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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,
Complainant,
v.
PUGET SOUND PILOTS,
Respondent.

DOCKET NO. TP-

**TESTIMONY OF
STEPHAN MORENO
PUGET SOUND PILOTS**

NOVEMBER 19, 2019

TESTIMONY OF STEPHAN MORENO, Exh. SM-1T - i

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TESTIMONY OF STEPHAN MORENO, Exh. SM-1T - ii

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I. IDENTIFICATION OF WITNESS

Q: Will you please state your name and business address?

A: My name is Stephan Moreno and my business address is 2003 Western Ave, Suite 200, Seattle, WA 98121.

Q: What is your affiliation with Puget Sound Pilots?

A: I am a pilot licensed in the Puget Sound Pilotage District since 2009 and serve on PSP's Tariff Committee.

Q: Please describe your professional background prior to becoming a pilot?

A: My maritime career started after graduating from California Maritime Academy in 1981, with a Bachelor of Science in Nautical Industrial Technology and a Third Mate Unlimited License from the United States Coast Guard. Following graduation, I spent 10 years working my way up to Master while working for a number of different maritime industry companies, primarily on deep sea vessels. In those positions, I spent time at sea in locations around the globe, including the Far East, the Bering Sea, the west coast and in Alaska. Then, in 1991, I first earned my pilot's license in Region Three of Alaska, and went to work as a member of the Alaska Marine Pilots LLC.

Q: Where is Region Three of Alaska?

A: Region Three is in western Alaska. It is defined as all waters west of Kodiak Island thence west, north and east to the demarcation line in the Arctic Ocean between the United States and Canada including the Aleutian islands and all Bering Sea Islands.

Q: How long did you pilot in the Alaska Marine Pilots?

A: I served there from 1991 until 2009.

Q: In your time with the Alaska Marine Pilots, did you hold any roles in leadership?

1 **A:** I did. Over the years there I was elected to a number of positions, including four years
2 as the President, four years as the Vice President, and six years as the
3 Secretary/Treasurer. I also served two years on the Board of Directors.

4 **Q: Through those roles did you gain any experience designing the tariff for pilotage**
5 **charges?**

6 **A:** I spent a significant time working on pilotage rate design in Alaska. During my four
7 years as President, I was directly responsible for developing pilotage tariffs, including
8 rate design, and assisted with rate design throughout my tenure in Alaska.

9 **Q: As a Puget Sound Pilot, have you had continued involvement in rate design?**

10 **A:** Yes. I have been involved in annual tariff submissions by PSP since 2012, assisting
11 with data analysis, reviewing tariff structures from districts and jurisdictions around the
12 country, and researching issues relating to our annual presentations. During that time, I
13 have also been a member of PSP's Tariff Committee.

14 **II. PURPOSE OF TESTIMONY**

15 **Q: Will you please describe what you are seeking to accomplish through your**
16 **testimony?**

17 **A:** I am testifying to provide factual foundational support for PSP's tariff proposal with
18 respect to the importance of adequate safety infrastructure, the importance of
19 competitive rates in continuing to attract top pilot candidates to the pilotage district, and
20 to explain and justify the substantial changes to rate design that have been proposed
21 from the existing tariff set forth in WAC 363-116-300.

22 \\
23 \\
24 \\
25

1 **III. IMPORTANCE OF SAFETY INFRASTRUCTURE**
2 **AND COMPETITIVE PILOT INCOME**

3 **Q: When did you first join Puget Sound Pilots?**

4 **A:** I obtained my license from the Board of Pilotage Commissioners in the Puget Sound in
5 December 2009 and immediately joined the association

6 **Q: Was there any particular reason that you were interested in leaving the pilotage**
7 **districts in western Alaska to come to the Puget Sound?**

8 **A:** Yes. Prior to the time I ultimately decided to test in Washington, I had been interested
9 in piloting in the Puget Sound for a number of years. In fact, I began taking the trips to
10 obtain my federal pilotage license in the Puget Sound in 1997. At the time, I was very
11 interested in a career as a Puget Sound pilot primarily due to its retirement program and
12 safety record.

13 **Q: What was the concern you had about Alaska pilotage?**

14 **A:** In Alaska, we had little infrastructure to safely transport pilots to and from assignments,
15 either by water or land. During my 18 years there, one pilot was killed, one
16 permanently disabled, and one pilot severely injured (he was only able to return to work
17 after a two-year recovery), all while on the job. PSP, on the other hand, had a pilot
18 station, two purpose-built pilot boats, launch support, central dispatch, ground
19 transportation and was known for its safety record. That safety and reliability of this
20 essential infrastructure was and still is paramount in my career here as a Puget Sound
21 pilot and influenced my decision to come here significantly.

22 **Q: If you were first interested in 1997, why did it take until 2009 to obtain your state**
23 **pilot's license for the Puget Sound?**

1 **A:** As I mentioned, I started taking rides for my federal license in the Puget Sound in 1997,
2 but it took until 2000 to complete those rides. By the time I had completed them, a big
3 pilot income differential had arisen between the two pilot districts, which is obviously a
4 major factor when deciding upon a pilotage district in which to invest time obtaining a
5 license.

6 **Q: Well, how did pilot income in the Puget Sound compare to Western Alaska at that**
7 **time?**

8 **A:** In 1997, Puget Sound Pilots were paid comparably to the Alaska Marine Pilots.
9 However, by the time I had obtained my federal pilotage license for all Puget Sound
10 ports and waterways in 2000, PSP's rates had stagnated and fallen behind more
11 competitive pilot districts including Alaska.

12 **Q: Were there any other differences than pilot rates that concerned you about joining**
13 **Puget Sound pilots at that time?**

14 **A:** Yes. I had some concerns about the schedule and the heavy workload of the Puget
15 Sound Pilots, as well as doubts about whether PSP would be able to continue
16 supporting that infrastructure and recruitment of top pilot candidates because its rates
17 were stagnant. That made joining PSP far less attractive to me at the time.

18 **Q: What eventually changed your mind about becoming a Puget Sound Pilot?**

19 **A:** In 2006, 2007 and 2008, PSP was granted tariff increases by the Board of Pilotage
20 Commissioners ("BPC") that sufficiently raised pilot income, provided for pilots'
21 retirement, and continued to sustain and improve PSP's infrastructure. This
22 demonstrated to me that the BPC and the State of Washington were committed to a
23 safe, reliable system of pilotage. Additionally, once PSP's pilot income became
24 competitive with Alaska Marine Pilots' income, the PSP retirement program was
25

1 properly funded and adequate resources were provided to support infrastructure , the
2 Puget Sound became attractive enough to make the major investment and sacrifices of
3 taking the state pilotage test in Washington and entering the training program.

4 **Q: Do you have any recurring concerns about the limitations of joining PSP since you**
5 **were licensed?**

6 **A:** Yes. The fact our tariff has not increased since 2015 means that PSP has fallen behind
7 in comparative income once again, and it has created uncertainty about adequate
8 funding for our pension and essential infrastructure.

9 **Q: Do you personally believe those factors have any impact on the ability to attract**
10 **and retain pilots in the Puget Sound?**

11 **A:** I believe it has an impact on both. When pilots are nearing retirement and they believe
12 pilot income is going to decrease due to increasing expenses and stagnant rates, or in
13 our case, a frozen tariff for the past four years and no increase overall since 2015, they
14 tend to retire sooner. That simultaneously increases the workload on other pilots and
15 simultaneously increases our retirement expense contributions since there are fewer
16 active, licensed pilots. When our rates fall behind other groups, it also causes some of
17 our qualified candidates for the training program to opt to train and become licensed in
18 another district.

19 **Q: Do you know of any examples of recruits electing to train in another pilotage**
20 **district due to comparative pilot income?**

21 **A:** I do, actually. We had two candidates who tested for the Puget Sound who decided to
22 enter the training program in San Francisco instead in 2016, and two additional
23 candidates from the BPC's 2018 exam that have now taken the pilotage test in San
24 Francisco and who are waiting to enter the training program there.

1 **Q: What does that mean for the number of pilots licensed in the Puget Sound?**

2 **A:** While there will be no instantaneous impact, a significant number of pilots in the Puget
3 Sound are nearing retirement age and we expect that for a couple of years we will not
4 be able to license new pilots as quickly as existing pilots are lost to retirement. That
5 has been an issue for a couple of years now, and the pilots increasingly feel we are
6 understaffed and overworked. In order to correct that problem, the BPC's training
7 program needs to work at maximum capacity and continuously steadily maintain
8 qualified candidates in entering the training program as soon as trainees become
9 licensed. Moreover, there is no guarantee a candidate will successfully complete BPC's
10 vigorous training program and become a licensed pilot. It is critical that we are as
11 attractive as possible to top candidates.

12 **Q: Can't those candidates who go to train in San Francisco instead of the Puget**
13 **Sound change their minds and come here?**

14 **A:** Not exactly. While there is a remote possibility that could happen, choosing a pilotage
15 district is a major investment of time and expense. It is rare that a pilot is licensed in
16 one district and then subsequently relocates.

17 **Q: Aren't you an example of someone who did change pilotage districts?**

18 **A:** I am, but it came at a big financial cost to me and my family, since I had to effectively
19 start all over here.

20 **Q: Are piloting skills transferrable from one district to another?**

21 **A:** Ship handling knowledge and skills are transferrable, but pilotage is inherently local.
22 What makes pilots different from masters and captains is our intricate knowledge of the
23 local waters gained through years spent operating in them. Even an experienced pilot
24

1 must operate for years in a new pilotage district to gain back the skill and in-depth
2 knowledge he or she has gained piloting elsewhere.

3 **Q: When you became a pilot in the Puget Sound in 2009, were you immediately able**
4 **to handle the full complement of assignments required of a pilot based on your**
5 **experience in western Alaska?**

6 **A:** Actually, no. Because the waters, as indicated, of each pilotage district are so
7 significantly different, it would not be prudent to allow someone relatively new to the
8 district an unlimited license simply based on their experience elsewhere. To obtain an
9 unlimited license in the Puget Sound you have to work through the license upgrade
10 system, which requires you take multiple trips of increasing difficulty and skill level
11 assessments per year, whether you are a new pilot or simply new to the pilotage district.

12 IV. PROPOSED TARIFF CHANGES

13 A. Rate Design

14 **Q: Would you please describe the current applicable tariff published in WAC 363-**
15 **116-300 as approved by the BPC?**

16 **A:** Yes. This was a tariff developed over many years and we are here proposing significant
17 changes to the structure of that tariff in order to streamline, simplify and make more
18 transparent applicable charge items.

19 **Q: Will you describe what is contained in Exh. WTB-8?**

20 **A:** Yes. Exh. WTB-8 is a complete copy PSP's proposed tariff included in this filing,
21 which we propose be effective in the first year following the Commission's approval.

22 **Q: Can you briefly describe the goals of this proposed tariff?**

23 **A:** There were three primary goals identified during the development of the tariff. Our
24 first goal was to simplify the tariff. The existing tariff structure has been in place for
25

1 many years and numerous provisions were added that made the understanding of the
2 application of the charges contained quite difficult. We feel the proposed tariff is easier
3 to understand. The second goal we are seeking to accomplish is to provide more
4 proportional charges across all vessel sizes and classes. As stated, before the existing
5 tariff was first drafted many years ago, I suspect its drafters did not contemplate vessels
6 with gross tonnages approaching 170,000 and lengths of over 1,300 feet. As a result,
7 the current tariff structure charged larger vessels substantially more than it did smaller
8 vessels. By the proposed tariff, we are attempting to make our charges more
9 proportional than they have been, in effect “truing up” for the significant changes in
10 vessel length and payload over the years. Our third goal in proposing this new rate
11 design is to develop a structure reflective of current traffic and future traffic. The intent
12 of the new tariff is to be more reflective of current traffic based on the risks associated
13 with the provision of service to these vessels and the infrastructure support necessary to
14 provide such service.

15 **Q: Would you please describe the current rate schedule set forth in WAC 363-116-**
16 **300?**

17 **A:** Yes. Under the present tariff, PSP provides service to a relatively wide array of vessel
18 classes and sizes throughout the Puget Sound. Our current tariff charges vessels based
19 on the distance of a transit, the length overall of the vessel, and the volumetric size of a
20 vessel, plus other accessorial charges based upon a number of factors.

21 **Q: Does the proposed tariff follow a similar rate schedule to the current tariff?**

22 **A:** Yes, but there are important differences. Ultimately, the proposed tariff works
23 similarly to the current tariff, but divides charges into categories that we believe are
24

1 easier for customers to follow and understand. We also changed some of the charges in
2 ways we believe improve transparency of the current tariff.

3 **Q: What are those categories of charges in the proposed tariff?**

4 **A:** In the proposed tariff we include charges for Inter-Harbor Vessel Movements, Harbor
5 Shifts, Additional Pilot Charges, Pilot Boat Charges, Transportation Charges,
6 Cancellation Charges, charges that are grouped under the heading of
7 Delay/Detention/Standby Charges, and “Other” service charges.

8 **i. Inter-Harbor Vessel Movement Charges**

9 **Q: What is an Inter-Harbor Vessel Movement?**

10 **A:** An Inter-Harbor-Vessel Movement is a vessel movement in which a ship is moved
11 under the conduct of the pilot from one harbor area to another. An example of such a
12 movement would be a vessel arriving at Port Angeles destined for a berth in Seattle.

13 **Q: Are there charges relating to Inter-Harbor Vessel Movements in the current
14 tariff?**

15 **A:** Yes, there are, but they are not precisely labelled that way. In the current tariff, any
16 vessel movement longer than a Zone I would likely be one in which a vessel is moved
17 between harbor areas.

18 **Q: How is an Inter-Harbor Vessel Movement different from a Harbor Shift?**

19 **A:** A Harbor Shift can be any type of vessel movement within a single Harbor Area. It can
20 be a movement from an anchorage to berth, from berth to anchorage, or from one
21 anchorage to another in the same Harbor Area.

22 **Q: Are Harbor Areas defined in the proposed tariff?**

23 **A:** Yes, they are defined in Section 4.

24 **Q: How are Harbor Shifts treated in the current tariff?**

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1 **A:** In the current tariff, all harbor shifts are considered a Zone I within the LOA charge.

2 **Q: Does the proposed tariff treat Inter-Harbor Vessel Movements and Harbor Shifts**
3 **differently?**

4 **A:** It does.

5 **Q: What was the reasoning behind making a distinction between Inter-Harbor Vessel**
6 **Movements and Harbor Shifts in the proposed tariff?**

7 **A:** The current tariff makes a similar distinction and we believe that distinction should
8 remain intact in order to permit rates to be applied in the proposed tariff in a way that
9 permits the charge for a Harbor Shift to be less than what the charge would be were we
10 to apply the rate for Inter-Harbor Vessel Movements to Harbor Shifts.

11 **Q: How is it that you were able to accomplish the differential in rates through the**
12 **different treatment of Harbor Shifts in the proposed tariff?**

13 **A:** The primary way we accomplish that is through use of a different measurement of the
14 ship's size and a different rate schedule in the charge for Harbor Shifts. In the Inter-
15 Harbor Vessel Movement Charge, we use gross tonnage, but in the Harbor Shift Charge
16 we use LOA, or the length overall, while both types of vessel movements will also be
17 charged a Service Time Charge.

18 **Q: What base charges are applied to an Inter-Harbor Vessel Movement under the**
19 **current tariff?**

20 **A:** The charges applicable to all vessel movements under the current tariff are the gross
21 tonnage charge and the LOA charge. As stated previously, one of our goals was
22 simplicity. The harbor shift charge is simply a base rate depending on LOA. Obviously
23 other charges may apply depending upon the circumstances. Additionally, both types
24 of vessel movements will also be charged a Service Time Charge.

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1 **Q: Would you describe the purpose of the gross tonnage charge under the current**
2 **approved tariff?**

3 **A:** In my understanding, the current gross tonnage charge was intended to charge vessels
4 based on their revenue-generating capacity as well the risk associated with piloting the
5 vessel. The charge escalates as vessels get larger because larger vessels are generally
6 more able to afford pilotage charges and because larger vessels present a greater risk if
7 an incident were to occur.

8 **Q: What is the purpose of the LOA charge in the current tariff?**

9 **A:** The LOA charge is assessed based on a combination of the length of the vessel and the
10 distance of the transit of the assignment. The primary purpose of the use of zones, was
11 to provide a charge that could vary based on the resources required by the assignment.
12 Tying the charge to the Length Overall (“LOA”) is yet another way to tie the value of
13 the charge to a risk premium.

14 **Q: Are both of those charges preserved for Inter-Harbor Vessel Movements in the**
15 **proposed tariff?**

16 **A:** No. Under the proposed tariff, we include a gross tonnage charge, but do not apply an
17 LOA charge. This is an example of why the proposed tariff is more reflective of
18 current and future traffic. Vessel length is no longer the sole indicator of increasing
19 vessel size as it was in the past. Gross tonnage is more indicative of a vessel’s size.

20 **Q: What rationale did PSP advance in preserving a gross tonnage charge in the**
21 **proposed tariff?**

22 **A:** We believe that moving forward, vessels should be charged using three primary factors:
23 1) ability to pay based on its revenue generating capacity; 2) the relative risk involved
24 in piloting a vessel; and 3) the pilot resources required to complete the particular

1 assignment. The gross tonnage charge will continue to capture revenue-generating
2 capacity and risk without creating an overly complicated tariff.

3 **Q: What other alternatives might have captured risk and revenue-generating**
4 **capacity separately?**

5 **A:** We believe gross tonnage is the most equitable and logical method to capture a vessel's
6 revenue generating capacity. However, there are a number of ways to charge vessels
7 based on their size that can account for risk. Here, we could have proposed a unit
8 charge of "box formula" or "unit charge" that would also account for risk. We could
9 also have continued applying an LOA charge as a component of the base charge.
10 However, we believe that the additional complexity in our current tariff created by
11 charging vessels using two separate volumetric formulae is unnecessary.

12 **Q: Is PSP proposing any additional charges for Inter-Harbor Vessel Movements**
13 **relating to the pilot resources required to perform an assignment?**

14 **A:** We are. The proposed tariff includes a Service Time Charge that would apply to each
15 Inter-Harbor Vessel Movement for the service provided by the pilot, calculated
16 commencing with the order time and ending when the pilot returns ashore.

17 **Q: What justification did PSP employ in proposing the Service Time Charge rather**
18 **than continuing the LOA charge?**

19 **A:** Just as with our current tariff, we believe that a component of the charge for pilotage
20 service should account for the cost of service, but the LOA charge involved some issues
21 which we believe the Service Time Charge improves upon. For one, we believe that
22 time-based charges offer enhanced accuracy in assessing the vessel for the time spent
23 by the pilot. While zone charges do largely approximate the time incurred, there are a
24 number of variables that contribute to how long a transit actually takes. By charging
25

1 for the actual time spent on the job, we believe that a time charge offers a more accurate
2 and appropriate way to charge vessels for the cost of service.

3 **ii. Harbor Shifts**

4 **Q: You mentioned LOA charges are proposed as a component of the charge for**
5 **Harbor Shifts; is PSP advocating a continuation of the LOA charge from its**
6 **current tariff?**

7 **A:** No, the LOA charge in the current tariff escalates based on both the length of the ship
8 and the zone, or distance, of the transit. In the proposed tariff, there is a flat LOA
9 charge that increases for vessels over 231.65 meters (760 feet).

10 **Q: Why did you choose the break point in the tariff of 231.65 meters (760 feet)?**

11 **A:** Our current tariff includes a large array of vessel lengths in the LOA charge, and we
12 believed that to simplify and streamline the charges, it made sense to reduce the total
13 number of break points to one. The one we selected was based upon our research of the
14 vessels piloted in the Puget Sound. That information reflected that this is a natural
15 breaking point between the smaller classes of vessels, including a seven-hatch bulker
16 and anything larger than those vessels.

17 **Q: What is the purpose of the use of LOA charges for Harbor Shifts?**

18 **A:** As I mentioned, an LOA charge is an alternative way to charge ships based on the
19 relative risk and revenue generating capacity of the vessel. Although we believe a
20 gross tonnage charge is the most appropriate way to account for those factors, it is too
21 sensitive for allocating appropriate charges when attempting to limit charges for a
22 Harbor Shift.

23 **Q: Are you proposing to charge a Service Time Charge for Harbor Shifts as well?**
24
25

1 **A:** Yes. Again, the Service Time Charge is intended to ensure that vessels are accurately
2 charged for the pilot resources consumed by the ship. That same principle should apply
3 whether the ship is using the pilot for an Inter-Harbor Vessel Movement or a Harbor
4 Shift.

5 **iii. Additional Pilot Charges**

6 **Q: Does the current tariff include charges for additional pilots?**

7 **A:** It does. Additional pilots are charged the same as the first pilot for the portion of the
8 vessel movement that requires an additional pilot.

9 **Q: When is an additional pilot needed?**

10 **A:** Additional pilots are necessary either due to circumstances that require a pilot to be on
11 the vessel to relieve another pilot to avoid pilot fatigue or under circumstances when an
12 additional pilot is required for safety. The former is usually a circumstance that is
13 requested by the vessel or is unavoidable due to a ship's schedule or delays. The latter
14 most frequently occurs due to the environmental risk factors of a particular assignment
15 such as wind or current in a particular waterway. Although not strictly necessary, there
16 are also times ships request additional pilots in order to avoid the cost of a launch or to
17 avoid the cost and inconvenience of slowing down or taking a detour in the ship's
18 planned transit to swap out a pilot.

19 **Q: Under the proposed tariff, are there situations for which additional pilot charges
20 are applied differently?**

21 **A:** Yes. There are two ways we propose to charge for additional pilots. The first and most
22 common scenario is when the additional pilot or pilots board the vessel for a Harbor
23 Shift or only before the vessel enters a waterway. In those scenarios, the ship could be
24 completing an Inter-Harbor Vessel Movement, but only requires the additional pilot for
25

1 a small segment at the end of the transit as it enters the waterway. In those scenarios,
2 where the additional pilot is only jointly utilized in the conduct of the vessel within a
3 single harbor area, we propose to apply all applicable Harbor Shift charges for each
4 additional pilot. There are also circumstances when an additional pilot is needed to
5 complete the full transit of an Inter-Harbor Vessel Movement. In those situations, we
6 are proposing the vessel pay all applicable Inter-Harbor Vessel Movement charges for
7 each pilot.

8 **iv. Pilot Boat Charge**

9 **Q: Is PSP proposing any changes to its Pilot Boat Charge in the tariff?**

10 **A:** No, we are not proposing any changes to the application of the Pilot Boat charge.

11 **Q: To which vessels does the Pilot Charge apply?**

12 **A:** Pilot Boat charges apply only to vessel movements for which pilot boat use is needed
13 for the embarkation or disembarkation of a pilot.

14 **Q: Is the pilot boat used for the embarkation or disembarkation of a pilot at the
15 commencement or conclusion of every vessel movement?**

16 **A:** No. The pilot boats are maintained in Port Angeles. If we board a vessel at anchor
17 anywhere other than at Port Angeles we board via tug or launch.

18 **v. Transportation Charge**

19 **Q: What is the purpose of the Transportation Charge included in the current tariff?**

20 **A:** Transportation Charges are currently assessed in the existing tariff to cover the
21 estimated cost of transportation to and from points at which pilotage service is needed.
22 PSP includes that charge because we provide service to a number of different port
23 locations besides our primary hubs in Port Angeles and Seattle.

1 **Q: Does the current Transportation Charge vary depending on the location at which**
2 **pilotage service is provided?**

3 **A:** Yes, the current tariff's transportation charge is different for each location because of
4 their varying distances from our Seattle hub.

5 **Q: Is PSP proposing a change to the Transportation Charge?**

6 **A:** Yes. Although we are proposing that there be a transportation charge to cover the cost
7 of pilot transportation to all of the varying locations where pilotage service is required
8 in the Puget Sound, we are proposing that all vessels be charged a Transportation
9 Charge of the same amount.

10 **Q: What is the rationale behind the proposed change?**

11 **A:** The amount charged in the current tariff is an estimate based on the cost of use of a for-
12 hire transportation service to and from each of the stated service locations. Because the
13 actual cost of transportation can vary from the estimate depending on the particular and
14 often unique travel distance required for each pilot, we believe it is simpler and more
15 equitable to charge each vessel the same amount for transportation and spread all
16 transportation costs incurred by PSP evenly, rather than include a separate charge for
17 each location.

18 **vi. Cancellation Charge**

19 **Q: What is the purpose of PSP's current Cancellation Charge?**

20 **A:** In my view, the Cancellation Charge exists to discourage certain inefficient practices
21 including a lack of planning and communication facilitated by vessel owners as well as
22 to capture the costs to PSP incurred when vessels fail to give timely notice of
23 cancellation.

24 **Q: How does PSP incur costs for a cancellation?**

1 **A:** A cancelation cannot be viewed in isolation, as the cascading downstream effects of
2 pilot availability must be also taken into account. Unfortunately, due to uncertain and
3 constantly-changing vessel schedules, we receive a large number of job order changes
4 to PSP dispatch. In a number of those instances, the vessel's shipping agent may have
5 no idea whether they will be able to commence their movement at all, but place an
6 order to keep a pilot available just in case. With the chronic shortage of pilots of late, a
7 pattern of change orders I believe could become more pronounced potentially
8 exacerbating the availability of pilots. When the vessel fails to cancel a job, it
9 consumes pilot resources because PSP's dispatchers must account for any ordered
10 vessel movement and ensure there are sufficient pilots for all of the jobs ordered that
11 day. Frequently, the dispatchers must call Puget Sound pilots who are off-duty to cover
12 jobs. If the off-duty pilot is called and then the job is cancelled, PSP typically incurs a
13 liability for the cost of the off-duty pilot. Additionally, each pilot must be given
14 advance notice of an assignment to give the pilot time to prepare and travel. If the
15 vessel doesn't give sufficient notice of cancellation, a pilot will have been assigned that
16 job and will no longer be available to perform other jobs. Thus, even though the pilot
17 may not ultimately move a ship, the untimely cancellation consumes resources and
18 increases costs.

19 **Q: Are there any changes to the Cancellation Charge that PSP is proposing?**

20 **A:** We are proposing changes both to the timing of their assessment and in the way that
21 cancellation charges will be applied. The change in the timing of cancellation charges
22 will give PSP more notice and encourage increased planning. Our proposed tariff also
23 charges a flat amount per vessel, while the existing tariff charged each ship based on its
24 length. We are also proposing that amount be adjusted.

1 **Q: Has PSP done any work to quantify the cost of cancelled assignments?**

2 **A:** We have looked at ways to determine the actual cost to PSP of cancelled jobs, but it is
3 simply too difficult to quantify because each cancellation has a variable effect on pilot
4 availability and costs unique to that cancellation. There are also often direct costs
5 incurred, such as transportation, and we are proposing to continue charging
6 transportation costs to the vessel if the order is not canceled within two hours of the
7 time the pilot is assigned a job. Other cancellation costs are real, but cannot be so
8 readily quantified.

9 **Q: If you are unable to capture the actual cost of cancelled jobs, what is the rationale**
10 **behind the amount you are proposing to charge for Cancellation Charges?**

11 **A:** In my view, cancellation charges serve to discourage undesirable and or inefficient
12 behavior. Here, we endeavor to set cancellation charges just high enough to cause a
13 real impact on behavior we would obviously all like to avoid the disruptive starts and
14 stops caused by order cancellations.

15 **vii. Delay, Detention, Standby and Other**

16 **Q: Would you describe PSP's proposed Delay Charge?**

17 **A:** Just as in our current tariff, PSP is proposing to impose an hourly delay charge based on
18 the order time for Service. This charge would be imposed whenever a ship delays its
19 sailing time or delays its arrival time by more than one hour for reasons outside of the
20 pilot's control.

21 **Q: What type of circumstances are "outside the pilot's control?"**

22 **A:** That would be any cause of delay that is not the result of a delayed arrival at the ship by
23 the pilot. Although there are a number of reasons a pilot may not be available at the
24 time of the ship's order time that would not be "within the pilot's control," such as a

1 shortage of available pilots at the order time, we traditionally charge a delay charge any
2 time that the pilot is at the ship on time and waiting to commence its movement for
3 more than 60 minutes.

4 **Q: What is the rationale behind charging ships for delay?**

5 **A:** Just like with Cancellation Charges, the delays cannot be viewed in isolation as their
6 effects can be felt throughout the entire pilotage system. There is both a real cost
7 associated with delays and a pattern or practice we hope to discourage. With delays,
8 the longer a pilot is unnecessarily serving a vessel, the longer it will be before that pilot
9 is rested after the assignment and returned to work on the next assignment. Thus delays
10 consume a pilot's time and availability for other jobs and impact efficiencies system-
11 wide. Some of these delays are completely avoidable, or would be had the ship
12 provided a better estimate of its order time. In order to discourage vessels from
13 ordering pilots only to have them wait for hours, which unfortunately is not uncommon,
14 we hope to encourage vessels to increase the accuracy of their order times to match
15 their actual sailing times.

16 **Q: What are "Standby" and "Detention" and what is the reason PSP proposes to**
17 **charge for them?**

18 **A:** Standby and Detention are similar concepts, but apply slightly differently. In both
19 cases, a pilot is on board a vessel as part of a vessel movement but not piloting the
20 vessel.

21 **Standby** covers those situations where the pilot was asked to board or remain on board
22 following a job to be ready to pilot. This sometimes occurs when ships have requested
23 multiple pilots so that there is no need to swap pilots via a launch in a remote location
24 for longer jobs. We have also had situations where vessels go to anchor waiting for a
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1 berth, which technically ends the job, but the pilot then is requested to wait on board for
2 the berth to become open and commence a new job when the ship moves from anchor
3 to berth. This situation is described in our proposed tariff under the heading “Berthing
4 Delay.”

5 Detention is like standby, but rather than waiting to commence a job, the pilot has
6 completed a job and is unable to disembark the vessel.

7 **Q: How does the current tariff treat transits to or from British Columbia?**

8 **A:** There are charges in our current tariff directly applicable to transits that cross the
9 international boundary either to or from British Columbia.

10 **Q: Is PSP recommending that those charges be treated differently in the proposed
11 tariff?**

12 **A:** We are. Rather than including specific charges for direct transits to or from B.C., we
13 are proposing that all times spent outside of the Puget Sound Pilotage District on board
14 vessels be treated as detention and charged at the Detention Charge hourly rate in
15 addition to our Service Time charge. We also apply a flat Carried Out of District
16 Charge to those circumstances in order to recover the cost of the pilot not being
17 available “in district” for an assignment and for transportation to and from B.C. or any
18 other location to which a pilot might be carried out of the Puget Sound Pilotage District.

19 **Q: What is the “Other Delay/Detention/Standby Charge” that PSP is proposing?**

20 **A:** That charge is intended to be a “catch all” for those rate circumstances where a pilot’s
21 time is consumed on a vessel outside of the pilot’s control but which were not
22 adequately described elsewhere in the tariff.

23 **viii. Other Service Charges.**

24 **Q: What is a Dead Ship?**

25 TESTIMONY OF STEPHAN MORENO, Exh. SM-1T - 20

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1 **A:** A Dead Ship is any vessel that cannot be operated under its own power or maneuver
2 using its own steering gear.

3 **Q: Why would PSP propose to impose additional charges for piloting a dead ship?**

4 **A:** Ships that cannot be propelled or steered under their own power require must be moved
5 with tugs, and typically those jobs are complex and take much longer to complete. Put
6 simply, those jobs involve more risk and require more skill and time from the pilot.

7 **Q: What are “Charges for Additional Services Requested”?**

8 **A:** This inclusion is to provide notice to our customers of the charge we will impose for
9 services of pilots not otherwise covered in the tariff. There are rare circumstances
10 where pilot services are required outside of the actual movement of vessels. This most
11 frequently occurs when a customer requires pilot input for planning purposes, and we
12 simply want to give notice of the charge incurred for that task.

13 **V. RATE SPREAD**

14 **Q: Were you also responsible for spreading PSP’s revenue requirement to establish
15 proposed rates?**

16 **A:** Yes, and the rates we are proposing by which PSP would collect its revenue
17 requirement for each of the three years of the phase-in period are set forth in the
18 proposed tariffs for year 1, year 2, and year 3 (Exhs. WTB-8, WTB-9, and WTB 10).

19 **Q: Please describe the method by which you calculated the projected revenue each
20 charge would generate.**

21 **A:** As Weldon Burton discusses in his testimony, to create the rate spread used in the
22 proposed tariff we relied upon a spreadsheet containing the historic tariff charges and
23 our proposed billing determinants for each vessel assignment that occurred in the period
24 of November 1, 2018 to October 31, 2019. The spreadsheet assisted us with calculating
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1 the projected revenue generated by each proposed charge, assuming the same vessel
2 assignments would occur during the year the rates become effective. We also made an
3 adjustment to rates as described by Mr. Burton to account for the difference between
4 the 7,033 assignments that occurred in the historic data and Dr. Sami Kwaja's
5 assignment projection for calendar year 2020 of 6,989 assignments. Using the
6 spreadsheet and that adjustment of .063%, we were able to project the revenue that each
7 charge would generate if the 6,989 vessel assignments are actually worked in that time
8 period.

9 **Q: For the first year's tariff, Exh. WTB-8, what charges are you proposing for an**
10 **Inter-Harbor Vessel Movement?**

11 **A:** As I discussed, we are proposing Inter-Harbor Vessel Movements be assessed two
12 charges: a Tonnage Charge and a Service Time Charge. As reflected in the table
13 below, the incremental per ton rates decrease as ships get larger.

Tonnage Charge	Rate		
Gross Tonnage up to and including 20,000 tons:	\$1625.00		flat rate, plus
Gross Tonnage over 20,000 up to and including 50,000 tons:	\$.0756	per ton	plus
Gross Tonnage over 50,000 up to and including 100,000 tons:	\$.0706	per ton	plus
Gross tonnage over 100,000 tons:	\$.0661	per ton	

19 **Q: What will the rate be for the Service Time Charge for Year 1?**

20 **A:** We proposed a Service Time Charge of \$326.80 per hour, and used the same rate for
21 Inter-Harbor Vessel Movements and Harbor Shifts.

22 **Q: What is rate PSP proposes for the Harbor Shifts for Year 1?**

1 **A:** As noted, Harbor Shifts will be assessed both the Service Time Charge and a Harbor
2 Shift Charge. The proposed Tariff sets the Harbor Shift Charge as set forth in the
3 following table:

Harbor Shift Charge	Rate
Vessels less than 231.65 meters Length Overall	\$1625.00
Vessels 231.65 meters Length Overall and over	\$1825.00

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7 **Q:** Were you also involved in establishing the rate spread for the other proposed
8 tariff charges?

9 **A:** Yes, and each of the proposed charges are set forth in the proposed tariff for Year 1, as
10 well as the proposed replacement pages to take effect in Year 2 and Year 3 (Exhs.
11 WTB-8, WTB-9, and WTB-10).

12 **Q:** Does this conclude your testimony for the present time?

13 **A:** Yes, it does.
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