

**Board of Pilot Commissioners for Harris County Ports
Public Meeting/ Hearing**

**Houston, Texas
October 7, 2021**

A public meeting/ hearing of the Board of Pilot Commissioners for Harris County Ports (the “Pilot Board”) was convened on October 7, 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
Roland Garcia, Commissioner
Jon Keeney, Commissioner
Michel Bechtel, Commissioner
Brad Hance, Commissioner
Darrell Morrison, Commissioner
Bruce Oakley, Commissioner
Parris Beverly, Commissioner
Captain M. Tyler Gavis – Executive Director and Secretary
Rachel de Cordova, General Counsel
David McNeal, General Counsel

Chairman McKamie convened the meeting/ hearing of the Pilot Board by asking Captain Gavis to call roll. Captain Gavis called the roll and noted that all were present apart from Commissioner Dyess, whom he stated would not be able to attend. Captain Gavis noted that the Pilot Board had established a quorum with 8 out of 9 Commissioners present. Chairman McKamie thanked everyone for attending and briefly summarized the meeting agenda, in which he emphasized that the meeting was a very important meeting.

(PB-2021-1007-01) Recognitions

Chairman McKamie stated that he would like to start by giving unfortunate condolences to Commissioner Frances Castañeda Dyess whose father passed away unexpectedly.

Chairman McKamie then acknowledged it as being Hispanic Heritage month and thanked all of those of Hispanic descent for their contributions within the maritime industry.

(PB-2021-1007-02) Appearances

Captain Gavis stated that he placed the speaker signup sheet by the door and ensured that everyone who would like to speak had signed up. He then stated that Mr. Jim Brown, Counsel for the Houston Pilots, was the first speaker who signed up. Mr. Brown stated that his comments were related to agenda item 12 b. and asked if the Board would like for him to speak at that time, to which Chairman McKamie concurred.

- (a) Captain Gavis recognized Clyde Fitzgerald, International Longshoremen's Association (ILA).

Mr. Fitzgerald stated that he was speaking on behalf of the ILA and not the Houston Port Commission (which he is a commissioner on). He stated that the Houston Pilots do a fantastic job of managing traffic in a challenging port and channel and added that the ILA was really counting on the Houston Pilots as they continue to bring in larger vessels. Mr. Fitzgerald closed by stating it had been five years since the Houston Pilots had received an increase and the ILA felt they are definitely entitled to it. Chairman McKamie thanked Mr. Fitzgerald for his comments. Mr. Fitzgerald then added that the president of the ILA, Mr. Alan Robb, was also in attendance and fully supportive of the Houston Pilots request.

Captain Gavis then called upon Ms. Denise Schaefer, Agency Manager at Odfjell US. Ms. Schaefer stated that she would like to provide brief rebuttal comments in conjunction with the Houston Pilots rate change request. Chairman McKamie stated he thought it would be best for her to speak within agenda item 14.

Captain Gavis then recognized the representative from the Greater Houston Port Bureau (of which he stated that he could not read the name). The representative stated that they did not wish to speak. Captain Gavis then stated that was all who had signed up to speak

(PB-2021-1007-03) Minutes

Chairman McKamie called for a motion to approve the minutes of the September 9, 2021 Pilot Board meeting/ hearing. Commissioner Hance moved for approval, seconded by Commissioner Keeney. Chairman McKamie asked for all in favor to say aye. All were in favor. There were no negative votes. MOTION PASSED.

(PB-2021-1007-04) Executive Director Report

Captain Gavis stated that he had nothing to report.

(PB-2021-1007-05) Pilot Board Committee Updates

- (a) Chairman McKamie stated that the Executive Committee had no activity to report.

- (b) Chairman McKamie recognized Pilot Board Legislative Committee Chairman Bechtel.

Commissioner Bechtel stated that redistricting was the main legislative topic.

(c) Chairman McKamie recognized Pilot Board Navigation Chairman Hance.

Commissioner Hance stated that he had nothing to report.

(d) Chairman McKamie recognized Pilot Board USCG Liaison Chairman Morrison.

Commissioner Morrison stated that he had nothing to report.

(e) Chairman McKamie recognized Pilot Board Pilot Diversity Committee Chairman Garcia.

Commissioner Garcia stated there was no activity to report.

(f) Chairman McKamie recognized Pilot Board Professional Development Committee Chairman Beverly.

Commissioner Beverly stated that he had nothing to report.

(g) Chairman McKamie recognized the Pilot Board Ad Hoc Rules, Policies and Procedures Committee.

Captain Gavis stated that there was nothing to report.

(PB-2021-1007-06) Financial Report

(a) Chairman McKamie stated that there was no financial report.

(PB-2021-1007-07) Houston Pilots Association Report

(a) Chairman McKamie recognized Captain Robert Thompson, Houston Pilots Presiding Officer.

Captain Thompson greeted the Pilot Board and stated that business is slowly coming back. Captain Thompson then explained that the Houston Pilots received many enquires on moving vessels with drats over 39' above Shell (where the channel width is 300') at night. Captain Thompson next explained that through repetition of handling vessels, and recent changes of the channel structure making it a lot wider, the Houston Pilots now feel they can accommodate such vessels between Greens Bayou and Shell.

Captain Gavis added that the Pilot Board would be seeking approval of this change at agenda item 12a.

Commissioner Morrison then asked what the current draft restriction is, to which Captain Thompson stated 39' was currently the maximum draft they would accommodate in that area at night. Chairman McKamie thanked Captain Thompson for his explanation.

(PB-2021-1007-08) ARC & PBIRC Reports

- (a) Chairman McKamie recognized Captain David Foret Jr., Chairman of the Pilot Board Investigation and Recommendation Committee (PBIRC).

Captain Foret greeted the Board and reported that the PBIRC Advisory Subcommittee met on September 21, 2021 and reviewed six case files, of which they determined two required a full PBIRC hearing and four should be closed to file. Captain Foret then stated that in response to the letter Chairman McKamie received from the USCG Captain of the Port, the PBIRC would be meeting with the Captain of the Port and his command team on October 12, 2021. Chairman McKamie thanked Captain Foret for the update.

- (b) Chairman McKamie recognized Mr. Jim Brown., Counsel for the Houston Pilots.

Mr. Brown greeted the Board and stated that he felt he could provide some context about the PBIRC, as he explained that he has represented individual pilots at numerous pilot review boards along the Texas coast for thirty-two years. Mr. Brown stated that the PBIRC has been in place throughout that time and added that the USCG Captain of the Port is a very important job. However, he stated the Captain of the Port just receives a snapshot of what is going on as they move around every two years or so. Mr. Brown then stated that he can say the PBIRC has revoked commissions, has issued letters of reprimand and letters of caution, has issued letters of commendation, and has reopened PBIRC hearings (including the CONTI PERIDOT). He then stated that what the Captain of the Port stated hasn't happened has happened.

Mr. Brown next explained that the USCG has a nonvoting member that provides valuable information to the PBIRC and then detailed that up until this year the PBIRC had three high ranking retired USCG members (including two that were previously Captain of the Port in Houston). He then detailed the PBIRC as having an experienced brownwater master, three active Houston Pilots with 70 years and 15,000 trips of experience along the Houston Ship Channel, a retired Houston Pilot, a retired Port of Houston fireboat officer with immense knowledge of the channel, and a former deep-sea master who has managed operations for two of the biggest shipping company presences in Houston. Mr. Brown

added that is an immense amount of experience the Pilot Board has investigating incidents and compared their experience to USCG investigating officers, who he stated often times have never sailed on oceangoing vessels. Chairman McKamie asked Mr. Brown if he agreed that the USCG and PBIRC findings should not diverge widely, to which Mr. Brown said he felt they very well could diverge widely based on the difference of experience amongst the investigators. Mr. Brown then stated that the USCG and NTSB often have widely different outcomes of their investigations.

Conversation then ensued amongst Mr. Brown and Commissioner Garcia as to the Coast Guard's request to have their findings on an investigation documented within the PBIRC minutes. Commissioner Garcia stated he felt it was important that the Pilot Board know the position of the USCG and then enquired as to why there was divergence between the pilot stating a buoy light was out in one matter and the USCG stating they later learned the light was lit. Mr. Brown stated that he made a FOIA request to view the video of the light but had not yet had a chance to review the video. Mr. Brown then stated he saw no downside to having the Coast Guard's stance on an investigation documented within the PBIRC minutes.

Commissioner Morrison then asked if the Coast Guard member on the PBIRC could provide the opinion of the Coast Guard at hearings, to which Mr. Brown said they could. Commissioner Beverly then asked if the Coast Guard's evidence comes into the PBIRC, of which Captain Brown stated that in almost every case the Coast Guard has presented their file to the Executive Director for distribution to PBIRC members at least 30 days before a PBIRC hearing.

Mr. Brown then explained to Commissioner Garcia that the pilot on the GOLDEN GLORY could not see the light mentioned in the Captain of the Port's letter due to the centerline crane, therefore the pilot had the assumption that the light was out (as it was deemed to be out after the allision). Chairman McKamie asked if Mr. Brown had much more, to which Mr. Brown stated he had one more point. Mr. Brown then explained that the CLIPPER EIRENE pilot used the telephone for navigational purposes, he explained that it was an additional safety measure used to call three inbound ships well advance of meeting at a USCG imposed Safety Zone (on top of calling them as prescribed on the radio in close proximity). He next explained that USCG VTS communicates with the pilots by telephone all the time. Conversation then ensued between Chairman McKamie and Mr. Brown that there are often issues with so many users of the channel sharing one VHF frequency. Conversation then shifted to what changes mentioned in the USCG letter might be worthwhile for the PBIRC to adopt.

Commissioner Oakley enquired about the timing differences between the PBIRC and USCG investigations, to which Mr. Brown stated the USCG investigations often take quite a while (even exceeding the NTSB when they are involved). Chairman McKamie

expressed his desire to wrap up the conversation and asked Mr. Brown if it's true that Captain Gavis (as the PBIRC investigator) depends on the USCG to share materials, to which Mr. Brown stated that Captain Gavis is given great privileges as a USCG Party In Interest.

(PB-2021-1007-09) General Matters

Chairman McKamie moved to agenda item 12a., "Pilot Board deliberation and possible action regarding the amended Houston Pilots Navigation Safety Guidelines approved by the Houston Pilots on August 25, 2021, which would allow vessels over 39' of draft between Shell and Greens Bayou to transit at night with 2 pilots". Chairman McKamie asked for a motion to approve. Commissioner Morrison moved to approve, seconded by Commissioner Hance. Chairman McKamie asked for all in favor to say aye. All were in favor. There were no negative votes. MOTION PASSED.

(PB-2021-1007-10) Chairman McKamie moved to agenda item 12b., "Pilot Board deliberation and possible action regarding a response to the September 16, 2021 letter received from the United States Coast Guard Captain of the Port". Chairman McKamie explained that the PBIRC would be meeting with Captain Smith and his team on October 12, 2021 and he didn't feel there needed to be a vote until the Pilot Board received more information.

(PB-2021-1007-11) Chairman McKamie moved to agenda item 12c., "Pilot Board deliberation and possible action regarding Houston Pilots letter requesting recusal of Outside General Counsel Rachel de Cordova from handling Houston Pilots' Application for Rate Increase". Chairman McKamie explained that he did not see any conflict of interest with Counsel handling the matter. He then asked if there was any motion to vote on this matter, to which he received no response.

(PB-2021-1007-12) Chairman McKamie moved to agenda item 12d., "Vote to accept the resignation of Pilot Board Outside General Counsel as submitted or deliberate and vote to modify the effective date of resignation". Chairman McKamie explained that this matter had already been resolved and there was no need to conduct a vote.

Mr. Brown then stated that he signed up to speak over the recusal request and asked if he could provide some insight, to which Chairman McKamie agreed. Mr. Brown summarized that Pilot Board Counsel previously represented an objector against the Houston Pilots and added that it simply doesn't smell right to have her involved (while also adding that it is nothing against her as a person or attorney). Conversation then ensued about Ms. de Cordova's involvement in a rate hearing, in which Commissioner Garcia stated it is difficult to find Counsel with rate change hearing experience and that the Pilot Board made the best selection of Counsel they could. Commissioner Oakley then added

that Counsel provides legal advice and does not participate in deliberations, while expressing his frustration of Mr. Brown's comments. Commissioner Hance added that he was not involved in the selection of Pilot Board General Counsel. However, he would have voted a different way had he known her background. Chairman McKamie thanked everyone for their comments and stated he did not see a need to conduct a vote since there was not an ethics violation. Commissioner Garcia stated he would like the record to reflect that Rachel de Cordova was doing an excellent job as General Counsel to the Houston Pilot Board, detailing that she worked very hard in getting the Pilot Board to where it is from scratch.

(PB-2021-1007-13) Other Matters

Chairman McKamie stated that there was no activity.

At 10:55 a.m., Chairman McKamie requested that everyone take a 10-minute break and reconvene at 11:05 a.m.

At 11:08 a.m., the Pilot Board resumed the meeting/ hearing.

(PB-2021-1007-14) Continue Rate Change Hearing

Chairman McKamie moved to agenda item 14., "CONTINUE HEARING TO CONSIDER HOUSTON PILOTS' APPLICATION TO THE PILOT BOARD FOR A CHANGE IN PILOTAGE RATES EFFECTIVE JANUARY 1, 2022".

Chairman McKamie explained he would like to hear the oral presentations from the interested parties, have discussion over everything presented, and then if at all possible deliberate and come to a conclusion over the matter so that everyone can focus on other important issues. Chairman McKamie also explained that a WGMA request for Houston Pilot financials had been withdrawn.

(PB-2021-1007-15) Oral Presentations of Interested Parties

(a) Chairman McKamie recognized Captain Robert Thompson, Houston Pilots Presiding Officer.

Captain Thompson greeted the Pilot Board and stated that he would be presenting with several others representing the Houston Pilots. He then summarized how the Houston Pilots came to the proposal that they did, including holding many discussions with industry and working to adjust their proposal in line with the expectations from industry. He next summarized that the Houston Pilots were seeking 3.5% across the

board increases over the course of five years and expounded upon many rising costs the pilots incurred (including employee benefits and parts and service for the pilot boat) since their last increase in 2016. Captain Thompson explained that during that time they incurred rising costs. However, the tariff ships paid remained the same. Captain Thompson next stated that the Houston Pilots strived to not fall behind with their tariff adjustments, but for a number of reasons (economic factors, Pilot Board legislative changes, challenges created by COVID) they fell behind. Captain Thompson added that they sought to catch up with the current proposal and encouraged the Board to consider the rising costs the Houston Pilots faced along with the comparative rate analysis provided within the Houston Pilots submission (which he felt showed the Houston Pilot tariff is very competitive for a majority of shippers). He then thanked the wide body tankers and containerships for recognizing the efforts of the Houston Pilots to move their large vessels in a narrow channel. Captain Thompson closed by calling upon Captain David Reeder, Houston Branch Pilot.

Captain Reeder thanked the Board for letting him speak on behalf of the Houston Pilots. He stated he has 25 years in the maritime industry, 14 of which were with the Houston Pilots. He next stated that he loves being a pilot and is proud of the Houston Pilots for their contribution to making the Port of Houston the economic engine that it is. Captain Reeder then summarized that he would be discussing the challenges of the Houston Ship Channel including two-way traffic in an undersized channel, the channel being complex and unique, the transit times increasing, the vessel sizes increasing, and the high density of hazmat docks and vessels.

Captain Reeder next detailed that according to many channel design manuals the widest beam vessels the Houston Pilots should accommodate should be 96' (192' combined). He then added that they meet with combined beams of 310' and the many design manuals would recommend an 850' wide channel instead of the 530' wide channel they currently have. Captain Reeder then explained why the Houston Ship Channel is a complex and unique channel, including his analysis of what a pilot would be thinking looking at a picture of a vessel passing under the 610 bridge with immense traffic in the vicinity. He then detailed the VTS movements for 2020 (including 133,870 tug/tow movements and 22,218 ship movements) and proceeded to describe several pictures emphasizing the large amount of traffic the Houston Pilots must account for and how narrow the ship channel really is.

Captain Reeder went on to explain that the pilots are seeing increased transit times due to the need to slow down more often to account for moored vessels at new terminals (21 new docks since 2010) and ships topping around to get into many of the new terminals. He then detailed that the pilots have seen an increase of 12.1 minutes per transit since 2010, which he added factors into how the pilots account for how many pilots they need to ensure that every ship coming in gets a pilot and is not delayed by a

lack of pilot availability. Conversation then ensued about how the pilots factor in their required rest time.

Captain Reeder next detailed that the average length of container ships has gone up 16.8% over the past 10 years and the average length of gas ships has gone up 27% over the last 10 years, all while the channel has remained the same size.

Captain Reeder moved on to explaining that Houston is number 2 in the world for petrochemical ports. He then displayed a picture of the fire that resulted from an engine malfunction on the M/T AFRAMAX RIVER and went on to explain the hazards the pilots onboard that vessel faced (as well as the ongoing dangers the Houston Pilots are confronted with).

Captain Reeder next explained some of the safety initiatives the Houston Pilots have implemented including Blue/brown coordination course, Bayport & Barbours Cut manned model training, Project 11 simulations, coastal barrier input and simulations, PPU equipment/ software upgrades, continuing education and training, and improvements in the 36-month deputy program. Captain Reeder explained that the Houston Pilots have to invest a great deal of off channel manpower to participate in these initiatives and detailed how the Houston Pilots utilize the PPU equipment to be as efficient as they safely can in fog.

Captain Reeder then went on to explain additional safety initiatives the Houston Pilots invested in to be the development of pilot logistics system software, fog micro-forecasting, mid-bay camera (proposed), and safety cameras on pilot boats. He summarized that the Houston Pilots are always looking to stay ahead of things and be innovators.

Commissioner Beverly enquired about whether ships are less maneuverable today than they were years ago (due to smaller rudders), to which Captain Reeder said he felt ships are actually often better equipped today than they used to be. Captain Reeder then mentioned the issues he has encountered with the change of fuel requirements causing delayed engine response.

Captain Reeder moved on to explain the efficiency initiatives the Houston Pilots have invested in being an on-going review of the tug matrix, disaster recovery & continuity of operations planning, building surge capability, leadership participation in stakeholder groups (Lonestar Harbor Safety Committee, GHPB Efficiency Committee, WGMA, Facility WG). Captain Reeder explained that the Houston Pilots worked to cut tugboat costs for their stakeholders when they can safely do so. He then explained that the Houston Pilots worked to have the ability to continue working when a hurricane approaches and had measures in place to best manage the manpower of their pilots.

Captain Reeder detailed additional efficiency initiatives as being automatics (which reduced cancellations by 16 %), an expanded scope of the dispatch ops manager, facility working group visits, and several rule changes benefiting industry (LPG, Suezmax & large container vessels to Bayport/ Barbours Cut).

Captain Reeder next explained various things the Houston Pilots were doing to accommodate growth and building competitiveness for the port. Captain Reeder detailed these changes to be bringing in larger LPG tankers within a 300' channel (including LPG tankers to Targa up to 800' X 123'), 24/7 shifting in one zone, eased daylight restrictions on LPG vessels less than 600' LOA, and accommodating larger container vessels to Bayport. Captain Reeder concluded by explaining additional items as being larger container vessels to Barbours Cut, larger tankers to Bayport (mentioning dock approval for 910' X 165' to LBC #5) and allowing vessels as large as 1,120' LOA to meet all traffic within the existing widebody rules.

Captain J.J. Plunkett, Chief Operations Officer for the Houston Pilots, greeted the Board and proceeded to detail tariff adjustments over the past 10 years. Captain Plunkett summarized that average tariff adjustments to units/ draft charges totaled 10.9% over the last year 10 years while the average CPI-U over that same 10-year period totaled 19.8%. Captain Plunkett next detailed a 0% change to the tariffs since 2017 while CPI-U totaled 12.1%. Captain Plunkett then stated that they are losing ground and detailed that inflation is tougher to predict than it once was (though he added his guess was that it will be 2.5% to 3.0% for the next few years).

Captain Plunkett closed by summarizing the Houston Pilots' proposal to be: a 5 year rate agreement with an across the board increase of 3.5% per year, restructuring pilot away time (revenue neutral), clarifying "holding charges" to include excessive delays due to dredging or waterway construction projects, increasing the Port Safety Communications fund line item to \$235 (a net increase of \$25), increasing the Pilot Boat Capital fund to \$195 (a net increase of \$33 per transit), modifying the MOU for the pilot boat capital fund so that it can be used for future purchases of new shuttle boats, revising narrow window of unit rates to account for future manpower costs associated with increased traffic following the completion of widening the channel, and the addition of a Pilot Board Administrative line item of \$46.82 per arrival.

Commissioner Oakley sought to clarify that the cumulative increase would be 17.5%, to which Captain Plunkett confirmed. Commissioner Oakley then asked if the pilots were comfortable with the 3.5% consistent increase as opposed to tying the increase to CPI, to which Captain Plunkett stated that they were and they felt industry preferred a known quantity for planning purposes. Conversation then ensued on whether the pilots should tie the increase to CPI. Captain Plunkett stated that the pilots considered

that method. However, it was industry's desire to keep increases under 4.0% that led them to settle on 3.5%. Commissioner Oakley then asked if the tariff were approved as presented when the pilots would acquire the new shuttle boats. Captain Plunkett responded that the pilots were just beginning discussions on this topic and added that he would expect for that purchase to happen within this 5-year period. Commissioner Oakley lastly asked what the anticipated number of new pilots would be associated with the manpower costs mentioned, to which Captain Plunkett stated it was hard to officially quantify but he would guess roughly two additional pilots on top of attrition. Commissioner Garcia asked if the tariff would equate to an internal raise to the pilots, to which Captain Plunkett stated they do not have a target for compensation. Ms. Shelly Butler, Controller for the Houston Pilots, stated that pilot compensation over the last two years had declined due to increased costs without any sort of rate adjustment.

At 12:22 p.m., Chairman McKamie thanked the Houston Pilots for their presentation and stated he would like to take a 10-minute break before finishing the presentations.

(b) At 12:33 p.m., Chairman McKamie resumed the hearing and recognized Mr. Robert Hawn, Director of Maritime Affairs for WGMA.

Mr. Hawn thanked Chairman McKamie and greeted the Board. Mr. Hawn summarized that WGMA is a trade association representing 80% of the ship owners from Brownsville to Lake Charles. Mr. Hawn commended the Houston Pilots for the amazing job they do in what is one of the most challenging and diverse ports in the country.

Mr. Hawn explained that the Pilot Board is expected to consider the 7 factors laid out in Texas Transportation Code Sec. 66.064 and highlighted that WGMA was primarily focused on: costs to pilots to provide the required pilot services, the average wages of masters of United States flagged vessels that navigate in the board's jurisdiction and for which the pilotage rate is to be established, economic factors affecting the shipping industry in the area in which the port is located, and an adequate and reasonable compensation for the pilots and a fair return on the equipment and vessels that the pilots employ in connection with their duties.

Mr. Hawn explained the way the previous Pilot Board conducted the tariff hearing and added that he appreciated that he felt the new Pilot Board is really looking at everything. Mr. Hawn then stated the Houston Pilots have been profitable and explained he felt past Houston Pilot financial reports he had seen were not adequate (as they were not audited). Commissioner Garcia asked if Mr. Hawn was suggesting the Houston Pilots were providing false information, to which Mr. Hawn said he was not suggesting anything.

Mr. Hawn then emphasized that Captain George A. Quick, Vice President of the MMP, quoted that masters on US flagged vessels make an average salary of \$318,000. Mr. Hawn then asked the Board to strongly consider this fact. Commissioner Garcia then asked the duties of a US flagged vessel master and Mr. Hawn clarified that the master is in charge of the ship and the pilot comes onboard once the vessel enters or leaves port. Mr. Hawn next reemphasized that the statute says that the pilots salary should be based upon that number, to which Commissioner Oakley responded that was one of seven factors in which the statute states the Board is to consider. Conversation then ensued about determining what is a reasonable salary for the pilots. Conversation then shifted to exhibit "Y" within the Houston Pilots submission which detailed a survey of pilotage tariff charges across key U.S. ports.

Mr. Hawn next explained that shipping is a cyclical market and detailed how shipping companies must plan for those cycles. He then detailed that currently there was a weak crude oil, clean petroleum, and petrochemical market. He proceeded to state that some markets (containers) are doing very well while others are struggling.

Mr. Hawn then summarized that nobody knows what the Houston Pilots make and pressed the Pilot Board to ensure they have been given the proper financial information (namely audited financials). Conversation ensued between Mr. Hawn and Commissioners Oakley and Morrison about what information the Pilot Board should have and what information the Board needs to make their decision. Mr. Hawn proceeded to explain that industry is asked to pay whatever is asked without any supporting information and emphasized that being a pilot is the most coveted job in the industry.

Mr. Hawn next summarized negotiations that occurred between industry and the Houston Pilots and stated that he did not feel the Houston Pilots worked with industry, to which Commissioner Oakley responded that he understood the Houston Pilots had backed down from their initial numbers to accommodate industry wanting to keep the yearly increase under 4%. Mr. Hawn then detailed what the statute lays out for the Houston Pilots financial report and again implored the Board to ensure they had all of the information they are supposed to have. Conversation then ensued about how having an audited financial report could possibly change the course of the hearing.

Commissioner Bechtel asked how WGMA presents on behalf of such a large group of constituents (which may not all be in alignment), to which Mr. Hawn stated WGMA's opposition was from a unanimous vote by their Board. Commissioner Bechtel then expressed his frustration that Mr. Hawn would not clearly define whether WGMA is for the rate change request or against it.

Mr. Hawn then detailed the PPI for water transportation over the past 10 years and proceeded to point out that the CPI change over the past 5 years was 12.6%. He then

explained that vessel arrivals had only dropped off roughly 300 transits in 2020 and that the Houston Pilots business had remained fairly steady.

Mr. Hawn closed his presentation by summarizing that the pilots had not had an increase in 5 years because they hadn't applied for one, though he did detail that there was strong rejection when the pilots came to industry for an increase in 2018. He then added industry did not like to fall so far behind and the fact that the pilots chose to choose nothing (as opposed to a more modest increase) when they did not get what they sought in 2018. Mr. Hawn next detailed that this time industry generally agreed with the 5- year across the board adjustments on the pilots proposal, but that all minor concessions were rejected by the pilots outright. Mr. Hawn closed by pointing out that the pilots had often referred to CPI to show they deserve an increase, yet they reject using it to set future rates.

Mr. Hawn concluded by stating that industry depended on the Pilot Board to oversee the Houston Pilots, WGMA is not opposed to a tariff adjustment as long as there is full transparency on the costs that support the pilots request, and that the Pilot Board has the power to amend the proposed rate application to make it fair for all parties.

Conversation then ensued about WGMA's stance. Mr. Hawn proceeded to clarify that WGMA supported a 3.5% increase the first three years but would prefer to see the last two years set to the CPI with a floor of 2% and a ceiling of 4%. Chairman McKamie thanked Mr. Hawn for his presentation.

- (c) Chairman McKamie recognized Ms. Denise Schaefer, Agency Manager at Odfjell US.

Ms. Schaefer introduced herself and stated she would like to rebuttal the Houston Pilots rebuttal statement against Odfjell's protest submission (which stated that Odfjell's submission did not have supportive evidence). She then detailed where the figures mentioned in Odfjell's submission came from and stated that all of her points were well documented and easily verifiable. Ms. Schaefer then thanked the Board for their time and service. Commissioner Morrison then asked about the information provided from the approval of pilot tariffs from other Pilot Boards, to which conversation ensued about how the pilots charge their customers and set their incomes.

(PB-2021-1007-16) Executive Session

At 01:11 p.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 01: 41 p.m., Chairman McKamie 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
Roland Garcia, Commissioner
Jon Keeney, Commissioner
Michel Bechtel, Commissioner
Brad Hance, Commissioner
Darrell Morrison, Commissioner
Bruce Oakley, Commissioner
Parris Beverly, Commissioner
Captain M. Tyler Gavis – Executive Director and Secretary
Rachel de Cordova, General Counsel
David McNeal, General Counsel

(PB-2021-1007-17) Continue Rate Change Hearing

Chairman McKamie moved to agenda item 14c., “Discussion and action regarding WGMA’s request for Pilot Financial information”. Chairman McKamie stated that the matter had already been resolved.

(PB-2021-1007-18) Chairman McKamie moved to agenda item 14d., “ Pilot Board deliberation and action regarding the Houston Pilots’ application to the Pilot Board for a change in pilotage rates effective January 1, 2022”.

Chairman McKamie stated he would like to open up the floor to discuss all of the information the Board had received. Commissioner Keeney stated that based on the information he had reviewed he felt the Houston Pilots request was perfectly reasonable given the economic environment. Chairman McKamie then sought a motion that the Board had enough information to vote. Commissioner Keeney moved to approve, seconded by Commissioner Bechtel. Commissioner Garcia stated that the Board has not heard any speaker state that the information provided to the Board was inaccurate.

Chairman McKamie asked for all in favor to say aye. All were in favor. There were no negative votes. MOTION PASSED.

(PB-2021-1007-19) Chairman McKamie asked for a motion to approve the Houston Pilots rate change request. Commissioner Keeney moved to approve the request in full, seconded by Commissioner Hance. Chairman McKamie asked for all in favor to say aye. Commissioner Beverly stated that he is a big fan of tying things to indexes and that he would like to see the fourth and fifth years tied to CPI as industry had suggested. Conversation then ensued whether the Board could approve the request as described by Commissioner Beverly. Chairman McKamie then asked for all in favor to raise their hand. Chairman McKamie, Commissioner Garcia, Commissioner Keeney, Commissioner Bechtel, Commissioner Morrison, Commissioner Oakley, and Commissioner Hance voted aye. Commissioner Beverly voted nay. MOTION PASSED.

Chairman McKamie stated that the Board needed to prepare a final order, to which Counsel de Cordova recommended a vote to allow the Executive Committee to approve the order.

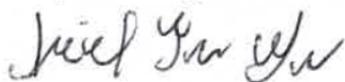
(PB-2021-1007-20) Chairman McKamie then asked for a motion to allow the Executive Committee to approve the order. Commissioner Oakley moved to approve, seconded by Commissioner Keeney. Chairman McKamie asked for all in favor to say aye. All were in favor. There were no negative votes. MOTION PASSED.

At 1:51 p.m., Chairman McKamie thanked everyone for their time and input (in which he emphasized that every opinion was highly considered and valued). Chairman McKamie then proceeded to adjourn the meeting.

The above is a correct copy of the Minutes of the October 7, 2021 meeting/ hearing of the Board of Pilot Commissioners for Harris County Ports.



Captain Reginald McKamie, Chairman



Captain M. Tyler Gavis, Secretary