

PUGET SOUND PILOTS' RESPONSES TO PMSA DATA REQUESTS Nos. 762-769

DATE PREPARED: March 17, 2023 DOCKET: TP-220513 REQUESTER: Pacific Merchant Shipping Association ("PMSA")	WITNESSES: DAVID LOUGH RESPONDER: DAVID LOUGH PUGET SOUND PILOTS DATE: March 24, 2023 TEL: (206) 525-7503 EMAIL: loughd@nwlink.com
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PMSA DATA REQUEST NO. 762: Regarding Exh. DL-25T 1:22-24 alleging the need for compensation "for similar and comparable work," please respond to all of the following:

- (a) Admit that an evaluation of workloads per pilotage ground is not included in your testimony at Exh. DL-01T.
- (b) Admit that a comparison of pilot workloads across pilotage grounds is not included in your testimony at Exh. DL-01T.
- (c) Admit that it is impossible to evaluate "similar and comparable work" without an evaluation of workload.
- (d) If any of (a)-(c) above are denied, please provide a basis for the denial.

RESPONSE:

- (a) Admit.
- (b) Admit.
- (c) Deny. "Similar and comparable work" has to do with job design, accountabilities and responsibilities, which may or may not be related to workload. Firefighters are not paid by the number of fires they quench per year.
- (d) Done.

PMSA DATA REQUEST NO. 763: Regarding Exh. DL-25T 2:5-7, where you testify that “pay reductions unaccompanied by a declaration of financial exigency or equivalent emergency situation is not ‘just’,” please respond to all of the following:

- (a) As an executive compensation consultant, admit that you are familiar with how partnerships share net revenue.
- (b) Admit that, assuming fixed revenues and expenses, when a partnership has more partners with equal shares, those partners will earn less money per partner than if the same partnership has fewer partners, in which case each partner will earn more money per partner.
- (c) Admit that, if a partnership adds more new partners faster than revenues, then per partner revenues will decrease.
- (d) Admit that, if partners in a partnership all agree to work less per partner, bring in less revenue per partner, and add more partners simultaneously, then per partner revenues will decrease.
- (e) Admit that, if a partnership agrees that partners should work less and earn less by adding more partners, then that is a rational and reasonable business decision that may be made by the partnership.
- (f) Admit that the business conditions described above may occur without being accompanied by a declaration of financial exigency or equivalent emergency situation.
- (g) If any of (a)-(f) above are denied, please provide a basis for the denial.

RESPONSE:

- (a) Deny. Partners share in net income, not net revenue. It’s important to understand the differences among gross revenue, net revenue, net income, and cash distributions (gross partner earnings).
- (b) Deny. Partnership net income will be divided equally among the partners equity accounts. However, the partnership agreement determines the amount each partner will “earn” (before income taxes) from their partners’ equity accounts in the form of cash distributions. A partnership may restrict cash distributions to retain funds in the partnership for adding partners as an investment designed to ultimately increase partner earnings (cash distributions) in the future.
- (c) Admit. Simple math, I would say. But that does not necessarily mean that per partner net income or per partner earnings (cash distributions) will be affected.
- (d) Admit. Again, simple math. But per partner net income and partner earnings will not necessarily fluctuate with revenue or the addition of new partners (see above).
- (e) Deny. Specific circumstances surrounding the decision will determine whether it is, indeed, a rational and reasonable business decision, and none have been provided in this question. On the surface, it does not seem to me to be a rational and reasonable business decision to add partners and earn less.

(f) Deny. It is unclear which business conditions are being referenced in this question.

(g) Done.

PMSA DATA REQUEST NO. 764: Further regarding Exh. DL-25T 2:5–7, your testimony that “pay reductions unaccompanied by a declaration of financial exigency or equivalent emergency situation is not ‘just’,” please respond to all of the following:

- (a) As an executive compensation consultant, admit that you are familiar with how independent contractors earn revenue.
- (b) Admit that, assuming fixed rates and expenses, when an independent contractor performs fewer jobs for clients, the independent contractor earns less revenue.
- (c) Admit that, if an independent contractor decides that to work less and earn less by doing less work, that is a rational and reasonable business decision that may be made by the independent contractor.
- (d) Admit that the business conditions described above may occur without being accompanied by a declaration of financial exigency or equivalent emergency situation.
- (e) If any of (a)-(d) above are denied, please provide a basis for the denial.

RESPONSE:

- (a) Admit. I am one.
- (b) Admit. This is another exercise in simple math.
- (c) Deny. Specific circumstances surrounding the decision will determine whether it is indeed a rational and reasonable business decision, and none have been provided in this question. It may not be a rational and reasonable business decision to perform fewer jobs or to decide to work less and earn less.
- (d) Admit. Deciding to perform fewer jobs or to work less and earn less does not require a declaration of financial exigency emergency, though it certainly may lead to such.
- (e) Done.

PMSA DATA REQUEST NO. 765: Admit that in a general rate proceeding the term “just” means that rates are set on the record developed in the rate proceeding. If denied, please state the basis for denial.

RESPONSE:

Deny. Though a general rate proceeding is designed and executed to achieve “just” and reasonable rates, that does not mean the actual outcomes will truly be just and reasonable. Preparing a meal according to the recipe does not guarantee it will be judged tasty or even edible by those who partake.

PMSA DATA REQUEST NO. 766: Admit that, if two individuals with the same skills, experience, training, and licensing worked at the same task but one worked full-time and another worked part-time, the compensation for the full-time worker should be higher than that of the part-time worker. If denied, please state the basis for denial.

RESPONSE:

Deny. This is true only if the two individuals are fulfilling the same roles within which the same task is being performed.

PMSA DATA REQUEST NO. 767: Admit that, if two individuals with the same skills, experience, training, and licensing worked at the same task and initially both worked full-time and were compensated the same but then subsequently one of the individuals began to work part-time, if that new part-time worker received a major pay reduction, such a reduction would be reasonable. If denied, please state the basis for denial.

RESPONSE:

Deny. This would be true only if the new part-time worker received a pay reduction in direct proportion to the time reduction and if ability to perform the role did not tend to increase or decrease over the course of a full-time shift worked.

PMSA DATA REQUEST NO. 768: Regarding Exh. DL-25T 6:23–7:4, please admit that PSP is not an employer of pilots.

RESPONSE:

Admit.

PMSA DATA REQUEST NO. 769: Regarding Exh. DL-25T 7:11-14, please admit that your testimony does not include any of the following:

- (a) A definition of “benefits.”
- (b) A definition of “marginal costs.”
- (c) A quantification of “benefits” for Puget Sound Pilots.
- (d) A quantification of “marginal costs” for Puget Sound Pilots.
- (e) A quantification of an evaluation of when “benefits will exceed marginal costs” for Puget Sound Pilots.
- (f) A comparison of the quantification of when “benefits will exceed marginal costs” for Puget Sound Pilots with any other pilotage grounds.

RESPONSE:

Admit. These are common terms used in finance, economics and business with generally accepted and well-understood definitions.