APPENDIX B TO PART 404—RATEMAKING DEFINITIONS AND FORMULAS

The following definitions apply to the ratemaking formula contained in this appendix.

1. Operating Revenue—means the sum of all operating revenues received by the Association for pilotage services, including revenues such as docking, moveage, delay, detention, cancellation, and lock transit.

2. Operating Expense—means the sum of all operating expenses incurred by the Association for pilotage services, less the sum of disallowed expenses.

3. Target Pilot Compensation—means the compensation that pilots are intended to receive for full time employment. For pilots providing services in undesignated waters, the target pilot compensation is the average annual compensation for first mates on U.S. Great Lakes vessels. For pilots providing services in designated waters, the target pilot compensation is 150% of the average annual compensation for first mates on U.S. Great Lakes vessels.

4. Operating Profit/(Loss)—means Operating Revenue less Operating Expense and Target Pilot Compensation.

5. Interest Expense—means the reported Association interest expense on operations, as adjusted to exclude any interest expense attributable to losses from non-pilotage operations.


9. Return Element (Net Income plus Interest)—means the Net Income, plus Interest Expense. The return element can be considered the sum of the return to equity capital (the Net Income), and the return to debt (the Interest Expense).

10. Investment Base (separately determined)—means the net recognized capital invested in the Association, including both equity and debt. Should capital be invested in other than pilotage operations, that capital is excluded from the rate base.

11. Return on Investment—means the Return element, divided by the Investment Base, and expressed as a percent.

APPENDIX C TO PART 404—PROCEDURES FOR ANNUAL REVIEW OF BASE PILOTAGE RATES

The ratemaking methodology detailed in appendix A is used by the Director to determine base pilotage rates at least once every
five years, as required by §404.1. In the intervening years the Director will review, if warranted by cost changes, recalculate base pilotage rates proposed for coordination with Canada using the following procedures:

Step 1: Calculate the total economic costs for the base period (i.e. pilot compensation expense plus all other recognized expenses plus the return element) and divide by the total bridge hours used in setting the base period rates;

Step 2: Calculate the "expense multiplier," the ratio of other expenses and the return element to pilot compensation for the base period;

Step 3: Calculate an annual "projection of target pilot compensation" using the same procedures found in Step 2 of appendix A;

Step 4: Increase the projected pilot compensation in Step 3 by the expense multiplier in Step 2;

Step 5: Adjust the result in Step 4, as required, for inflation or deflation;

Step 6: Divide the result in Step 5 by projected bridge hours to determine total unit costs;

Step 7: Divide prospective unit costs in Step 6 by the base period unit costs in Step 1;

Step 8: Adjust the base period rates by the percentage change in unit costs in Step 7. For example if the total economic costs per bridge hour is $30.00 for the base period and $33.00 for the prospective rate period, then the rates established for the base period would be increased by 10% to determine the proposed rates for the prospective rate period, which would then be subject to negotiation with Canada.


PARTS 405–499 [RESERVED]