

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND PILOTS,

Respondent.

DOCKET TP-190976

CROSS-EXHIBIT FOR

Ann M.C. LaRue

**UTC Response to PMSA DR 38, 39, 40, 49, 50, 51, 53, 54, and
PSP Response to PMSA DR 385, 420, 421, and
PSP Response to UTC DR 62**

August 7, 2020

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED:	July 7, 2020	WITNESS:	Ann LaRue
DOCKET:	TP-190976	RESPONDER:	Ann LaRue
REQUESTER:	PMSA	TELEPHONE:	(360) 664-1245

DATA REQUEST NO. 38:

With respect to PSP expenses generally, did UTC Staff evaluate if an expense is essential or non-essential to the provision of pilotage service? If the answer is yes, can you provide how such determinations were made?

RESPONSE:

Yes. All regulatory audits review expenses to assure all items contained in the regulatory financial presentation are required and reasonably incurred in the provision services.

Determinations are made based on the review of the expense, inquiries with the parties and an auditor's professional judgment. There are a number of costs and expenses that are recognized by regulatory policy and case law as not allowable. For example, I removed expenses such as "Promo-Swag" from the Entertainment and Travel account (R-18) and made sure that other non-allowable ("non-essential") expenses such as charitable contributions and sponsorships (R-18) were removed from this case.

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REQUESTER:	PMSA	TELEPHONE:	(360) 664-1245

DATA REQUEST NO. 39:

With respect to PSP expenses generally, did Staff use a full five-year calendar average or did the five-year average also include the test year, which is six-months of 2018 and six-months of 2019?

RESPONSE:

No. Average expenses were not used in the Staff's model or recommendation. The use of an average expense is not an acceptable method of providing a prospective analysis of costs and expenses. Instead, the Commission uses a modified test-year approach to rate-setting. The test year, modified by known and measurable changes, provides a widely accepted and supportable forward-looking basis to set rates. The use of a five-year average does not provide a valid or acceptable forward-looking basis to set rates for expenses that are known and measurable.

However, Staff did use a five-year average to calculate pilot distributable net income, as distinct from expenses.

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REQUESTER:	PMSA	TELEPHONE:	(360) 664-1245

DATA REQUEST NO. 40:

In recommending a revenue requirement increase based on a modified historical test year approach (Exh. AMCL-1T, p. 3), did Staff determine how representative the listed expenses in the PSP-chosen test year were compared to the historical 5-year average of total expenses?

RESPONSE:

No. Staff did not compare PSP expenses to a historical five-year average of expenses. Furthermore, in Staff's opinion a historical five-year average provides limited comparative value in the absence of an in-depth analysis of each expense and the impact of using an average when compared to a single year. Staff's analysis did involve the comparison of some expenses to actual historical expenses, as described in AMCL-1T, however Staff's recommendation is still based on the modified historical test year approach.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

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DOCKET:	TP-190976	RESPONDER:	Ann LaRue
REQUESTER:	PMSA	TELEPHONE:	(360) 664-1245

DATA REQUEST NO. 49:

With respect to “Dues” on Exh. AMCL-2, are discretionary individual pilot dues to a group considered an expense required to be paid by ratepayers and if so why?

RESPONSE:

Yes, but only certain groups are allowed. In this case, membership in professional associations associated with pilotage support knowledge growth and professional development, as well as provide opportunities for training and communication with peer groups and peers, all for the benefit of those receiving pilotage service. The cost of political contribution and lobbying expense are removed and not recovered in rates.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED:	July 7, 2020	WITNESS:	Ann LaRue
DOCKET:	TP-190976	RESPONDER:	Ann LaRue
REQUESTER:	PMSA	TELEPHONE:	(360) 664-1245

DATA REQUEST NO. 50:

Are any of the groups for which dues are to be considered an expense in response to Request No. 49 acting as an advocate for PSP in the current rate case and/or providing testimony to seek a rate increase?

RESPONSE:

No. The dues expense included in PSPs case relate to American Pilots' Association, Inc. dues for each pilot. These dues are \$230 per pilot, per month with five percent allocated to lobbying expenses. To my knowledge, the American Pilots' Association is not participating in this rate case.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED:	July 7, 2020	WITNESS:	Ann LaRue
DOCKET:	TP-190976	RESPONDER:	Ann LaRue
REQUESTER:	PMSA	TELEPHONE:	(360) 664-1245

DATA REQUEST NO. 51:

Does Staff have a rationale for why ratepayers should pay for contributions by PSP to advocacy or other organizations that do not provide a service in support of pilotage, including contributions for fundraisers, golf tournaments, etc.? If so, should these organizations be identified as donees with respect to any support or position that they may take with respect to pilot rate increases?

RESPONSE:

Staff does not support the inclusion of such costs in rates. Rather, Staff believes that that political advocacy, lobbying, charitable contributions, and costs associated with sporting events should not be included in rates. The costs have been removed by both PSP and Staff.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED:	July 7, 2020	WITNESS:	Ann LaRue
DOCKET:	TP-190976	RESPONDER:	Ann LaRue
REQUESTER:	PMSA	TELEPHONE:	(360) 664-1245

DATA REQUEST NO. 53:

Please clarify Staff's position with respect to transportation in the proposed tariff: is transportation based on actual costs or is it an allowance?

RESPONSE:

Staff's position is that transportation costs should always be based on actual costs, however, it is a common accounting method used by both regulated and unregulated businesses that an allowance be derived based on actual costs to simplify the tracking, accounting, and recording of those costs. The accounting method is similar to allowances provided by the Internal Revenue Code in relation to the deduction of travel costs for tax purposes.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED:	July 7, 2020	WITNESS:	Ann LaRue
DOCKET:	TP-190976	RESPONDER:	Ann LaRue
REQUESTER:	PMSA	TELEPHONE:	(360) 664-1245

DATA REQUEST NO. 54:

Please explain how the Seattle transportation expense increased 1,538% as listed in your exhibit AMCL-4 while the transportation expense charge decreased to \$719,496 in the test year from the 2018 transportation fees of \$1,036,161 charged to ships and paid directly to pilots listed in the BPC 2018 Annual Report. If there are revisions to the methodology necessary, please either include those revisions in response to this Request or provide notice that such revisions will be addressed in cross-answering testimony.

RESPONSE:

Objection: Staff objects to this data request on the grounds that the information sought is available from PSP, which would be a more convenient, less burdensome source.

Subject to and without waiving the objection above, Staff responds as follows:

See Exh. AMCL-1T 11:19 – 12:10, PSP Response to Staff DR 50 and 61(Exhs. AMCL-13 and AMCL-14).

Staff's understanding is that the differences in the transportation expense amounts provided by PSP in response to Staff data requests 50 and 61 are the result of changes implemented by PSP regarding the accounting for and reimbursement of transportation expenses incurred.

DATE PREPARED: April 17, 2020	WITNESS: Stephan Moreno
DOCKET: TP-190976	RESPONDER: Stephan Moreno
REQUESTER: PMSA	Puget Sound Pilots

PMSA DATA REQUEST NO. 385: Regarding Exh. SM-1T, p. 15, lines 20-23, please provide a definition of the phrase “estimated cost of transportation” and provide documentation of the actual total PSP “estimated cost of transportation” which “PSP includes ... because we provide service” from 2016 to present.

RESPONSE TO DATA REQUEST NO. 385:

Objection. This and many other data requests served by PMSA request the witness to “define” testimony that has been given. These are improper data requests and do not seek evidence or information that will lead to evidence, but are instead an attempt to cross-examine the witness through countless data requests. In many instances the testimony is clear and unambiguous and thus these dozens of data requests appear designed to harass or annoy the witness and PSP.

Subject to and without waiving the foregoing objection, Capt. Moreno responds as follows:

The Transportation Expense Charge, which in my understanding has existed in the pilotage tariff since at least 1964, has been traditionally based upon taxi fares, which was an estimation of expense. See, for example, the Board of Pilotage Commissioners’ minutes for December, 1987 and January, 1988, produced with file label “PMSA DR 385 – Minutes Dec 87-Jan88.pdf” and Bates number PSP_07506-07508.

DATE PREPARED: August 3, 2020 DOCKET: TP-190976 REQUESTER: PMSA	WITNESS: Jessica Norris RESPONDER: Puget Sound Pilots
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DATA REQUEST NO. 420: Have you performed a review of the revenue and income levels provided in Capt. Carlson's rebuttal testimony (Exh. IC-4Tr at 42:17-43:16) alleging to represent PSP revenue and income levels for the 12 months ending on June 30, 2020?

RESPONSE TO NO. 420:

No, I have not been asked to do that.

DATE PREPARED: August 3, 2020 DOCKET: TP-190976 REQUESTER: PMSA	WITNESS: Jessica Norris RESPONDER: Puget Sound Pilots
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DATA REQUEST NO. 421: Admit both that (a) you or your colleagues have completed an audit of the PSP Financials for the calendar year 2019, and (b) that you have not presented the audited 2019 PSP Financials as part of your testimony in this proceeding.

RESPONSE TO NO. 421:

Response to subpart (a): Admit.

Response to subpart (b): Admit.

DATE PREPARED: March 13, 2020	WITNESS: Weldon Burton
DOCKET: TP-190976	RESPONDER: Weldon Burton
REQUESTER: UTC Staff	Puget Sound Pilots

UTC STAFF DATA REQUEST NO. 62:

Dues – Account 50900

On the company's pro forma, dues expense is \$163,684. The APA documentation provided shows a total of \$132,720, for APA dues. Please provide documentation to support the difference in these amounts of \$30,964.

RESPONSE TO DATA REQUEST NO. 62:

The following accounts reconcile the difference of \$30,964.

Dues, Other	10,264
Dues, MM&P	19,700
Dues, Marine Exchange	<u>1,000</u>
	30,964

See account analysis worksheets for Dues, Other and Dues, MM&P along with receipts for each worksheet, produced with the following file labels and bates numbers:

- DR 62 - Dues MM&P.pdf; PSP_007211-007213.
- DR 62 - Dues Other.pdf; PSP_007214-007222.

The receipt for Dues, Marine Exchange, is produced with file label "DR 62 - Dues Marine Exchange.PDF" and bates number PSP_007210.