



AB 2056 (Grayson) – San Francisco Bay Pilotage

AB 2056 (Grayson), as amended, would do three things: 1) update the provisions for collection and administration of the pilot boat surcharge; 2) allow for the collection of temporary transit fees & adjust the statutory rate structure to reflect the existing rates; and 3) reform the statutorily established rate setting process for establishing pilotage rates.

The Pilot Boat Surcharge – Under current law, pilots are authorized to charge vessels a surcharge to repay the costs associate with purchasing or extending the life of pilot vessels after completion. Surcharges currently cannot be used to fund the design and engineering work for vessel prior to procurement, nor can funds be collected prospectively. The San Francisco Bar Pilots currently operate 3 vessels that will need to be replaced in the next 5-10 years under an accelerated schedule required by compliance with regulations promulgated by the California Air Resources Board. This measure will produce a win-win for pilots and their customers by allowing for prospective recovery of a liability that would have been due under current law at a later time. AB 2056 does this in part by setting up a surcharge fund and direct appropriations for progress payments prior to financing. This will improve cash flow recovery to the pilots and reduce the overall costs to ratepayers by spreading surcharges over more vessels, thus reducing the incidence per call, and eliminating significant financing expenses that would have been capitalized and built into the rate.

Charges & Temporary Transit Fees – AB 2056 would also increase various charges that have not been revised since 2006 and institute a set of temporary transit fees (TTF), considered to be extraordinary in the wake of the COVID-19 pandemic and resulting supply chain crisis. These fees were negotiated by all parties and represent the first major consensus on rate increases in the SF Bay for pilotage in 15 years. These TTF's sunset when, and if, new pilot rates are established under the process described below. The TTFs will range from \$1,000 to \$750, depending on the vessel type and destination with the pilot's service area.

Ratesetting Reform – Since the stalemate over changes to the rate in AB 1432 (2015), the San Francisco Bar Pilots, the Pacific Merchant Shipping Association, the Western States Petroleum Association, and the Cruise Lines International Association have worked off and on at reforming the rate setting process. Over the last 7 years, numerous concepts for moving forward have been discussed amongst stakeholders and considered, including reviewing processes in place in Oregon and Washington, and at other US ports. AB 2056 is the culmination of those efforts.

This bill would address long-sought changes to the rate setting process and remove the Legislature from decisions by establishing an independent administrative process conducted by an Administrative Law Judge (ALJ) with review and oversight by the Board of Pilot Commissioners. The rate determination will be formulaic and will include evidentiary proceedings involving impacted parties. The ALJ's rate order will be considered final and only under certain circumstances can the Board make technical changes or refer elements to the ALJ for further review or reject the order in its entirety. The process emphasizes that joint petitions and stipulated agreements are preferred and is stakeholder driven.