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**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,
Complainant,
v.
PUGET SOUND PILOTS,
Respondent.

Docket No. TP-190976

**REBUTTAL TESTIMONY OF
CAPTAIN GEORGE A. QUICK,
Vice President Master, Mates and Pilots Organization
ON BEHALF OF PUGET SOUND PILOTS**

July 13, 2020

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REBUTTAL TESTIMONY OF GEORGE A. QUICK, Exh. GQ-5T i

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REBUTTAL TESTIMONY OF GEORGE A. QUICK, Exh. GQ-5T ii

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I. IDENTIFICATION OF WITNESS

1
2 **Q: Please state your name and business address.**

3 **A:** My name is George Quick. My business address is 700 Maritime Blvd, Suite B,
4 Linphicum Heights, MD 21090-1941.

5 **Q: By whom are you employed and in what position?**

6 **A:** The International Organization of Masters, Mates and Pilots (MM&P) as Vice President
7 in charge of the pilotage membership group in the organization. I also previously
8 testified in this proceeding, see Exh. GQ-1T.

9 **II. PURPOSE IN SUBMITTING REBUTTAL TESTIMONY**

10 **Q: Captain Quick, have you now read and evaluated the testimony submitted by the**
11 **Commission staff and the Pacific Merchant Shipping Association in this**
12 **proceeding?**

13 **A:** Yes, I have.

14 **Q: And what are the specific topics you wanted to respond to here in rebuttal?**

15 **A:** Generally I would like to respond to staff's and PMSA witness John Ramirez's
16 discussion of ratemaking methodology, staff's apparent miscalibration of PSP's revised
17 rate design, broadly discuss the topic of pilot workload as a material ratemaking metric
18 based on my knowledge of nationwide pilotage districts over decades, and finally, I want
19 to particularly address the apparent dismissal of consideration of comparative pilotage
20 income by both by UTC staff witness, Scott Sevall, and almost anecdotally, by PMSA
21 witness John Ramirez, as comparative pilot pay in my view is one of the most critical
22 criteria by which pilotage rates are established nationally.

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III. PILOTAGE RATEMAKING METHODOLOGY

1 **Q: Okay, on the subject of rate setting methodology, what is your response to the staff**
2 **testimony, particularly that of Danny Kermode?**

3 A: It appears that staff has determined its revenue requirement recommendation on the basis
4 of a standard equation(s) typically used in pilotage ratemaking of RR (Revenue
5 Required)=Exp (Expenses) +Dep (Depreciation)+ Int (interest)+ TDNI (Total
6 Distributable Net Income (TDNI) and Equation 2: TDNI=DNI x Pilot Numbers. With
7 that methodology, the rate is obtained by dividing the Revenue Required by the rate base
8 identified and allowed as the basis for pilotage charges. The composition of the rate base
9 is derived from calculations of historical data and anticipated vessel assignments
10 (prospective traffic levels) over the projected rate year.

11 **Q: And do you again agree with that methodology as you understand it?**

12 A: Yes, it is the generally accepted method of determining pilotage rates nationally.

13 **Q: And where do disagreements arise?**

14 A: The disputes arise over the appropriate numbers to insert in the equations and that is
15 really the crux of the focus in a pilotage ratemaking proceeding.

16 **Q: Did you happen to review the proposal for a ratemaking methodology by John**
17 **Ramirez for the Pacific Merchant Shipping Association (“PMSA”)?**

18 A: Yes.

19 **Q: What was your response?**

20 A: Well, as someone who has been involved in studying pilotage ratesetting for well over
21 half a century, I can't say that I have ever seen such a proposal by any party before.

22 **Q: And why do you say that?**

23 A: And I say this respectfully understanding that Mr. Ramirez is a first-time testifying expert
24 and has an acknowledged lack of experience with pilotage rates but I can't say I have
25

1 ever seen a premise of a proposed “fair labor expense” coupled with a derived
2 hypothetical net return on equity hybrid to develop a recommended pilotage tariff which
3 I think is what he is proposing in his testimony and his original Schedule B.

4 **Q: Can you briefly elaborate on your concerns with his recommendation?**

5 **A:** Yes, but I first need to point out his narrative on his apparent prescribed methodology is
6 very short. While he explains his calculations somewhat in his testimony what I found
7 lacking was the “why’s” of his approach.

8 **Q: Where was that particularly apparent?**

9 **A:** In his three-sentence rejection of the prevailing methodology used by pilotage ratemakers
10 nationally and as articulated by both the staff as noted above and by PSP’s witnesses, he
11 either outright rejects or fails to consider the objective of that prevailing methodology is
12 to establish a distributive net income for pilots and in doing so, you must also assess pilot
13 workload and vessel assignment projections as is also framed in the Commission’s own
14 pilotage ratemaking rules.

15 **Q: And, as to the latter point, what specific rule are you referring to that Mr. Ramirez**
16 **appears to overlook or simply reject?**

17 **A:** WAC 480-07-525 (4) (m) and 4 (q), which require the tariff filing entity to provide vessel
18 traffic projections (which implicitly involve pilot workload assessments), as well as
19 consider those vessel assignment projections in any pro forma adjustments.

20 **Q: And because of that apparent vacuum in the elements of his analysis what is your**
21 **response?**

22 **A:** That Mr. Ramirez’s proposed methodology is lacking in any accepted national pilot
23 ratemaking adherence. It uses a regional labor cost index for “fair pilotage”
24 compensation that has no relevance to state licensed pilotage, instead reflecting salaries
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1 paid employee captains and tug and ferry boat operators with completely different
2 training and skillset requirements and, as Mr. Burton explains on rebuttal, is coupled with
3 a rate of return premise that is foreign to smaller, non-publicly traded transportation
4 entities regulated by the UTC involving return metrics apparently previously rejected by
5 the Commission.

6 IV. REVISED RATE DESIGN

7 **Q: Did you also have comments about UTC Staff's rate design response and the**
8 **testimony of Scott Sevall particularly in his restructure of PSP's proposed**
9 **significant redesign of the current tariff?**

10 A: Yes. Staff's rate design appears to rather casually discount the relative risks of vessel
11 size in the course of generating appropriate revenues through rate design which PSP's
12 rate committee spent considerable effort at honing and recalibrating in what I believe to
13 be a very thoughtful, modern and appropriate restructuring of the current BPC tariff.

14 **Q: And why do you say that?**

15 A: Because Mr. Sevall, however well-intentioned and despite indicating his proposal
16 assessed relative risks of the increasingly larger vessels PSP and national state pilots are
17 expected to deftly and safely navigate, seems to significantly miss the mark on capturing
18 the risks and costs associated with vessel configuration in defending his bifurcated rate
19 design counterproposal.

20 **Q: Please elaborate here.**

21 A: His premise that the tonnage charge portion and the two-prong theory of tonnage charge
22 covering all costs and service time encompassing TDNI, while facile on its face, is overly
23 simplistic in my view based on my experience in rate design features nationally. Indeed,
24 there is very little further elaboration or justification of the staff's advocacy of revising
25 the PSP tariff rate design that I could identify either in Mr. Sevall's testimony (which is

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1 limited to about two pages at the end of Exh. SS-1T) or in lengthy Exh. SS-3 that
2 demonstrates how staff's proposal is effective to either fully reflect or apportion the
3 revenue-generating capacity of the increasingly mammoth modern vessels nor adequately
4 capture the service time component to yield sufficient TDNI/DNI.

5 **Q: How can this be demonstrated more specifically?**

6 A. Actually Captain Moreno does this in his rebuttal testimony and exhibits based on
7 firsthand information he has on the variations in cargo carrying capacity of vessels PSP
8 regularly services in Puget Sound and the service time elements associated therewith.
9 What I can say generally though is that at least since 1994, due to the convention adopted
10 by the United Nations International Maritime Organization ("IMO"), there has been an
11 internationally applicable tonnage measurement system that bases vessel tariffs on the
12 size of a ship and which recognizes that such a charge basis is a fair way to allocate
13 various port costs, including pilotage fees to users. This system also inherently
14 recognizes the higher productivity and lower unit costs of larger vessels which is exactly
15 what the PSP was trying to better calibrate in its redesign of the current tariff but which
16 staff's proposal destabilizes to an unworkable level with attendant increases on smaller
17 vessels in a fashion which stands on its head the proportionate risk allocation factor that
18 the large vessels significantly increase.

19 **Q: But didn't staff indicate that PSP's tariff addressed risk in its design?**

20 A: Yes it did, but then in disagreeing with the revenue requirement proposed by PSP, when
21 the staff spread its recommended lowered revenue requirement, it appears to have either
22 overlooked or otherwise ignored the material variations in increases, particularly for the
23 smaller vessel class of customers which creates exactly the type of rate shock Captain
24 Moreno describes.

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**V. COMPARATIVE PILOT PAY AS A METRIC FOR ESTABLISHING
COMPENSATION**

1
2 **Q: Your original testimony spent considerable focus on the metric of comparative**
3 **piloting pay as essential in the piloting ratemaking function nationally. What is**
4 **your response to the staff's testimony, specifically Scott Sevall, and their discussion**
5 **of that factor?**

6 **A:** First of all, I was rather surprised by the obvious "short shrift" Staff appeared to give to
7 the topic and honestly felt Mr. Sevall was almost dismissive of the issue in his testimony.

8 **Q: Why is that such a surprise?**

9 **A.** Because, as I testified in my opening submission, comparative piloting pay is a historic
10 and typically codified principle for piloting ratemaking bodies to consider in establishing
11 tariff rates and setting income for marine pilots.

12 **Q: And what were Mr. Sevall's thoughts on that for the PSP case?**

13 **A.** Well, they are only mentioned at page 4 and in excerpts at the bottom of page 14 and top
14 of page 15 of his response testimony, so it is difficult to fully glean his rationale which
15 appears to be that because pilots nationally operate in disparate geographic and
16 environmental conditions with variations in operating conditions, those other districts are
17 not comparable on their face compared to those circumstances PSP pilots confront and,
18 even assuming those differences "could be overcome, without a financial audit for each
19 district [cited by PSP for income comparability] Staff cannot verify the comparability of
20 the proffered districts." Exh. SS-1T,15:10, 11.

21 **Q: And what is your reaction to this statement?**

22 **A.** It is rather breathtaking in its dismissal of a historic standard and codified metric
23 established in most piloting ratemaking jurisdictions of which I'm aware.
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1 **Q: What is your reaction to the premise that the staff would need to conduct a financial**
2 **audit of each other district used in a comparability study?**

3 **A:** Well, I think that is an unusual rationale for refusing to consider comparable pay in other
4 districts as I believe, for example, that this Commission uses comparability factors when
5 reviewing executive compensation in the energy and other public utility ratesetting
6 proceedings. I also assume it often considers broad publicly-reported industry data to
7 assess the reasonableness of management pay of regulated companies.

8 **Q: While discussing below some of the jurisdictions that recognize comparative pay in**
9 **setting marine pilotage rates, would you first describe in a more basic sense why**
10 **comparisons of compensation are valid in your view?**

11 **A.** Yes, comparability is a common standard based on the equity of what is fair, just and
12 reasonable. Comparability analyses do not require mirror image circumstance, (indeed
13 that would be almost universally impossible to ever achieve, particularly considering, as
14 here, the diversity of geographic and navigational circumstances), rather a rationally-
15 based comparison. Pilots in the major Gulf and West coast ports of the United States
16 have generally identical duties and responsibilities and often serve the same vessels as
17 those entering other coastal ports. As I noted in my original testimony, state statutes
18 creating compulsory pilotage systems have remarkably similar requirements and public
19 policy goals. The General Maritime law applicable to the various duties of the pilot and
20 the pilot's relationship with the ship and shipowner is the same in all ports.

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REBUTTAL TESTIMONY OF GEORGE A. QUICK, Exh. GQ-5T 7

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1 **Q: Do you agree with Mr. Sevall that the fact that geography and trip intervals could**
2 **vary quite widely from district to district is a basis for rejection of pilot pay**
3 **comparability?**

4 **A:** Not at all. The fact that geography may differ in distance and time required for a pilotage
5 assignment is a factor to consider in evaluating appropriate *pilot workloads* in setting
6 rates, as I discuss in further detail below, that variable is not a disqualifying component
7 in consideration of comparative pay for arriving at a calculated TDNI as that variation
8 between ports is measurable and can be addressed in considering rates.

9 **Q: You have noted that many other states and pilotage ratesetting boards use**
10 **comparative pilotage pay as a standard for ratesetting prevalently. Can you**
11 **elaborate briefly?**

12 **A:** Yes. The closest example geographically is Oregon, where, by rule, (OAR 865-030-
13 0000), the ratesetting board is directed as follows:

14 **Ratemaking Substantive Elements:** For the purposes of subsection (1) (e),
15 above, the Board shall at a minimum consider evidence of the compensation and
16 benefits provided to pilots in pilotage associations serving Puget Sound and San
17 Francisco.

17 **Q: What significance does this standard have for you?**

18 **A:** Quite a bit. While pilotage income per se is not a static factor because pilots are fee for
19 service professionals and their individual income never stabilizes at a precise value but
20 depends on a range of variables such as annual expenses, traffic volume and composition
21 thereof and workload, guideposts like this become quite important in the attraction and
22 retention of qualified candidates when there are objective standards developed for
23 compensation.

24 **Q: Are there other codified standards on this topic you would cite?**

25 **A:** Yes. In Hawaii, by statute, the Hawaii Board is directed as follows:

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Hawaii Statutes 462A-11 Rates of pilotage (3).

The board, in setting rates of pilotage shall fix amounts as will be a fair charge for the services rendered with due regard to necessary operating expenses, maintenance of depreciation on, and return on investment for property used in the business of pilotage, and the rates and charges of pilotage at comparable ports in the United States.

Q: And how might “comparable port” be interpreted in that context.

A: A comparable port would be one handling ships similar to those handled by Puget Sound Pilots.

Q: Are there other comparable state statutory provisions?

A: Yes, for example in Virginia where its PUC is required to “fix amounts that will be a fair charge for the service rendered. The Commission shall have due regard for necessary operating expenses, maintenance of, depreciation on, and return on investment used and useful in the business of pilotage, and the rates and charges of pilotage at comparable and competing ports in the United States.”¹

Q: Are there other states where comparative pilotage pay is statutorily part of the mix as with Oregon by administrative rule?

A: Yes, Louisiana, where under R.S. 34 Sec. 1122, the Louisiana Fee Commission makes a comparison on the basis of “the fair average annual compensation for a state ship pilot, in comparison to regulated state ship pilotage in other United States ports.”

Q: On the basis of the above regional and national codified requirements then do you have any further concerns about Mr. Sevall’s rejection of comparable pay as a metric for ratesetting?

A: Yes, without a rational standard to consider in ratesetting, the decision as to what is appropriate becomes the subjective opinion of the decision maker and may be more easily subject to challenge as arbitrary.

¹ Virginia Code 1950 § 54.1-918.

1 **Q: Are there any other analogies you would draw on the relative equities of**
2 **comparable pilotage pay for consideration here?**

3 **A:** Yes, actually in many jurisdictions public employees under collective bargaining
4 agreements relinquish the right to strike in exchange for mandatory arbitration of pay
5 disputes.

6 **Q: What is the rationale for that tradeoff?**

7 **A:** Because public employees typically provide “essential services” like state pilots, a strike
8 would then impact provision of those vital services and potentially imperil the public
9 health and welfare. In public pay arbitrations, the standard of comparable pay for
10 comparable work in comparable communities is almost universally accepted. Here, due
11 to the level of regulatory oversight of state pilotage locally and nationally, the correlation
12 between state pilots and public employee pay arbitration cases seems highly realistic.
13 Pilots provide essential public services directly impacting commerce, the environment
14 and public safety. Institutionalization of the premise of examining comparable pay in the
15 region and across the country therefore seems a reasonable, fair and very prudent
16 approach for all state pilotage ratesetting bodies to consider in my view.

17 **VI. COMPARABLE WORKLOAD AND COMPENSATION**

18 **Q: Capt. Quick, based on your earlier discussion of workload comparisons, is it fair to**
19 **say you do not agree with Mr. Sevall’s rejection of pilot income information from**
20 **other pilotage districts as incomparable on its face?**

21 **A:** Correct. As I mentioned, there are ways to compare the income earned in other state
22 pilotage districts in order to assess the adequacy of the proposed DNI using a comparison
23 of the workload carried by the pilots in each district.

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1 **Q: Are there any common metrics used to compare workloads?**

2 A: Yes there are. In a workload comparison there are two common metrics. The narrowest
3 method is measuring “Bridge Time,” the actual hours the pilot was on board the ship with
4 direction and control over its movement. A broader method that more accurately reflects
5 a pilot’s actual workload is Time on Task (“TOT”) that measures the time the assignment
6 requires from pilot office or home until return. In determining comparable compensation
7 for the comparable work of a pilot, their distributable net income can be divided by their
8 “Time on Task” to compare income relative to workload in different pilotage districts or
9 ports.

10 **Q: What makes Time on Task a more accurate metric?**

11 A: Time on Task measures the entire time required of a pilot when moving a vessel, which
12 puts comparisons on a more even footing. For example, a harbor pilot may be able to
13 move several ships in a day in a small harbor with no travel and limited preparation time
14 between each assignment. By contrast, a Puget Sound pilot may not work one
15 assignment every duty day, but may travel several hours to reach a vessel. By comparing
16 the Time on Task of each pilot we can obtain a clearer picture of the total workload each
17 pilot performs.

18 **Q: Would a workload comparison demonstrate why Mr. Sevall is incorrect that the net**
19 **income information supplied by Capt. Carlson in this docket is incomparable on its**
20 **face?**

21 A: For the groups that have available workload information, yes. Unfortunately, that
22 information it is difficult to obtain for even some of the pilotage groups that have
23 publicly available income information. There are also pilot groups in Florida and
24 Louisiana that have recently undergone rate filings and whose target workload and
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1 Distributable Net Income have been recently established or published. That lack of
2 publicly available information of course calls into question further any ability to “audit”
3 those data which Mr. Sevall again noted was a condition of his acceptance of
4 comparative income data from other national pilotage districts.

5 **Q: Exactly what information is available for comparison?**

6 A: The San Francisco Bar Pilots’ assignment information is available in the form of reports
7 to the California Legislature, and their average time on task was recently provided to me
8 privately. For the Columbia River Pilots, workload information is difficult to obtain
9 publicly, but I understand is being provided through their President here. The Louisiana
10 pilotage groups’ workload information was actually just filed in a rate proceeding by the
11 Crescent River Port Pilots Association this month. The most recent verifiable
12 compensation information for Florida pilot associations is in the Port Everglades, Florida,
13 rate case that was decided in 2019.

14 **Q: Does the information available assist you in demonstrating the comparability of**
15 **workloads and compensation?**

16 A: Yes it does. Taking the number of assignments, the number of pilots, the average time
17 on task and the net income information for each group, we can evaluate the hours of
18 pilotage work, and calculate an income per hour of work by which their net incomes can
19 be fairly compared.

20 **Q: Have you prepared such a comparison to demonstrate that these groups, despite the**
21 **apparent conclusion of Mr. Sevall to the contrary, are in fact facially comparable?**

22 A: Yes, I have. The following table sets out these factors to demonstrate how the workloads
23 and incomes compare for available pilotage districts.

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Port	Assign'ts	Pilots	Per Pilot	TOT ²	Per Pilot	DNI ³	\$ Per Hour
Jacksonville ⁴	3,734	15	249	4.0	995	\$549,998	\$552
Canaveral	2,194	10	219	2.0	438	\$549,998	\$1,255 ⁵
Everglades	8,017	21	381	2.6	992	\$549,998 ⁶	\$554
Miami	5,537	20	276	2.6	717	\$549,998 ⁷	\$764
Key West	699	4	175	2.5	437	\$549,998	\$1,432 ⁸
Tampa	4,644	21	221	7.5	1,657	\$549,998	\$331
Bar Pilots ⁹	10,930	46	238	4.2	999	\$548,369	\$549
CRPPA ¹⁰	16,151	121	133	10.2	1,356	\$552,448	\$407
CRPPA ¹¹	16,151	149	108	10.2	1,102	\$697,000	\$632
SFBP	8,818	57	155	8.0 ¹²	1,240	\$512,936	\$414
COLRIP	4,568	46	99	8.6	851	\$398,371 ¹³	\$468
PSP (2018) ¹⁴	7,325	50.3	144	9.2	1,324	\$402,219	\$305
PSP (2019) ¹⁵	7,000	50	143	9.2	1,315	\$369,640	\$281
PSP Proposed	6,989	61	118	9.2	1,109	\$500,000	\$450 ¹⁶

Q: Considering the workload comparison you've prepared, do you consider the net income earned by Puget Sound Pilots in 2019 to be sufficient to what is earned by pilots in other districts?

A: No. On a per-hour basis, Puget Sound Pilots earn less than any of the other pilots whose income information is publicly available.

² Time on Task is Bridge Hours x2 as usually an hour of additional time is required to support an hour of Bridge Time.

³ Projected

⁴ Florida ports are 2019 data

⁵ Canaveral is cruise ship port handling high tonnage cruise ships on a seasonal basis. Not comparable port.

⁶ Current

⁷ Current

⁸ Key West is cruise ship port handling high tonnage cruise ships on a seasonal basis. Not comparable port.

⁹ Associated Branch Pilots, New Orleans, LA. 2019 data

¹⁰ Crescent River Port Pilots Ass'n, New Orleans 2019 data

¹¹ Projected based on approval of petition filed with Louisiana Pilot Fee Commission

¹² Weighted average of Bar, Shift and Sacramento Time on Task.

¹³ Source: 2018 Special Purpose Financial Statement, Exh. IC-3 and Exh. JN-1T. Based on benefits-based adjustments to 2018 net income of \$384,940.

¹⁴ PSP 2018 Audited Financial Statement

¹⁵ PSP 2019 Audited Financial Statement

¹⁶ Projected

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1 **Q: Are there any reasons to include a comparison to the port pilots in Los Angeles?**

2 A: The Los Angeles port pilots are unique as they are essentially employees of the Port of
3 Los Angeles who have an employment contract that reflects comparable conditions in the
4 piloting profession based on comparable compensation for comparable work in
5 comparable communities. Their individual salaries and benefits are public knowledge
6 and can be obtained from several websites. The latest reports are from 2018. The two
7 Chief Pilots in a similar position to PSP President and Vice President had total pay and
8 benefits (comparable to DNI) of \$635,031 and \$619,853. Port Pilots handling ships had
9 total pay and benefits ranging from \$568,905 to \$490,529. It should be noted they are
10 employees with no investment in or responsibilities for the infrastructure supporting the
11 pilotage system, like pilot boats, which are provided by the Port.

12 **Q: Do they work a similar watch schedule as Puget Sound Pilots?**

13 A: Their watch schedule provides for seven shifts of twelve hours on duty status in a
14 fourteen day pay period equivalent to a week on/week off. In contrast, PSP relies upon on
15 duty status 24/7 for 15 days before 13 days off duty, plus Earned Time Off, for a total of
16 181 duty days. The Los Angeles port pilots also have 14 holidays and 25 days' vacation
17 which reduces their time on duty considerably below that of PSP. With vacation and
18 holidays taken into account a Los Angeles port pilot is on duty just 143 days a year.

19 **Q: How do Los Angeles port pilots' incomes compare to Puget Sound Pilots when
20 taking those differences into consideration?**

21 A: Their pay and benefits under their union contract would range between \$3,978 and
22 \$3,430 per day on duty. In comparison, a PSP pilot earned a net income of \$369,640 in
23 2019, for 181 days on duty, resulting in \$2,042 per day on duty. If you take into
24 consideration the number of Callbacks worked, that value would be even lower. If the
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PSP petition for an ultimate net income increase to \$500,000 is approved, it would result in \$2,747 per day on duty. That would still be significantly below the Los Angeles port pilot pay while handling the same class of ships and in many cases, the exact same ships calling at both Puget Sound and Los Angeles.

Q: And does that now conclude your rebuttal testimony?

A: Yes it does.