

Joint Proposal For Tariff Adjustments

PUGET SOUND PILOTAGE DISTRICT

Presented by
(in alphabetical order)

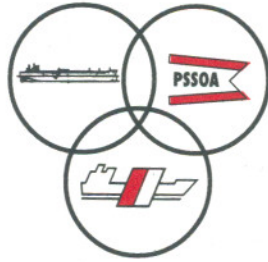
**POLAR TANKERS, INC., PUGET SOUND PILOTS and
PUGET SOUND STEAMSHIP OPERATORS ASSOCIATION, INC.**

To

Washington State Board of Pilotage Commissioners

Hearing

May 10, 2001



April 12, 2001

Capt. Harry Dudley, Chair
Board of Pilotage Commissioners
2911 2nd Avenue, Suite 100
Seattle, Washington 98121

Dear Captain Dudley:

We are pleased to enclose herewith the *Memorandum of Understanding for the Puget Sound Pilotage District Between Polar Tankers, Inc., Puget Sound Pilots and Puget Sound Steamship Operators Association, Inc.* (MOU). This joint tariff proposal is being offered for consideration by the Board of Pilotage Commissioners during the forthcoming annual hearing on May 10, 2001 to establish a Puget Sound Pilotage District tariff, as well as subsequent hearings covered by the term of the MOU.

The enclosed agreement once again embraces many of the principles and policies previously established by the Board. Vessel traffic projections and manning requirements are defined by application of the Vessel Traffic Formula and maximum Safe Assignment Level, as previously established by the Board. Other provisions of the proposal continue to address Board policy relating to the exclusion of various operating expenses and the recapture of previously approved tariff expenses, if any. Provisions of the MOU also anticipate the need to allow for adjustments in state fees or taxes, as well as future capital expenditures and other extraordinary expenses.

Furthermore, the methodology for determining the level of tariff funding necessary to compensate for expenses related to compensatory duty days accrued by pilots at the time of their retirement has been defined and included in the agreement.

Although the enclosed MOU continues to endorse a simplified tariff process, the requirements for full disclosure of financial information remain intact. The annual audited Financial Statements of Puget Sound Pilots will continue to be a key element for consistent monitoring of the adequacy of the tariff based on actual rather than projected fiscal performance. In addition to the continued submissions of audited

Page 2
 Capt. Harry Dudley
 April 12, 2001

financial statements, Puget Sound Pilots will continue to submit a *5-Year Capital Spending Plan* to the Board.

In accordance with the enclosed MOU, agreement has been reached on all aspects of the tariff setting process. Specifically, the joint proposal for 2001 is as follows:

Projected vessel traffic (assignments)	8,262
Number of tariff-funded Pilots (incl. Compensatory Duty Days and PSP President)	56.78
Target Net Income (per Pilot)	\$192,237
Individual Business Expense Allowance (per Pilot)	\$22,297
Tariff adjustment	+1.32%

In order to achieve the above tariff adjustment, it is jointly proposed that WAC 363-116-300 be amended to reflect a 1.32% increase (+1.32%) applied to all tariff categories, except transportation, effective 0001 hours July 1, 2001.

The above proposal includes agreement on one-time adjustments in the tariff to cover the addition of a Maintenance-Utility employee at PSP's Port Angeles facility, the expansion of PSP's continuing education regimen to include joystick/azipod training and a modification of the Individual Business Expense Allowance to compensate for inordinate increases in the cost of medical insurance.

Also, it is jointly proposed that the *Amended Retirement Program of Puget Sound Pilots* be revised, subject to ratification by the PSP membership, to reflect an adjustment in the benefit rate from 1.25% to 1.50% for each year of service. The adjustment is intend to cover all future PSP retirees. Based on our joint proposal, the benefits for former PSP members and/or their surviving spouses who are currently receiving benefits is to be increased by twenty percent (20.00%).

Finally, in accordance with our Agreement, the following documents are submitted with our MOU for the Board's review:

- Appendix A - An abstract of 2000 audited Financial Statements detailing tariff funded retirement benefits paid to PSP retirees or their widows during 2000.
- Appendix B - Schneider & Kobata, P. S., letter dated March 22, 2001 listing amounts of operating expenses which are excluded from calculation of the tariff adjustment.

Page 3
Capt. Harry Dudley
April 12, 2001


- Appendix C - An abstract of 2000 audited Financial Statements summarizing PSP Operating Results.
- Appendix D - Tariff Adjustment Calculation - 2001

Polar Tankers, Inc., Puget Sound Pilots and Puget Sound Steamship Operators Association, Inc. are pleased to have once again reached a mutual agreement covering tariff setting. It is gratifying that in doing so, safety has not been compromised and the economic viability of the parties and the region have been sustained.

We urge the Board to accept the enclosed joint proposal for an adjustment to the Puget Sound Pilotage District tariff.


Sincerely,

POLAR TANKERS, INC.



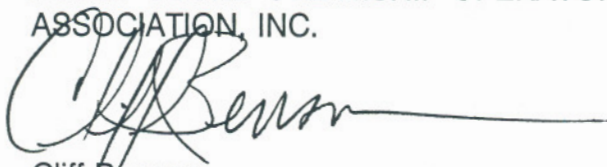
Jeffrey P. Shaw
Port Captain

PUGET SOUND PILOTS



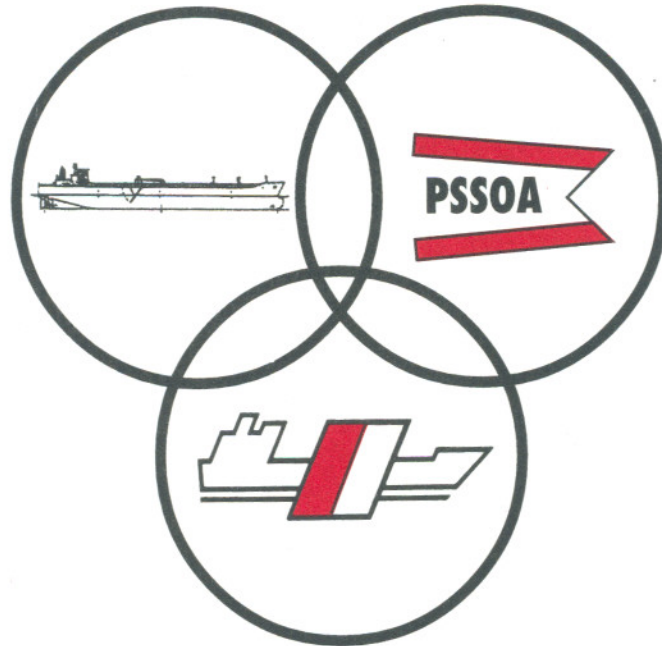
Capt. William A. Bock
President

PUGET SOUND STEAMSHIP OPERATORS
ASSOCIATION, INC.



Cliff Benson
President

Enc.



MEMORANDUM OF UNDERSTANDING

FOR THE PUGET SOUND PILOTAGE DISTRICT

BETWEEN

(in alphabetical order)

POLAR TANKERS, INC., PUGET SOUND PILOTS and

PUGET SOUND STEAMSHIP OPERATORS ASSOCIATION, INC.

**MEMORANDUM OF UNDERSTANDING
FOR THE PUGET SOUND PILOTAGE DISTRICT**

BETWEEN

(in alphabetical order)

**POLAR TANKERS, INC., PUGET SOUND PILOTS and
PUGET SOUND STEAMSHIP OPERATORS ASSOCIATION, INC.**

WHEREAS there exists a mutual desire to maintain the streamlined tariff setting process, the terms and conditions, as set forth below, constitute an agreement between Polar Tankers, Inc. (referred to hereinafter as POLAR), Puget Sound Pilots (referred to hereinafter as PSP) and the Puget Sound Steamship Operators Association, Inc. (referred to hereinafter as PSSOA) relating to the establishment and maintenance of a mechanism for tariff setting for the Puget Sound Pilotage District. (POLAR, PSP and PSSOA, as a body, referred to hereinafter as the Parties)

**SECTION ONE
PURPOSE**

The Parties wish to maintain the simplified method of adjusting the tariff. In doing so, such an agreement will enable the respective parties to jointly and individually focus more time and attention on issues which relate to the safe movement of vessels and the overall improvement and stability of the maritime industry in the region by accomplishing a multi-year solution to the tariff setting process.

The Agreement intends to ensure that an adequate manning level is maintained for the requirements of the pilotage grounds, that the real value of pilot income is not eroded by inflationary pressures and that tariff adjustments are made in relation to actual income earned by a pilot, while at the time ensuring that adequate tariff funding is available to maintain the efficiencies of the pilotage service. To this end, it is also appropriate that the Agreement be sufficiently flexible to accommodate unanticipated future requirements and provide confidence that pilotage rates will not be in excess of those necessary to accomplish the stated purpose.

**SECTION TWO
MANNING**

The Parties accept and agree that the number of pilots required to maintain a safe, acceptable and equitable pilotage service is a cornerstone to streamlining the tariff process. Therefore, after due consideration of the potential circumstances which may

1 dictate a change in the number of pilots licensed for the Puget Sound Pilotage District
 2 and funded through the applicable tariff, it is agreed that the application of the Vessel
 3 Traffic Formula and the maximum Safe Assignment Level will be the basis for any
 4 manning adjustments and to define the minimum number of pilots necessary to fulfill
 5 the obligation of providing safe and efficient pilotage on Puget Sound.
 6

7 The Vessel Traffic Formula is designed to assist the Board of Pilotage Commissioners
 8 in determining the need for licensing of additional pilots in order to maintain service
 9 efficiencies, it is mutually agreed to adopt and maintain the following formula to
 10 annually forecast vessel traffic within the Puget Sound Pilotage District:
 11

*The projected number of total pilotage assignments for any given year
 12 is equal to the actual total number of pilotage assignments for the
 13 previous year adjusted by fifty percent (50%) of the difference between
 14 the projection for the previous year and the actual number of
 15 assignments for that year.*

16
 17 Specifically, the Vessel Traffic Formula is expected to assist the Board of Pilotage
 18 Commissioners in determining the need for licensing of additional pilots in order to
 19 maintain minimum service efficiencies when an increase in vessel traffic is expected.
 20 Another application of the Vessel Traffic Formula, when combined with the maximum
 21 Safe Assignment Level, is the evaluation of service requirements when an active pilot
 22 retires and the Board of Pilotage Commissioners must undertake to determine if a
 23 pilot candidate should be trained and licensed as a replacement for the pilot who is
 24 retiring.
 25
 26

27 An example of the application of the Vessel Traffic Formula for projecting vessel traffic
 28 during 2001 is as follows:
 29

Step 1:	2000 Actual	8,254 assignments
	LESS:	
	2000 Projection	<u>-8,238</u> assignments
	Subtotal	16 assignments
	Divided by 2	8 assignments
Step 2:	2000 Actual	8,254 assignments
	PLUS:	
	Adjustment	<u>+8</u> assignments
2001 Projection		<u>8,262</u> assignments

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 42 The Vessel Traffic Formula is intended to be utilized in conjunction with a maximum
 43 Safe Assignment Level. Therefore, in consideration of current state and federal
 44 regulations, as well as other safety factors affecting the prudent utilization of pilots,
 45 it is agreed the maximum Safe Assignment Level is 149 assignments per pilot. (The
 46 establishment of this level corresponds with determinations made by the Board of
 47 Pilotage Commissioners in 1995.)

- 1 B) An adjustment to compensate for any projected increase or decrease
2 in the number of active PSP members or the minimum number of pilots
3 which will be required for the pilotage grounds, as determined annually
4 by application of the Vessel Traffic Formula and the maximum Safe
5 Assignment Level, whichever is greater, regardless of whether the
6 adjustment is a plus (+) or minus (-).
7
- 8 C) An adjustment to compensate for PSP expenses related to
9 Compensatory Duty Days accrued by pilots at the time of their
10 retirement. (In the case of a pilot who has ceased piloting prior to the
11 tariff setting, the adjustment shall be projected. In the case of a pilot
12 who ceases piloting after the tariff setting, the adjustment shall be a
13 retroactive recapture of the expense during the year following
14 retirement.)
15
- 16 D) An adjustment to compensate for retroactive recapture of PSP expenses
17 previously approved by the Board of Pilotage Commissioners for tariff
18 funding. The amount of each of these expenses subject to recapture
19 shall be determined and reported by independent accountants
20 responsible for PSP's annual audit.
21
- 22 E) An adjustment to cover projected PSP expenses related to major capital
23 expenditures or other extraordinary expenses. (A major capital
24 expenditure is an acquisition of an asset for which the cost exceeds an
25 amount equal to one percent (1%) of pilotage gross revenues for the
26 preceding year.)
27
- 28 F) An adjustment to cover any projected increase or decrease in expenses
29 resulting from State fees and/or taxes regardless of whether the
30 adjustment is a plus (+) or minus (-).
31
- 32 G) An adjustment(s) to exclude specific PSP operating expenses from the
33 calculation of actual income per pilot. Those operating expenses which
34 are excluded are: 1) American Pilots' Association dues, 2) Master,
35 Mates and Pilots dues and 3) lobbyist expenses. The amount of each
36 of these expenses shall be determined and reported by independent
37 accountants responsible for PSP's annual audit.
38
39

40 SECTION FOUR
41 ANNUAL ADJUSTMENT
42 TARGET NET INCOME AND INDIVIDUAL BUSINESS EXPENSE ALLOWANCE
43

44 It is expressly understood and agreed by the Parties that the basis for annual
45 adjustments in the Target Net Income per pilot and the tariff-allowed Individual
46 Business Expense Allowance per pilot shall be equal to the Seattle-Tacoma-
47 Bremerton Area Consumer Price Index (CPI) for All Urban Consumers, as reported

1 by the U. S. Department of Labor, Bureau of Labor Statistics, for the preceding
 2 calendar year.

3
 4 A specific Target Net Income amount shall be declared annually in order to facilitate
 5 evaluation, tariff setting and to comply with provisions of the *Amended Retirement*
 6 *Program of Puget Sound Pilots (Revised January 1, 1988)* which stipulate the
 7 procedures for calculating retirement benefits.

8
 9 In addition to the CPI adjustment in Target Net Income, it is agreed that during each
 10 year of this agreement (2001, 2002, 2003, 2004 and 2005) a special adjustment equal
 11 to one-point-zero-zero percent (1.00%) shall be added to the Target Net Income.

12
 13 Therefore, the Target Net Income for 2001 shall be calculated, and is hereby
 14 determined and agreed, to be as follows:

15 Adjustments:

16	2000 Consumer Price Index (CPI)	+ 4.10%
17	Special adjustment	<u>+ 1.00%</u>
18	TOTAL	<u>+ 5.10%</u>
19		
20		
21	2000 Target Net Income	\$182,909.00
22		<u>X 1.0510</u>
23	2001 Target Net Income	<u>\$192,237.00</u>
24		

25 It is further agreed that the amount of the Individual Business Expense Allowance per
 26 pilot shall be specifically declared each year in order to provide the basis for financial
 27 reporting and subsequent adjustments. The expenses which are included in the lump-
 28 sum reimbursement amount consist of, without specific allocation:

- 29
- 30 A) Medical insurance
 - 31 B) Disability insurance
 - 32 C) Professional insurance
 - 33 D) State license fees
 - 34 E) Annual physical examination expense
 - 35 F) Subsistence and lodging expenses
 - 36 G) Business communications
 - 37 H) Navigation/office supplies.
- 38

39 In addition to the CPI adjustment in the Individual Business Expense Allowance per pilot,
 40 it is agreed that during the first year of this agreement that special adjustments in the
 41 amounts of \$500.00 and \$4,340.00 shall be added to the Individual Business Expense
 42 Allowance per pilot in order to compensate for an increase in the State license fee during
 43 2001 and the inordinate increase in medical insurance expenses since the inception of
 44 the lump sum allowance, respectively.

45
 46 Therefore, the lump-sum Individual Business Expense Allowance per pilot for 2001 shall
 47 be calculated, and is hereby determined and agreed, to be as follows:

1	Adjustment:	
2	2000 Consumer Price Index (CPI)	+ 4.10%
3		
4	2000 Lump-sum Allowance	\$16,769.00
5		<u>X 1.041</u>
6	Subtotal	\$17,457.00
7		
8	2001 One-time State License fee adjustment	\$ 500.00
9	2001 One-time Medical insurance adjustment	<u>\$ 4,340.00</u>
10		
11	2001 Lump-sum Allowance	<u>\$22,297.00</u>
12		

SECTION FIVE
DOCUMENTATION

17 By agreeing to streamline and to establish a multi-year solution to the tariff setting
18 process, the Parties acknowledge the appropriateness of, as well as the legal
19 requirements for, full financial disclosure.

21 Therefore, the Parties agree that PSP shall continue to annually prepare and submit to
22 the Board of Pilotage Commissioners, POLAR and the PSSOA a *5-Year Capital Spending*
23 *Plan* covering any major capital expenditure which exceeds an amount equal to one
24 percent (1%) of pilotage gross revenues for the immediately preceding calendar year.
25 PSP shall also continue to furnish copies of annual audited Financial Statements to the
26 Board of Pilotage Commissioners, POLAR and the PSSOA.

28 In addition to those documents mentioned above, annual tariff submissions by PSP shall
29 also include:

- 30
- 31 A) An abstract of audited Financial Statements which provides a detailed
32 listing of retirement benefits paid to PSP retirees during the preceding
33 calendar year. (Appendix A, attached.)
 - 34
 - 35 B) A written statement by independent accountants responsible for PSP's
36 annual audit listing the actual amount of specific PSP expenses, incurred
37 during the preceding calendar year, which were previously approved by the
38 Board of Pilotage Commissioners and which are subject to recapture
39 through the calculation of an annual tariff adjustment, pursuant to Section
40 Three, paragraph C, of this Agreement. (Appendix B, attached.)
 - 41
 - 42 C) A written statement by independent accountants responsible for PSP's
43 annual audit listing the actual amount of specific PSP operating expenses,
44 during the preceding calendar year, which are excluded from the
45 calculation of an annual tariff adjustment, pursuant to Section Three,
46 paragraph F, of this Agreement. (Appendix B, attached.)
 - 47

- 1 D) An abstract of audited Financial Statements which provides a summary
2 listing of PSP Operating Results during the preceding calendar year.
3 (Appendix C, attached.)
4
- 5 E) A detailed calculation, jointly prepared and duly executed by the Parties,
6 of the tariff adjustment pursuant to the terms and conditions of the
7 Agreement. (Appendix D, attached.)
8
9

10 SECTION SIX
11 **TARIFF CHANGE CALCULATION**
12

13 The Parties stipulate that simplification of the tariff setting process is dependent upon
14 utilization of a formula which consistently monitors the relationship between annual
15 Target Net Income per pilot and actual income per pilot, in accordance with prescribed
16 procedures.
17

18 Accordingly, the Parties agree that adjustments shall be made, either plus (+) or minus
19 (-) to ensure the tariff generates sufficient revenue to satisfy operating requirements,
20 including maintenance of a level of actual income per pilot which is nearly identical to
21 established amounts.
22

23 To this end, the Parties agree to utilize a formula which consist of the following
24 documented elements:
25

26 **KEY**
27

- 28 A = Target Net Income for preceding year
29
- 30 B = Total Pilotage Revenue
31 (per audited Financial Statements, page 11, OPERATING RESULTS, line D.1.)
32
- 33 C = Operating expense
34 (All divisions, include Seattle, Pilot Boats, Port Angeles and
35 Retirement Payments)
36 (per audited Financial Statements, page 11, OPERATING RESULTS, line D.2.)
37
- 38 D = Other Expense
39 (Individual Out-Of-Pocket Allowance expense and Transportation
40 expense)
41 (per audited Financial Statements, page 11, OPERATING RESULTS, line D.7.)
42
- 43 E = Excluded expenses
44 (American Pilots' Association dues expense, Master, Mates and
45 Pilots dues expense and lobbyist expense)
46 (per written statement by independent accountants.)
47

- 1 F = Recapture amounts of previously-approved tariff expense
2 (per written statement by independent accountants.)
- 3
- 4 G = Amount of projected increase (+) or decrease (-) in State fees
5 and/or taxes, if any.
- 6
- 7 H = Amount of projected first year costs associated with major capital
8 expenditure or other extraordinary expenses, if any.
- 9
- 10 I = Number of active PSP members or the minimum number of pilots
11 required, as determined by application of the Vessel Traffic Formula
12 and the maximum Safe Assignment Level, whichever is greater.
- 13
- 14 J = Number of projected or retroactive Compensatory Duty Days
15 accrued by pilots at the time of their retirement divided 365 calendar
16 days.
- 17
- 18 K = Consumer Price Index (CPI) for preceding calendar year
- 19
- 20 L = Special Target Net Income adjustment (2001, 2002, 2003, 2004 and
21 2005).
- 22
- 23 M = Tariff adjustment

24
25 Based on the foregoing, the formula to determine the appropriate tariff adjustment
26 pursuant to the terms of this Agreement is as follows:

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 \end{array}$$

$$A - \left(\frac{B - (C + D) + E - (F+G+H)}{(I+J)} \right) + K + L = M$$

A

(A text based Tariff Adjustment Calculation for 2001 is detailed on Appendix D, attached.)

SECTION SEVEN
TERM

This Agreement shall be in full force and effective from April 10, 2001 to and including April 9, 2006. The effective five (5) year period shall include the respective tariff setting process which shall occur during 2001, 2002, 2003, 2004 and 2005.

Furthermore, the Agreement may be extended for an additional three (3) year period, through April 9, 2009, to include the respective tariff setting process which shall occur during 2006, 2007 and 2008, subject to mutual consent.

If either POLAR, PSP or PSSOA do not wish to extend the Agreement, the party desiring to terminate the Agreement at the expiration of the initial five (5) year period shall serve the other parties with written notice of termination one hundred twenty (120) days prior to the date of expiration.

SECTION EIGHT
MISCELLANEOUS

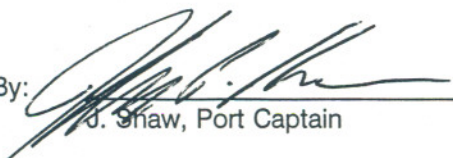
In the event of any regulatory action which materially effects this Agreement, the Parties agree to meet and, in good faith, endeavor to modify the Agreement to mutual satisfaction. The Parties further agree to meet, in good faith, and endeavor to recommend and support modification of specific verbiage of WAC 363-116-300 in a manner which is deemed mutually satisfactory.

This Agreement is further subject to ratification and endorsement by the Board of Pilotage Commissioners.

IN WITNESS WHEREOF, the Parties hereto have caused the Agreement to be duly executed at Seattle, Washington on the 10th day of April, 2001 between:

POLAR TANKERS, INC.

PUGET SOUND PILOTS

By: 
J. Shaw, Port Captain

By: 
Capt. W. Bock, President


PUGET SOUND STEAMSHIP OPERATORS ASSOCIATION, INC.


Capt. D. Kelly, Chairman, Rate Committee

By: 
G. Benson, President


Capt. M. Flavel, Rate Committee

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J. Papp, Chairman, Pilotage Committee



Capt. G. Larson, Rate Committee



L. Kohls, Pilotage Committee



Capt. D. Mayer, Rate Committee



D. Timm, Pilotage Committee



Capt. D. Sanders, Rate Committee

PUGET SOUND PILOTS

SCHEDULE OF RETIREMENT INCOME FOR INACTIVE
PILOTS AND WIDOWS OF DECEASED PILOTS

Year Ended December 31, 2000

1. Mrs. Esther Bock	\$ 5,271
2. Mrs. Shirley Carlson	10,177
3. Capt. J.L. Cox	30,213
4. Mrs. Carole Cramer	8,078
5. Mrs. Lenore Damon	10,695
6. Capt. R.O. Deschamps	21,744
7. Mrs. Edna Ekrem	1,920
8. Capt. K.L. Florian	36,433
9. Mrs. Patricia Grandy	16,043
10. Mrs. Shirley Griffiths	6,589
11. Capt. W.M. Grobschmit	25,697
12. Mrs. Katherine Hayes	9,225
13. Capt. J.F. Henshaw	34,263
14. Capt. W.W. Henshaw	17,280
15. Capt. B.C. Holmes	47,985
16. Capt. C.L. Johnson	30,531
17. Capt. B.E. Joyce	4,257
18. Capt. V. Kjeldtoft	24,676
19. Capt. N.C. Laine	5,760
20. Mrs. Sheila Lindholm	6,000
21. Capt. E.J. Lofquist	22,403
22. Capt. P.H. Luther	50,077
23. Capt. F. Michelson	21,137
24. Capt. R.A. Moss	14,496
25. Capt. J.P. Osnes	46,671
26. Capt. G. Olsborg	12,190
27. Capt. R.S. Peake	29,749
28. Capt. G.M. Poor	37,761
29. Capt. R.H. Quinn	7,200
30. Capt. A.H. Reeve	4,320
31. Capt. L.W. Sackett	17,132
32. Capt. A.S. Skucy	36,899
33. Capt. A. Soriano	44,147
34. Capt. D.A. Thornton	13,178
35. Capt. J.S. Thorsen	40,464
36. Capt. L.D. Thorsen	2,776
37. Capt. J.W. Trimmer	18,727
38. Capt. D.E. Turner	2,081
39. Capt. R.O. Watkins	3,509
40. Mrs. Marquita Watkins	<u>5,265</u>
41. TOTAL	<u>\$783,019</u>

See independent auditor's report on additional information.



CERTIFIED PUBLIC ACCOUNTANTS
16300 CHRISTENSEN ROAD, SUITE 320
SEATTLE, WA 98188-3421
206-835-0200 FAX 206-835-7070
WWW.SKPCPA.COM

March 22, 2001

William Bock, President
Puget Sound Pilots
101 Stewart St, Ste 900
Seattle, WA 98101

Dear Capt. Bock:

The following supplemental information is not specifically available in the December 31, 2000 audit report, and therefore is provided to you in this letter.

1. The ending balance on the line of credit for the new pilot boat, Juan de Fuca, was \$541,345.61 at December 31, 2000.
2. Lobbyists fees paid for the year ending December 31, 2000, was \$30,139.21.
3. Dues paid to the MM&P for the year ending December 31, 2000, was \$14,025.00.
4. Dues paid to the APA for the year ending December 31, 2000, was \$60,040.00.

Please let me know if you require any additional information.

Sincerely yours,

SCHNEIDER & KOBATA, PS

A handwritten signature in cursive script that reads "Jimme Schneider".

Jimme Schneider, CPA

Appendix C

PUGET SOUND PILOTS
 COMMENTS ON 2000 OPERATIONS, Continued

C. FEATURES OF INDIVIDUAL DISTRIBUTIONS, Continued

	<u>2000</u>
1. Total annual duty days.....	19,537
2. Working Pilot roster (duty days divided by days in year).....	53.4
3. Piloting engagements.....	8,254
4. Total pilotage revenue per day per Pilot.....	\$911
5. Expense per day per Pilot.....	\$316
6. Balance of revenue pool per day per Pilot.....	\$595
7. Transportation fees per day per Pilot.....	\$45

D. OPERATING RESULTS, 2000

	<u>2000</u>
1. Total Pilotage Revenue.....	\$17,800,488
2. Operating expense - pooled.....	(4,414,676)
3. Seattle.....	\$1,522,098
4. Boats.....	1,739,745
5. Port Angeles.....	369,814
6. Retirement payments.....	<u>783,019</u>
7. Expense - other.....	<u>(1,766,624)</u>
8. Individual out of pocket allowances.....	\$ 895,126
9. Transportation.....	<u>871,498</u>
10. Balance of Pilotage Revenue Pooled.....	<u>\$11,619,188</u>
11. Working Pilot Roster.....	<u>53.4</u>
12. Balance of Pilotage Revenue Pooled Per Pilot.....	<u>\$217,588</u>

See independent auditor's report on additional information.

TARIFF ADJUSTMENT CALCULATION - 2001

A	Target Net Income for preceding year	\$182,909
	<u>MINUS:</u>	
B	Total Pilotage Revenue	\$17,800,488
	<u>MINUS:</u>	
C	Operating expenses	-\$4,414,676
D	Other expenses	-\$1,766,624
	<u>PLUS:</u>	
E	Excluded expenses	+\$104,204
	<u>MINUS:</u>	
F	Recapture previously-approved expenses	\$0
G	Projected change in State fees and/or taxes	-\$28,000
H	Projected Major Capital expenditures or extraordinary expenses	<u>-\$917,339</u>
	Subtotal (Net Pilotage Revenue)	\$10,778,053
	<u>DIVIDED BY:</u>	
I	Number of active PSP members or minimum number of pilots required for the grounds (VTF÷MSAL), whichever is greater	56.00 pilots
	<u>PLUS:</u>	
J	Compensatory Duty Days (as a decimal of a pilot)	<u>.78 pilots</u>
	Total pilots for tariff funding	56.78 pilots
	<u>DIVIDED BY:</u>	
A	Target Net Income for preceding year	\$182,909
	Subtotal	-3.78%
	<u>PLUS:</u>	
K	Consumer Price Index (CPI)(preceding year)	+4.10%
L	Special Target Net Income adjustment	<u>+1.00%</u>
M	TARIFF ADJUSTMENT - 2001	+1.32%

Initials:

POLAR



PSP



PSSOA



MEMORANDUM OF UNDERSTANDING

This MEMORANDUM OF UNDERSTANDING (MOU) is between Captain Benjamin Watson and the Puget Sound Steamship Operators Association (PSSOA). The purpose of this MOU is to set forth the recommended terms and conditions under which it is proposed Captain Watson is to be paid his retirement pension. This MOU will then be presented to the Washington State Board of Pilotage Commissioners for consideration and action.

Terms and conditions of this MOU may be contrary to certain provisions of the Amended Retirement Program of Puget Sound Pilots, as amended on July 1, 2001 (PSP Pension Plan), and established regulatory standards or procedures for the Grays Harbor and Puget Sound Pilotage Districts. This MOU shall not be construed to be in any way precedent setting for any future action in these pilotage districts, even if similar conditions or circumstances should occur.

The PSSOA and Captain Watson will offer no objections to the Washington State Board of Pilotage Commissioners if Captain Watson's retirement pension is calculated and paid as a pilotage tariff funded expense based upon the following considerations:

- 1.) That Captain Watson is receiving his pension based on the "Retirement Program of the Grays Harbor Pilots" signed by Captain Watson and four other Grays Harbor pilots in 1990.
- 2.) That the document entitled "Amended Retirement Program of the Port Angeles Pilots" to which the above plan refers is in fact the "Amended Retirement Program of Puget Sound Pilots" (PSP Pension Plan) as revised on July 01, 2001.
- 3.) That for the purpose of calculating "Years of Service", Captain Watson's last day of pension accrual shall be July 31, 2002 and that this date shall also be viewed as his "Normal Retirement Date" for the purposes of various clauses in the PSP Pension Plan.
- 4.) That Captain Watson's "Retirement Base" shall mean an amount equal to the average of the "Target Net Income", as defined in the above PSP Pension Plan, for the years 2000, 2001 and 2002.
- 5.) That because of the unusual and dire economic circumstances now existing at the Port of Grays Harbor, and where after Captain Watson's retirement there will be available only one fully licensed Grays Harbor pilot, Captain Watson may be asked, from time to time, by the Port of Grays Harbor to continue piloting beyond July 31, 2002 in the Grays Harbor pilotage district on a temporary, contractual basis.
- 6.) That because of the circumstances described above, and notwithstanding Section 3.1(c) of the PSP Pension Plan, Captain Watson shall continue to be paid his pension even while under temporary contract to the Port of Grays Harbor, EXCEPT for those days in which he was actually engaged in piloting, or was requested to pilot but where the pilotage assignment was delayed or cancelled. Reports produced by, and received from, the Port of Grays Harbor of pilotage work assigned to Captain Watson shall be used to document such pilotage work days whereby pension is not to be paid. A "pilotage work day" shall be determined by pilotage job tickets and is any calendar day during which Captain Watson pilots a vessel or any calendar day for which a pilot is requested and then delayed or cancelled resulting in a delay or cancellation fee. (For example, if Capt. Watson has one job that begins 23:00 on June 10 and ends 04:00 June 11, he can be said to have had two pilotage work days. Conversely, two or more pilotage jobs accomplished within the same calendar day constitute only one pilotage work day.) Pension payments shall be based on a thirty (30) day month.
- 7.) That upon receiving written notification from the Port of Grays Harbor his pilotage services are no longer required, Captain Watson shall immediately submit his state pilot's license to the Board of Pilotage Commissioners for cancellation. Failure to do so will result in penalties as set forth in the PSP Pension Plan and Bylaws.

SIGNED:



 Luis Kohls on behalf of the PSSOA

DATED:

07/31/02



 Captain Benjamin Watson

DATED:

8/3/02

MEMORANDUM OF UNDERSTANDING

This MEMORANDUM OF UNDERSTANDING (MOU) is between Captain Robert D'Angelo and the Puget Sound Steamship Operators Association (PSSOA). The purpose of this MOU is to set forth the recommended terms and conditions under which it is proposed Captain D'Angelo be paid his retirement pension at some future date for the service time already accrued **as a member of the "Grays Harbor Bar Pilots"**. This MOU will then be presented to the Washington State Board of Pilotage Commissioners for consideration and action.

Terms and conditions of this MOU may be contrary to certain provisions of the Amended Retirement Program of Puget Sound Pilots, as amended on July 1, 2001 (PSP Pension Plan), and established regulatory standards or procedures for the Grays Harbor and Puget Sound Pilotage Districts. This MOU shall not be construed to be in any way precedent setting for any future action in these pilotage districts, even if similar conditions or circumstances should occur.

The PSSOA and Captain D'Angelo will offer no objections to the Washington State Board of Pilotage Commissioners if Captain D'Angelo's retirement pension is calculated and paid as a pilotage tariff funded expense based upon the following considerations:

- 1) That Captain D'Angelo is to receive his pension based on the "Retirement Program of the Grays Harbor Pilots" signed by the five Grays Harbor pilots in 1990.
- 2) That the document entitled "Amended Retirement Program of the Port Angeles Pilots" to which the above plan refers is in fact the "Amended Retirement Program of Puget Sound Pilots" (PSP Pension Plan) as revised on July 01, 2001 or as may be revised in the future.
- 3) That for the purpose of calculating "Years of Service", Captain D'Angelo's first day of service as a member of the "Grays Harbor Bar Pilots" association shall be April 01, 1993 and his last day of pension accrual shall be September 30, 2001 which equates to a total of 3,105 days of service.
- 4) That Captain D'Angelo began his pilotage duties as an employee of the Port of Grays Harbor on October 01, 2001 at which time he became eligible to participate in a state funded pension program provided through the Port of Grays Harbor. As such, any pilotage time accrued while serving as an employee of the Port of Grays Harbor shall not be deemed as "service time" and shall not be calculated and paid as a pilotage tariff funded expense.
- 5) The "Normal Retirement Date" necessary for the purposes of various clauses in the PSP Pension Plan, shall be deemed to be that future date at which

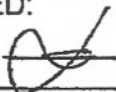
1 of 2

R.D.

Captain D'Angelo retires from piloting in the State of Washington, having met any requirements pertaining to retirement contained in the PSP Pension plan and having relinquished his Washington State pilotage license.

- 6) That Captain D'Angelo's "Retirement Base" shall mean an amount equal to the average of the "Target Net Income", as defined in the above PSP Pension Plan, for the tariff year in which he retires from piloting in the State of Washington and the two immediately preceding tariff years.

SIGNED:



Luis Kohls on behalf of the PSSOA

DATED: 04/02/04


Captain Robert D'Angelo

DATED: 11 Mar 04



STATE OF WASHINGTON

BOARD OF PILOTAGE COMMISSIONERS

Colman Dock - Pier 52 • 801 Alaskan Way • Seattle, Washington 98104-1487 • (206) 464-7818

January 21, 1992

Captain N.A. Werner, President
Grays Harbor Pilots
P.O. Box 123
Aberdeen, WA 98520

Captain W.A. Bock, President
Puget Sound Pilots
101 Stewart Street
Seattle, WA 98101

Dear Captains Werner and Bock:

At the January 16, 1992 regular meeting of the Washington State Board of Pilotage Commissioners, Captain Mel Flavel requested that the Board make a determination that his years of service as a Grays Harbor Pilot be added to his years of service as a Puget Sound Pilot in calculating his total pension benefits when he retires in the future. The Board agrees with this position.

The retirement programs in both pilotage districts are essentially the same. They are funded as an expense item in the tariff and provide the same benefits to the pilots in each district. The Board, in effect, considers them as a single retirement program for Washington State licensed pilots and transfer of years of service is appropriate.

Please take the necessary steps to revise your retirement plans to reflect the Board's position and provide a copy of this revision to the Board.

Sincerely,

Chester A. Richmond, Jr.
Rear Admiral USCG (Ret.)
Chairman

CAR:pl

cc: each Commissioner
Captain M.R. Flavel
Dennis Marshall, P.S.S.O.A.

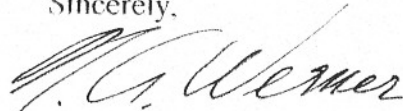
GRAYS HARBOR PILOTS ASSOCIATION
STATE & FEDERAL LICENSED PILOTS FOR GRAYS & WILLAPA HARBORS
MEMBERS, AMERICAN PILOTS ASSOCIATION
P.O. BOX 123 * ABERDEEN, WASHINGTON 98520 * (206) 532-2761

To Whom It May Concern:

28 July, 1995

Upon review of our records we have determined that Capt. Melvin R. Flavel was a full time member of the Grays Harbor Bar Pilots Association actively engaged in piloting vessels in the Grays Harbor district of the State of Washington from 30 October, 1975 through 31 May, 1992.

Sincerely,



Capt. N. A. Werner

President

Grays Harbor Bar Pilots



SEATTLE OFFICE:
 101 Stewart Street, Suite 900
 Seattle, Washington 98101
 (206) 728-6400
 FAX: (206) 448-3405
 DISPATCH ONLY: (206) 448-4155

PORT ANGELES PILOT STATION:
 (206) 457-7944
 WATS: 1-800-221-0234
 Cable: "PILOTS PORTANGELES"

February 12, 1992

RADM Chester A. Richmond, Jr., USCG (Ret.), Chairman
 Board of Pilotage Commissioners
 Colman Dock - Pier 52
 801 Alaskan Way
 Seattle, Washington 98104-1487

Dear Admiral Richmond:

We acknowledge receipt of your letter dated January 21, 1992 regarding the direction by the Board during the January 16, 1992 regular meeting to pay Capt. M. R. Flavel's retirement benefits in full, combining his total years of service as an active Washington State licensed pilot in both the Grays Harbor and Puget Sound Pilotage Districts.

Accordingly, we will comply with the Board's directive and disburse full retirement benefits to Capt. Flavel when he retires from active piloting in Washington waters.

We understand the total amount disbursed to Capt. Flavel in retirement benefits will be reimbursed in full through the Puget Sound Pilotage District tariff, similar to the manner in which all retirement benefits are presently handled for pilots who have retired from piloting in the Puget Sound District.

Very truly yours,

William A. Bock

William A. Bock
 President

cc: → Capt. M. R. Flavel
 Capt. N. A. Werner, Grays Harbor Pilots
 D. Falcone, Puget Sound Steamship Operators Assoc., Inc.



SEATTLE OFFICE:
101 Stewart Street, Suite 900
Seattle, Washington 98101
(206) 728-6400
FAX (206) 448-3405
DISPATCH ONLY: (206) 448-4455

PORT ANGELES PILOT STATION:
(360) 457-7944
WATTS: 1-800-221-0234
Cable: "PILOTS PORTANGELES"

December 28, 1995

BOARD of PILOTAGE COMMISSIONERS
801 Alaskan Way, Colman Dock Pier 52
Seattle, WA. 98104-1487

ATTENTION: Mr. Larry Vognild, Chair

Dear Mr. Vognild:

We are in receipt of a copy of a letter dated December 18, 1995 from Capt. Norm Werner to the Board of Pilotage Commissioners requesting that Capt. Werner's years of service as a Grays Harbor Pilot be added to his years of service as a Puget Sound Pilot in calculating total pension benefits when he retires in the future.

Puget Sound Pilots notes that this is the identical procedure already in place for Capt. M. Flavel, and upon approval from the Board, will disburse full retirement benefits to Capt. Werner when he retires from active piloting in the Puget Sound pilotage district.

We understand the total amount disbursed to Capt. Werner in retirement benefits will be reimbursed in full through the Puget Sound Pilotage District tariff, similar to the manner in which all retirement benefits are presently handled for pilots who have retired from piloting in the Puget Sound pilotage district.

Best Regards,

Capt. J. S. Niederhauser
President

cc: Capt. N. Werner
Capt. B. Watson, Grays Harbor Pilots
Mr. Harry Hutchins, Puget Sound Steamship Operators Association, Inc.

PUGET SOUND STEAMSHIP ASSN., INC

**FIRST AVENUE
SUITE 110
SEATTLE, WASHINGTON 98121
(206) 443-3830**

Date: January 11, 1996

Mr. Larry Vognhild, Chair
Washington State Board of Pilotage Commissioners
Colman Dock - Pier 52
801 Alaskan Way
Seattle, Wa 98104 -1487

Dear Mr. Vognhild:

When Capt. Flavel transferred from Grays Harbor Pilots to Puget Sound Pilots in 1992 the board agreed in combining all his total years of service as pilot into the Puget Sound Pilotage District.

In regards to Capt. Norm Warner's recent transfer Pssoa agree that it is appropriate to follow same procedure.

Sincerely Yours,



Erik Nordahl
Pssoa, GHP Committee Chairman



STATE OF WASHINGTON

BOARD OF PILOTAGE COMMISSIONERS*Colman Dock - Pier 52 • 801 Alaskan Way • Seattle, Washington 98104-1487 • (206) 464-7810*

January 31, 1996

Captain N.A. Werner
P.O. Box 1179
Issaquah, WA 98027

Dear Captain Werner:

The Board is in receipt of your letter dated December 18, 1995, regarding the combining of your years of service as a Grays Harbor pilot with those that you will accrue as a Puget Sound pilot. The Board also received supporting letters from Captain Niederhauser on behalf of the Puget Sound Pilots and from Erik Nordahl on behalf of Puget Sound Steamship Operators Association. In addition, the discussion of the issue at the January 11, 1996 meeting made clear that the ship operators as well as the pilots agreed with your request.

The Board understands that, as a result of this agreement between yourself, the Puget Sound Pilots, and the ship operators, your retirement benefits will be paid in full through the Puget Sound Pilots retirement program. The Board recognizes that there is precedent for this arrangement with Captain Flavel in 1992, but it would not go so far as to characterize it as a "standing policy", as you do in your letter. Instead, the Board understands that the parties directly concerned with your pension costs and the reimbursement thereof have agreed to this arrangement. The Board therefore would expect that, when you are eligible to receive your pension in the future, the pilots and operators will support reimbursement of these expenses through the tariff, unless some other funding mechanism is devised in the meantime.

Very truly yours,

Larry L. Vognild
Chair

cc: Captain J.S. Niederhauser, Puget Sound Pilots
Harry Hutchins, PSSOA
Erik Nordahl, PSSOA

MEETING MINUTES

STATE OF WASHINGTON BOARD OF PILOTAGE COMMISSIONERS

May 11, 2006

Present:

Chairman: Dudley

Commissioners: C. Davis, Mackey, Niederhauser, Hannigan, Addington, Lee, Palmer and N. Davis

Assistant Attorney General: Susan Cruise

Administration: Peggy Larson and Judy Bell

Richard McCurdy, Mel Flavel, Dave Sanders, Chris Larson, Peter Giese, Mark Shuler, John Harris, Eric vonBrandenfels, Cal Hunziker, Bill Bundren, Jed Arnold, Mike Wood, Don Mayer, Dan Shaffer, Jim Shaffer, Carl Johannes, Robey Robichaux, Del Mackenzie, Denny Stensager, Larry Mathisen, Gary Hurt, Andy Coe, Larry Emerson, Walt Tabler, Brett Valentine: Puget Sound Pilots

Mike Moore, Luis Kohls, Seth Berntsen, Mike Jacob, John Veentjer: Pacific Merchant Shipping Assn

Jeff Shaw, John Piotrowski: Polar Tankers

Cees Deelstra: Holland America

Phil Morrell: Totem Ocean Trailer Express

Ed Irish: Tesoro Corp

Julio Soares, Chris Fricker: American President Lines

Dan Heverly: Princess Lines

Matthew Darbous: Quay Cruise USA

George Quick: I.O.M.M.&P.

Colin Southcote-Want: Albion Actuarial Services

Kevin Davis, Paul Amos, Dave Halmagyi: Columbia River Pilots

Gary Lewin: Columbia River Bar Pilots

Gary Nelson: Port of Grays Harbor

Scott Craig: Crowley Marine

Katharine Sweeney: pilot applicant

PUBLIC HEARING

A public hearing of the Board of Pilotage Commissioners was convened at 9:30 a.m. by Chairman Harry Dudley at 2901 Third Avenue, Seattle, Washington.

WAC 363-116-300: Pilotage Rates for the Puget Sound Pilotage District. RCW 88.16.035(4) requires the Board of Pilotage Commissioners to annually fix pilotage tariffs. The proposed rule reflects a range of increases to be charged for pilotage services in the Puget Sound Pilotage District for the 2006-2007 tariff year. The low end of the range is proposed by the Pacific Merchant Shipping Association (PMSA) and Polar Tankers, Inc. NW (PTI). The high end of the range and other specified increases and amendments are proposed by the Puget Sound Pilots (PSP). Upon consideration of all written and oral testimony, it is anticipated that the adopted rule will reflect increases to most tariff categories that range between 1.59% and 28.3%. Exceptions include some tariff categories which are outside of this range and are specified below. The low end of the range of increases is 1.59% applied across-the-board except for the *Transportation* and *Training Surcharge* categories to which no change is applied. The high end of the range of increases is 28.3% applied across-the-board except for the following categories: *Boarding Fee, Trial Trips, Docking Delay-after anchoring, Sailing Delay, Slowdown, and Delayed Arrival-Port Angeles* to which a 100% increase is applied; and *Training Surcharge* to which no change is applied. PSP proposes a modification to the cancellation portion only of the *Transportation* category as well the creation of a new category called *Draft Charges* for purposes of charging each vessel \$10 per foot of draft. PMSA and PTI do not support the addition of *Draft Charges* or the amendment to the *Transportation - Cancellation* category; nor do they support the 100% increase to the categories for which PSP proposes be increased by as much.

All written documents submitted in accordance with the timetable established for tariff document submission were considered in today's tariff determination, in addition to numerous letters from interested parties and members of the public.

Oral testimony in support of the Puget Sound Pilots was presented by Walt Tabler, George Quick, Mel Flavel, Del Mackenzie and Andy Coe. Oral testimony in support of the shipping industry was presented by Mike Moore, Mike Jacob, Jeff Shaw, John Piotrowski, Cees Deelstra, Phil Morrell, Seth Berntsen and Colin Southcote-Want. Rebuttals were presented by Richard McCurdy, George Quick, Walt Tabler and Mike Moore. This hearing was recorded on audiotape. The public hearing was closed by Chairman Dudley at 2:45 p.m.

REGULAR MEETING

The regular meeting of the Board of Pilotage Commissioners was convened immediately following the public hearing.

Consideration of Preceding Hearing: WAC 363-116-300. Following the Board's review and consideration of all written and oral testimony, it was moved by Commissioner Niederhauser and seconded by Commissioner Hannigan that the Board set the '06-07 Target Net Income for the Puget Sound Pilots at \$295,000 per pilot ~ up from the current TNI of \$214,665. The motion failed with a vote of two in favor, six opposed and one abstention.

It was moved by Commissioner Addington and seconded by Commissioner Lee that the tariff be increased by 3.46%, except "Delay of Sailing" and transportation; increase "Delay of Sailing" by first doubling the current fee and then increasing the hourly rate by 15% for each hour of delay after the first hour; increase TNI by 5% to \$225,398 per pilot; and set the Individual Business Expense Allowance at \$28,621 per pilot. The motion failed with a vote of two in favor, six opposed and one abstention.

It was moved by Commissioner Hannigan and seconded by Commissioner Niederhauser that the tariff be increased across-the-board by 24% except transportation; and that the rate be doubled in the following four hourly categories ~ Delay of Sailing, Slowdown, Docking Delay after Anchoring, and Delayed Arrival - Port Angeles. The motion carried with a vote of five in favor, three opposed and one abstention. The effective period of the new tariff will be from 0001 hours on July 1, 2006 through 2400 hours on June 30, 2007. All written materials, Power Point presentations and more detailed records of testimony, discussion and motions are contained in the rule-making file. (4:10 p.m.)

In summary, the proposed rule reflected a tariff increase in a range of 1.59% to 28.3% which was modified by both PSP and Industry to a range of 3.46% to 25.94% with noted exceptions. The adopted rule differs from the proposed rule in that it reflects a tariff increase of 24% across-the-board except as specified below:

- The *Transportation and Training Surcharge* categories were not modified,
- The proposed new category "*Draft Charges*" was not adopted,
- The *Transportation – Cancellation* category was not modified as proposed, and
- Of the six tariff categories where a 100% increase was proposed, the four categories for which this increase was adopted are: *Docking Delay After Anchoring, Sailing Delay, Slowdown, and Delayed Arrival – Port Angeles*. The two categories for which this proposed doubling was not adopted are *Boarding Fee* and *Trial Trips*.

Elements of previous tariff-setting proceedings that were acknowledged by the Board but were not acknowledged today for this new 2006-07 tariff are:

- Total projected vessel assignments for 2006
- Number of tariff-funded pilots
- Maximum Safe Assignment Level
- Target Net Income per pilot
- Individual Business Expense Allowance per pilot
- The Tariff Setting Formula set forth in a multi-year Memorandum of Understanding

Minutes. There being no corrections or additions, the April 13, 2006 Minutes stand approved as written.

NEW BUSINESS

Consideration of Petition for Vessel Exemption: Motor Yacht *BLUE STAR*.

Consideration of Petition for Vessel Exemption: Motor Yacht *MEA CULPA*.

Consideration of Request for Additional Approved Operator: *M/V TAMEME MARINO*.

Consideration of Renewal of Vessel Exemption: Motor Yacht *LADY ZELDA*.

Consideration of Petition for Vessel Exemption: Motor Yacht *BARCHETTA*.

Consideration of the above five agenda items was deferred to the next regular Board meeting. Interim action will be given consideration by Chairman Dudley and will be reviewed for concurrence by the full Board.

2006 Annual Tariff Hearings Preparation. GHPD – A 2006-2007 tariff proposal from the Port of Grays Harbor has been submitted to the Board in addition to the 2005 Preliminary Financial Statement in accordance with the timetable established for tariff document submission. The written proposal submitted today contains a request for a 3% increase in the Vessel Draft Charge, the Vessel Tonnage Charge, the Minimum Net Registered Tonnage Charge, and the charge per vessel movement calling at Terminal No. 2. A new provision is proposed that will allow a vessel to berth at Terminal No. 4 (without loading or discharging cargo) in the case that Terminal No. 2 is not available upon arrival. It is proposed that the charge for an extra vessel (in case of tow) is increased by .68%. It is also proposed that the Pension Charge be decreased by \$9 per pilotage assignment, including cancellations. All other tariff charges remain the same. A public hearing has been filed for June 8, 2006 at 9:30 a.m.

Pilot's Report of Marine Safety Occurrence: *WESTWOOD ANETTE*, 4-17-06. While transiting northbound just north of SG Buoy, the vessel briefly lost power with the rudder stuck at 5 degrees left. The power loss was caused by a gantry crane switch that was left on which caused an overload and knocked a generator off line. The problem was resolved and the VTS was notified. It was moved by Commissioner C. Davis and seconded by Commissioner Palmer that this report of a navigational safety concern be filed as a Marine Safety Occurrence. The motion carried.

Pilot's Report of Marine Safety Occurrence: *EVER USEFUL*, 5-6-06. While transiting northbound in the Seola Beach area the vessel's engine was stopped due to a leak on the high pressure fuel oil piping to the #8 cylinder. VTS was notified and arrangements were made by the pilot to coordinate with a nearby tug for assistance if necessary. Two attempts to fix the leak were made during the next hour while drifting in the northbound traffic lane. Upon successful repair the vessel was given permission to proceed. It was moved by Commissioner C. Davis and seconded by Commissioner Palmer that this report of a navigational safety concern be filed as a Marine Safety Occurrence. The motion carried.

Pilot's Report of Marine Safety Occurrence: *KAUAI*, 5-6-06. After departing the berth at Terminal 25, Seattle, East Waterway and approximately 2 ship lengths from the berth, the bow thruster failed due to a generator shutting itself down. After careful maneuvering, the vessel was safely returned to its berth. The pilot was later cancelled off the job. It was moved by Commissioner C. Davis and seconded by Commissioner Palmer that this report of a navigational safety concern be filed as a Marine Safety Occurrence. The motion carried.

Procedures for Submittal of 2007 Agency Request Legislation. The schedule for submission of agency-sponsored legislation has been released by the Governor's office. If the Board should have any proposed legislation for consideration during the 2007 Legislative Session it is due by August 18

if it has a fiscal impact, or September 29, 2006 if no fiscal impact. The agency's budget is also due on August 18 and will reflect any fiscal impacts based on legislative requests if any are determined. Susan Cruise stated she has been keeping a file on certain statutory issues that need to be addressed; Andy Palmer mentioned vessel exemption issues that may be ready for discussion; and determination of when to hold the next pilot examination will also be considered as potential legislation. Further discussion of this matter was continued to future meetings.

Committee Reports:

Deep-Watering Anchoring Committee. Commissioner Niederhauser presented a draft Safety Advisory Bulletin for the Board's consideration. It's been circulated among the Puget Sound Pilots for review and comment and presented to the Board as a "Recommendation for Deep-water Anchoring". It was moved by Commissioner C. Davis and seconded by Commissioner Lee that the Bulletin be approved with one change to clarify intent. The motion carried. The Bulletin will be posted on the Board's web site and forwarded to the Harbor Safety Committee.

Trainee Evaluation Committee.

- Ivan Carlson has completed his initial evaluation program. It was moved by Commissioner Niederhauser and seconded by Commissioner Palmer that the TEC recommends to the Board that Captain Carlson be approved to advance in the training program pursuant to WAC 363-116-078(5)(c). The motion carried.
- The TEC met with the six trainees on April 27 which resulted in a follow-up memo to them regarding issues relative to their training programs.
- The TEC has developed proposed changes to WAC 363-116-078(10) intended to clarify the rule, resolve difficulties experienced with the training program and amend the criteria for stipend eligibility. Susan Cruise has added her comments to the draft for the Board to examine and discuss at the next regular meeting.
- Based on the unanimous recommendation by the TEC to abolish the Policy Statement that was adopted by the Board on September 8, 2005 called "Qualifications of Pilot Applicants Under WAC 363-116-075 When Experience is on Vessels Employing More Than One Master", it was moved by Commissioner Niederhauser and seconded by Commissioner Mackey to terminate the Policy Statement effective today. Chair Dudley recommended that Susan review with Commissioner Niederhauser the ramifications of withdrawing the Policy Statement at this time since there are unanswered letters from potential applicants asking for the Board's determination of their eligibility to take an exam under the current statutes, regulations and policy statements. The motion was withdrawn.
- The list of TEC recommendations presented to the Board at the March 9 meeting will be brought back to the Board for discussion and consideration. They deal mostly with future training programs and pilot examinations.

Legal Update. There will be an Executive Session at the end of today's meeting to discuss potential litigation with Susan Cruise.

Administrator's Report. Peggy Larson suggested that a CR-101 be filed at this time regarding the intent to amend WAC 363-116-078 *Training Program*, which is a necessary step in the rule-making process. It was moved by Commissioner Niederhauser and seconded by Commissioner Lee that a CR-101 be filed. The motion carried. Peggy asked for the status of the license upgrade letter for Captain Jonathan Ward. It was moved by Commissioner Niederhauser and seconded by Commissioner Lee that the Board empower Chairman Dudley to approve a license upgrade program as drafted by the TEC for Captain Jonathan Ward. The motion carried.

Pilots' Activity Reports. Captain Richard McCurdy, President, Puget Sound Pilots, introduced Gary Lewin from the Columbia River Bar Pilots and Paul Amos and David Halmagyi from the Columbia River Pilots who attended today's PSPD tariff hearing; he reported that there were 650 jobs in April compared to a 585 average for the past 3 Aprils; Captain Fosse remains on medical

May 11, 2006 Minutes
Page 5

leave and should return to work in June; Captains Carl Engstrom and John Harris who were recently sent to Port ASH (Australia Ship Handling) for purposes of exploring the possibility of using the facility in the winter months for manned model training were pleased with the facility; Captain Andy Coe went to San Francisco to participate in the evaluation of the simulator portion of the recent pilot examination; Captain Jim Shaffer and Harry Dudley are currently involved in a project locally relating to the SE Alaska pilot exam; Captain Jim Shaffer is the point man in the Tacoma Narrows bridge deck project; and two pilots are currently at manned model training in Port Revel.

Gary Nelson, Executive Director, Port of Grays Harbor, reported that vessel arrivals are down about 15-20% through April at 14; Captain Cooke is approaching his first license anniversary in mid-July; and the pilot boat is back in the water after being refurbished.

Confirmation of Next Regular Meeting Date. The next regular meeting is scheduled for June 8, 2006. The Grays Harbor Pilotage District tariff hearing will begin at 9:30 a.m. followed by the regular Board meeting. The hearing and meeting will be held in the Fourth Floor Rainier Conference Room, at 2901 Third Avenue, Seattle.

An EXECUTIVE SESSION was called from 5:30 p.m. to 6:05 p.m. for purposes of reviewing pilot physical examination reports and discussing potential litigation. In attendance were Chairman Dudley, Commissioners C. Davis, Mackey, Niederhauser, Hannigan, Addington, Lee, Palmer and N. Davis; Susan Cruise, Judy Bell and Peggy Larson. Regular session was reconvened by the chairperson immediately following executive session.

It was moved by Commissioner Niederhauser and seconded by Commissioner Lee that the Board's staff and AAG work together to preclude and/or limit public disclosure of any specific element of the 2005 pilot examination and simulator evaluation. The motion carried.

Review of Pilot Physical Examination Reports. After reviewing the physicians' reports it was moved by Commissioner C. Davis and seconded by Commissioner Mackey that the annual physical examination reports for Captains M.R. Flavel, P.M. Hannigan, G.D. Hurt, G.N. Larson and R.F. McCurdy be accepted for license renewal. The motion carried. It was moved by Commissioner Mackey and seconded by Commissioner Niederhauser that the annual physical examination report for Captain V.O. Engstrom be accepted for license renewal with a request for follow-up information. The motion carried. Captain Fosse remains on medical leave but intends to return to duty in June.

The Chairman adjourned the regular session Board meeting at 6:10 p.m.

Respectfully submitted,

Peggy Larson, Administrator

Harry H. Dudley, Chairman

Charles M. Davis, Vice Chairman

Commissioner Oliver E. Mackey

Commissioner John S. Niederhauser

Commissioner Patrick M. Hannigan

Commissioner Vincent Addington

Commissioner Craig W. Lee

Commissioner Andrew C. Palmer

Commissioner Norman W. Davis

MEETING MINUTES

STATE OF WASHINGTON BOARD OF PILOTAGE COMMISSIONERS

May 23, 2007

Present:

Chairman: Harry Dudley

Commissioners: Chuck Davis, Ole Mackey, Pat Hannigan, Bill Snyder, Vince Addington, Craig Lee,
Andy Palmer and Norm Davis

Assistant Attorney General: Susan Cruise

Administration: Peggy Larson and Judy Bell

Richard McCurdy, Dave Sanders, Mel Flavel, Don Mayer, Dan Shaffer, Cal Hunziker, Bill Bundren,
Walt Tabler: Puget Sound Pilots

Mike Moore, Jim Papp, Doug Coburn, Matthew Darbous, Jordan Royer: Pacific Merchant Shipping
Association

George Quick: Masters, Mates and Pilots

Paul Amos, Cliff Austin: Columbia River Pilots

Peter McIsaac, W. Greig: San Francisco Bar Pilots

Phil Lutes: Port of Seattle

Mark Quehrn, Tom Christy: Perkins Coie

Gary Nelson, Mary Nelson, Stephen Cooke: Port of Grays Harbor

Ron Kinsey: USCG Sector Seattle

Stan Loosmore: John Arnold

David Grobschmit, Jostein Kalvoy: pilot trainees

Eric Klapperich, Gordon Wildes, Katharine Sweeney: pilot applicants

Mike Gavin, Joe Wilczynski, Mike Schwab: public

PUBLIC HEARING

A public hearing of the Board of Pilotage Commissioners was convened at 9:30 a.m. by Chairman Harry Dudley at 2901 Third Avenue, Seattle, Washington.

WAC 363-116-300: Pilotage Rates for the Puget Sound Pilotage District. RCW 88.16.035(4) requires the Board of Pilotage Commissioners to annually fix pilotage tariffs. The filed rule reflects a range of increases to be charged for pilotage services in the Puget Sound Pilotage District for the 2007-2008 tariff year. The filing was based on a letter dated March 21, 2007 in which a joint submittal from Puget Sound Pilots, Pacific Merchant Shipping Association and Polar Tankers, Inc. was presented which detailed their requests for rule amendments. The low end of the range was proposed by the Pacific Merchant Shipping Association (PMSA) and Polar Tankers, Inc. NW (PTI). The high end of the range and other specified increases and amendments were proposed by the Puget Sound Pilots (PSP). Nearly all rates are at issue. Upon consideration of all written and oral testimony, it is anticipated that the adopted rule will reflect increases to the tariff in the range between 0% and 14%. Exceptions include some tariff categories which are outside of this range or specifically allocated to new charges and are specified as follows. PMSA and PTI propose that the low end of the range of increases is 0% applied across-the-board except for the *Transportation* and *Training Surcharge* categories to which no change is applied. PSP proposes that the high end of the range of increases is 8% applied across-the-board (except for the *Transportation* and *Training Surcharge* categories to which no change is applied) and the creation of a new *Pension Charge* in the amount of \$195 per assignment (the equivalent of an additional 6% across-the-board increase). PSP also proposes a modification to the *Delinquent Payment Charge* category to make interest payable starting 30 days from the first billing. PMSA and PTI do not support the addition of a *Pension Charge* or the amendment to the *Delinquent Payment Charge*. In addition, the Board proposed an editorial change in the *Training Surcharge* category. Subsequent to the filing, PSP has amended its proposal to a 10% tariff increase (up from the original request of 8%) and an amended amount of \$194 (down from \$195) for the newly proposed *Pension Charge* category. PMSA and PTI have amended their proposal as well, to a 2% tariff increase (up from the original request of 0%).

May 23, 2007 Minutes
Page 2

All written documents submitted in accordance with the timetable established for tariff document submission were considered in today's tariff determination, in addition to numerous letters from interested parties and members of the public. The contested proposal regarding the addition of a new Pension Charge category was widely debated. Testimony was offered by counsel from the law firm of Perkins Coie. The Board heard remarks from its counsel later in Executive Session regarding her research of the matter.

Oral testimony on behalf of the Puget Sound Pilots was presented by Walt Tabler, George Quick, Mel Flavel, Mike Gavin, Mark Quehrn and Tom Christy. Oral testimony on behalf of the shipping industry was presented by Mike Moore and Phil Lutz. Rebuttals followed. The public hearing was closed by Chairman Dudley at 2:10 p.m. This hearing was recorded on audiotape.

An EXECUTIVE SESSION was called from 2:20 p.m. to 3:00 p.m. for purposes of discussing potential litigation. In attendance were Chairman Dudley, Commissioners C. Davis, Mackey, Hannigan, Snyder, Addington, Lee, Palmer and N. Davis; Susan Cruise, Peggy Larson and Judy Bell.

REGULAR MEETING

The regular meeting of the Board of Pilotage Commissioners was convened immediately following executive session.

Consideration of Preceding Hearing: WAC 363-116-300. Following the Board's review and consideration of all written and oral testimony, it was moved by Commissioner Hannigan and seconded by Commissioner Palmer that the Board initiate action to hire a special Assistant Attorney General to do a comprehensive analysis of the Board's responsibilities, authority and the risks inherent in the Board's setting tariffs which reimburse the expenses of the Puget Sound Pilots' and the Grays Harbor Pilots' retirement plans. His motion removes Board consideration of the newly proposed Pension Charge category for inclusion in the 2007-2008 tariff. The motion carried with a vote of five in favor, two opposed, Commissioner Addington abstaining and the Chair not voting.

It was moved by Commissioner Mackey and seconded by Commissioner Hannigan that the *Delinquent Payment Charge* reads "1½% per month after 30 45 days from first billing". The motion carried with a vote of six in favor, Commissioner Addington opposed, Commissioner Lee abstaining and the Chair not voting. It is understood that the 30-day period begins when the invoices are received, not sent.

It was moved by Commissioner Lee and seconded by Commissioner Addington to extend the current 2006-2007 tariff for another year (0% change) except for the *Delinquent Payment Charge* just amended. It was moved by Commissioner C. Davis and seconded by Commissioner Palmer that the motion on the table be amended to provide a new 2007-2008 tariff which includes an across-the-board increase of 5% to all tariff categories except transportation and the training surcharge. The motion to amend Commissioner Lee/Addington's motion carried with a vote of 7 in favor, Commissioner Mackey opposed and the Chair not voting. Commissioner Lee/Addington's amended motion carried with a vote of 8 in favor and the Chair not voting.

The effective period of the new tariff will be from 0001 hours on July 1, 2007 through 2400 hours on June 30, 2008. All written materials, Power Point presentations and more detailed records of testimony, discussion and motions are contained in the rule-making file. (4:10 p.m.)

In summary, the proposed rule reflected a tariff increase in a range of 0% to 8% which was modified by both PSP and Industry to a range of 2% to 10% with the noted exceptions being the *Transportation* and *Training Surcharge* categories. The adopted rule reflects a tariff increase of 5% across-the-board with the above noted exceptions. It also includes an amendment to the *Delinquent Payment Charge* category for a 30-day (not 45-day) payment window and it does not include the new *Pension Charge* category which, if adopted, would have been equivalent to an additional 6% across-the-board increase.

Minutes. There being no corrections or additions, the April 18, 2007 Minutes stand approved as written.

OLD BUSINESS

Pilot's Report of Marine Safety Occurrence: HORIZON PACIFIC, 11-13-06 ~ Captain John Arnold. It has been determined that Captain John Arnold has complied with the Board's invitation to re-write his MSO Report and work with the TEC to develop a *Lessons Learned Report* regarding the *HORIZON PACIFIC*. Following a review of the filed documents by the TEC and the Board, it was moved by Commissioner Palmer and seconded by Commissioner Hannigan that this report of a near-miss be filed as a Marine Safety Occurrence; and further, by friendly amendment from Chairman Dudley, that the TEC be tasked with converting the *Lessons Learned Report* into a generic document to be used as a training tool for all pilots. The motion carried.

Consideration of Tabled Motion Regarding RCW 88.16.190. The amended motion on the table is: "It is the policy of the Washington State Board of Pilotage Commissioners to recommend to owners or charters of oil tankers under 40,000 DWT as defined in RCW 88.16.190 the use of tug escorts when underway not in ballast in the Puget Sound Pilotage District beyond a point east of a line extending from Davidson Island Light south to New Dungeness Light." In light of the recent passage of the Board's Policy Statement concerning this same statute, Commissioner Palmer, who originated the motion, stated he wished to withdraw the amended motion. The amender and seconders concurred. Commissioner Palmer however, urged the Board to gather more information concerning oil tankers calling in Puget Sound that are under the 40,000 DWT threshold in terms of frequency of calls and age of the vessels, with an eye toward possibly revisiting this motion in the future.

2007 Legislative Activity Report ~ Engrossed Substitute House Bill 1094. Peggy Larson reported that the Transportation Budget bill was signed by Governor Gregoire on May 15, 2007. All provisions pertaining to the Board were passed without amendment or veto. Those provisions are: a \$300,000 supplemental appropriation for the current 2005-07 biennium; a \$1,156,000 total budget appropriation for the 2007-09 biennium beginning July 1; authority to set pilot license fees through the rule-making process rather than by statute during the 2007-09 biennium only; and authority to use training stipend revenue for Board operating expenses. If it becomes necessary to use training stipend revenue in the case of a budgetary shortfall, it is the intent of the Board that it will be repaid.

Consideration of Proposed Rule-Making Regarding:

WAC 363-116-082: Limitations on New Pilots. Amendments to the license upgrade trip requirements for the Grays Harbor Pilotage District were filed under emergency provisions on April 19, 2007. The rule remains in effect for 120 days or until a permanent rule is adopted. It was moved by Commissioner Hannigan and seconded by Commissioner Mackey to schedule a public hearing to establish the rule permanently. The motion carried.

WAC 363-116-070: Collection of Fees. The passage of the Transportation Budget Bill (ESHB 1094) gives the Board authority to set the annual pilot license fee through the rule-making process. It was determined that an increase in the pilot license fee is necessary to fund the operating costs of the Board for the next biennium beginning July 1, 2007. A \$6,000 fee is being considered for emergency adoption at the June 14th meeting to become effective on July 1st. Further discussion will continue next month and financial data will be provided to guide the Board in the determination of an appropriate fee amount.

NEW BUSINESS

2007 Annual Tariff Hearings Preparation. GHPD – A 2007-2008 written tariff proposal from the Port of Grays Harbor has been submitted to the Board in addition to the 2006 Preliminary Financial Statement in accordance with the timetable established for tariff document submission. Gary Nelson stated that their annual audit has been completed and the Board will be receiving copies of the 2006 Audited Financial Statement in early June. A public hearing has been filed for June 14, 2007, at 9:30

a.m. The deadline for public comments and any other written proposals is June 7th. Any member of the public will also have an opportunity to testify at the hearing.

Seven-Month Review and Consideration of Licensure of PSPD Trainees: Captain David Grobschmit and Captain Jostein Kalvoy. On behalf of the Trainee Evaluation Committee (TEC) Commissioner Snyder reported that after a thorough review of all *Pilot Trainee Trip Reports* submitted to the Board, the TEC unanimously voted to recommend the issuance of a state pilot license to Captain David Grobschmit and to Captain Jostein Kalvoy who have successfully met the requirements of their seven-month training programs. It was moved by Commissioner Snyder and seconded by Commissioner Addington that license #169 for the Puget Sound Pilotage District be issued to Captain David Grobschmit and license #170 for the Puget Sound Pilotage District be issued to Captain Jostein Kalvoy. The motion carried. The TEC has been continuously reviewing summaries of training reports on these trainees for the past seven months. In addition, the Board has also reviewed these evaluations. These reviews, along with the recommendation by the TEC are the basis for the licensing action taken today. The licenses were dated and signed today, and the new pilots are eligible for dispatch. The PSP roster is now at 55 licensed pilots.

Approval of Pilot Training Programs for Captain Eric Klapperich and Captain Gordon Wildes. The TEC presented custom tailored training programs for Captains Eric Klapperich and Gordon Wildes to the Board for review. It was moved by Commissioner Snyder and seconded by Commissioner Mackey that the Board approve the two training programs as written by the TEC. The motion carried. Captains Klapperich and Wildes have fifteen days to respond to the Board concerning the acceptance of their training programs.

Pilot's Report of Incident: CAPE HENRY, 5-5-07. While approaching Terminal 4A in Aberdeen with three tugs to assist with the turn at Cow Point Basin, the starboard backing tug reported his line had parted. While continuing to turn, the tug on the port bow reported that he had a fire. The tug on the starboard bow was directed to take its place; and then, by adding the use of the ship's thrusters, Captain D'Angelo was able to maneuver the vessel to a successful starboard side docking. It was moved by Commissioner C. Davis and seconded by Commissioner Addington that this Report of Incident be filed as a Marine Safety Occurrence, not an Incident, since there was no evidence that the vessel went aground and the damage to the tug's line was by no fault of the pilot. The motion carried.

Consideration of Petition for Vessel Exemption: Motor Yacht WIND HORSE. A petition for vessel exemption was received regarding the foreign flagged 83', 54 gross ton Motor Yacht *WIND HORSE*. Pursuant to RCW 88.16.070 and WAC 363-116-360, this vessel qualifies for an exemption from pilotage requirements and was issued an interim exemption by Chairman Dudley on May 3, 2007, subject to final Board approval at today's meeting. It was moved by Commissioner Mackey and seconded by Commissioner Snyder that the Board concur with his action and issue the exemption for the *WIND HORSE* for three months so long as it remains in the charge of Captain Steve Dashew. The motion carried.

Consideration of Petition for Vessel Exemption: Motor Yacht METOLIUS. A petition for vessel exemption was received regarding the foreign flagged 83.5', 66.77 gross ton Motor Yacht *METOLIUS*. Pursuant to RCW 88.16.070 and WAC 363-116-360, this vessel qualifies for an exemption from pilotage requirements. It was moved by Commissioner Mackey and seconded by Commissioner Snyder that the Board grant a three-month exemption as requested, to the *METOLIUS* so long as it remains in the charge of Captain Michael Hall. The motion carried.

Consideration of Petition for Vessel Exemption: Motor Yacht STEADFAST. A petition for vessel exemption was received regarding the foreign flagged 112', 211 gross ton Motor Yacht *STEADFAST*. Pursuant to RCW 88.16.070 and WAC 363-116-360, this vessel qualifies for an exemption from pilotage requirements. It was moved by Commissioner Mackey and seconded by Commissioner Snyder that the Board grant a three-month exemption as requested, to the *STEADFAST* so long as it remains in the charge of Captain Robert Harrison. The motion carried.

Committee Reports: Trainee Evaluation Committee

- The Committee met on May 21st.
- The TEC reported favorably on the status of trainees Bruce Nelson and Ed Marmol.
- There was a brief explanation of the features of the modified Trainee Evaluation Forms. Board members will be sent draft documents for review prior to the anticipated adoption at the June 14 Board meeting for implementation on July 1.
- The TEC reported having discussed a potential replacement for Ole Mackey which has to be a public representative from the Board. Discussion will resume after Commissioner Mackey's replacement has been appointed to the Board.
- Discussion regarding the addition of a fourth pilot member to the TEC raised the question of whether or a not a WAC amendment is necessary in order to do so; and, whether or not the Board is in favor of doing so. This matter was deferred.

Pilots' Activity Reports. Captain Richard McCurdy, President, Puget Sound Pilots, reported that there were 653 jobs in April resulting in a three year April average of 611; the busiest day was April 26 with 32 jobs; 53 comp days were assigned and only 33 days taken; two pilots remain on the inactive list due to medical conditions ~ Captain Bock went off major medical on April 16 and Captain Fosse went off major medical on May 3 and back into rotation on May 15; and several pilots have recently attended various requisite training classes.

Gary Nelson, Executive Director, Port of Grays Harbor, stated that activity has been slow with only 7 arrivals through April; 8 are projected for May which will put them back on target at 3 per month for the year; weekly tanker calls related to bio-diesel activity will hopefully sustain the traffic projections; Captain Cooke was able to fulfill all of his license upgrade requirements due to the new WAC provisions having been recently adopted and with the arrival of the appropriate vessels on which to make the designated trips; and Captain D'Angelo is on duty in May.

Miscellaneous Correspondence Review. Retired PS Pilot Captain S.A. Robichaux has written the Board concerning PSP's disbursement and management of his retirement funds. PSP acknowledged they have addressed his concerns. Governor Gregoire has appointed a new environmental representative to the Board, Ms. Elsie Hulsizer, replacing Commissioner Andy Palmer, effective September 1st. Commissioner Ole Mackey has submitted a letter of resignation to the Board and to the Governor and will be stepping down after the June Board meeting. The Department of Ecology has provided a website link to access its latest issue of the Vessel Entries and Transits (VEAT 2006). Steve Dashew, captain of the motor yacht *WIND HORSE* has engaged in an exchange of e-mails in which he expresses his strong objections to our vessel exemption process and fee assessment for foreign pleasure yachts.

Legal Update. Susan Cruise requested a short Executive Session to discuss a matter involving the exam appeals.

Administrator's Report. Peggy Larson urged the Board to begin the process of developing agency request legislation for the 2008 Session. It was moved by Commissioner Hannigan and seconded by Commissioner Snyder to create a "*Legislative Committee*" consisting of one public member, one pilot member and one industry member which will focus on the review of statutes and regulations regarding pilot exam procedures, housekeeping matters, and other necessary provisions. The motion carried. Members of the committee are Chuck Davis, Pat Hannigan and Vince Addington. Chuck Davis asked that e-mails be sent from anyone who wishes to contribute ideas or proposals for consideration.

Commissioner Comments. Commissioner Ole Mackey expressed his appreciation and thanks for the opportunity to have sat on the Board since March 2004.

Confirmation of Next Regular Meeting Date. The next regular meeting is scheduled for Thursday June 14, 2007. The Grays Harbor Pilotage District tariff hearing will begin at 9:30 a.m. followed by the

regular Board meeting. The hearing and meeting will be held in the Fourth Floor Rainier Conference Room, at 2901 Third Avenue, Seattle.

Review of Pilot Physical Examination Reports. After reviewing the physicians' reports it was moved by Commissioner C. Davis and seconded by Commissioner Addington that the physical examination reports for Captains F.A. Coe, V.O. Engstrom, M.R. Flavel, P.M. Hannigan and G.N. Larson be accepted for annual license renewal, Captains D.W. Grobschmit and J.E. Kalvoy for initial licensure and Captain A.L. Fosse for concurrence with the Chairman's interim authorization to return to work. The motion carried. Follow-up information from Captain D'Angelo was received and accepted. Follow-up from one other pilot is still pending. Captain W.A. Bock remains in temporary inactive status due to a medical condition.

An EXECUTIVE SESSION was called from 5:25 p.m. to 5:40 p.m. for purposes of discussing pending litigation. In attendance were Chairman Dudley, Commissioners C. Davis, Mackey, Hannigan, Snyder, Addington, Lee and N. Davis; Susan Cruise, Peggy Larson and Judy Bell. Regular session was reconvened by the Chairman immediately following executive session.

It was moved by Commissioner Lee and seconded by Commissioner Snyder to authorize an extension of a personal service contract related to the pilot exam appeals. The motion carried.

The Chairman adjourned the regular session Board meeting at 5:45 p.m.

Respectfully submitted,

Peggy Larson, Administrator

Harry H. Dudley, Chairman

Charles M. Davis, Vice Chairman

Commissioner Oliver E. Mackey

Commissioner Patrick M. Hannigan

Commissioner William H. Snyder

Commissioner Vincent Addington

Commissioner Craig W. Lee

Commissioner Andrew C. Palmer

Commissioner Norman W. Davis

MEETING MINUTES

STATE OF WASHINGTON BOARD OF PILOTAGE COMMISSIONERS

May 8, 2008

Present:

Chairman: Harry Dudley

Commissioners: Chuck Davis, Ole Mackey, Pat Hannigan, Bill Snyder, Vince Addington, Craig Lee,
Norm Davis, Elsie Hulsizer

Assistant Attorney General: Susan Cruise

Administration: Peggy Larson and Judy Bell

Del Mackenzie, Don Mayer, Mel Flavel, Dan Shaffer, Joe Semler, Eric vonBrandenfels, Denny
Stensager, John Harris, Peter Giese, Richard McCurdy, Bill Bundren, Dave Sanders, Walt
Tabler (Administration): Puget Sound Pilots

Gary Nelson, Mary Nelson, Captain Robert D'Angelo: Port of Grays Harbor/Grays Harbor Pilots

Mike Moore, Jordan Royer, Matthew Darbous, Jim Papp, Polly Kirkpatrick: Pacific Merchant Shipping
Association

Jeff Shaw: Polar Tankers, Inc.

Scott Craig: Crowley Marine

Mike Gavin, Del Kelly, Ben Watson, Robert Moss, Carl Johannes, Byron Joyce, Bill Bock: Retired pilots

Rick Spoonemore, Tom Paul, Kelby Fletcher: Attorneys

Ron Kinsey, Ian Brosnan: US Coast Guard Sector Seattle

Stephen Semler: Pilot Trainee

Gary Lewis: Columbia River Bar Pilot

Bill Greig: San Francisco Bar Pilot

Kevin Davis: Columbia River Pilots/San Francisco Pilots

Chris Philips: Pacific Maritime Magazine

Diane Semler, Linda Carey, Chris Mackenzie: Public

PUBLIC HEARING

A public hearing of the Board of Pilotage Commissioners was convened at 9:35 a.m. by Chairman Harry Dudley at 2901 Third Avenue, Seattle, Washington.

WAC 363-116-300: Pilotage Rates for the Puget Sound Pilotage District. RCW 88.16.035(4) requires the Board of Pilotage Commissioners to annually fix pilotage tariffs. The filed rule reflects a range of adjustments to be charged for pilotage services in the Puget Sound Pilotage District for the 2008-2009 tariff year. The filing was based on separate written requests submitted by the Puget Sound Pilots and the Pacific Merchant Shipping Association which detailed their requests for rule amendments. The low end of the range was proposed by the Pacific Merchant Shipping Association (PMSA) and the high end of the range was proposed by the Puget Sound Pilots (PSP). Upon consideration of all written and oral testimony, it is anticipated that the adopted rule will reflect an across-the-board adjustment to the tariff in a range between a decrease of 10.3% and an increase of 9.2%. Subsequent to the filing of this proposed rule, PSP submitted a request for consideration that reflects an adjusted 10.1% increase. Exceptions include some tariff categories which are outside of this range or specifically allocated to new charges and are specified as follows: The proposed rule reflects no adjustments in the *Transportation* category. The proposed rule reflects an increase of \$5 in the *Training Surcharge* category to support pilot training stipends. The proposed rule reflects a new category, *British Columbia Direct Transit Charge*, resulting from the enactment of 2008 statutory amendments to the Pilotage Act, specifically RCW 88.16.035(1)(e); these charges, already established outside of Board rules until now, reflect a range of adjustments proposed by PSP and PMSA. The proposed rule also reflects three versions of optional amendatory language describing the *LOA Rate Schedule* as it relates to the support of pilot retirement plans.

May 8, 2008 Minutes
Page 2

All written documents submitted in accordance with the timetable established for tariff document submission were considered in today's tariff determination, in addition to numerous letters from interested parties and members of the public.

Oral testimony on behalf of the Puget Sound Pilots was presented by Walt Tabler, Captain Eric vonBrandenfels and Captain Del Mackenzie. Oral testimony on behalf of the shipping industry was presented by Captain Mike Moore. Retired pilots, Captains Mike Gavin, Del Kelly and Ben Watson spoke of their concerns regarding pension issues. Rebuttals followed. The public hearing was closed by Chairman Dudley at 2:00 p.m. This hearing was recorded. (Thirty minute lunch break)

An EXECUTIVE SESSION was called from 2:30 p.m. to 2:50 p.m. for purposes of discussing potential litigation and pilot physical examination reports. In attendance were Chairman Dudley, Commissioners C. Davis, Mackey, Hannigan, Snyder, Addington, Lee, N. Davis and Hulsizer; Susan Cruise, Peggy Larson and Judy Bell.

REGULAR MEETING

The regular meeting of the Board of Pilotage Commissioners was convened immediately following executive session.

Consideration of Preceding Hearing: WAC 363-116-300. Following the Board's review and consideration of all written and oral testimony, it was moved by Commissioner Hannigan and seconded by Commissioner Addington to increase the training stipend surcharge from \$5 to \$10 as proposed. The motion carried. It was moved by Commissioner Addington and seconded by Commissioner Lee to provide a new 2008-2009 tariff which includes an across-the-board decrease of 10.3% to all tariff categories except *Transportation* and *Training Surcharge*. A motion to amend was made by Commissioner C. Davis and seconded by Commissioner Mackey to change the amount to a plus 4.0%. A motion to amend was made by Commissioner Lee and seconded by Commissioner Addington to change the amount to a minus 1.5%. The second motion to amend (-1.5%) failed with a vote of 2 in favor and 6 opposed. The first motion to amend (+4.0%) carried with a vote of 6 in favor and 2 opposed. The original motion as amended carried with a vote of 6 in favor and 2 opposed.

It was moved by Commissioner Addington and seconded by Commissioner Lee that the language regarding the *British Columbia Direct Transit Charge* be adopted as filed in the CR-102 with the following changes: "~~In the event a pilot consents to~~ The following additional charges shall apply to a pilot boarding or debarking a vessel at a British Columbia port, ~~the following additional.~~ These charges shall apply in addition to the normal LOA, tonnage and other charges provided in this tariff that apply to the portion of the transit in U.S. waters:" A motion to amend was made by Commissioner C. Davis and seconded by Commissioner Lee that the language shall read as follows: "In the event that a pilot consents to board or deboard a vessel at a British Columbia port, which consent shall not unreasonably be withheld, the following additional charges shall apply in addition to the normal LOA, tonnage and other charges provided in this tariff that apply to the portion of the transit in U.S. waters:" The amended motion carried unanimously.

It was moved by Commissioner Hannigan and seconded by Commissioner Snyder that the schedule of six *British Columbia Direct Transit Charges* be adopted as filed in the CR-102 except that the *Direct Transit Fee* be increased from \$2150 to \$3036. A motion to amend was made by Commissioner Addington and seconded by Commissioner C. Davis that a 4% increase be applied to four of the *British Columbia Direct Transit Charges* and the two transportation charges be increased by CPI of 3.9% all rounded to whole dollars. The motion to amend carried unanimously and the original motion carried unanimously.

Three options were proposed to amend the introductory paragraph describing the *LOA Rate Schedule* as it relates to the support of pilot retirement plans. A fourth option to delete the words "retirement fund contributions" without adding any amendatory language was also discussed. Since this fourth option was not originally presented as a consideration it was moved by Commissioner Hannigan and seconded by Commissioner Snyder to re-file with the Code Reviser all four options of amendatory language for a future public hearing. The motion carried with a vote of 7 in favor and Commissioner

May 8, 2008 Minutes
Page 3

Mackey abstaining. It was moved by Commissioner Addington and seconded by Commissioner Hulsizer that no action be taken to amend this language at this time. The motion carried unanimously.

It was moved by Commissioner Snyder and seconded by Commissioner Mackey that wherever the word "fee" appears in the tariff, it be replaced with the word "charge". The motion carried.

The effective period of the new tariff will be from 0001 hours on July 1, 2008 through 2400 hours on June 30, 2009. All written materials, Power Point presentations and more detailed records of testimony, discussion and motions are contained in the rule-making file. (4:10 p.m.)

In summary, the proposed rule which reflected a tariff adjustment in a range between a decrease of 10.3% and an increase of 10.1% across-the-board with noted exceptions being the *Transportation and Training Surcharge* categories differs from the adopted rule which reflects a tariff increase of 4% across-the-board with noted exceptions. The proposed new category called *British Columbia Direct Transit Charge* consisting of a breakdown of six charges was adopted but with different language and amounts than proposed. The adopted rule regarding this new category reflects a 4% increase to all but the two transportation charges to which a 3.9% CPI increase was applied. None of the proposed amendatory language describing the *LOA Rate Schedule* was adopted, but will be discussed further at a future hearing. The word "fee" was replaced with the word "charge" throughout the text of the rule.

Minutes. Regarding the April 10, 2008 Minutes, Susan Cruise requested that the record state the reason for the Executive Session (on page four) be that of "potential litigation". It was moved by Commissioner Addington and seconded by Commissioner Lee that the April 10, 2008 Minutes be approved as amended. The motion carried. Regarding the April 24, 2008 Minutes, there being no corrections or additions they stand approved as written.

OLD BUSINESS

Consideration of Proposed Letter Regarding Pilot Retirement Plans. This item was deferred.

Consideration of Licensure of PSPD Trainee: Captain Bruce Nelson. The Board received a public records request from Captain Nelson's attorney on April 29, 2008. Until such time that the Board has responded and they have had time to prepare a presentation to the Board, they have requested that this matter be deferred. It was moved by Commissioner Snyder and seconded by Commissioner Lee to defer this matter to the next regular Board meeting. The motion carried.

NEW BUSINESS

Review and Consideration of Licensure of PSPD Trainee: Captain Stephen Semler. On behalf of the Trainee Evaluation Committee (TEC) Commissioner Snyder reported that after a thorough review of all *Pilot Trainee Trip Reports* submitted to the Board, the TEC unanimously recommended the issuance of a state pilot license to Captain Stephen Semler. It was moved by Commissioner Snyder and seconded by Commissioner Mackey that Captain Stephen Semler be issued a state pilot license for the Puget Sound Pilotage District. The motion carried. License #174 was dated today making him eligible for dispatch.

Approval of Pilot License Upgrade Programs for Captains Marmol, J.K. Ward and J.E. Ward. It was moved by Commissioner Snyder and seconded by Commissioner Lee that the license upgrade programs for Captains Ed Marmol and John K. Ward be approved as drafted by the TEC. The motion carried. They are nearing completion of their first and second license years respectively.

Captain Jonathan E. Ward is nearing the anniversary of his fifth license year; however, he lost five months of active piloting during a temporary medical leave which delayed the beginning of his fifth year of active piloting. After review of WAC 363-116-082(6) it is the Board's desire that Captain J.E. Ward's license upgrade period be deferred five months so that he will have completed one full year of active piloting prior to his license limitations being lifted. His license upgrade program will run from September 7, 2008 to January 7, 2009.

Consideration of Request for Vessel Exemption: Motor Yacht *MARAMA*. A petition for vessel exemption was received regarding the foreign flagged 122.7', 456 gross ton Motor Yacht *MARAMA*. Pursuant to RCW 88.16.070 and WAC 363-116-360, this vessel qualifies for an exemption from pilotage requirements and was issued an interim exemption by Chairman Dudley on April 30, 2008, subject to final Board approval at today's meeting. It was moved by Commissioner Mackey and seconded by Commissioner Addington that the Board concur with his action and issue the exemption for the *MARAMA* for one year so long as it remains in the charge of Captain Paul Lawrence. The motion carried.

Consideration of Request for Vessel Exemption: Motor Yacht *ALUMERCIA*. A petition for vessel exemption was received regarding the foreign flagged 123', 377 gross ton Motor Yacht *ALUMERCIA*. Pursuant to RCW 88.16.070 and WAC 363-116-360, this vessel qualifies for an exemption from pilotage requirements and was issued an interim exemption by Chairman Dudley on April 30, 2008, subject to final Board approval at today's meeting. It was moved by Commissioner Mackey and seconded by Commissioner Addington that the Board concur with his action and issue the exemption for the *ALUMERCIA* for one year so long as it remains in the charge of Captain Joannes Mestrom. The motion carried.

Pilot's Report of Marine Safety Occurrence: *ATB OCEAN RELIANCE*, 3-31-08. This item was deferred.

Pilot's Report of Marine Safety Occurrence: *PROTEUS*, 4-22-08. The Board has received a written report submitted by Puget Sound Pilot, Captain Vic Engstrom. While proceeding to anchor in Tacoma's Commencement Bay, the ship's main engine failed. A nearby tug was called to assist. Shortly the engine engaged. The USCG was notified. PSP was also notified so the next pilot dispatched for the docking of this vessel had this information. Two days later the pilot learned from the Coast Guard that the vessel master reported the cause to be a 20-second delay due to a communication problem with the engine room. It was moved by Commissioner C. Davis and seconded by Commissioner Mackey that this report of a navigational safety concern be filed as a Marine Safety Occurrence. The motion carried.

Request for Consideration of an "Extension of Route" for State-Licensed Pilots in the Grays Harbor Pilotage District. Captains Stephen Cooke and Robert D'Angelo have submitted letters requesting Board approval of an extension of route on their state licenses for the Grays Harbor Pilotage District to include Puget Sound Pilotage District waters without taking the pilot examination for that district. It is their request that they be added to the end of the list of successful applicants from the 2005 PSPD exam who are awaiting training. Because of the complexity of this issue Commissioners C. Davis and Addington volunteered to work with Gary Nelson and Kelby Fletcher, attorney for Captain Cooke, to explore the Board's legal authority, consider the scope of the request and its effects, and prepare a report back to the Board.

Puget Sound Pilots' Recommendations of Safe Practices Review Committee. In a letter dated April 30, 2008 from Puget Sound Pilots, a recommendation was made to the Board from PSP's *Safe Practices Review Committee* to consider adopting certain measures outlined in their letter. It was moved by Commissioner C. Davis and seconded by Commissioner Snyder that the Board file a CR-101 announcing its intent to consider rule making concerning issues related to post-incident procedures involving the pilot and the vessel. The motion carried. Discussion of their committee's other recommendations will be deferred to the next regular Board meeting.

Procedures for Submittal of 2009 Agency Request Legislation. The schedule for submission of agency-sponsored legislation has been released by the Governor's office. Proposed legislation for consideration during the 2009 Legislative Session is due by August 18, 2008 if it has a budget impact, or September 29, 2008 if no fiscal impact. It is undetermined at this time if the Board will have any legislative recommendations for the 2009 Legislature.

2008 Annual Tariff Hearings Preparation. GHPD – A 2008-2009 written tariff proposal from the Port of Grays Harbor has been submitted to the Board in addition to the 2007 Audited Financial Statement in accordance with the timetable established for tariff document submission. A CR-102 has been filed setting a public hearing for June 12, 2008, at 9:30 a.m. The deadline for public comments and any other written proposals is June 5th. Any member of the public will also have an opportunity to testify at the hearing.

Activity Reports. These reports will be heard next month.

Committee Reports.

Trainee Evaluation Committee:

- The TEC met on May 7th.
- It was moved by Commissioner Snyder and seconded by Commissioner Lee that the Board authorize Captain Stephen Jones and Captain Larry Seymour to begin training on August 1, 2008. The motion carried with Commissioner Addington abstaining.
- The TEC reviewed the status of trainee Katharine Sweeney who is in her eighth month and first 30-day extension of pilot training through May 31st. It was moved by Commissioner Snyder and seconded by Commissioner Lee that Captain Sweeney's training program be extended for one additional month through June 30th and that the TEC be authorized to develop the training program addendum. The motion carried.

2008 WAC Committee: No report.

2008 Pilot Exam Committee: This report will be heard next month.

Miscellaneous Correspondence. Clipper Navigation has requested Board approval to add another vessel master for the operation of the *VICTORIA CLIPPER*. It was moved by Commissioner Snyder and seconded by Commissioner Lee that Captain William Marschner be added to the list of Board-approved vessel operators for the *VICTORIA CLIPPER*. The motion carried.

Retired Puget Sound Pilot Captain Eric Lichty has submitted a written request for Board consideration to become a temporary contract pilot during seasonal and increased workload periods beginning in 2009. Consideration of this request was added to the assignment for Commissioners C. Davis and Addington regarding the Extension of Route discussed earlier today.

Administrator's Report. Peggy Larson reported that the CR-102 concerning the proposed WAC language amendments has been filed for public hearing on June 12th and is posted on the Board's web site.

Confirmation of Next Regular Meeting Date. The next regular meeting is scheduled for Thursday, June 12, 2008. A public hearing on the Grays Harbor Tariff and multiple other WACs will begin at 9:30 a.m. followed by the regular monthly Board meeting. The hearing and meeting will be held in the Fourth Floor Rainier Conference Room, at 2901 Third Avenue, Seattle.

Review of Pilot Physical Examination Reports. After reviewing the physicians' reports it was moved by Commissioner C. Davis and seconded by Commissioner Addington that the physical examination reports for Captains F.A. Coe, V.O. Engstrom, P.M. Hannigan, J.E. Kalvoy, B.S. Knowles and G.N. Larson be accepted for annual license renewal. The motion carried. It was moved by Commissioner C. Davis and seconded by Commissioner Snyder that the physical examination report for Captain Stephen Semler be accepted for initial licensure. The motion carried. It was moved by Commissioner C. Davis and seconded by Commissioner Addington that acceptance of Captain M.R. Flavel's physical examination report be deferred pending receipt of follow-up information. The motion carried. Follow-up information as requested was submitted on behalf of Captain J.B. Harris. Captain M.D. Wood remains in temporary inactive status due to his current medical condition.

May 8, 2008 Minutes
Page 6

There being no further business to come before the Board, the Chairman adjourned the regular session Board meeting at 5:15 p.m.

Respectfully submitted,

Peggy Larson, Administrator

Harry H. Dudley, Chairman

Charles M. Davis, Vice Chairman

Commissioner Oliver E. Mackey

Commissioner Patrick M. Hannigan

Commissioner William H. Snyder

Commissioner Vincent Addington

Commissioner Craig W. Lee

Commissioner Norman W. Davis

Commissioner Elsie J. Hulsizer