

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,
Complainant,**

v.

**PUGET SOUND PILOTS,
Respondent.**

Docket TP-

**TESTIMONY OF
CAPTAIN JOE SEMLER
ON BEHALF OF PUGET SOUND PILOTS**

JUNE 29, 2022

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3 **I. IDENTIFICATION OF WITNESS**

4 **Q: Please state your name, occupation and business address.**

5 A: My name is Captain Joe Semler. I am a licensed Puget Sound Pilot. My business address
6 is 2003 Western Ave., Suite 200, Seattle, WA 98121.

7
8 **Q: Please describe your work history that relates to the maritime industry in the**
9 **United States.**

10 A: I first started working on towboats in Puget Sound at the age of 18, worked my way up to
11 Captain by the time I was 24 and then was first licensed as a Puget Sound Pilot at the age of 40
12 in October 2000. During my 22 years as a member of PSP, I have served as the Pilot Boat
13 Manager for the last eight years. In that capacity, I coordinate maintenance of our two pilot
14 boats, the pilot boat Puget Sound and the pilot Juan de Fuca, and coordinate the planning for
15 capital investment related to both pilot boats.
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18 **II. PURPOSE OF TESTIMONY.**

19 **Q: Please describe the purpose of your testimony.**

20 A: My testimony describes the history and current condition of our two pilot boats, our plans
21 for engine rebuilds and vessel retrofits for both boats in 2024 and 2026 and my support for an
22 automatic tariff adjuster to fund capital investments that will extend the life of our pilot boats by
23 20 years.
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1 **Q: Please describe the history of PSP's pilot boats terms of initial commissioning,**
2 **purchase price, current condition and planned major retrofits.**

3 A: The pilot boat Puget Sound was commissioned in 1999 and the pilot boat Juan de Fuca
4 was commissioned in 2001. Both pilot boats were purchased at an approximate cost of \$3.75
5 million.

6 Despite the 23-year age of the Puget Sound and the 21-year age of the Juan de Fuca, both
7 pilot boats have been incredibly well maintained, which is a credit to PSP, our boat operators and
8 deck crew. As one can see in the video that is an exhibit to the testimony of PSP President
9 Captain Ivan Carlson, one could eat off the floor or the top of the engines in the engine room of
10 either boat.
11

12 For pilot boats of this type, the typical useful life is approximately 20 years. Following
13 extensive study and consultation with experts, the Puget Sound Pilots have concluded that
14 retrofits including engine rebuilds of both pilot boats in the next four years will extend the useful
15 life of each pilot boat by 20 years at an approximate cost in 2022 estimated dollars of \$3.5
16 million per vessel. Compared to the replacement cost of \$8 million to \$10 million per boat, we
17 believe the retrofit option is the more cost-effective approach.
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20 **Q: Have you assembled materials that provide a more detailed description of the**
21 **proposed pilot boat retrofits you have just discussed?**

22 A: Yes. Attached is a letter dated June 17, 2022, from our naval architect Tim Nolan, who
23 was the co-designer of both pilot boats. He provides additional detail regarding the current
24 condition of each boat, his involvement in their construction and his opinion that the retrofit
25 option is a sound one. This letter is Exhibit JS-02. In addition, a spreadsheet providing
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1 significant detail regarding the cost of the first retrofit proposed for 2024 is Exhibit JS-03. This
2 provides additional detail regarding each of the components of the proposed engine rebuild and
3 vessel retrofit for the pilot boat Juan de Fuca, which would be largely replicated two years later
4 for the pilot boat Puget Sound. I have also prepared Exhibit JS-04, which provides a recap of the
5 hours on each engine on each boat from 2014 through 2020, average yearly engine hours,
6 previous rebuilds, generator hours and projected maintenance and/or retrofit costs in 2022 dollars
7 for the period of 2022 through 2026.

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10 **Q: What does PSP propose to the UTC with respect to funding of ongoing maintenance**
11 **costs and capital investment in the pilot boat retrofits in 2024 and 2026?**

12 A: PSP proposes that the UTC approve the use of an automatic tariff adjuster similar to
13 those utilized in the regulation of other industries regulated by the UTC. As described more fully
14 in the testimony of Captain Carlson, this automatic adjuster would go into place when PSP
15 submitted a signed contract to perform the pilot boat retrofit and had secured financing for the
16 required capital investment. That total cost would then become the subject of a pilot boat tariff
17 surcharge designed to collect on an annual basis the amount of principal and interest charged by
18 the financial institution financing the capital costs of the pilot boat retrofit. This annual adjuster
19 would be trued up annually to make certain that any under-collection-or-over collection of the
20 pilot boat surcharge was corrected for in the subsequent tariff year.

22 **Q: Does PSP also propose a quarterly tariff adjuster to fund the cost of pilot boat fuel,**
23 **annual maintenance and costs of the Port Angeles pilot station?**
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1 A: Yes. In a manner similar to a quarterly surcharge in place for the Columbia River Bar
2 pilotage ground, we propose that pilot boat fuel, maintenance costs and pilot station expenses be
3 the subject of a quarterly surcharge, which on a trailing quarterly basis collects the actual costs of
4 these pilot station related expenses. As everyone knows, fuel costs have risen dramatically in the
5 last year. Exhibit JS-05 is a recap of the gallons of fuel used by each of our pilot boats during the
6 five years of 2017 through 2021. Between both boats, our average annual fuel consumption is
7 approximately 100,000 gallons. A two dollar increase per gallon in any one year is significant.
8 The best way to address the volatility of fuel prices is through a quarterly escalator/de-escalator
9 tariff adjustment.
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12 **III. CONCLUSION.**

13 **Q: Does this conclude your testimony?**

14 A: Yes.
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