



March 23, 2023

Dear Supply Chain Partners,

In 2022, the Ports of Los Angeles and Long Beach reported handling a combined 19,044,816 TEUs. The traffic carrying this large number of containers in and out of the ports is mitigated by the West Coast MTO Agreement's (WCMTOA) OffPeak Program. WCMTOA, which consists of the 12 container terminal operators in the two ports, provides extended gates with the OffPeak Program. The program is managed by PierPASS.

The OffPeak Program reduces cargo-related congestion on local streets and freeways in and around the two ports. The OffPeak Program provides regularly scheduled gates during the night shift and weekend shifts of operations. The costs of the extended gates are offset in part by the Traffic Mitigation Fee (TMF) assessed on non-exempt containers.

The WINDES Financial Summary Letter and the SC Analytics OffPeak Program Cost Summary reports are attached. The SC Analytics OffPeak Program Cost Summary reports that the OffPeak Program cost the WCMTOA members \$324 million in 2022. The report notes that the TMF was adjusted in January as part of coordinated efforts to address the challenged supply chain as it dealt with unprecedented cargo volumes. As reported in the WINDES Financial Summary Letter, during this same period, \$295 million was collected for distribution to the WCMTOA members.

Detail of the financial reports can be found at www.pierpass.org/financials. Please do not hesitate to contact us with any questions or comments you may have.

Sincerely,

John Cushing
CEO & President
PierPASS Inc.

February 28, 2023

PierPASS, LLC
13001 Seal Beach Boulevard, Suite 250
Seal Beach, CA 90740

To the Members of PierPASS, LLC:

We are submitting this letter in response to your request for a summary of financial highlights for the year ended December 31, 2022. The following information has been taken from the combined financial statements of PierPASS, LLC and PierPASS, Inc. (collectively, PierPASS) for which we have rendered an unmodified audit opinion dated February 21, 2023.

PierPASS Financial Performance

Traffic mitigation fee revenues for PierPASS' year ended December 31, 2022 totaled \$295,105,856. PierPASS operating expenditures for the year totaled \$11,496,394. Major categories of operating expenses include computer software and customer service expense, bank transaction processing fees, and administrative support. The excess of revenues over expenses are distributed by management to marine terminal operator members as cash flow permits. Distributions to members totaled \$283,214,023 for the year ended December 31, 2022.

Combined Financial Results of PierPASS, LLC and PierPASS, Inc.

A summary of the combined financial results for 2022 and 2021 follows:

Year Ended	December 31, 2022	December 31, 2021
Total Combined Operating Revenues	\$ 295,186,187	\$ 303,961,669
Total Combined Operating Expenses	\$ 11,496,394	\$ 11,662,416
Excess of Revenues over Expenses	\$ 283,689,793	\$ 292,299,253
Total Distributions to Members	\$ (283,214,023)	\$ (290,074,703)
Members' Equity	\$ 12,776,620	\$ 12,300,850

Sincerely,





March 23, 2023

Mr. John Cushing, President & CEO
PierPASS, Inc.
13001 Seal Beach Blvd., Suite 250
Seal Beach, CA 90740

Mr. Cushing:

At the request of PIERPASS, Inc., we have prepared the attached summary of our 2022, PierPASS OffPeak Program gate and yard cost calculation. This calculation is used, in turn, to help determine a traffic mitigation fee (TMF) to fund the Program.

Since the inception of the OffPeak Program in July 2005, PierPASS has engaged outside, independent consultants to determine these costs.

The result of this calculation for 2022, is described in the following summary.

PierPASS 2022 OffPeak Program Cost Calculation

This summary describes the 2022 calculation of gate and yard costs used to help determine the Traffic Mitigation Fee, for the members of the West Coast Marine Terminal Operators Agreement (WCMTOA), as it relates to the PierPASS OffPeak Program under Federal Maritime Commission (FMC) Agreement No. 201143.

PierPASS revised the OffPeak Program beginning November 19, 2018. The original weekday incentive-based pricing model was replaced with container appointment systems to manage traffic flows. A detailed description of the revised program is available at the end of this document.

This change did not impact the incremental cost calculation methodology used since the program's inception but did impact the criteria used to determine the number of Twenty Foot Equivalent Units (TEUs) subject to the TMF. The resultant calculation for 2022 is in Table 1 below:

Table 1: 2022 Calculation of OffPeak Program incremental costs

<i>Item</i>	<i>2022 Full Year</i>
Terminal OffPeak Program incremental costs	\$345,188,187
PierPASS OffPeak Program administrative costs	10,523,169
Less: Day shift savings	(32,069,862)
Net OffPeak Program incremental costs	\$323,641,493
TEUs subject to TMF (2.0)	8,389,385
OffPeak Program cost per TEU subject to TMF (rounded)	\$39/TEU

The terminal's annual OffPeak Program incremental cost for 2022 is \$345,188,187. When the PierPASS administrative cost of \$10,523,169 for the year are combined with the terminal operating costs, the Total OffPeak Program cost is \$355,711,356.

The cost of the Total OffPeak Program is partially mitigated by savings from reductions in peak period shift costs. The peak period saving is \$32,069,862¹.

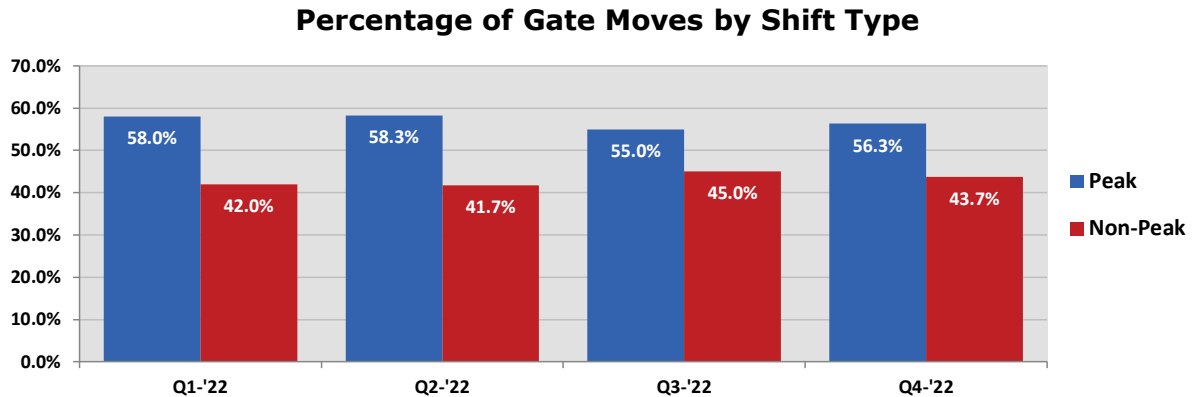
It is important to note that, while the 2022 incremental cost of the OffPeak Program was \$38.58/TEU, the TMF charged to cargo owners in 2022 was \$34.21/TEU. In other words, the program was not fully compensated for its costs during 2022.

¹ OffPeak Program cost calculations are reduced by the estimated peak shift savings from the movement of cargo from peak to non-peak shifts.

Percentage of Gate Moves by Shift Type

Terminal gate moves include all import, export and empty containers that pass through a marine terminal's gate. With the advent of terminal appointment systems, gate moves occurring during the 2nd shift flex hour (5:00pm - 5:59pm) will be allocated to non-peak² shifts. Chart 1 below, shows the quarterly percentage of peak and non-peak gate moves for 2022.

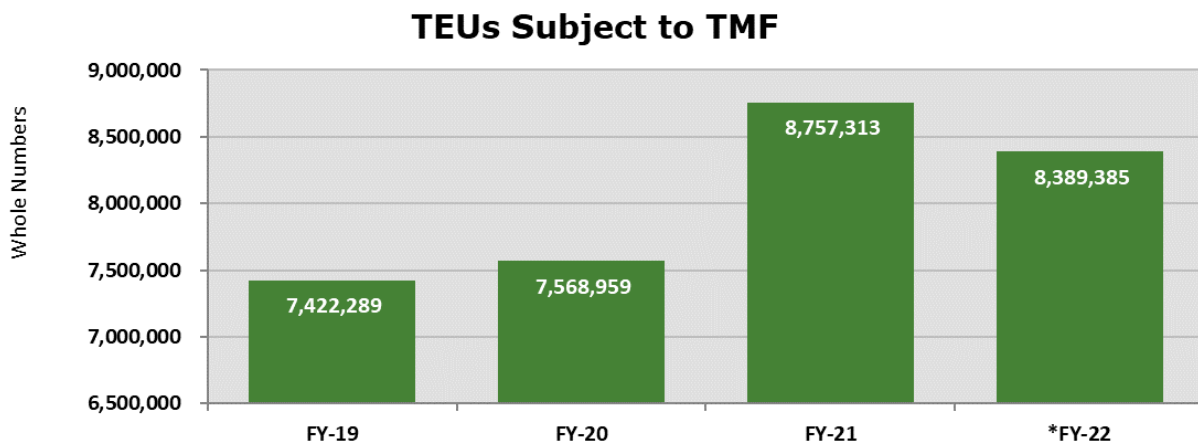
Chart 1: Percentage of Gate Moves by Shift Type (includes empty containers)



TEUs Subject To TMF

TEUs subject to TMF are the number of non-exempt laden containers that have entered or exited the terminal during gate operations. Chart 2 below presents the 2022 TEUs subject to TMF as compared to prior years.

Chart 2: TEUs Subject to TMF



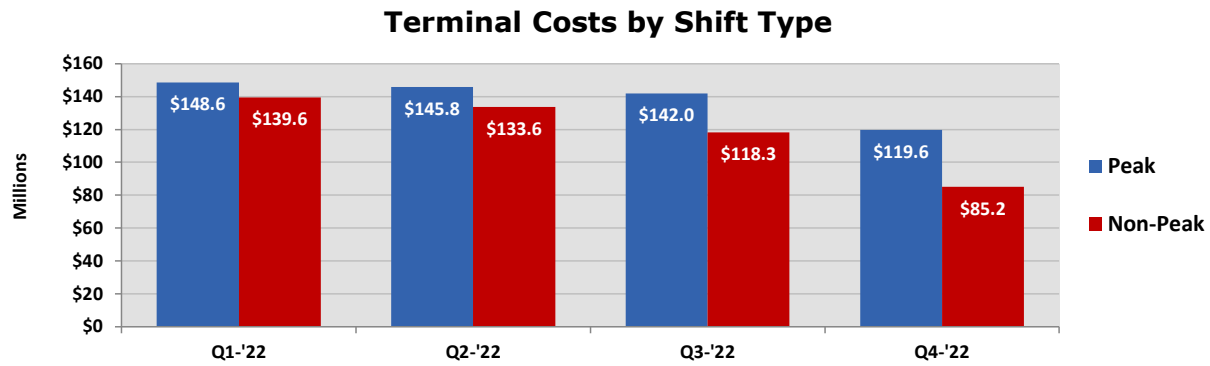
* 315,146 non-peak TEU's were not assessed the TMF in the month of January due to OffPeak Program changes requested by the Biden-Harris Administration Supply Chain Disruptions Task Force.

² Peak = Monday through Friday 1st shift (7:00am to 4:59pm), Non-peak = all other shifts

Terminal Costs by Shift Type

The quarterly peak and non-peak terminal shift costs for 2022 are presented in Chart 3 below.

Chart 3: Terminal Costs by Shift Type



The terminal costs of peak and non-peak shifts include gate and yard activity only. Vessel, rail, and certain mechanics costs are excluded from the analysis because these are not related to the receipt and delivery of cargo at terminal gates. Gate and yard costs include three cost types: ILWU payroll, non-ILWU payroll and equipment.

Increases in ILWU labor costs are due in part to contractual increases in wage rates, benefit assessment rates and payroll taxes. Table 2 presents the rate increases that have affected ILWU payroll, benefit assessments and taxes since June 2004.

Table 2: ILWU Base Wage Rates, Assessments & Taxes by Period

As of:	Wage Rates & Assessments				Payroll Taxes		
	Base Hourly Wage Rates	Hourly Rate Adjustments	Hourly Assessment Rates	Hourly Assessment Adjustments	Year	FICA Annual Limits	Percentage of Base Wage
06/28/04	\$28.68	N/A	\$17.02	N/A	2004	\$87,900	*7.65%
07/05/05	\$29.68	\$1.00	\$17.11	\$0.09	2005	\$90,000	*7.65%
07/01/06	\$30.18	\$0.50	\$17.60	\$0.49	2006	\$94,200	*7.65%
06/30/07	\$30.68	\$0.50	\$19.25	\$1.65	2007	\$97,500	9.95%
06/28/08	\$31.18	\$0.50	\$21.52	\$2.27	2008	\$102,000	9.95%
07/04/09	\$31.68	\$0.50	\$28.78	\$7.26	2009	\$106,800	10.15%
07/03/10	\$32.68	\$1.00	\$29.35	\$0.57	2010	\$106,800	10.15%
07/02/11	\$33.68	\$1.00	\$30.04	\$0.69	2011	\$106,800	10.15%
06/30/12	\$34.68	\$1.00	\$30.75	\$0.71	2012	\$110,100	10.15%
06/29/13	\$35.68	\$1.00	\$35.74	\$4.99	2013	\$113,700	10.15%
06/28/14	\$36.68	\$1.00	\$35.74	\$0.00	2014	\$117,000	10.15%
07/04/15	\$38.18	\$1.50	\$35.74	\$0.00	2015	\$118,500	10.15%
07/02/16	\$39.43	\$1.25	\$35.74	\$0.00	2016	\$118,500	10.15%
07/01/17	\$40.93	\$1.50	\$35.74	\$0.00	2017	\$127,200	10.15%
06/30/18	\$42.18	\$1.25	\$35.74	\$0.00	2018	\$128,400	10.15%
06/29/19	\$43.49	\$1.31	\$35.74	\$0.00	2019	\$132,900	10.15%
07/04/20	\$44.84	\$1.35	\$37.87	\$2.13	2020	\$137,700	10.15%
07/03/21	\$46.23	\$1.39	\$37.97	\$0.10	2021	\$142,800	10.15%
07/02/22	**\$46.23	\$0.00	\$38.11	\$0.14	2022	\$147,000	10.15%

* SUI was not included in the OffPeak Program cost calculations prior to Q4-2007

** ILWU contract negotiations are ongoing.

OffPeak Program Incremental Costs

To identify the incremental terminal costs related to the implementation of the OffPeak Program, multiple cost factors must be subtracted from the total non-peak calculation. These reductions include:

- Non-full-service gates,
- Non-peak gates exceeding five per week,
- Domestic volume activity,
- Yard operations unrelated to the receiving and delivery of containers,
- Existing mechanics and guards.

The total amount of terminal non-peak cost reductions calculated for 2022 is \$131,429,018.

Information Sources

PierPASS OffPeak Program incremental costs used in the determination of TMF are calculated from these sources:

- Pacific Maritime Association (PMA) ILWU payroll data files
- Member-prepared schedules of non-ILWU labor and ILWU labor cost allocations
- Equipment cost standards derived from the Army Corp of Engineers methodology calculated by SC Analytics
- Administrative cost data supplied by PierPASS, Inc.

Background

PierPASS is a not-for-profit company created by the terminal operators of the Ports of Los Angeles and Long Beach that constitute the West Coast Marine Terminal Operators Agreement (WCMTOA). Their purpose is to address multi-terminal issues such as congestion, security and air quality. PierPASS created its OffPeak Program as an incentive for cargo owners to receive and deliver cargo at night and on weekends, to reduce truck traffic and air pollution during peak daytime traffic hours and to alleviate port congestion.

On November 19, 2018, PierPASS revised the OffPeak Program to utilize terminal appointment systems to mitigate container traffic. The details of the new program are listed below:

- Appointments are required for all full import containers.
- The Traffic Mitigation Fee (TMF) as of August 1, 2021, is \$34.21 per TEU, and \$68.42 for all other sizes.
- The TMF is applicable on all shifts, all days.
- Gate activity exempt from the TMF include:
 - Empty
 - Rail intermodal
 - Transshipment (cargo that arrives at the port on one vessel and leaves on a second vessel without entering U.S. commerce)
 - Domestic
 - Bare chassis