

**BOPC NavTech Committee****Meeting Date: 12/12/2016****1. SFBP Proposed Process for seeking Board Approval – NavTech Surcharge**

- a. Brief review of SFBP's presentation re Nav Tech at 2015 Rate Hearing
- b. Board Rate Hearing Findings and Recommendations re NavTech Surcharge – Findings #s 16 – 21 and Recommendation #1
- c. Brief review of industry and SFBP support letters for AB 1432 re NavTech Surcharge
- d. Brief review of HNC 1190.4 – “reasonable and necessary” determination
- e. Discussion of draft rulemaking requested by PMSA based on Section 236.1 – regulation for use of the Pilot Boat Surcharge: The proposed rulemaking would provide for Board determination that proposed technology expenditures are “reasonable and necessary” – with documentation to support a necessity determination, a preliminary authorization, and a final authorization, an advisory committee to review SFBP's documentation/presentation and to develop recommendations to the Board relative to its findings of necessity and reasonableness (including the preliminary and final authorizations), and the express authority for the Board or its advisory committee to request additional documentation or conduct its own investigation. Proposed documentation required to support a request for a preliminary authorization would include technical design and performance specifications, cost estimates, a timeline for acquisition and training, and terms for financing. Once final costs are known and approved, the Board would issue its final authorization setting forth the costs to be paid or recovered from the Navigation Technology Surcharge. The Finance Committee would conduct quarterly reviews of the surcharge revenue and develop recommendations for periodic adjustment of the surcharge rate, as it currently does for the pilot boat surcharge. SFBP believes that the below proposed process would meet the spirit and draft language of the rulemaking proposed by PMSA and takes into account information relative to this subject provided to the Board in the course of the 2015 rate hearing and the legislative process resulting in the establishment of the current NavTech Surcharge.
- f. Update on status of current PPU's and PilotMate Precision Docking Systems used by E-pilots on ULCVs
- g. Advances in Available Technology – features sought in upgrades/replacements for PPUs and Precision Docking Systems
- h. Identification and selection of potential vendors – PPUs and Precision Docking Systems
- i. Features of equipment that was tested/comparison of vendors
- j. Basis for selection of equipment proposed for acquisition

- k. Plans for financing, related costs
- l. Plans for maintenance and periodic updates
- m. Plans for training
- n. Back-up units – PPU, Precision Docking Systems
- o. Total estimated costs for PPU, Precision Docking Systems
- p. Proposed timeline for upgrading/replacing PPU, Precision Docking Systems
- q. Proposed timeline for Committee and Board action to ensure sufficient time is provided between presentation and consideration of SFBP’s proposal, development of Committee recommendations and ultimate Board action *[SFBP currently anticipates that most of the data and supporting documentation for each of the above will be ready for presentation at the Committee’s 12/12 meeting, that a further committee meeting would be set for early January to provide time to consider the material presented at the December meeting and respond to questions or requests for additional data or documentation raised in the December meeting, and, if deemed necessary, a further committee meeting prior to the Jan. 26 BOPC meeting to finalize recommendations for what is currently expected to be a preliminary authorization relative to SFBP’s proposed acquisition of navigation technology. A further committee meeting to develop recommendations for final authorization would take place once the costs associated with the preliminarily approved technology are known (i.e. a contract and long term financing is in place.) This would likely be in late first quarter or 2d quarter of 2017.]*
- r. At the time the committee is ready to consider recommendations for a final authorization, SFBP would provide its proposal to set the surcharge rate and period of recovery, and suggested guidelines for the Board and its Finance Committee to conduct quarterly review of the surcharge rate.
- s. As the current NavTech Surcharge law has elements of both the earlier NavTech Surcharge law that sunsetted in 2011 and the existing Pilot Boat Surcharge law, the Committee may wish to consider SFBP’s presentation before debating what should or should not be included in the process for considering this and any future requests for Board approval relative to the acquisition of Navigation Technology and reimbursement through the NavTech Surcharge. This approach has worked well for the Board in the past.

## 2. SFBP Presentation

- a. Brief review of **SFBP’s presentation at 2015 Rate Hearing** – Capt. McCloy, chair of SFBP’s NavTech Committee, to briefly go through Power Point presentation on PPU (8 slides) and Precision Docking Systems used for ULCV handling in close quarters (5 slides) – see attached

- (copies already on BOPC documents table). Purpose: To review what was presented to BOPC in 2015 that led up to enactment of HNC 1190.4 – NavTech Surcharge statute effective 1/1/17; to ensure that the NavTech Committee members and current Board members have the same information as those who were present for the 2015 rate hearing, and to ensure adequate support for any Board action to approve expenditures for upgrading or new technology
- b. **Board Rate Hearing Findings and Recommendations re NavTech Surcharge** – Findings #s 16 – 21 on pages 3 and 4, and Recommendation #1 – on pg. 7 of the attached. Purpose: To review the Board’s Findings and Recommendations regarding Navigation Technology and the NavTech Surcharge at the conclusion of the 2015 rate hearing, that ultimately led up to enactment of HNC 1190.4; and to provide support for any Board action to approve as “reasonable and necessary” any proposed expenditures for upgrading or new technology in light of those findings and recommendations
  - c. Brief review of industry and SFBP **support letters for AB 1432** re NavTech Surcharge (attached). As noted by PMSA in its support letter: *“It is extremely important to ensure that the vessels sailing in and out of the San Francisco Bay, and the state-licensees who pilot those vessels, are provided state-of-the-art navigation technology. This technology can significantly enhance safety in the state’s pilotage grounds and reduce the risk of an accident or environmental catastrophe.”* Purpose: to show industry and SFBP support and provide context for a Board finding that SFBP’s proposal to upgrade its navigation technology used to assist pilots in piloting vessels is “reasonable and necessary” as required by HNC 1190.4
  - d. Brief review of the statutory language of the Navigation Technology Surcharge effective 1/1/2017 in **HNC 1190.4** – including the requisite “reasonable and necessary” determination (attached)
  - e. Update on **status of current PPU’s and PilotMate Precision Docking Systems** used by E-pilots on ULCVs – Capt. McCloy to provide an update from the information presented at the April 2015 rate hearing – some 20 months ago; including update on support and maintenance agreements for the existing PilotMate equipment during the transition period
  - f. **Advances in Available Technology** – Capt. McCloy to review/describe features sought in upgrades/replacements for PPUs and Precision Docking Systems
  - g. Identification and **selection of potential vendors** – for PPUs and Precision Docking Systems – [by Capt. McCloy – include attendance at NavTech conferences, description of SFBP committee, vetting process, results of discussions with other pilot groups, interviews of vendors, testing of equipment and assessment of vendor reliability and ability to respond promptly for service and support]
  - h. **Features** of equipment that was tested/comparison of vendors [by Capt. McCloy]

- i. **Basis for selection** of equipment proposed for acquisition [by Capt. McCloy]
- j. Plans for **financing**, related costs [*by RMP – First Republic Bank expects to have \$1M Line of Credit in place by 12/12, specifically for NavTech acquisition, interest at prime; once equipment purchased, turn into long term loan with set repayment schedule for ease of setting surcharge rate to make principal and interest payments, similar to DRAKE loan* ]
- k. Plans for **maintenance and periodic updates** [Capt. McCloy to review/discuss – include PilotMate maintenance history – spent total of about \$73K for equipment purchased in 2011 and 2014 and \$25K for maintenance, support and repair over 5 year period – over 90% of that in last 3 years.]
- l. Plans for **training** [Capt. McCloy to review/discuss – train the trainer classes – costs, in-house training plans for Precision Docking System; plans for PPU training]
- m. **Back-up units** – PPU, Precision Docking Systems) – [Capt. McCloy to discuss proposal for # of back-up units, supporting data, related costs]
- n. **Total costs** for PPU, Precision Docking Systems [Capt. McCloy to provide breakdown of costs and totals for each type of technology]
- o. Proposed **timeline** for upgrading/replacing PPU, Precision Docking Systems – [SFBP to provide proposed timeline –Capt. McCloy/RMP]