

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

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

Docket TP-220513

**REBUTTAL TESTIMONY OF
KEN A. ERIKSEN
ON BEHALF OF PUGET SOUND PILOTS**

MARCH 3, 2023

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3 **I. IDENTIFICATION OF WITNESS**

4 **Q: Please state your name and position for the record.**

5 A: My name is Ken A. Eriksen. I am an economist and serve as a Senior Vice President with
6 IHS Markit, which is now part of S&P Global, an international information and consulting firm
7 with expertise in global energy, commodity and shipping market information.
8

9 **II. PURPOSE OF TESTIMONY**

10 **Q: What is the purpose of your testimony?**

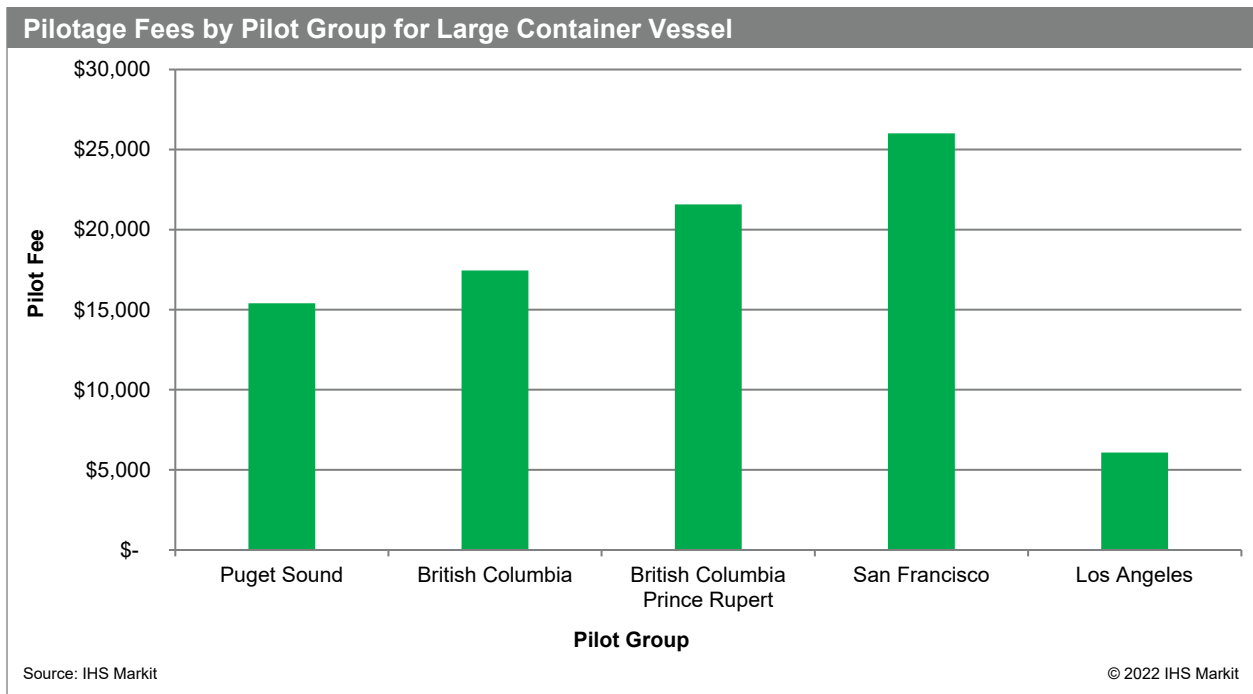
11 A: My testimony provides updated information regarding PSP's proposed pilotage rates
12 compared to other West Coast ports and addresses opposing testimony contending that the
13 pilotage rates requested by PSP would unfair and unreasonable.
14

15 **Q: In the eight months since you filed your original testimony on June 29, 2022, what**
16 **has happened to pilotage rates in the West Coast ports that were the subject of a**
17 **comparison with PSP's proposed rates at pages 31 through 40 of your original testimony?**

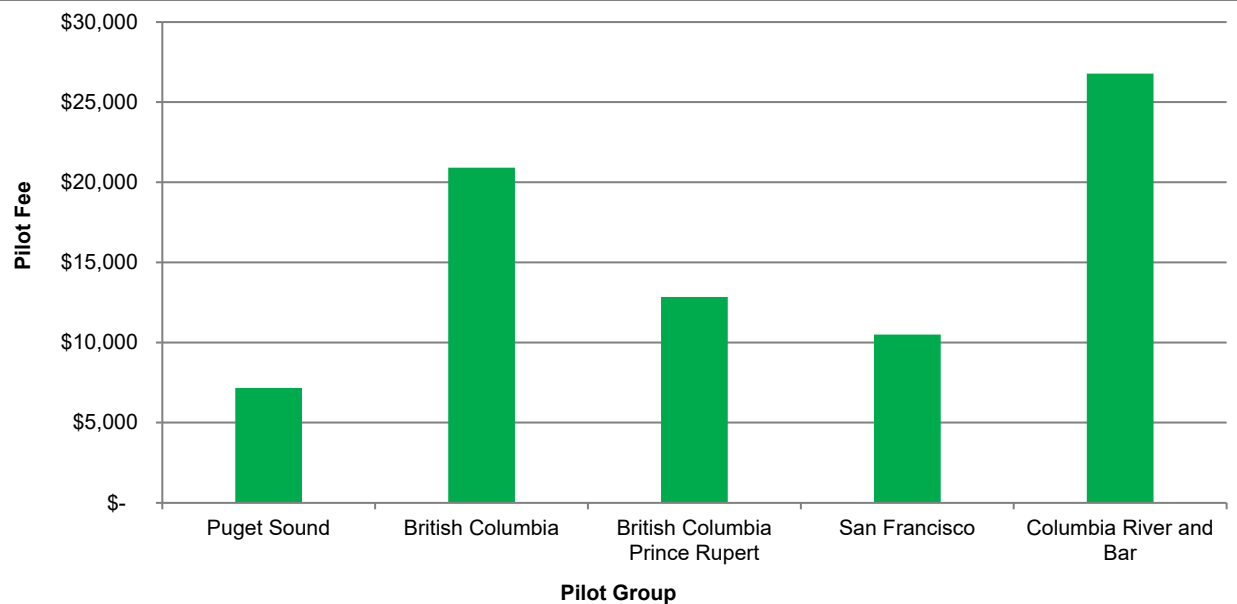
18 A: With respect to each of the eight ports in our comparison, pilotage rates have increased.
19
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21 **Q: Did you prepare an updated set of bar charts comparing PSP's proposed pilotage**
22 **rates in this rate case to the existing rates charged to specific vessels in five ship type classes**
23 **in the major port clusters on the West Coast?**
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1 A: Yes. We were provided data regarding those changes in pilotage rates using the same
2 vessels and ship types used in the previous comparison. We then updated all of those bar and line
3 rcharts to compare PSP's proposed rates to the pilotage charges for the same ships in different
4 ship type classes on an overall charge basis as well as per mile and per hour. The charts
5 generated by this data are set out below:
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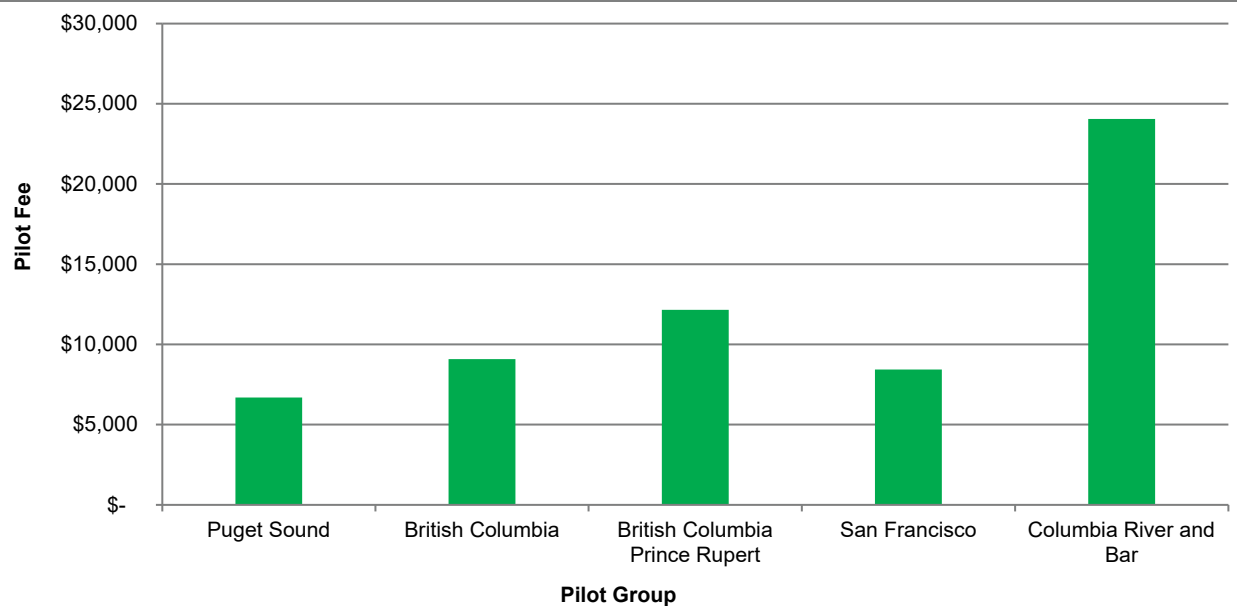
Pilotage Fees by Pilot Group for Medium Container Vessel



Source: IHS Markit

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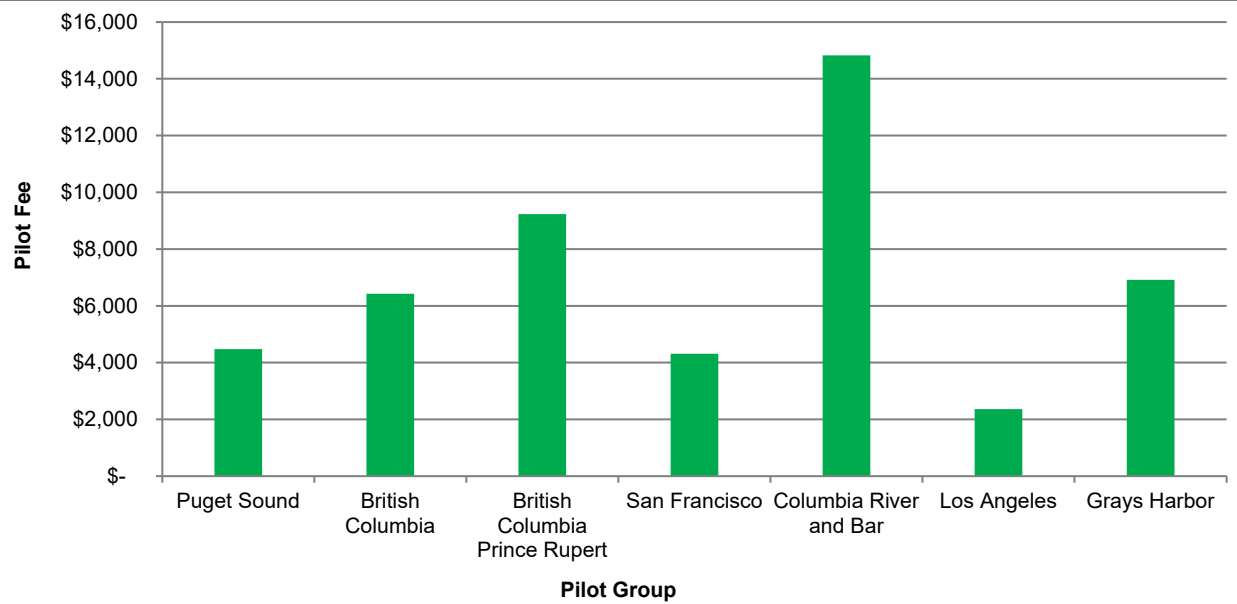
Pilotage Fees by Pilot Group for Seven Hold Dry Bulk Vessel



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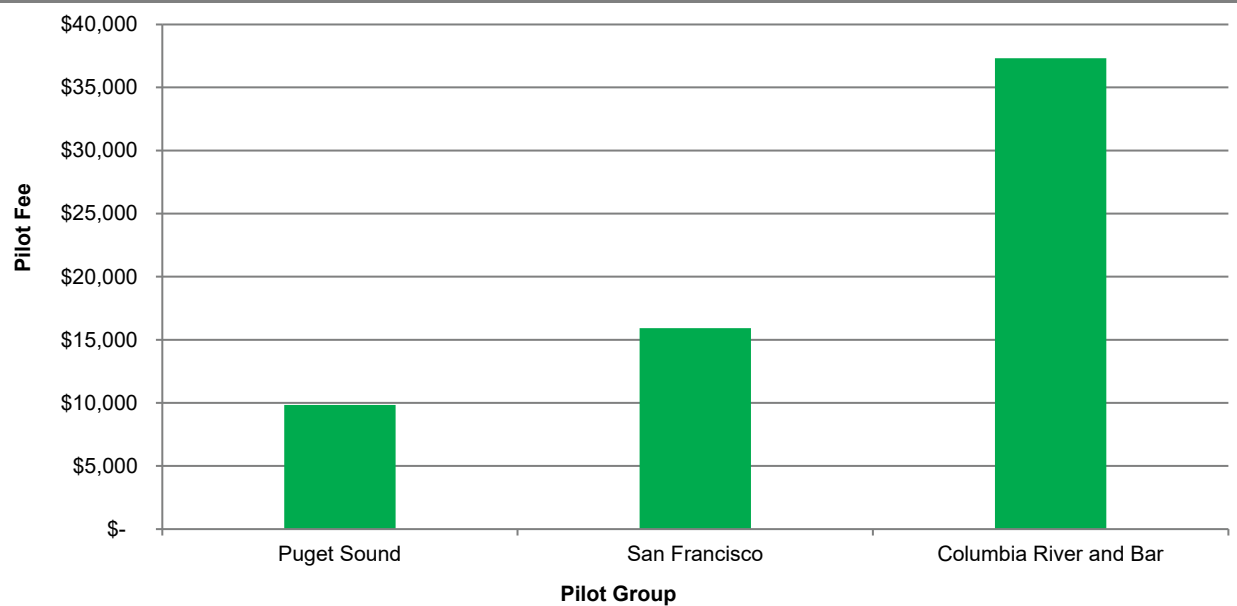
Pilotage Fees by Pilot Group for Five Hold Dry Bulk Vessel



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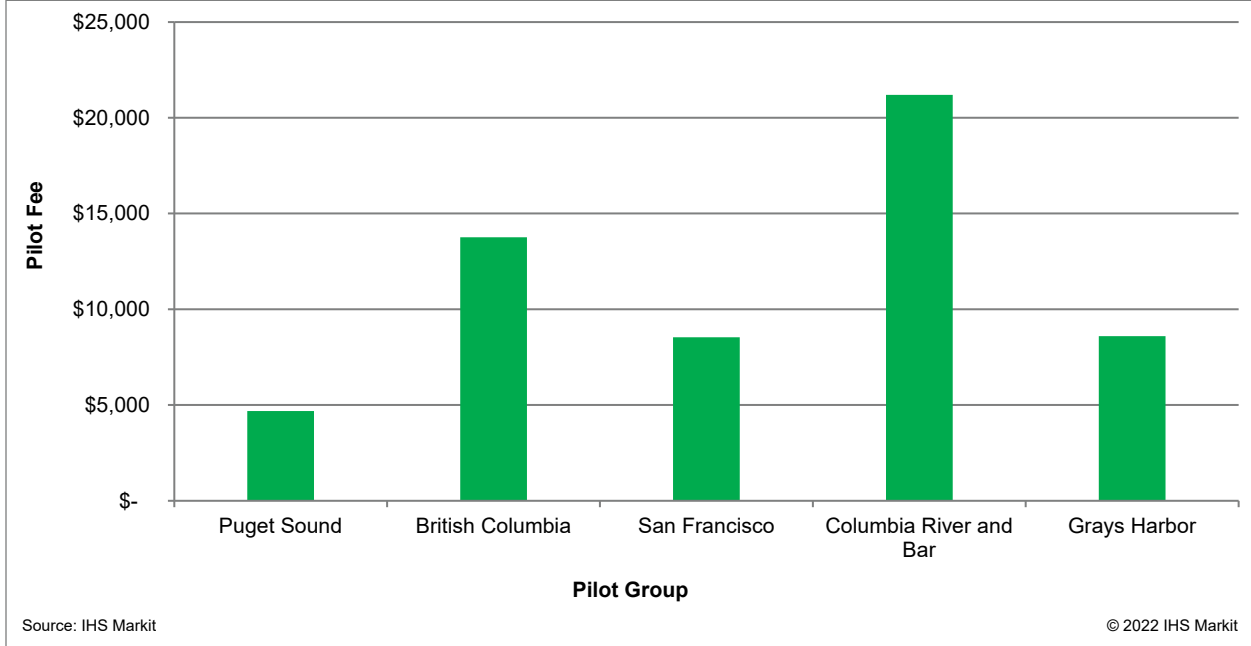
Pilotage Fees by Pilot Group for Large Tanker Vessel



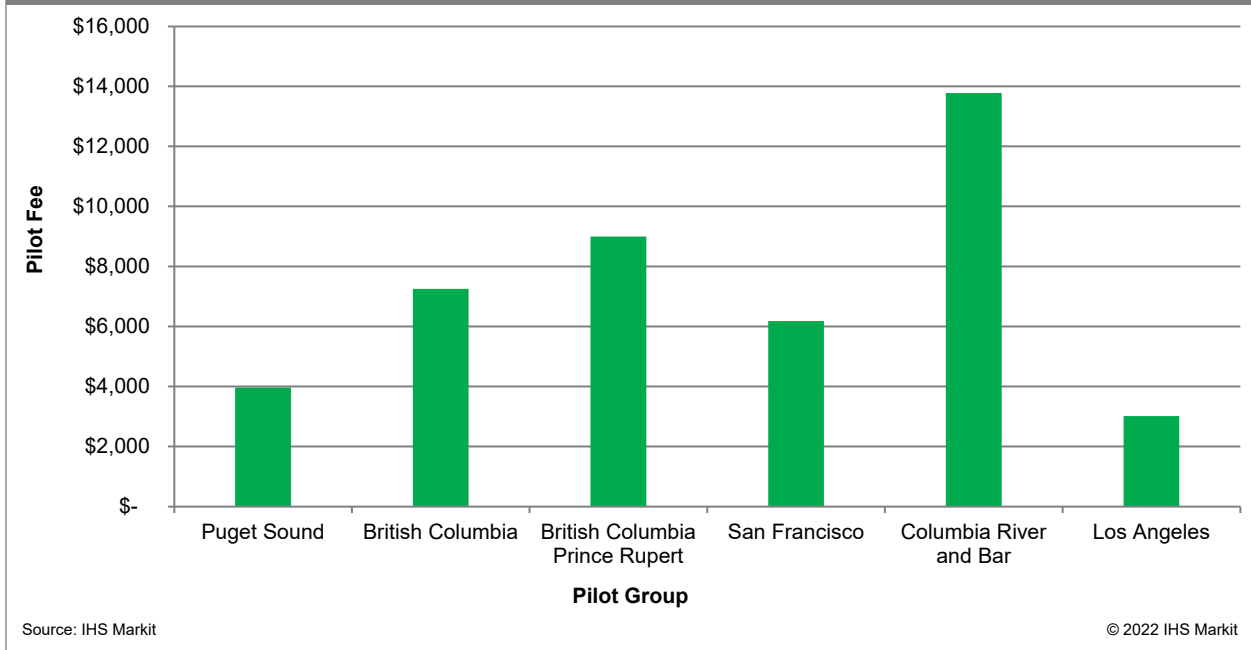
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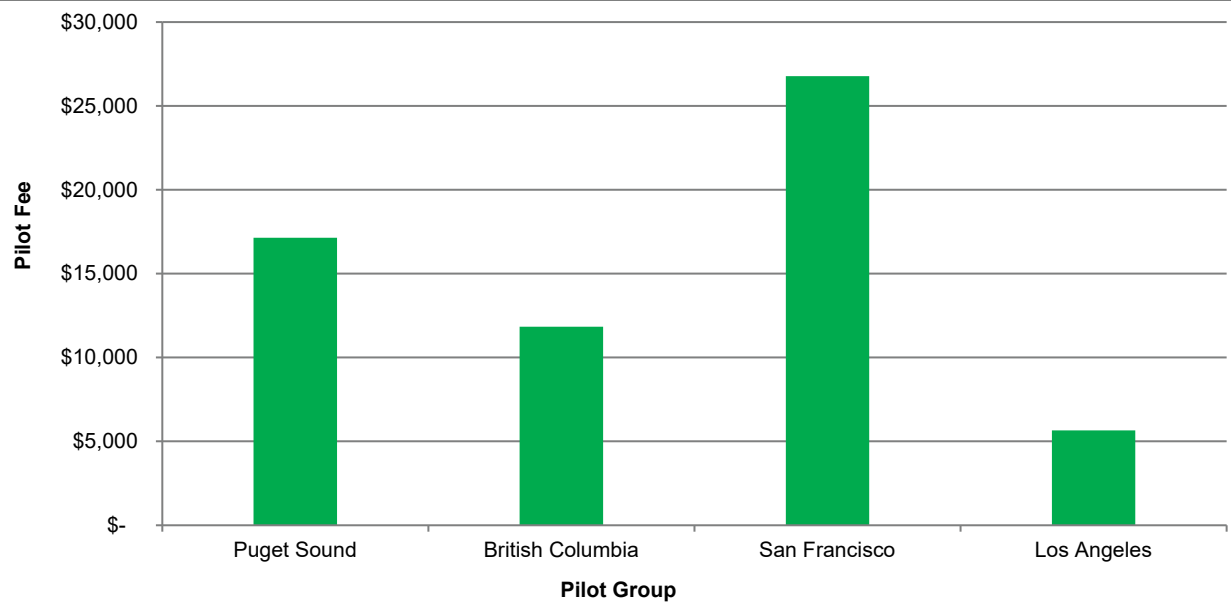
Pilotage Fees by Pilot Group for Small Tanker Vessel



Pilotage Fees by Pilot Group for ATB Vessel



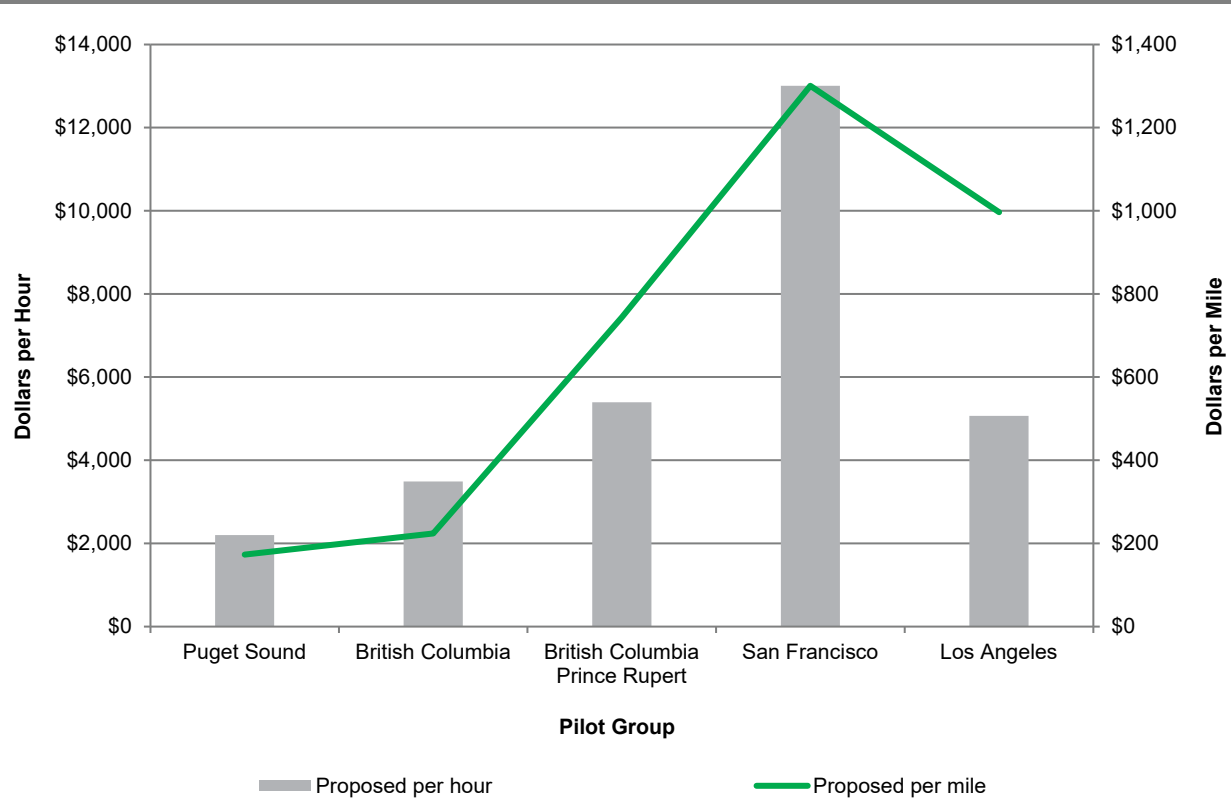
Pilotage Fees by Pilot Group for Large Passenger Vessel



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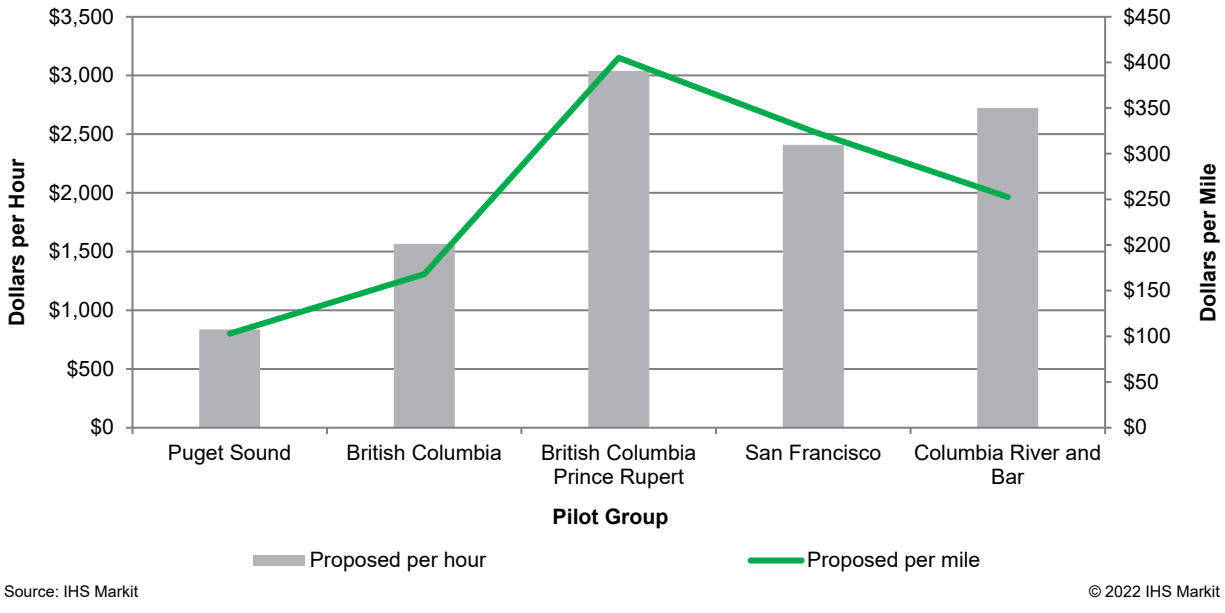
Puget Sound Pilots Proposed Fee for a Large Container Vessel Compared to Other West Coast Pilot Groups



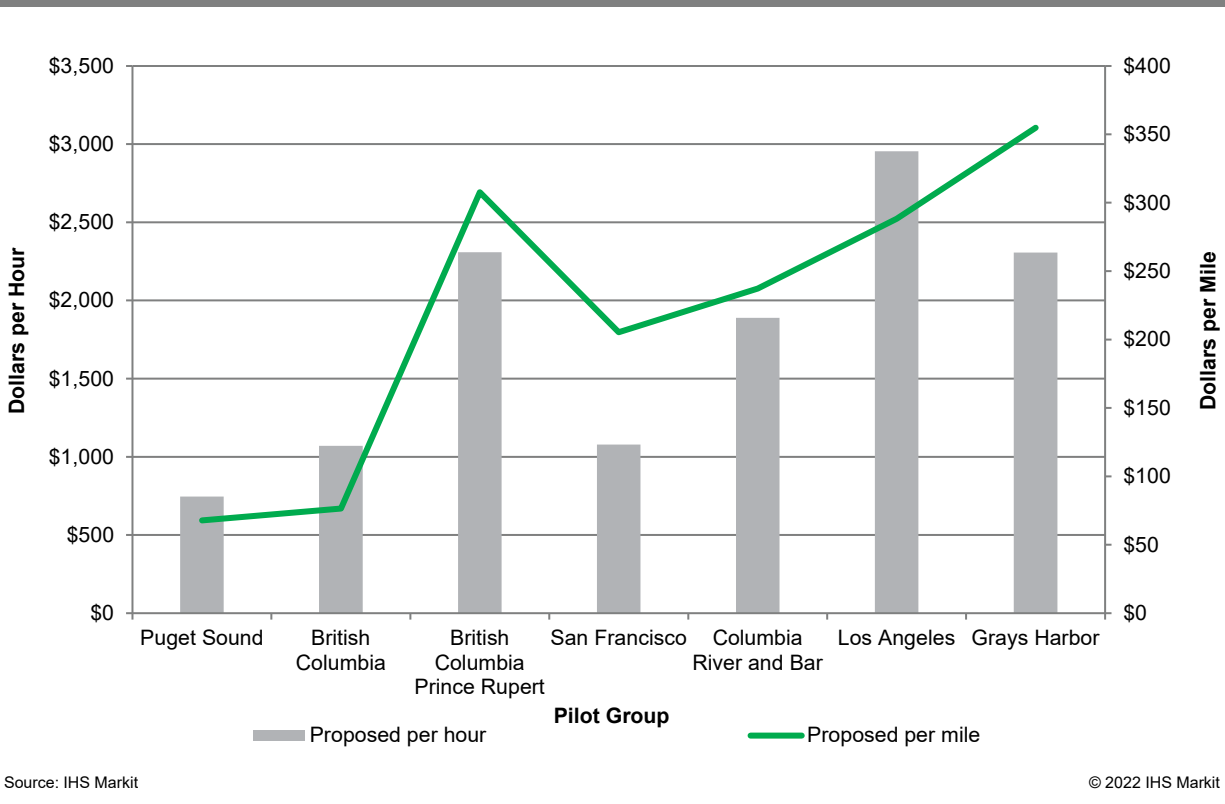
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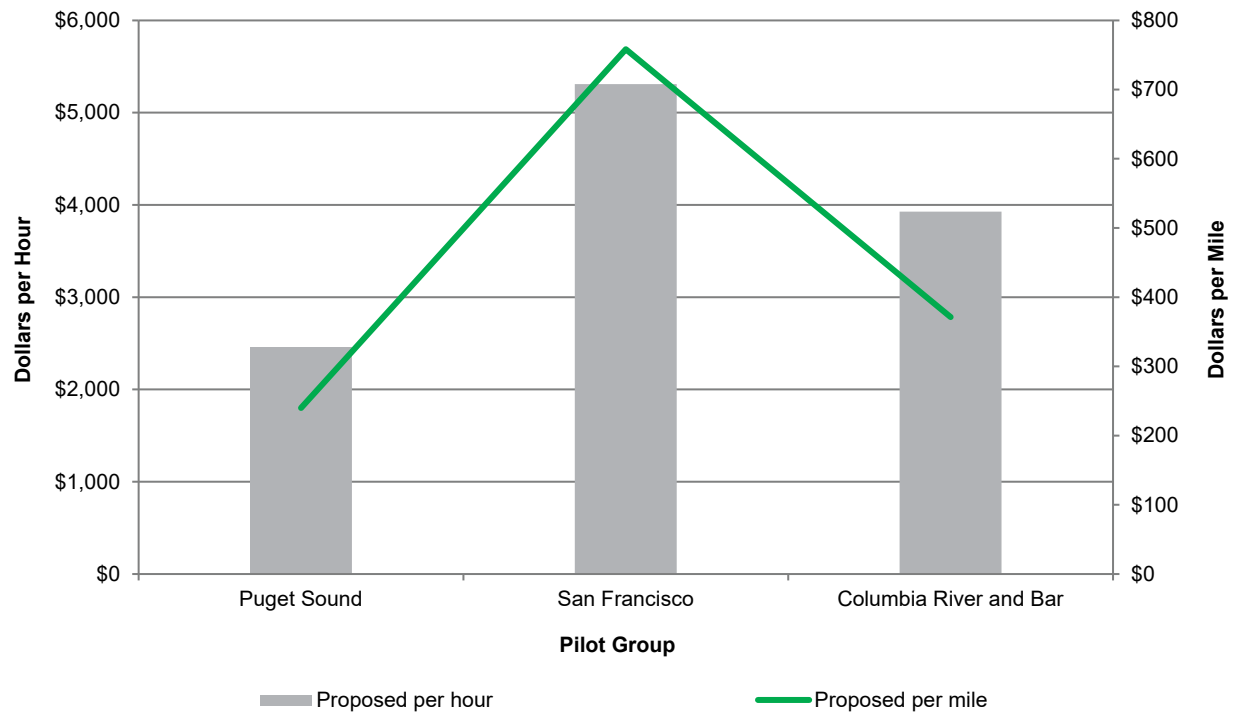
Puget Sound Pilots Proposed Fee for a Seven Hold Bulk Vessel Compared to Other West Coast Pilot Groups



Puget Sound Pilots Proposed Fee for a Five Hold Bulk Vessel Compared to Other West Coast Pilot Groups



Puget Sound Pilots Proposed Fee for a Large Tanker Vessel Compared to Other West Coast Pilot Groups

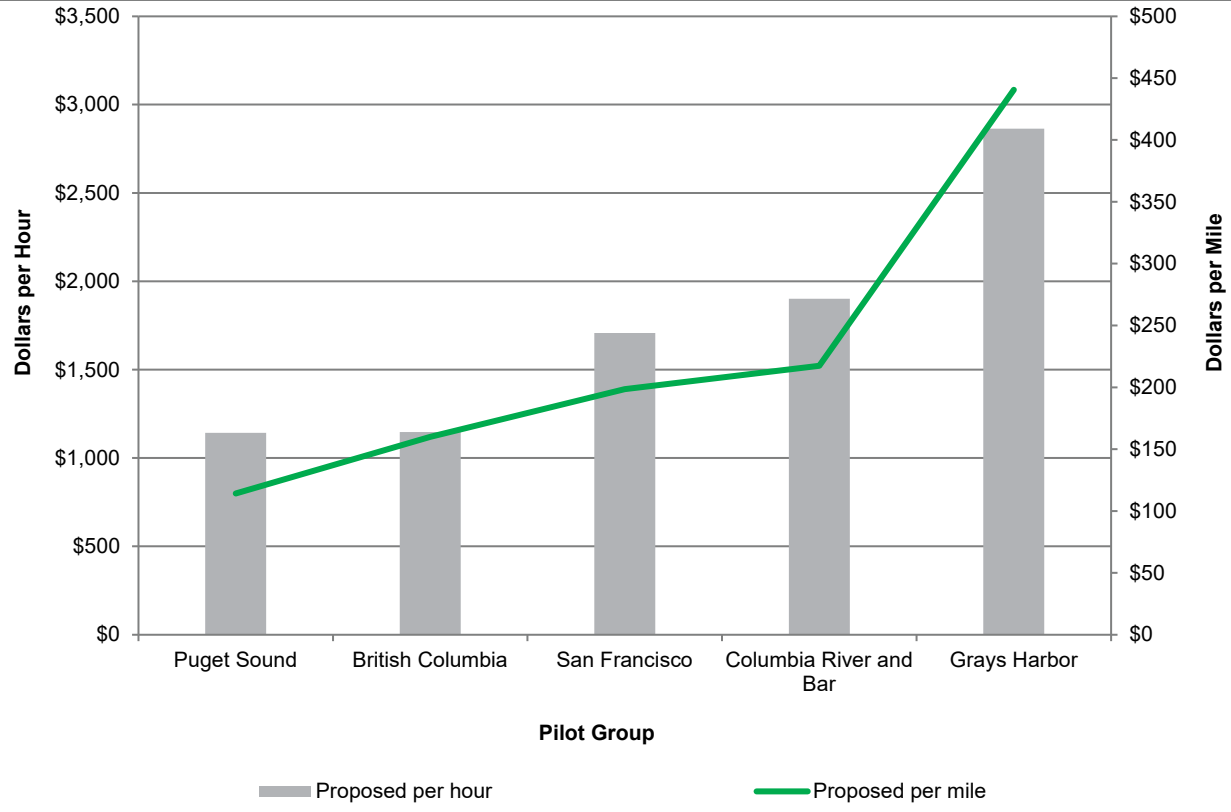


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Puget Sound Pilots Proposed Fee for a Small Tanker Vessel Compared to Other West Coast Pilot Groups

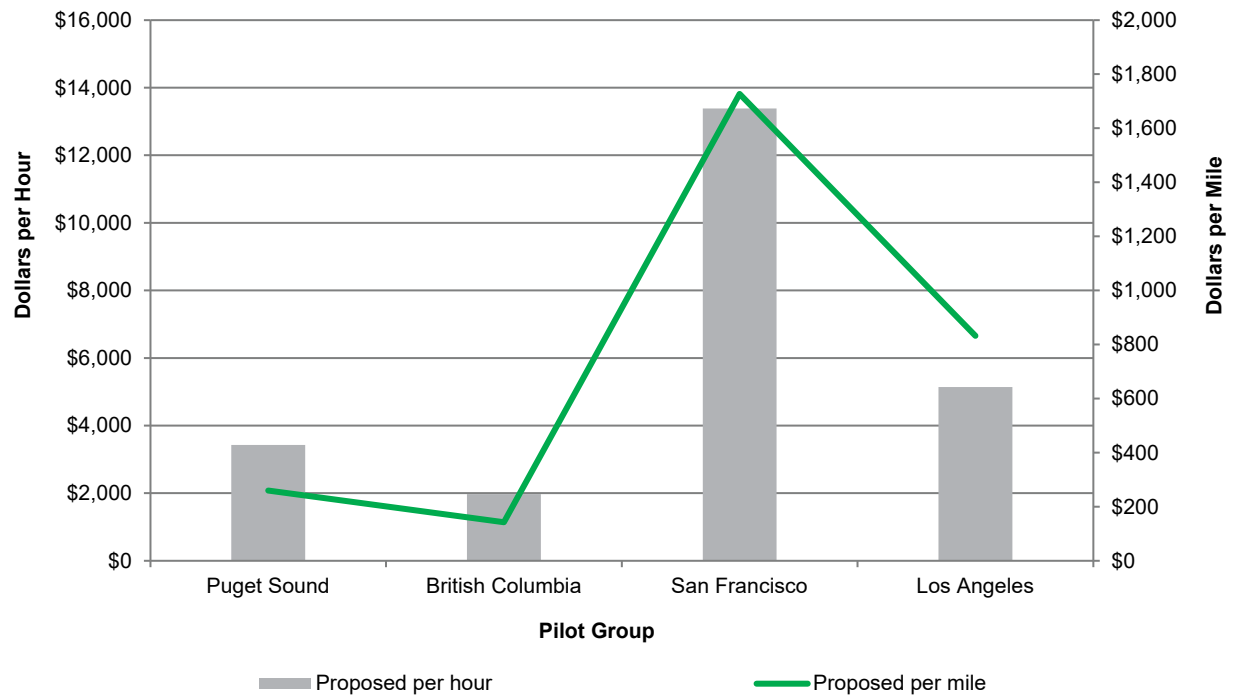


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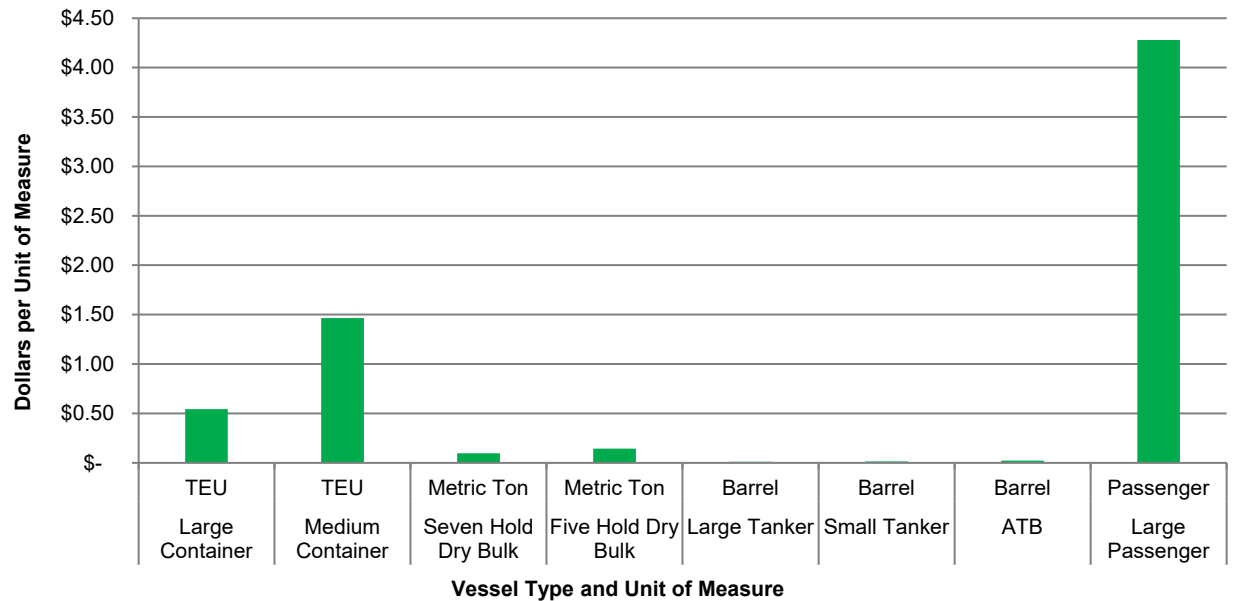
Puget Sound Pilots Proposed Fee for a Large Passenger Vessel Compared to Other West Coast Pilot Groups



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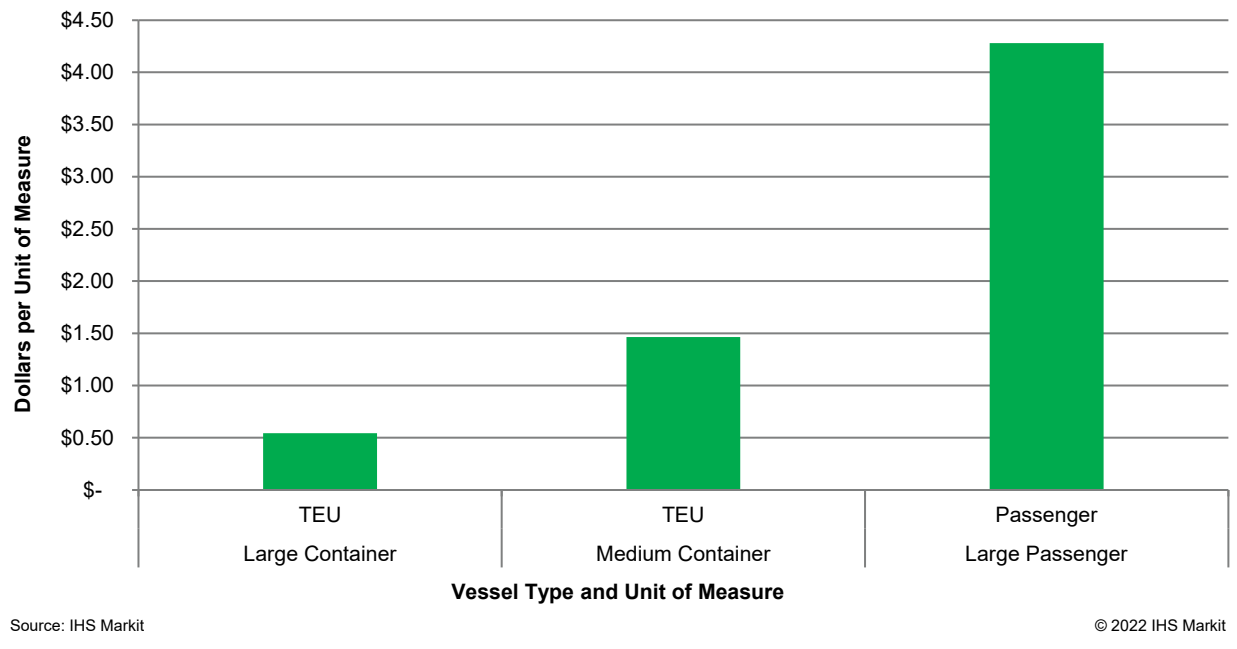
Puget Sound Pilots Proposed Pilotage Fees by Vessel Type and Unit of Measure



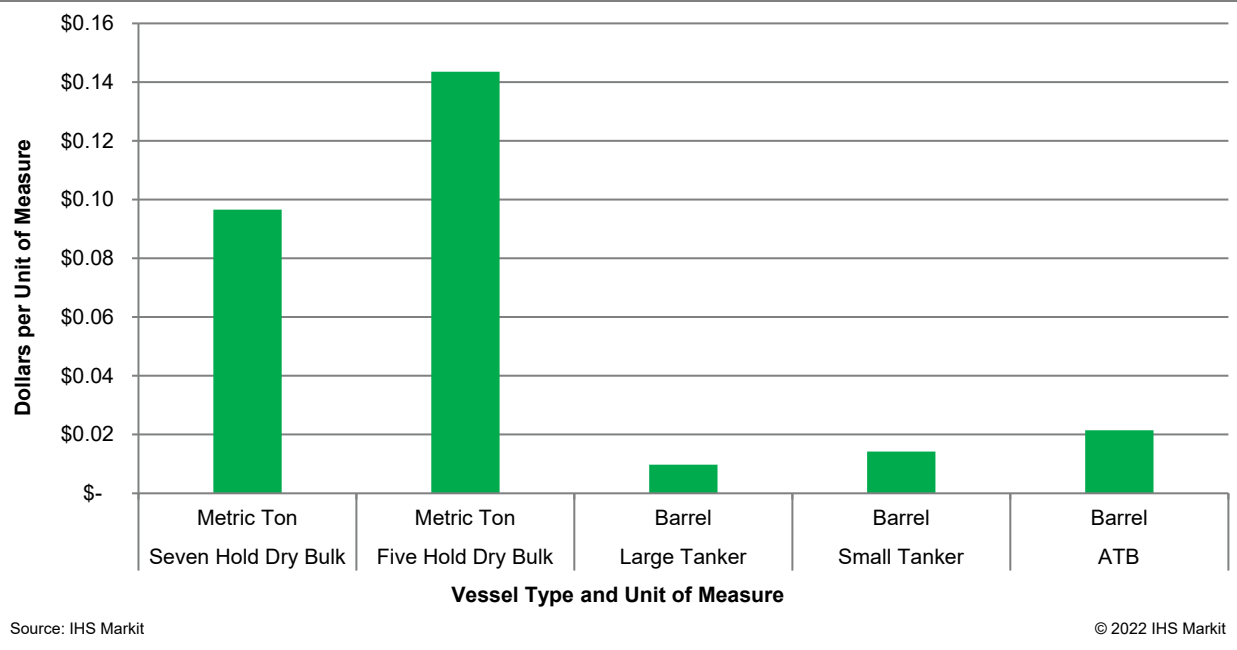
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Puget Sound Pilots Proposed Pilotage Fees by Vessel Type and Unit of Measure



Puget Sound Pilots Proposed Pilotage Fees by Vessel Type and Unit of Measure



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1 **Q: Based upon this updated West Coast Pilotage charge information, what is your**
2 **opinion regarding the comparability of PSP's proposed pilotage rates for 2023 and the**
3 **existing pilotage rates being charged in the major West Coast port clusters to the same**
4 **ships?**

5 A: My opinion remains the same as expressed in my original testimony. The pilotage rates
6 proposed by the Puget Sound Pilots are clearly a good value in comparison to other West Coast
7 ports. The data demonstrates that these rates are clearly reasonable in comparison to those
8 charged to vessels calling in the major ports in British Columbia, the Columbia River, San
9 Francisco Bay and Los Angeles.
10

11
12 **Q: Do you stand by your previously expressed opinion that there is no possible "rate**
13 **shock" associated with the difference between PSP's current rates and those for which it**
14 **seeks approval by the UTC in this rate case?**

15
16 A: Yes, I do. The economic insignificance of pilotage fees to the cost of voyages for modern
17 oceangoing vessels strongly supports this opinion as well as the fact that significantly higher
18 pilotage rates in a number of West Coast port clusters than those proposed by PSP are not
19 driving vessel traffic away from those ports.
20

21
22 **Q: Please provide an example that illustrates your point regarding significant pilotage**
23 **costs differentials between ports on the West Coast.**

24 A: One of the best examples is the cluster of ports along the Columbia River running from
25 Astoria at the mouth of the river to Portland and Vancouver. Nearly 100% of all of the
26

1 oceangoing vessels calling at Columbia River ports are not destined for Astoria, but instead are
2 sailing to docks and terminals at Kalama, Longview, Vancouver and Portland. This is because
3 the only current commercial ship traffic calling at Astoria is approximately 50 cruise ship calls
4 annually. As a result, almost all of the traffic calling Columbia River ports is bearing the cost of
5 two pilotage grounds, charges from both the Columbia River Bar Pilots and the Columbia River
6 Pilots. As our charts show, the combination of these two charges makes the Columbia River the
7 most expensive destination for oceangoing vessels on the West Coast and results in charges that
8 are more than double the rates proposed by PSP in every ship type category. Nonetheless,
9 Columbia River ports have not suffered any material loss of business from oceangoing vessels
10 despite their relatively high pilotage costs compared to other West Coast ports. From an
11 economics perspective, it is simply not possible to make the case that pilotage rates drive where
12 ships call.
13
14

15 **Q: Have you reviewed the testimony from witnesses for TOTE Maritime contending**
16 **that their roll-on/roll-off vessels should be charged on a gross registered ton basis rather**
17 **than based on international tonnage?**

18 A: Yes.
19
20

21 **Q: From your perspective as an economist, what is your opinion regarding whether the**
22 **ships operated by TOTE Maritime should receive a substantial discount in the tonnage**
23 **charges that are paid by all other oceangoing vessels receiving pilotage services in Puget**
24 **Sound?**
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26

1 A: In my opinion, providing a special discounted level of pilotage rates to one ocean carrier
2 and charging all other similarly sized vessels a higher rate would be discriminatory and makes no
3 economic sense.
4

5 **Q: Do you believe there is any sort of "rate shock" for TOTE Maritime associated with**
6 **the fact that an historic discount this company was receiving that was not made available to**
7 **any other pilotage ratepayer was eliminated in the UTC's 2020 rate order in the interest of**
8 **adopting a tariff that provided for nondiscriminatory rates?**

9 A: No. Given the economic insignificance of pilotage rates to vessel voyages as discussed
10 above, there is no potential "rate shock" associated with eliminating an unfair discount provided
11 to a single buyer of pilotage services.
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13 **III. CONCLUSION**
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15 **Q: Does this conclude your testimony?**

16 A: Yes.
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