

PMSA DATA REQUEST NO. 163: Regarding Note 4 of the PSP Financials, Exh. JJN-02, where callback days are described as a liability and “offsetting expense to the pilots” when created and as they are used “the liability is reduced the expense to pilots is reduced,” do any of these accrual actions, including funding an expense or reduction of an expense, result in adjustments to any cash account maintained by PSP? If so, please identify how and when and provide copies of the cash accounting.

RESPONSE:

The accounting described in Note 4 of Exh JJN-02 does not involve any cash accounts.

PMSA DATA REQUEST NO. 164: Further regarding Note 4 of the PSP Financials, Exh. JJN-02, do the pilots using callback days earn cash disbursements from PSP as a result of the use of callback days? If so, please identify how and when and provide copies of the cash accounting.

RESPONSE:

The accounting described in Note 4 does not include any cash payments to pilots. Pilots using call back days get the same distribution as all other pilots and do not get additional cash payments as a result of the accounting described in Note 4.

PMSA DATA REQUEST NO. 165: Regarding the summary at Exh. JJN-02, page 6, Line 23, “23. Equity from buy-ins and buy-outs, net,” please provide supporting data detailing all Pilots’ Equity calculations regarding pilot equity buy-ins and buy-outs, including both cumulative and individual pilot buy-ins and individual pilot buy-outs for 2020 and 2021 and 2022 year-to-date.

RESPONSE:

I do not have 2022 year to date figures as the audit has not yet been started for 2022.

For 2021 and 2020 the attached file PMSA Data Request 165 Attachment the balance of line 23 from page 6 of Exh JJN-02 is detailed.

PMSA DATA REQUEST NO. 166: Further regarding the summary at Exh. JJN-02, page 6, Line 23, “23. Equity from buy-ins and buy-outs, net,” please provide supporting data detailing all Pilot Revenues and Expenses calculations regarding pilot equity buy-ins and buy-outs, including both cumulative and individual pilot buy-ins and individual pilot buy-outs for 2020 and 2021 and 2022 year-to-date.

RESPONSE:

With respect to PSP equity buy ins and buy outs there is no data to Pilot Revenues and Expenses. I have provided all balances and payments of buy in and buy outs in prior questions.

PMSA DATA REQUEST NO. 167: Regarding the summary at Exh. JJN-02, page 8, Line 16, “16. Payments (to) from buy-ins and buy-outs, net,” please provide supporting data detailing all Cash Flows from Financing Activities calculations regarding pilot equity buy-ins and buy-outs, including both cumulative and per individual pilot buy-ins and individual pilot buy-outs, and the calculation of the net amount for 2020 and 2021 and 2022 year-to-date.

REPNONSE:

I do not have year to date 2022 financial information.

The data requested can be found on attachment PMSA Data Request 167 Attachment.

PMSA DATA REQUEST NO. 168: Further regarding all Cash Flows from Financing Activities calculations regarding pilot equity buy-ins and buy-outs, as summarized at Exh. JJN-02, page 8, Line 16, "16. Payments (to) from buy-ins and buy-outs, net," please provide copies of all financing agreements between pilots and PSP which govern the payment obligations of individual pilots or of PSP and all rates and terms of financing activities for buy-ins and buy-outs.

RESPONSE:

We do not maintain copies of all such agreements for every pilot. Below is a copy from one agreement stating that the agreement bears no interest. My understanding is all such agreements for each pilot are the same.

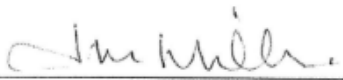


Equity Note Payable

TO WHOM IT MAY CONCERN:

This is to certify that Jerry M. Miller agrees to make payments of \$ 5,244.66 per month for a period of 72 months to the PUGET SOUND PILOTS for deposit in the WORKING CAPITAL ACCOUNT. It is further agreed between the two (2) parties that as long as the payments due hereunder are current, the unpaid balance shall not bear interest and that monthly payments shall be deducted from the monthly distribution of the undersigned new member.

Discharge of this obligation will constitute the full entrance fee for membership in PUGET SOUND PILOTS.


SIGNATURE

Member: Jerry Matthew Miller
PRINTED NAME

8/29-20
DATE

PMSA DATA REQUEST NO. 169: Regarding Exh. JJN-02, pages 24-27, column “(1) Days of Service,” and related “Notes,” in your accounting methodology, are the terms “days of service,” “days the pilot was an active pilot on pilot roster,” and “days of duty” all interchangeable and therefore receive the same and identical treatment? If so, please admit, or if not, please deny and describe how the terms and the application of these terms differ.

RESPONSE:

Admit – Days of Service is defined as number of days a pilot was on the pilot roster. If a pilot was on the pilot roster all year days of service would be 365.

Days of Duty in our financial statements is interchangeable and receive the same treatment.

PMSA DATA REQUEST NO. 170: Further regarding Exh. JJN-02, pages 24-27, please describe whether this schedule of pilotage revenue and expense payments includes an accounting of buy-ins and buy-outs received from or paid to individual pilots or the related financing of buy-ins and buy-outs.

RESPONSE:

Page 24-27 of Exh JJN-02 does not include accounting of buy-ins and buy-outs.

PMSA DATA REQUEST NO. 171: Further regarding Exh. JJN-02, pages 24-27, please describe whether this schedule of pilotage revenue and expense payments includes an accounting of the creation of comp days, use of comp days, or payments to individual pilots or the related financing of comp day liabilities.

RESPONSE:

Page 24-27 of Exh JJN-02 does not include any comp day accounting on an individual level. The annual comp day expense as outlined on page 29 line 2 of Exh JJN-02 is included in the total of column 3 of pages 24-27.

PMSA DATA REQUEST NO. 172: Further regarding Exh. JJN-02, pages 24-27, please describe whether buy-ins and buy-outs or the related financing of buy-ins and buy-outs are included in columns (2) “Credit for Pilotage Revenue,” (3) “Charge for Operating Expense,” or (4) “Charge for Other Expenses.”

RESPONSE:

Page 24-27 of Exh JJN-02 does not include buy-in and buy-out payments.

The total on page 26 of Exh JJN-02 shows \$31,954,603 of Pilotage Revenue – this pilotage revenue total agrees with page 7 line 1.

The total on page 26 of Exh JJN-02 shows \$16,062,507 of Charge for Operating Expense – this agrees with page 7 line 6 total operating expenses.

All payments made for buy-ins and buy-outs are shown, net on page 7 line 15 (accordingly excluded from page 24-27).

PMSA DATA REQUEST NO. 173: Further regarding Exh. JJN-02, pages 24-27, with respect to column (5) “Annual earnings after deductions” to all pilots of \$15,643,382 on page 26, please provide the accounting to describe why the amount in this total differs from the totals of \$16,170,144, and \$16,203,247 listed at Exh. JJN-02, pg. 8, lines 17 and 18, respectively.

RESPONSE:

The amount on Exh JJN-02 page 8 line 17 and 18 is an accumulation of all cash payments made to pilots per the distribution reports. Please see reconciliation of this at PMSA Data Request 173 Attachment.

These amounts differ from the total of Exh JJN-02 pages 24-27 of \$15,643,382 due to differences in accounting between distribution reports and the audited financial statements. An example of this is depreciation expense, depreciation expense. An expense on the audited financials but is not accounted for in pilot distribution reports. On the reverse of that, if an asset is purchased the entire cost of that asset is “charged” to pilot distributions which creates a timing difference.

PMSA DATA REQUEST NO. 174: Further regarding Exh. JJN-02, pages 24-27, with respect to column (5) “Annual earnings after deductions,” please identify any methodology for this calculation in 2021 which differed from the methodology for this calculation in prior years’ financials.

RESPONSE:

Exh JJN-02 page 24-27 column 5 is calculated the same as in 2020 with the exception of the “transportation fees paid directly to pilots” page 7 line 7. This change is described on page 10 of Exh JJN-02, in the following excerpt below:

In addition, each pilot is reimbursed for travel expenses that they personally incur. These reimbursements have historically come in the form of TEC travel reimbursements as outlined in the tariff (pass through of direct charge to customer) as well as a Port Angeles reposition reimbursement (\$163 per reposition assignment). Beginning December 2020, TEC and PA travel was no longer paid to pilots through the distributions but was individually reimbursed to the pilots. The amount included in Seattle operating expenses for the years ended 2021 and 2020 was \$1,257,205 and \$80,070, respectively.

PMSA DATA REQUEST NO. 175: Further regarding Exh. JJN-02, pages 24-27, with respect to column (5) “Annual earnings after deductions,” are the amount of earnings after deductions listed for each pilot equal to the amount of actual cash and other payments disbursed to that pilot in 2021? (For example, at line 1, page 24, where pilot “ANA” is listed of having annual earnings after deductions of \$295,616, was \$295,616 in cash disbursed to ANA or was the actual disbursement an amount other than \$295,616?)

RESPONSE:

No, this is not an accounting of the actual cash that was received by each pilot. A distribution report is prepared monthly for each pilot which shows the cash received by each pilot. Exh JJN-02 is the allocation of PSP income after expenses attributable to each pilot for purposes of taxation and consideration of any audit adjustments and differences in accounting between the distribution reports and the audit report.

PMSA DATA REQUEST NO. 176: If your response to PMSA DR 175 demonstrates that individual pilots' actual cash and other payment distributions are in an amount other than the "annual earnings after deductions" in the PSP Financials, please provide a schedule of actual cash and other payments disbursed to individual pilots in 2021 for each pilot.

Please note, to the extent that PSP considers such information confidential or proprietary, the Commission's practice in cases where a protective order is not available is that rather than decline to produce the entire document that a response should redact confidential or proprietary information. In this instance, PMSA would consider that information to be redacted to include names that would identify the specific individual provided with specific cash disbursements.

RESPONSE:

See PMSA Data Request 176 Attachment.

PMSA DATA REQUEST NO. 177: In addition to the schedule of actual cash and other payments disbursed to individual pilots and pilot retirees in 2021 for each pilot in response to PMSA DR 176, please provide copies of Schedule K of the PSP Partnership tax return and all associated Schedule K-1s submitted to the Internal Revenue Service by PSP with its Partnership tax return which confirm the actual payments distributed to individual pilots and pilot retirees for tax year 2021.

Please note, to the extent that PSP considers such information confidential or proprietary, the Commission's practice in cases where a protective order is not available is that rather than decline to produce the entire document that a response should redact confidential or proprietary information. In this instance, PMSA would consider that information to be redacted to include names and addresses and taxpayer identification numbers that would identify the specific individual provided with a specific Schedule K-1.

RESPONSE:

PSP objects to providing the K-1s for individual pilots on the grounds that these documents are confidential and proprietary to each individual pilot. The PSP tax return excluding the K-1s is available for in camera review only.

PMSA DATA REQUEST NO. 178: Regarding the “Schedule of Retirement Income for Inactive Pilots and Other Eligible Participants” at Exh. JJN-02, pg. 28, describe whether this schedule of payments to individual pilots includes an accounting of buy-outs paid to individual pilots or the related financing of buy-outs.

RESPONSE:

Page 28 of Exh JJN-02 does not include buy-out payments. This is a schedule of pension payments only.

PMSA DATA REQUEST NO. 179: Please provide for each year from 2017 to 2021:

- (a) The Annual Gross Income for each year, as calculated pursuant to Section 5.5.1 of the PSP By-Laws;
- (b) The Adjusted Gross Income for each year, as calculated pursuant to Section 5.5.2 of the PSP By-Laws;
- (c) The Individual Adjusted Gross Income for each year, as calculated pursuant to Section 5.5.3 of the PSP By-Laws;
- (d) The Membership Payment for each year, as calculated pursuant to Section 5.5.4 of the PSP By-Laws; and,
- (e) The Termination Payment for each year, as calculated pursuant to Section 5.7.1.1 of the PSP By-Laws.

RESPONSE:

See attached PMSA Data Request 179 attachment.

PMSA DATA REQUEST NO. 180: Please provide for each year from 2017 to 2021 an accounting of each pilot with outstanding membership payments, and the total gross amount of outstanding membership payments per pilot, the installment payment rate, and total annual installment payments made by each pilot with outstanding membership payments.

Please note, to the extent that PSP considers such information confidential or proprietary, the Commission's practice in cases where a protective order is not available is that rather than decline to produce the entire document that a response should redact confidential or proprietary information. In this instance, PMSA would consider that information to be redacted to include names that would identify the specific individuals provided with specific membership payments.

RESPONSE:

See attached PMSA Data Request 180 Attachment.

PMSA DATA REQUEST NO. 181: Please provide for each year from 2017 to 2021 an accounting of each pilot or retired pilot with outstanding termination payments, and the total gross amount of outstanding termination payments per pilot, the termination payment rate, and total annual termination payments made to each pilot or retired pilot with outstanding termination payments.

Please note, to the extent that PSP considers such information confidential or proprietary, the Commission's practice in cases where a protective order is not available is that rather than decline to produce the entire document that a response should redact confidential or proprietary information. In this instance, PMSA would consider that information to be redacted to include names that would identify the specific individuals provided with specific termination payments.

RESPONSE:

See attached PMSA Data Request 181 Attachment.

PMSA DATA REQUEST NO. 182: Admit that, pursuant to Section 5.6.1 of the PSP By-Laws, that all installments of Membership Payments are directed to be deposited into the General Account of the Association.

RESPONSE:

Membership payments are withheld from pilots distribution reports as stated in By-Laws 5.6.1. Distributions are paid from the general account of the association, so by withholding from the distributable amount of distribution the funds are maintained in the general account of the association.

PMSA DATA REQUEST NO. 183: Admit that, pursuant to Section 5.6.2 of the PSP By-Laws, all installments of Membership Payments are directed to be deducted by the Association from the monthly distribution payment to a newly licensed pilot.

RESPONSE:

Bylaws do not state that ALL payments are to be deducted from the distribution report, it does state that a member may make lump sum payment and reduce their balance.

PMSA DATA REQUEST NO. 184: Please provide for each year from 2017 to 2021 an accounting of the total Membership Payments paid into the General Account of the Association.

RESPONSE:

See Responses to PMSA Data Requests Nos. 182 and 183 – the detail of specific payments not withheld from the distribution and deposited to the general account is not information that I have. To my understanding, this is not the practice of PSP and payments should be withheld from distributions. All membership payments withheld from distributions would ultimately remain in the general account of the association. See other data requests for detail of each membership payment by year.

PMSA DATA REQUEST NO. 185: Please provide for each year from 2017 to 2021 an accounting of the actual total Termination Payments sent from the Association to retired or retiring pilots.

RESPONSE:

See Response to PMSA Data Request No. 181.

PMSA DATA REQUEST NO. 186: PSP Testimony in the prior rate case (Exh. IC-1T at 12:9-12) asserted that pilots may be age 70 when they “begin Burning” callback days and that “all of those Burning Callback Days receive a regular monthly distribution.” With respect to this application of this description in the prior case to the 2020 and 2021 Financials, please: (a) confirm whether or not the 2020 Financials reflect individuals over the age of 70 “burning callback days”; (b) confirm whether or not in the 2020 Financials that “those burning callback days receive a regular monthly distribution”; (c) if the answer to (b) is confirmed in the affirmative, please provide an accounting which distinguishes total cash payments paid to pilots who are not working but burning callback days, including a sub-accounting for all pilots over the age of 70, from the total cash payments paid to working pilots with active licenses; and, (d) please provide answers to (a)–(c) above with respect to the 2021 Financials.

RESPONSE:

- (a) – I am not able to confirm the age of those burning call back days.
- (b) – I am able to confirm that those burning call back days do receive a regular distribution.
- (c) – I do not have data sufficient to accumulate this information
- (d) – I do not have data sufficient to accumulate this information

PMSA DATA REQUEST NO. 187: Regarding Exh. JJN-02 page 7, “Transportation Fees Paid Directly to Pilots” for 2020 but not for 2021, and page 10, note 1, which states that “travel was no longer paid to pilots through the distributions but was individually reimbursed to the pilots,” please: (a) explain with specificity the difference between “travel” which is “paid to pilots through distributions” and “travel” which is “individually reimbursed to the pilots”; and (b) document the cash distributions that were individually reimbursed to each pilot.

RESPONSE:

- a) The prior tariff allowed for TEC and PA Transportation. These charges were added to the pilots individual distributions and were calculated on a per job basis based on prescribed rates. Due to a change in the UTC directive, travel expenses are now submitted by pilots to PSP and reimbursed to the pilot.
- b) I do not have individual reimbursement data.

PMSA DATA REQUEST NO. 188: Further regarding Exh. JJN-02 page 10, note 1, where travel “was individually reimbursed to the pilots,” are these reimbursements consistent with prior tariffs where transportation costs are based on the cost of taxi fare from PSP’s Seattle office or the Port Angeles pilot station? If not, please describe the basis for the reimbursement amount and methodology for this accounting.

RESPONSE:

No, it is not consistent with the prior tariff. As noted in Exh JJN-02, the transportation expense is individually reimbursed to the pilots based on their incurred transportation expense. Those reimbursements are included as expense for the pilots, in which case each pilot shares the burden of their equal share of the travel cost as a reduction to their distribution.

PMSA DATA REQUEST NO. 189: Please identify all payments to pilots which are listed as expenses to PSP.

RESPONSE:

I do not have information sufficient to identify all individual payments. In general, as noted in the financial statements, transportation expenses are a reimbursement of incurred expenses by individual pilots. Exh JJN-02 page 10 lists the total of transportation expenses.

PMSA DATA REQUEST NO. 190: In order to allow parties to conduct an apples-to-apples evaluation of the PSP Financials, please identify any and all auditing or accounting practices in the preparation of the 2021 PSP financial reports that were materially different than the report outcomes in prior years. For each change in auditing or accounting practices identified, please describe the change and the basis or reason for the change.

RESPONSE:

Comp days – as described in Note 4 on page 14 of Exh JJN-02, there was a change in policy regarding call back days. This change was made as a result of the UTC directive.

Transportation expenses – as described on page 10 of Exh JJN-02, there was a change in accounting for transportation expenses. This was a result of the UTC directive which eliminated TEC and PA Travel.

PPP – as described on page 15 of Exh JJN-02 Note 6, the PPP loan obtained by PSP was forgiven during 2021, this was a one time event and is not expected to be repeated.

Contingent UTC Liability – as described on page 20 of Exh. JJN-02–Note 14, a liability was booked as a result of an order issued by the WUTC. This is expected to be a one time event and to not be repeated.