-50,000 tonnage ranges see
2 significant overall rate increase. For example, the *ATB Vision*¹² and *Aprilla*¹³ have
3 rate increases of 91.2 and 75.9 percent respectively under the proposed tariff rates as
4 compared to the current tariff rates. As ship tonnage increases, the rate change under
5 the proposed tariff becomes a rate decrease as seen with the *Norwegian Joy*¹⁴ rate
6 decrease of -48.2 percent relative to the current tariff rates. Lastly, the *London*
7 *Express*¹⁵ remains relatively rate neutral under Staff proposed rates. Under the
8 proposed rates, it has a 4.9 percent rate increase relative to the current tariff, however
9 the increase is attributable to the 5.36 percent increase to revenue requirement
10 proposed by Staff, rather than the rate design.¹⁶

11

12 **Q. You recommend that the Commission adopt the proposed PSP tariff design and**
13 **your rate design?**

14 A. Yes.

15

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

17 A. Yes.

18

¹² Sevall, Exh. SS-7. *ATB Vision*, gross tonnage of 14,514 and LOA of 208.51 meters.

¹³ Sevall, Exh. SS-7. *Aprilla*, gross tonnage of 24,184 and LOA of 180 meters.

¹⁴ Sevall, Exh. SS-7. *Norwegian Joy*, gross tonnage 167,725 and LOA of 333.46 meters.

¹⁵ Sevall, Exh. SS-7. *London Express*, gross tonnage of 53,523 and LOA of 294.04 meters.

¹⁶ LaRue, Exh. AMCL-2r, Sch. 1.1r (revised 7/13/20).