

The investment base (Step 4) as calculated for each district is displayed below:

DISTRICT ONE

	Area 1 St. Lawrence River	Area 2 Lake Ontario	Total District One
Calculation of investment base	\$50,000	\$50,000	\$100,000

DISTRICT TWO

	Area 4 Lake Erie	Area 5 Southeast Shoal to Port Huron, MI	Total District Two
Calculation of investment base	\$89,734	\$140,353	\$230,087

DISTRICT THREE

	Area 6 Lakes Huron and Michigan	Area 7 St. Mary's River	Area 8 Lake Superior	Total District Three
Calculation of investment base	\$111,668	\$83,752	\$83,752	\$279,172

Step 5: Determination of Target Rate of Return

The target rate of return on investment (ROI) for 2002 was set at 7.04 percent. This is based on the preceding year's (2001's) average annual rate of return of new issues of high-grade corporate securities (Moody's AAA rating, average return).

Step 6: Adjustment Determination (Revenue Needed)

We made the adjustment determination (revenue needed to cover operating expenses and pilot compensation) using the numbers listed above and following the formula found in Step 6 of 46 CFR part 404, Appendix A. The results for each district are displayed below:

DISTRICT ONE

	Area 1 St. Lawrence River	Area 2 Lake Ontario	Total District One
Adjustment determination	\$1,356,243	\$1,019,063	\$2,375,306

DISTRICT TWO

	Area 4 Lake Erie	Area 5 Southeast Shoal to Port Huron, MI	Total District Two
Adjustment determination	\$925,306	\$1,712,340	\$2,637,646

DISTRICT THREE

	Area 6 Lakes Huron and Michigan	Area 7 St. Mary's River	Area 8 Lake Superior	Total District Three
Adjustment determination	\$1,841,115	\$1,156,463	\$1,319,623	\$4,317,201

Step 7: Adjustment of Pilotage Rate

To determine the adjustments to pilotage rates in each area, we multiplied the current pilotage rate in the area by the rate multiplier. The rate multiplier is calculated by dividing the

revenue needed (from Step 6) by the revenue projection (from Step 3) for each area. The Director proposes to amend the pilotage rates for the waters treated in 46 CFR 401.405 through 46 CFR 401.410 with the rates obtained by

multiplying the current pilotage rates times the rate multiplier for each pilotage area. The Adjustments of Pilotage Rates (Step 7) for each district are displayed below: