



Board of Pilotage Commissioners

SEP 13 2012

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September 13, 2012

Capt. Harry Dudley, Chair
Board of Pilotage Commissioners
2901 Third Ave, Suite 500
Seattle, Washington 98121

Re: CR 102 Filing and Tariff Procedures– 2013 Puget Sound District Tariff

Dear Captain Dudley:

Last year the pilots suggested a Variable Expense Component (VEC) be added to the tariff to fund expenses that are either central to the board's mission of promoting safe pilotage or highly variable. This year the pilots will again request that the board adopt some version of a VEC to facilitate the safety and financial needs of the upcoming year.

With the change of the rate hearing to November, it has also become clear that a more flexible approach to tariff setting, especially in the early stages, is appropriate. We have submitted financial information through July. As the November hearing approaches we will accumulate more information on finances and ship traffic that will affect the amount of tariff increase needed.

It also became clear last year that the VEC concept needs more discussion at the board about what items it should include and how it will be funded. These discussions have started and we hope to continue them over the next few months.

We specifically request that the board establish a procedure as part of this year's rate hearing in which the stakeholders and board members can have an open back-and-forth discussion. This could be a special work session in which the stakeholders jointly meet with all or some of the board to have an open conversation about the issues. It would be less formal than the rate hearing itself. It would give board members a chance to ask questions and would let the stakeholders know what the board views as important. Subjects could include which PPU's are most appropriate for this district, how the

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expected costs of training and the PPU's should be handled and how the VEC might be designed and funded.

Because we don't know where these discussions will lead and what form the final VEC might take, we suggest a broad and flexible approach in the CR 102 filing that will leave all options available to the board.

We do not yet have conclusive financial or traffic information at this point, but it appears that the pilots will be requesting an overall rate increase of between 12 and 15%. Including the likely cost of the next generation PPU's, 2013 expenses are projected to exceed 2012 expenses by approximately \$1.2 million. This alone is about a 4% increase in the tariff.

Last year we suggested that the following expenses be included in the VEC:

- Pilot continuing education and training;
- Pilot navigational technology equipment;
- Pilot retirement plans for both districts;
- Comp day liability;
- Pilot boat fuel expenses; and
- Annual adjustment for errors in prior year predictions.

The total of these expenses for 2013 is projected to be \$5,235,000. If levied as a flat fee on all assignments other than harbor shifts and cancellations, this would be a fee of about \$865 per assignment. If levied as a surcharge, it would be approximately 1.7%. It would be different amounts if levied as an LOA charge, beam charge, tonnage charge, waterway charge or draft charge.

We hope to have an open discussion this year as to what items should be included in the VEC and how the charge should be levied. To keep all options available, we suggest wording the CR 102 submittal so that the board is free at the hearing to consider a full array of expenses to be included in the VEC and different methods of levying the charges.

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Specifically, we request that the following language be included in the CR 102 filing for this year's rate hearing:

PSP proposes a rate increase of 15% applied across-the-board (except for the domestic Transportation and Training Surcharge categories to which no change is applied) and the creation of a new line item Variable Expense Component charge designed to raise up to \$5,235,000 of revenue to be levied by one or more charges of up to the following amounts:

- *surcharge of 1.7% of the total other charges in the tariff;*
- *per assignment charge of \$865;*
- *draft charge of \$26.33 per foot;*
- *tonnage charge of \$.0172 per gross ton;*
- *LOA charge of 1.09 per foot;*
- *beam charge of \$7.55 per foot;*
- *waterway charge of \$728.56. (this would cover training and technology costs only).*

PSP also proposes that the Transportation Charge portions of the British Columbia Direct Transit Charge be increased by 5.5%.

Thank you for your consideration of these issues and we look forward to discussing them more fully as we move through the tariff process.

Sincerely,

PUGET SOUND PILOTS

*Frandy Coe
for Dave Sanders*

Capt. David A. Sanders
Chair, Rate Committee