

Summary of Terms - Proposed Houston Ship Channel Project 11 User Fee

The Port of Houston Authority is considering implementing a Houston Ship Channel user fee based on federal law* to fund the construction of Project 11

Timing

Public Input Period: 2024
User Fee Start Date: Early-mid 2025 (following completion of Galveston Bay reach)
Term: Est. 30 year; assessments would end when lifetime collections recover project costs and revenue debt interest

Projected Collections

Calculation: Est. actual and projected local project cost (i.e., \$860 million)
+ Est. revenue debt interest (\$652 million)
Total Projected Collections: = Est. \$1.51 billion over fee lifetime + Admin. cost (TBD)
Annual Projected Collections Est. \$36.8 million in year 1

Per Vessel Proposal

Formula: Vessel Charge = Vessel Units x Unit Rate x Annual Escalator
Vessel Units Definition: (LOA x Beam)/100 (cf. Houston Pilots tariffs)
Unit Rate: Based on a positive slope (cf. 2020 industry proposal) (see p. 2)
Estimated Average Fee: \$4,725 per vessel transit in year 1 (see p. 2)
Annual Escalator: User fee escalates 3% per year

Assessment Structure

Vessels subject to fee: Deep-draft vessels and ATBs entering project area, including vessels calling public terminals
Vessels exempt from fee: Vessels with design drafts of 20 feet or less – most barges, harbor tugs, dredging vessels, and government vessels
When is fee assessed: Once – on vessel entry into HSC Galveston Bay/Project 11 project area, i.e., passing HSC Buoy 18 (north of Texas City “Y”)
Intra-port movements: Vessels can make unlimited intra-port movements without assessment of any additional user fees
Short-term reentry: *Special user fee provisions remain under consideration*

Additional Details

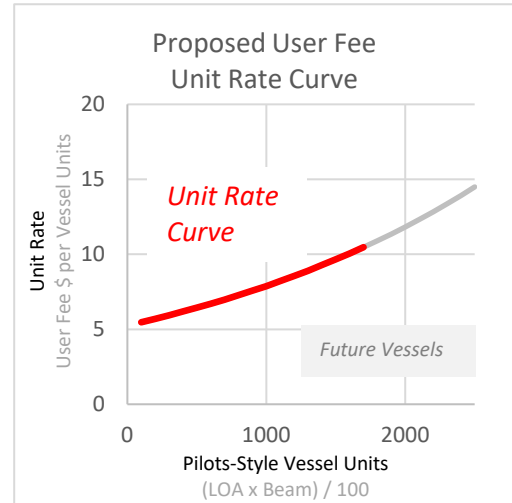
Third Party Collections: Administrator would calculate, collect, deposit, and/or account for user fee funds
Dedicated Account: Collections would be deposited into account established by the Port Authority
Use of Funds: Exclusively applied to pay Project 11 costs
Reporting: Annual report of yearly/total collections, etc.
Third Party Review: Periodic review by external auditor
Noncompliance: Defaults subject to remedies under fee ordinance and statute
Rebates/Credits: Terminals may rebate/credit user fee payments to customers
Potential Port Authority rebates remain under consideration

* See 33 USCA §2236 Port or harbor dues

Supplemental Information

Unit Rate Formula

- Formula is based on proposal from Industry "Houston Ship Channel Project 11: An Introductory Financial Analysis, February 12, 2020, Vincent J. DiCosimo"
- Unit Curve Formula = $S_1 C_1 e^{C_2(\frac{x}{1000})}$
 - Where:
 - S1 = Scaling Factor = 2.372
 - C1 = Coefficient 1 = 2.214
 - C2 = Coefficient 1= 4.061
 - X = Vessel Units
 - Excel: “=S1*C1*(EXP(C2*(X/1000)))”
- Additional Discussion:
 - When S1 is set to 1, the formula is the same as the 2020 industry proposal, e.g. formula structure and values for C1 and C2 come from the industry proposal
 - S1 was set to hit the target collections level based on project costs, representing a linear scaling of industry’s proposed unit rate curve
 - Larger vessels pay proportionally higher user fees
 - Based on actual HSC vessel arrivals 2018-2023, the minimum units for a vessel is 27, and the maximum is 1720



Estimate of Year 1 User Fee Levels by Vessel Type

Based on Actual 2018-2023 Vessel Arrivals

Vessel Type	2018-2023 Vessel Arrivals	Year 1 Average	Year 1 Minimum	Year 1 Maximum
Grand Total	46,724	\$4,725	\$255	\$18,197
Tanker	14,069	\$5,665	\$885	\$15,036
Chemical Tanker	11,455	\$2,321	\$255	\$13,657
LPG	6,284	\$4,671	\$897	\$7,111
Container	6,062	\$8,893	\$1,957	\$18,197
Bulk	4,659	\$4,285	\$1,160	\$10,330
General Cargo	3,156	\$2,234	\$960	\$5,659
Other	1,039	\$4,043	\$663	\$9,176