

**Board of Pilot Commissioners for Harris County Ports  
Special Public Meeting**

**Houston, Texas  
April 28, 2021**

A special public meeting of the Board of Pilot Commissioners for Harris County Ports (the “Pilot Board”) was convened on April 28, 2021 at 10:02 a.m. at the offices of the Houston Pilot Board, 203 Ivy Avenue, Deer Park, Texas 77536, as well as virtually via Zoom webinar. The following commissioners and others were present:

Captain Reginald McKamie, Chairman  
Michel Bechtel, Commissioner  
Frances Castañeda Dyess, Commissioner  
Brad Hance, Commissioner  
Darrell Morrison, Commissioner  
Jon Keeney, Commissioner  
Parris Beverly, Commissioner (present virtually)  
Bruce Oakley, Commissioner (present virtually)  
Captain M. Tyler Gavis – Executive Director and Secretary  
Rachel de Cordova, General Counsel  
David McNeal, General Counsel (present virtually)

Chairman McKamie convened the special meeting of the Pilot Board by asking Captain Gavis to call roll. Captain Gavis called the roll and noted that all were present with the exception of Commissioner Garcia. Ms. de Cordova noted that the Pilot Board had established a quorum. Chairman McKamie welcomed everyone and stated that the primary purpose of the meeting was for the Pilot Board to listen to input from industry in regards to the Pilot Board establishing a Pilot Board Admin. Fee. He then stated that the Pilot Board had a PowerPoint presentation it would present prior to sitting back and listening to input from the industry.

Chairman McKamie then asked for Captain Gavis to commence the PowerPoint presentation, of which Captain Gavis initiated online via Zoom. Chairman McKamie began the presentation by stating the goals of the meeting to be: dialogue with stakeholders, why Pilot Board administration funding is necessary, what funding options are available to the Pilot Board, maintaining a safe Houston Ship Channel, maintaining a competitive port, and ensuring the Pilot Board maintained an inclusive process.

Chairman McKamie then moved to a United States Census Bureau figure displaying the total value (USD), total exports (kg)/ (short tons), and total imports (kg)/ (short tons) of cargo being imported/ exported within the Port of Houston in 2020. The figure totaled the cargo value of cargo being imported/ exported within the Port of Houston within 2020 to be \$126,549,019,470. A member of industry enquired as to whether these numbers were inclusive of non-piloted barges. Captain Gavis responded that he was not certain whether such barges were included or not.

Captain Gavis then introduced himself as being the Executive Director of the Houston Pilot Board and proceeded to go over some of the typical fees that three different sized vessels could expect to incur when calling three different terminals along the Houston Ship Channel. Captain Gavis highlighted the cost differences vessel size and locations of the terminal within the Houston Ship Channel could create. Captain Gavis stated that the scenarios he provided (ranging in cost from \$7,689.38 to \$59,869.39) were just a snapshot of what a vessel calling the Port of Houston would typically pay, and added that there were many additional fees (including line handlers, and cargo fees), as well as variables that could likely drive the costs higher. Captain Gavis then displayed what percentages a Pilot Board Admin. Fee of \$26.89 would make up within the costs incurred of these three scenarios (ranging from 0.045% to 0.35%).

Captain Gavis then proceeded to summarize three possible Pilot Board Admin. Fee assessment methods as being: a fee assessed per vessel transit, a fee assessed per arrival transit only, and a unit-based fee assessed per vessel transit. Chairman McKamie added that these were methods the Pilot Board was considering. However, the Pilot Board remained open to all ideas and welcomed input from industry.

Captain Gavis proceeded to thank Captain J.J. Plunkett with the Houston Pilots for providing him with the Arrivals, Sailings, & Shifts numbers since 2000. He then described that he took the past 5-year median of transits to base his calculations, and that each method would benefit channel users differently. Captain Gavis explained that accounting for a median of 18,592 transits at a budget of \$500,000 would amount to a \$26.89 per transit fee, and a per transit fee of \$21.51 at a \$400,000 budget.

Captain Gavis then went on to explain that he was given a different matrix for arrivals & sailings only (which did not account for shifts). He detailed that he used this matrix to calculate a 5-year median of 8,544 arrivals, and that at a budget of \$500,000 a per arrival transit only fee would come to \$58.52. He then added a budget of \$400,000 would bring the fee down to \$46.82 per arrival transit only.

Captain Gavis then moved to explain a method assessing a unit-based fee per transit. Captain Gavis stated that this method was in alignment with how the Houston Pilots assessed their tariff charges and proceeded to state that the past 5-year median for units was 11,712,256. Captain Gavis then stated that a budget of \$500,000 would create a \$00.043 per unit charge, and a budget of \$400,000 would create a \$00.034 per unit charge. He then provided scenarios of how such charges would affect ships ranging in size from 450' X 95' (\$14.54 at \$400,000) all the way up to a 1099' X 141' 10K TEU container vessel (\$66.63 at a \$500,00 budget).

Niels Aalund, Senior Vice President of Maritime Affairs with WGMA, asked Captain Gavis if it would be possible to add a scenario that would breakdown what a fee

assessed on a unit basis on arrival transits only would look like, and if Captain Gavis could provide him with a copy of the presentation. Captain Gavis responded that he would add such a fee and would provide the updated presentation to him.

Chairman McKamie then proceeded to discuss a proposed 2022 Pilot Board budget. Captain Gavis added that the budget had been included with the agendas handed out at the meeting, and displayed the budget online via Zoom. Chairman McKamie and Pilot Board Treasurer Commissioner Dyess went on to explain the factors that went into creating the 2022 Pilot Board budget, and stated that the proposed budget as it stood came out to \$389,782.04.

Commissioner Dyess went on to explain that her, Captain Gavis, and Chairman McKamie did their best to formulate this budget, and added the challenges that they faced having only a few months' worth of actuals as an independent Pilot Board to go off of.

Conversation then ensued about the importance of the Pilot Board collecting only what was necessary and relevant to the scope of work they perform. Ms. de Cordova emphasized this thought. Commissioner Dyess added that line item 19 within the proposed budget attempted to create a reserve for unexpected matters such as Public Information Act requests.

Commissioner Morrison then asked Ms. de Cordova if it was appropriate to maintain a reserve. Ms. de Cordova replied that it was, and conversation ensued amongst the Commissioners that a reserve of 3-6 months' worth of operating costs might be most appropriate. Conversation then ensued about how it would become necessary to amend the Pilot Board Admin. Fee as a reserve was met.

Captain Robert Thompson, Presiding Officer of the Houston Pilots, stated that the pilots felt a strong pilot commission was necessary, and that it was critical that funding for the Pilot Board be codified this year. Captain Thompson also mentioned that the Houston Pilots had a mechanism in place to adjust their fuel costs each year without the need to conduct a hearing, and offered that a similar mechanism might benefit the Pilot Board. Conversation amongst the Commissioners ensued about such a mechanism.

Norman O'Shaughnessy, Group Operations and Regulatory Manager with Stolt Tankers, introduced himself and explained how the operations of chemical carriers such as Stolt varied from the operations of other segments of vessels calling the Port of Houston. Mr. O'Shaughnessy emphasized that due to the nature of their operations, a fee assessed per movement would cumulate more with chemical carriers than it would with other classes of vessels. Mr. O'Shaughnessy urged the Pilot Board to look at options to spread the costs out as much as possible, including the possibility of assessing fees to the terminals and pilots. Conversation ensued as to whether the Pilot Board would have the

ability to assess fees to the terminals, of which Chairman McKamie expressed he did not believe the Pilot Board had that authority. Captain Thompson reminded everyone that the pilots had the ability to recoup their costs (illustrating how farmers pass their costs along to the grocery stores), and that any fees brought upon them the pilots would seek to recoup.

Captain Rich Russell, Head of Operations at AET, introduced himself and stated that he was very relieved to hear of the Pilot Board's proposed budget. Captain Russell stated that the proposed budget was much less than the \$700,000 he had heard it may be. Captain Russell stated that he understood the Pilot Board to have three duties: the ARC, the PBIRC, and tariffs. He then added that he was concerned a budget of \$700,000 would have been high for such a scope, and a big jump from the current Pilot Board budget of \$350,000. Captain Russell then described that he had worked for many years with the pilots and a small group of industry to negotiate pilot rate applications before they were brought before the Pilot Board.

Captain Russell then stated that he came to the meeting to find out what amount of money the Pilot Board needed and not how the Pilot Board wanted to go about assessing the fee. Captain Russell stated that all the Pilot Board needs to do is provide their budget to the Houston Pilots and know that the structure of it will be negotiated within the Houston Pilot Tariff. Commissioner Morrison asked Captain Russell who he was speaking on behalf of. Captain Russell responded that he was speaking on behalf of the group working on the negotiations. Commissioner Morrison also stated that he had not heard of the Pilot Board needing \$700,000 and that number did not come from the Pilot Board. Commissioner Morrison asked if the procedure Captain Russell was describing had been in place for many years, to which Captain Russell affirmed that it had.

Chairman McKamie responded that the Pilot Board needed to hold these meetings to come up with what they would like to request the Houston Pilots include in their tariff request. Follow-up conversation on the procedures of the Pilot Board Admin. Fee request ensued. Ms. de Cordova stated that the Board would need to vote on the revised budget and funding mechanism at a future meeting. She then added that the actual tariff application would not come from the Pilot Board, but likely would come from the Houston Pilots. She stated she thought it was a good idea for the Pilot Board to vote on the budget and funding mechanism in May to be able to provide their request to the Houston Pilots before a potential tariff application comes before the Board. Commissioner Hance stated his approval for letting industry figure out the mechanism, as long as it is able to meet the budget. Ms. de Cordova stated that as long as the Pilot Board was comfortable with that mechanism it would be ok.

Denise Schaefer, Agency Manager at Odfjell USA, stated that she has a little bit of heartburn over the comments made by Captain Russell. She expressed her concern that the chemical tanker companies are not proportionally represented in the small group that Captain Russell spoke of, and therefore she feels that their voices are not fully heard. She then stated that the chemical tanker segment provides a large revenue to the pilots due to the many movements that take place in and out of the port. Mrs. Schaefer then recommended that if the tariffs were going to be reviewed in this method that they include Stolt and Odfjell (which she stated are two of the largest carriers).

Chairman McKamie then asked Captain Russell if Stolt and Odfjell could be included in the group. Captain Thompson responded that he disagreed with Mrs. Schaefer and added that he has been involved with this group for 30 years. He stated that the group included WGMA (which he stated represents a lot of chemical carriers) and Jeff Kindle with MOL (which he stated is a chemical carrier). He then added that the tariff group goes out to their own groups to discuss matters, and it's not like the chemical carriers are ignored. Chairman McKamie then responded that he understood some would likely have heartburn, but as long as the tariff group could work it out amongst themselves he doesn't see a problem with it.

Commissioner Morrison then asked if there is a name for the tariff group and if the final tariff comes from the pilots. Captain Thompson responded that the pilots come to the Board with a rate application after they have negotiated with industry. He added that usually 80% are in favor of their application and 20% are opposed. He then briefly described the process of the Board reviewing the application. Captain Thompson then added that it is a three-month process after the rate application is received. Chairman McKamie added that the length of the process was why it was so important to take care of this process today. He then reassured Mrs. Schaefer that he wanted to ensure all voices could be heard and it is an inclusive process.

Captain Thompson then added that he would have a special meeting with the chemical tankers, but that he knew what they are going to say. He proceeded to emphasize that this must be funded and that it is a small amount of money that cannot come from the docks or taxpayers. He then added that the easiest way was to charge industry.

Niels Aalund stated that his cell phone was vibrating with comments not to agree to anything until everyone is consulted. He then stated that they had done a survey and that there are a lot of stakeholders and carriers that are interested in this issue. He then asked Captain Gavis to pull up the slide on vessel costs, of which Captain Gavis did. Captain Russell emphasized how important Mr. Aalund is to the negotiations, and how large his scope is. Mr. Aalund noted that Captain Gavis used to work at the port, and asked him if there is a cap to how many times a vessel is assessed the harbor fee. Captain

Gavis added that he knew it was assessed on arrival transits, but he was not for certain if there is a cap. Mr. Aalund then emphasized that it would be worth looking into how the port collects the fee if there is indeed a cap in place. Conversation ensued about how collecting with a cap could work. Captain Gavis then added that he received confirmation via text message that there is no cap.

At 11:14 a.m., Chairman McKamie announced the following:

The Board of Pilot Commissioners for Harris County Ports will now convene in a closed meeting, as permitted by the Texas Open Meetings Act and Government Code to conduct a private Consultation with Attorneys (Section 551.071, Texas Open Meetings Act), including consultation regarding the powers and duties of the Board of Pilot Commissioners. The Board of Pilot Commissioners will reconvene in public session after the closed meeting is adjourned.

Immediately thereafter the Pilot Board retired into closed session.

At 11:43 a.m., Captain Gavis reconvened the open meeting of the Board of Pilot Commissioners for Harris County Ports at the Pilot Board Office at 203 Ivy Ave., Deer Park, TX 77536, with the following Commissioners, staff, and counsel in attendance:

Captain Reginald McKamie, Chairman  
Michel Bechtel, Commissioner  
Frances Castañeda Dyess, Commissioner  
Brad Hance, Commissioner  
Darrell Morrison, Commissioner  
Jon Keeney, Commissioner  
Parris Beverly, Commissioner (present virtually)  
Bruce Oakley, Commissioner (present virtually)  
Captain M. Tyler Gavis – Executive Director and Secretary  
Rachel de Cordova, General Counsel

Captain Gavis then called upon Norman O’Shaughnessy. Mr. O’Shaughnessy stated that it had been an interesting conversation, and that Stolt is not against paying their fair share. He then added that Stolt does not want to carry the burden of it all, and that quick calculations with the amount of port calls that Stolt conducts would amount to 5% of the Pilot Board’s budget (and depending on how the funding mechanism is structured it could go as high as 15%). He then added he wished the fee would be evenly distributed and explained how all of the “small” fees would add up. He next explained he respected all of his colleagues, but that Captain Russell did not speak for Stolt. Mr. O’Shaughnessy then added that he has never been included in the tariff workgroup meetings and does not feel represented at this moment. His last point was that it may be

worthwhile in using Port Houston's system to assist in collecting the fee, and that he is concerned that the easiest collection method costs him the most money. He then thanked the Commissioners for listening.

Chairman McKamie thanked Mr. O'Shaughnessy for his comments and asked if there were any further questions, of which there were none. Ms. de Cordova and Chairman McKamie then added that no decisions were made in Executive Session or at today's meeting.

Chairman McKamie closed the meeting by thanking everyone for their comments and stated that the next meeting would be held on May 19, 2021 at 2 p.m. to receive further comments, deliberate, and conduct a vote on this issue. He added that any further comments could also be sent to Captain Gavis for consideration.

At 11:49 a.m., Chairman McKamie adjourned the special Pilot Board meeting.

The above is a correct copy of the Minutes of the April 28, 2021 special meeting of the Board of Pilot Commissioners for Harris County Ports.



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Captain Reginald McKamie, Chairman



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Captain M. Tyler Gavis, Secretary