

BOARD OF PILOT COMMISSIONERS OF BRAZORIA COUNTY PORTS

PUBLIC HEARING
October 29, 2020

PUBLIC HEARING before the Board of Pilot Commissioners of Brazoria County Ports was taken on the 29th day of October, 2020, from 8:30 a.m. to 5:57 p.m., before Stacey Whitley, Certified Shorthand Reporter in and for the State of Texas, reported by computerized stenotype machine at Port Freeport, Administration Building, 1100 Cherry Street, Freeport, Texas.

PILOT BOARD COMMISSIONERS:

- Chairman Shane Pirtle
- Commissioner Paul Kresta
- Commissioner Rudy Santos
- Commissioner John Hoss
- Commissioner Ravi Singhania (Via videoconference)
- Commissioner Dan Croft
- Phyllis Saathoff, CEO

APPEARANCES

FOR THE APPLICANT, BRAZOS PILOTS ASSOCIATION:
 Paxton N. Crew
 JOHNSON & CREW
 305 East Main Street
 League City, Texas 77573
 Telephone: 281-895-2410 - Fax: 409-263-1020
 - AND -
 Randy E. Moore
 THE MOORE LAW FIRM
 #7 West Way Court, Suite C
 Lake Jackson, Texas 77566
 Telephone: 979-285-2230 - Fax: 979-285-2235

FOR THE OBJECTING PARTIES:
 Shareen Larmond
 WEST GULF MARITIME ASSOCIATION
 1717 Turning Basin Drive, Suite 200
 Houston, Texas 77029
 Telephone: 713-715-6430

FOR THE PORT FREEPORT PILOT BOARD:
 Keith B. Letourneau
 BLANK ROME
 717 Texas Avenue, Suite 1400
 Houston, Texas 77002
 Telephone: 713-632-8609 - Fax : 713-228-6605
 - AND -
 Jason Cordoba
 CORDOBA LAW FIRM
 85 Oak Drive, Suite 102
 Lake Jackson, Texas 77566
 Telephone: 979-297-2854 - Fax : 979-299-6440

INDEX

	PAGE
OPENING STATEMENT	
Opening Statement by Brazos Pilots Association ...	38
Cross-Examination by Ms. Larmond	67
Opening Statement by Opposing Parties	103
JARED HONEYCUTT	
Examination by Ms. Larmond	105
Cross-Examination by Mr. Moore	113
NIELS AALUND	
Examination by Ms. Larmond	125
Cross-Examination by Mr. Crew	132
Closing Statement by Opposing Parties	137
Closing Statement by Brazos Pilots Association ..	137
Court Reporter's Certificate	313

EXHIBITS

EXHIBIT	DESCRIPTION	PAGE
EXHIBIT 1	Port-to-port comparisons: Freeport vs Competitor Texas ports 2020	68
EXHIBIT 2	BPA's request to the Pilot Board for adjustment to the pilot tariff	67
EXHIBIT 3	BPA financial report, periods 2019 and Jan - August 2020	143
EXHIBIT 4	Pilotage income and expenses	86
EXHIBIT 5	10-13-2020 letter from The Dow Chemical Company to Chairman Shane Pirtle	6

1	EXHIBIT 6	10-20-2020 letter from the U.S. Coast Guard to BPA	6
2	EXHIBIT 7	10-12-2020 letter from Freeport LNG to Chairman Shane Pirtle	6
3	EXHIBIT 8	10-19-2020 letter from the Freeport Exporters to Chairman Shane Pirtle	6
4	EXHIBIT 9	10-21-2020 E-mail from Paul Lamb to BPA	6
5	EXHIBIT 10	10-6-2020 letter from Phillips 66 Company to Chairman Shane Pirtle	6
6	EXHIBIT 11	10-1-2020 letter from Freeport Mooring & Marine to Chairman Shane Pirtle	6
7	EXHIBIT 12	10-7-2020 E-mail from U.S. Customs & Border Protection to BPA	6
8	EXHIBIT 13	BRAZOS PILOT boat loan account balance sheet, TDECU	268
9	EXHIBIT 14	Boat quotations from Metal Shark and Breaux's Bay Craft	6
10	EXHIBIT 15	Statement of Captain George A. Quick	6
11	EXHIBIT 16	Curriculum vitae of Captain George A. Quick	6
12	EXHIBIT 17	Curriculum vitae of J. Raleigh Bailes, Jr.	6
13	EXHIBIT 18	10-21-2020 letter from Odffjell to Chairman Shane Pirtle	6
14	EXHIBIT 19	Pilotage estimate 2020 - 2026	6
15	EXHIBIT 20	BPA tariff rate change request, 2020	68

published agenda and will occur unless otherwise indicated during the meeting. During the executive session, the public will not be permitted to hear the meeting as a case under Texas Open Meetings Act.

All right. No further questions. It is October 29th, Pilot Commission hearing. This pilot rate increase hearing is called to order at 8:32. The Pilot Commission reserves the right under the Texas Open Meetings Act to go into executive session. If such -- sorry -- such an executive session is necessary, it is anticipated that the executive session will be under Section 551.071 of the Texas Government Code for consultation with the attorney. However, this will be announced prior to going into executive session. I ask for each of the parties --

MS. SAATHOFF: Mr. Singhania has been able to join. He was having a little trouble connecting.

CHAIRMAN PIRTLE: Very good. Good point.

MS. SAATHOFF: You haven't done your roll call.

CHAIRMAN PIRTLE: I haven't done the roll call yet. I haven't gotten to that part of the meeting. Good point. So, we do have all five commissioners, CEO, both attorneys here present and Mr. Singhania is on the phone. Yes?

COMMISSIONER SINGHANIA: Yes.

(Exhibits 1 through 19 marked prior to hearing)

CHAIRMAN PIRTLE: Today's date is October 29, 2020, and the time is 8:30. This is a special meeting and hearing of the Pilot Commission. I'm Shane Pirtle, chairman. We're conducting this meeting in person and permitting the public to attend this meeting in person, which was noted on the agenda. In addition, we are making this meeting available via teleconference pursuant to Governor Abbott's order suspending certain provisions of the Texas Open Meetings Act. There is limited space in here for public to attend. Most of it will be obviously concerned parties. For individuals unable to physically be at this meeting but wishing to participate in the public comment or for the public hearing, a toll-free call-in number was indicated on the agenda along with the agenda packet. Both may be found on the Port's website, www.portfreeport.com. Public comments will be available at the beginning of the meeting as indicated on the agenda. In the event any member of the public is having any technical difficulties during the meeting, please call (979)233-2667 and someone will assist you. In consideration of all participants on this call today, we respectfully request everyone mute their phones or their microphones unless you are speaking.

An executive session was noticed on the

CHAIRMAN PIRTLE: Thank you.

COMMISSIONER SINGHANIA: Thank you.

CHAIRMAN PIRTLE: Thank you. Yes, sir. All right. We do have a section here for public comment. We have some folks that want to comment publicly.

MS. SAATHOFF: Yes. We do have a sign-in sheet and Ms. Bevers is bringing that now.

CHAIRMAN PIRTLE: Thank you, ma'am. All right. With that, we have public comment. We have Norman O'Shaughnessy, Stolt Tankers. Come to the microphone and please restate your name and your company, please.

MR. O'SHAUGHNESSY: Norman O'Shaughnessy with Stolt Tankers USA. Good morning, Chairman Pirtle, commissioners, and my colleagues on both sides of this issue, maritime colleagues. I appreciate the fact that you're having this meeting today, that we have a chance to express our views on this rate increase.

I think there's a story to tell here today concerning shipping, our general economy, what we're all struggling to do to make a living, progress. All goes hand in hand. We -- or I would like to state from the outset that we appreciate the pilots and what they do, the work that they do, the struggles that they go through to provide the service that they do. This is nothing to do with that subject. It has everything to do with money and profit.

1 The shipping industry, the maritime industry
2 has taken a beating since 2007 and to a lot of us that could
3 even be ancient history. I've been with Stolt for 13 years
4 and every year it seems worse and worse. The ability to make
5 a profit, turn a profit is getting harder and harder. We
6 thought that this year, 2020, was going to be our
7 breakthrough, our breakout and it really looked good in the
8 beginning. It looked like things were going good and we all
9 know what happened. We projected this year a slight profit
10 to about a 7-million-dollar loss. And I would like to say in
11 a little pride and maybe a little bragging, we're one of the
12 good companies. We know what our competitors are going
13 through, and we know what the rest of shipping is going
14 through. Many of our competitors haven't turned a profit in
15 years.

16 So, we struggle -- we struggle with looking at
17 a double-digit increase, depending how it's sliced and diced
18 and what size ship you have and what time of the day you come
19 in. The hit on each ship is variable. But through my
20 calculations from my company, we're looking at approximately
21 in the first year 9 to 10 percent increase. The second year
22 is more like 15 percent increase in our costs to come here.
23 And this increase is per transit. Stolt calls here about a
24 hundred times a year. So, that's 200 ins and outs and maybe
25 we do another 20 transits in between. And each and every one

1 it's on our dime. And the story to tell here is that it's
2 not just Brazos Pilots and Freeport. It's Houston. It's
3 Galveston, Texas City. It's Sabine where everybody -- Texas
4 is booming, shale gas is changing the economy, and bigger and
5 bigger ships are coming in and the terminals are demanding
6 more and more out of the pilots and the infrastructure that's
7 being used at the port. And us guys with the medium-size
8 ships are just being squeezed and squeezed.

9 You take, for example, the request for a new
10 minimum. The request as stated in the -- in the bid captures
11 75 percent of my ships. My small ships it's a hundred
12 percent. The larger ships -- only my larger ships miss out
13 on the minimum. So, right there that is probably a
14 25 percent increase in cost in our daily use of the port.
15 And we're not going any further. We're at Dow, which is the
16 first terminal in. We know nothing about Stauffer Channel
17 and the work that's being done there. And I can appreciate
18 that the pilots want to make that 20 percent of their
19 business that's only paying 10 percent of their costs pay
20 more. We don't go up there. We -- I don't think any of the
21 shipping companies go up there but I defer. I don't know
22 this port that well.

23 CHAIRMAN PIRTLE: Thank you, sir. I forgot to
24 state up front. There's a five-minute time limit on it.
25 MR. O'SHAUGHNESSY: That's okay. If I just

1 of these -- each and every one of these transits we're going
2 to be charged new fees. And, quite frankly, looking at the
3 economy as it is today, especially the shipping section,
4 locking in a five-year rate increase is -- that's fantastic.
5 I wish we could turn around and get that from our customers,
6 many of which are here in this port.

7 And the point is -- with that is that these
8 changes benefit the whole port; yet, the cost is being borne
9 by the shipping companies. The communications and dispatch
10 charge, that isn't only for the ships. That's for the
11 terminals to be able to increase their utilization of their
12 facilities and to better plan out their work forces. And so,
13 there should be a sharing of these costs. It should not just
14 come down to the shipping companies. And while we hear,
15 well, you know, terminals don't use pilots, the benefits of
16 these changes are going to the terminals. We didn't ask for
17 the wider port channel. We didn't ask for the dredging. We
18 didn't ask for the night transits. We didn't ask for a
19 bigger pilot boat, and we didn't ask for the extra deckhands.
20 While, though, I will say quite categorically we think it's
21 great. It's safety. It's better that -- it's better that
22 way. But we've been operating here for years without that
23 and we figure we can do the same moving forward.

24 So, there are forces behind the pilots'
25 requests who are gaining the most benefit out of this; yet,

1 may state one other thing. I want to make it perfectly clear
2 today that Stolt is a member of the WGMA and we know that the
3 allotted amount of time for our arguments are going to be
4 made by them on our behalf. So, I thank you very much for
5 your time today.

6 CHAIRMAN PIRTLE: Thank you, sir. My
7 apologies. On public comments, there's a five-minute time
8 limit. Our attorneys will be keeping track of that time.
9 Chris Noble.

10 MR. NOBLE: Good morning, everyone. I
11 appreciate the opportunity today to speak in front of you
12 guys, and I think it's a matter that needs to be addressed.

13 CHAIRMAN PIRTLE: Please restate your name.
14 MR. NOBLE: For you guys that do not know me,
15 my name is Chris Noble. I'm the terminal manager for Dole
16 Fresh Fruit. And I'm also a director for the board of
17 directors on West Gulf Maritime Association.

18 Dole Fresh Fruit has been an anchor tenant in
19 Port of Freeport since 1983 with weekly vessel calls
20 utilizing BPA services for that 37-year period. Based on
21 Port of Freeport's comprehensive annual report, Dole banana
22 fruit tonnage accounted for 320,000 short tons in 2019, which
23 was 11 percent of Port of Freeport's cargo portfolio and over
24 3.7 million short tons -- fruit tonnage in the last ten
25 years, which is 16 percent during that ten-year span.

1 Overall Dole has increased throughput volumes by 34 percent
2 in that same period. Growth was halted in 2020 with
3 unprecedented adversities related to the COVID-19 pandemic.
4 In general, the banana market will remain
5 oversupplied and overall consumption won't increase in the
6 near future. The food service segment is currently at
7 50 percent of pre-COVID levels and competition becomes more
8 aggressive during contract negotiations anticipating the
9 oversupply. Prior to the 2020 hardships within the food and
10 beverage sector, Dole's leadership committed to replacing the
11 Asian vessels which supply fruit from Latin America to North
12 America, specifically in the Gulf region ports. This new --
13 these new state-of-the-art vessels are projected to commence
14 calling Freeport in mid 2021. And compared to the current
15 fleet capacity, these two vessels will have a 35 percent
16 increase in overall FEU -- not TEU, FEU -- capacity to
17 accommodate growth in both reefer and dry cargo. These new
18 vessels are larger in overall length, width, and gross
19 tonnage, which equates to a larger unit rate cost calculated
20 by BPA, which is a 36 percent increase from one vessel type
21 to the other vessel type. This adversely affects the overall
22 pilotage fees for Dole by 22 percent Year 1 with no
23 additional increases as outlined in the proposal. The change
24 in the education fee equates to a 76 percent increase for
25 these new vessels.

1 Dole is committed to expanding operations
2 within the Gulf region to service our customers and the
3 vessels' operating costs will determine the feasibility of
4 Freeport against our neighboring ports with the cheaper
5 operating costs. BPA's five-year fixed rate increase
6 proposal was impractical given the ongoing pandemic which all
7 sectors of the maritime industry are continually faced with
8 on a daily basis with no foreseeable end. An increase to
9 Dole's operating costs as presented in BPA's overall proposal
10 will negatively impact Dole's ability to strengthen our
11 market share by competing for contract businesses for -- from
12 our competitive fruit companies which operate the lower cost
13 in the Gulf region. The five-year rate increase proposal is
14 a 24 percent increase overall, which is not bearable in the
15 highly competitive market, and the current global conditions
16 everyone is being faced with exasperate that issue.
17 Annual tariff adjustments should be tied to
18 the consumer price index not arbitrarily computed by an
19 unproven multiplier, for instance, the .03 used for the
20 education fee and the .18 used for the communication fee.
21 From the outside, it appears this method was adopted to
22 ensure capital assets are necessary -- that are necessary to
23 perform the services are fully funded by the users rather
24 than BPA. The capital assets presented in the proposal are
25 tools needed by BPA pilots to perform their services and the

1 lighter vessel should not be solely responsible for funding
2 the rejuvenation of their fleet and/or expansion projects
3 through the individual tariff items that are outlined in the
4 proposal. The users receive no ownership in the capital
5 assets which they paid for. These costs should be shared
6 amongst all port users in the sector of Freeport, which
7 include Brazosport authority -- I'm sorry -- Brazos Pilot
8 Association, the Port Authority, the terminals, and the
9 vessels. We all benefit from the assets rather than one
10 party.
11 Furthermore, Port of Freeport has projected a
12 35 percent growth in vessel calls in the next three or four
13 years, which will generate ample revenue for BPA and the Port
14 of Freeport. However, this revenue and the expenses related
15 to these increased vessel movements are unaccounted for using
16 the current rate structures but are -- rather seeking an
17 opportunity to expand revenue by increasing rates and fees
18 prior to their arrival. The financial impact presented could
19 ultimately detract this growth.
20 WGMA represents 200-plus members within the
21 maritime industry on a daily basis. After being notified of
22 BPA's five-year fixed rate increase proposal amongst the
23 other fees listed, Dole shared our concerns with West Gulf
24 Maritime Association regarding the application and we
25 requested them as a spokesperson in objecting to the proposal

1 as originally presented. Following this conversation, WGMA
2 polled the membership to determine if the rate increases were
3 as widely accepted as presented in the individual discussions
4 with users and also with West Gulf Maritime Association. The
5 objectionable feedback collected from West Gulf Maritime's
6 membership prompted notification to the board of directors,
7 which I am a part of. The director's voted unanimously in
8 favor of WGMA's leadership team, which are present today, to
9 be the spokespersons to address the maritime industry.
10 MS. SAATHOFF: Five minutes are up.
11 CHAIRMAN PIRTLE: Time is up. Thank you, sir.
12 Appreciate it. Jeff Kindle.
13 MR. KINDLE: Good morning, everybody. My name
14 is Jeff Kindle. I'm a senior manager with MOL Chemical
15 Tankers. We -- similar to what -- Norman at Stolt Tankers,
16 we have a similar trade. We average 50 to 60 berth calls.
17 We called Dow Chemical facility -- most of our port calls are
18 there. Our company is also a member of WGMA. We have been
19 for the past 16 years. We've asked them to be our
20 spokesperson regarding the Brazos Pilots adjustment.
21 Some of the points that -- or what we don't
22 agree on is the duration of five years and the fixed rate of
23 3 percent, which we think is higher than the basis -- the
24 consumer price index, there's some other way of figuring out,
25 we think 3 percent is too high. With the pandemic and the

1 state of the current market, which was outlined by Norman, we
2 by all means are not making any money. So, it's unwarranted
3 at this time to have that time and that rate.

4 This new communication fee was never part of
5 our cost for calling this port. So, looking at the amount of
6 berth calls and having this part of the invoicing, we're
7 looking at an additional \$250 per port call. Often we call
8 two berths but because of congestion, we're coming in and
9 out. So, we have to actually pay that charge four times,
10 which is -- we don't think that's fair. As you know, we
11 don't think the carrier should be responsible for a hundred
12 percent of communication charge, which is basically -- I
13 mean, we don't object to having better communication in the
14 port but we don't think that the carrier should be held
15 responsible for paying that a hundred percent.

16 Also, the minimum number of 520 units, all our
17 ships are small. We're less than 400 units. And having that
18 increase is going to be -- increase our costs for calculating
19 the pilot charge. So, MOL is a global leader in transporting
20 chemicals and oil and we believe in obviously safety. So,
21 making a safer port, like everything with the deepening and
22 widening does not affect us because, again, we call Dow
23 Freeport. So, it's not coming into the equation for us.

24 So, we're just -- we want -- we are hoping
25 that, you know, you can come on the understanding that a lot

1 will hear from WGMA later today or this morning. So, I just
2 will be very brief with public comments.

3 If there's one point that was universal, a
4 strong consensus from all of our diverse members, almost
5 200-plus, was the duration of this application. We're in the
6 middle of a pandemic and sadly we think that there could be
7 another wave coming with the COVID. A five-year deal is just
8 unrealistic. We acknowledge that the dispatch center has
9 brought value. We acknowledge that they provide a valuable
10 and essential service. Our companies that are members, the
11 majority have plans for expansion in the west Gulf and in
12 many cases here in Freeport. But those plans are put on
13 hold, most of them. They're ready to go but they're put on
14 hold because we just don't know what's going to happen.

15 So, if there's one point to make at the
16 beginning here is we respectfully ask, please, not a
17 five-year deal. In theory, if you approve a one-year
18 adjustment, the pilots can come back in a year. We'll have a
19 better picture and we can re-address it. Let's say
20 hypothetically you go with two years. In just 18 months, a
21 year and a half from now, they can make their rounds, make
22 their presentations, there's discussions and we can come back
23 and re-address it. But, please, respectfully not a five-year
24 deal. It's just not a good time. Thank you.

25 CHAIRMAN PIRTLE: Thank you, sir. That's all

1 of these charges are unwarranted at this time. And I thank
2 you for your time.

3 CHAIRMAN PIRTLE: Thank you, sir. Jorge
4 Nunez.

5 MR. NUNEZ: Good morning, everyone. My name
6 is Jorge Nunez and I represent Mediterranean Shipping
7 Company, MSC. We are a container and car carriers that we
8 operate in the Port of Houston and Port of Freeport and other
9 Gulf Coast. I am also part of the board of directors for the
10 WGMA and we are here just to let you know that MSC is part of
11 the -- is a member of the WGMA and we have requested them to
12 represent us and object in this proposal as it has been
13 originally presented by them.

14 BPA -- because we understand that this is --
15 this proposal might not be the right time to be presented.
16 Rate increase, given the uncertainty that we are facing with
17 the pandemic and the economy as it is at the moment. It's,
18 in fact, not the right moment for this -- for this rate
19 increase. So, we have request the WGMA to represent us and
20 be our spokesperson on this objection. Thank you.

21 CHAIRMAN PIRTLE: Thank you, sir. Niels
22 Aalund.

23 MR. AALUND: Good morning, everyone. Niels
24 Aalund with West Gulf Maritime Association. Mr. Chairman,
25 commissioners, port staff, industry stakeholders, pilots, you

1 we have on the list for public comment. As noted on the
2 agenda, we are going to go into executive session for a
3 little bit to discuss options with our attorneys. With
4 that --

5 MS. SAATHOFF: Legal matters, yes.

6 CHAIRMAN PIRTLE: Legal matters, yes.

7 MS. SAATHOFF: Not legal proceedings.

8 CHAIRMAN PIRTLE: It is 8:52 right now and we
9 will recess.

10 MS. SAATHOFF: We're going to retreat to.

11 CHAIRMAN PIRTLE: Retreat, however you want to
12 put it. So, we're leaving the open session and we'll be
13 going into executive session and come back in a little bit.
14 Thank you.

15 (Recess from 8:52 to 9:30)

16 CHAIRMAN PIRTLE: It is 9:30 and we will
17 reconvene back into open session. At this point, I will ask
18 for each of the parties to make their appearances. Please
19 identify yourself. Odfjell.

20 MR. HONEYCUTT: Here.

21 CHAIRMAN PIRTLE: Representative still here?
22 Your name, please, sir, again for the record.

23 MR. HONEYCUTT: Jared Honeycutt, port
24 operations manager for Odfjell USA.

25 CHAIRMAN PIRTLE: Thank you, sir. West Gulf

1 Marine.
2 MS. SAATHOFF: Maritime.
3 CHAIRMAN PIRTLE: I'm sorry. Maritime.
4 MS. LARMOND: Shareen Larmond with West Gulf
5 Maritime Association, president.
6 CHAIRMAN PIRTLE: Thank you.
7 COMMISSIONER KRESTA: What was the first name
8 again?
9 MS. LARMOND: Shareen.
10 COMMISSIONER KRESTA: Shareen. Okay. Thank
11 you.
12 CHAIRMAN PIRTLE: And then BPA, Brazos Pilots
13 Association.
14 CAPTAIN BLANTON: Daniel Blanton, president
15 Brazos Pilots.
16 MR. MOORE: I'm Randy Moore. I'm one of the
17 attorneys for Brazos Pilots Association along with Paxton
18 Crew.
19 MR. CREW: Good morning.
20 CHAIRMAN PIRTLE: Thank you. Matters to be
21 heard are the Brazos Pilots Association's request for six
22 rate adjustments. The first is to institute a per vessel
23 movement line item surcharge for communication/dispatch
24 service consisting of a base charge of \$65 plus a unit charge
25 calculated as units multiplied by the factor .18 to cover the

1 pilotage rules and procedures adopted by the Pilot Commission
2 in June of 2017 will apply to this public hearing and ensure
3 that all participants will have a fair opportunity to present
4 to the Pilot Commission their respective positions on the
5 rate application pending before the Pilot Commission, along
6 with supporting materials, testimony, or evidence and to
7 ensure that the rate hearing will proceed in an orderly and
8 expeditious manner, consistent with due process, applicable
9 law, and with the public interest.
10 I note that the Brazos Pilots Association has
11 objected to WGMA's standing to file objection to this
12 proceeding. In addition, the Brazos Pilots has objected to
13 exhibits and witness list of WGMA. We will consider these
14 matters prior to opening statements of the parties.
15 I ask the court reporter to keep track of all
16 exhibits. I also ask that Mr. Letourneau keep track of the
17 time allocated to the pilots and the objecting parties.
18 Judge John Ray Gayle -- J. Ray Gayle --
19 sorry -- is present today as an advisor. As presiding
20 officer, I will receive all objections and confer with Judge
21 Gayle. I will then rule on each objection. Please make your
22 objections brief and to the point. Time spent objecting will
23 be allocated against the time allotted today to that
24 respective party.
25 When a witness responds to any questions from

1 costs and expenses of providing a state-of-the-art dispatch
2 service. It would be effective in 2021.
3 Second, adjust the education fee to a charge
4 consisting of a base charge of \$10 plus a unit charge
5 calculated as units multiplied by the factor of .03 for
6 continuing education and training for pilots and pilot boat
7 operators. Also effective in 2021.
8 Third is extend the draft charge table to
9 include vessels with drafts greater than 42 feet. Effective
10 in 2021.
11 Fourth is continue the per vessel movement
12 line item surcharge for pilot transport service (boat fee) to
13 cover the construction and acquisition of a second pilot
14 boat. The current charge consists of a base charge of \$100
15 plus a unit charge calculated as units multiplied by the
16 factor .11.
17 Fifth, institute a minimum charge based on
18 actual vessel size rather than a set fee. The minimum draft
19 proposed is 25 feet and proposed minimum units is 520 units.
20 Effective 2022.
21 Sixth is increase the units charges, draft
22 charges, detention charges, and holding charges by 3 percent
23 a year for five years to cover the cost of additional and
24 necessary personnel. Effective 2022 to 2026.
25 The procedures included as Exhibit H of the

1 members of the Pilot Commission or cross -- to
2 cross-examination by the other party, time to respond shall
3 not count against the time allotted to the responding party.
4 Time spent cross-examining the other party shall count
5 against the time allotted to the cross-examining party.
6 We have received three timely objections on
7 behalf of the objecting parties: One by Odfjell USA, one by
8 Stolt Tankers, and one by WGMA. Do the pilots have any
9 objection to the participation of these three objecting
10 parties?
11 MR. MOORE: Mr. Chairman, Randy Moore on
12 behalf of the Brazos Pilots Association. Yes, we do have
13 objection to the participation at this point of Stolt and the
14 participation of the other objecting party. I can't even
15 remember what their name was.
16 CAPTAIN BLANTON: WGMA or Odfjell?
17 MR. MOORE: WGMA we've objected to already in
18 writing. Odfjell did not submit an exhibit list. Odfjell
19 did not submit any sort of witness list. So, I don't believe
20 that they can participate. With regard to Stolt and WGMA,
21 you've heard from several people during the public session
22 and they have said that they are objecting and that they are
23 members of WGMA. We would further object to WGMA's
24 participation because under the Administrative Code, they --
25 by publicly speaking they've waived their right to present

1 the evidence that they would have been entitled to present
2 had they complied with the Port's procedural rules. They did
3 not. The only objection that you could consider would be
4 Odfjell's but they have -- as I've said, they've not
5 submitted any witness list or any exhibit list. So, I don't
6 know what they would present to you.

7 With regard to WGMA, we pointed out in writing
8 in our original objection that WGMA is not a person with an
9 interest in this rate application nor can they be. WGMA owns
10 no ships. WGMA operates no ships. WGMA pays no pilotage
11 fees. WGMA has never gotten a bill from the pilots. They
12 have no interest in the rate application. And to the extent
13 that WGMA tries to appear on behalf of anonymous members who
14 ostensibly object, our due process rights are severely
15 impacted by their failure to identify any specific member who
16 might object. Because had they identified any specific
17 member, then we could have seen what evidence that objecting
18 member wanted to present to you. In this instance, we've
19 seen none from any objector other than Odfjell. And then
20 with regard to the ability to cross-examine anyone who might
21 be an objecting member, which is our right, we don't get to
22 do that because they've refused to identify those objecting
23 members. And, in fact, the board specifically requested that
24 they do -- did so and they didn't. So, we're going to object
25 on that basis, that they have no standing, they are not a

1 So, one of the other reasons that we object --
2 and I realize this is counting against my time -- is you
3 should not allow these parties to have two bites at the
4 apple. You saw these people sign up for public comment and
5 they got up here and they made their objection during the
6 public comment portion. It would be patently unfair and a
7 violation of your procedural rules to allow them now to sneak
8 in the back door and get a second bite at the apple by saying
9 the same thing. Niels was up here talking during the public
10 comment portion. He's listed as a witness on WGMA's
11 late-filed witness list. Judge Gayle will be able to advise
12 you on whether or not it would be proper to now allow them to
13 call him during the evidentiary phase. My position is it's a
14 clear violation of your procedural rules and the
15 administrative rules.

16 In that regard, I think those are my
17 objections. I would also point out that each one of the
18 speakers during the public comment phase each said that they
19 were WGMA members or board members in some instances and that
20 they have visited with WGMA. They have asked WGMA to speak
21 for them; yet, just as we pointed out in our objection, that
22 each objecting member of WGMA has the right to object because
23 they may be a party or a person with an interest in this rate
24 application. As I said before, WGMA is not. But they didn't
25 avail themselves of your procedures. They didn't timely file

1 person with an interest in the rate application.

2 The second objection that we presented to
3 WGMA's participation is pursuant to the procedural rules that
4 were adopted -- I believe y'all adopted them for this
5 particular rate hearing October 16th -- exhibit lists and
6 witness lists, proposed exhibits, and proposed demonstratives
7 were to be served on both the board and all parties --
8 interested parties before 5:00 p.m., I think it was on
9 October 22nd. We timely filed all of our exhibits. We
10 timely identified all of our witnesses and we provided our
11 demonstratives. However, we did not get anything from WGMA
12 until approximately 10:00 o'clock that evening and it's late.
13 You gave us a deadline. We worked our rears off in order to
14 meet your deadline and they should not be rewarded for not
15 meeting that same deadline.

16 I do want to point out that WGMA in a response
17 and in a request for leave to allow -- have you allow the
18 filing of these admittedly late-filed witness lists,
19 exhibits, and exhibit lists, erroneously stated that BPA had
20 not timely filed its pilot financial report. That's
21 absolutely untrue and it's evidenced by the fact that you've
22 got, Mr. Chairman, BPA's filed financial report and you got
23 it a little after 5:00 o'clock on October 19th, which is ten
24 days prior to today, which is required by -- I think it's
25 Section 68.068 or 68.067 of the Texas Transportation Code.

1 any objections. They didn't timely serve or exchange any
2 witness lists or any exhibit lists with us. But they got up
3 here and made their objections. If they're not going to
4 follow your procedures -- and I do want to remind you what
5 they said is not evidence. It's merely public comment. I
6 want to remind you again, your procedural rules apply to all
7 of us and that they should not be allowed to come back in the
8 back door and present anything more at this point.

9 I also wanted to point out that one of the
10 objecting parties doesn't even call on this port anymore. It
11 is absolutely amazing to me that a fellow from MSC would show
12 up here -- he doesn't even have a dog in this fight -- and
13 try to influence you and tell you that he's objecting to this
14 rate application when he's clearly not a person with an
15 interest in the rate application.

16 One last thing and then I'll close with regard
17 to our objections. I walked in your door. I saw Port
18 Freeport is global. Port Freeport is rolling. Port Freeport
19 is growing. All you've heard is argument that we don't want
20 the future. We want to stay stagnated in the past. We love
21 what the pilots are doing but we didn't ask for updated
22 dispatch. We didn't ask for the port widening and deepening
23 project. We're not asking for more efficient pilots. We
24 didn't ask for anything. We love it, but we don't want to
25 pay for it. And that's all you've heard.

1 So, I would like -- once we get a ruling on
2 our objections, then I have some other procedural matters
3 that I would like to take up with the chairman as well.
4 Thank you.

5 CHAIRMAN PIRTLE: Thank you, sir. Do any of
6 the objecting parties have a response to the pilot's
7 objections?

8 MS. LARMOND: Good morning, chairman and
9 commission. My name is Shareen Larmond with West Gulf
10 Maritime Association. And as you've heard, the pilots --
11 Mr. Moore's objection to our standing, I just would like to
12 say -- and be brief about this -- that in 2017 they brought
13 up the same exact arguments and, yet, this body responded
14 with allowing us to represent our members before you in their
15 pilot rate increase request at 2017. They have not brought
16 forth any new evidence. The law, which is the U.S. Supreme
17 Court's ruling in 1977 in Hunt versus Washington State Apple
18 Advertising Commission stated and established associational
19 standing is legitimate and as long as our individual members
20 have standing -- an individual standing and as long as it's
21 germane to our purpose, we are allowed to represent our
22 members in association fashion. You've heard from our
23 members. And you've heard some of the process that we have
24 gone through to ensure that we provide our members with a
25 voice, which is germane to our mission.

1 In regards to new evidence -- I'm sorry --
2 the -- Mr. Moore also stated that we do not pay service fees,
3 et cetera. But like I stated, this has already been
4 discussed with the Supreme Court case. They also have
5 submitted evidence, Exhibits 5 through 12. Some of those
6 individuals that they brought forth as supporting their
7 application, they, too, do not pay pilotage or any kind of
8 benefit from the pilots. But, yet, they were able to bring
9 forth exhibits to amplify the reasoning for their pilot rate
10 application.

11 Yes, we did admit that it was -- our exhibit
12 list and witness list was filed later that day on
13 October 22nd; however, the pilots did say -- or Mr. Moore did
14 attest that the chair received the financial information on
15 October 19th. However, the statute does say that it's not
16 just the chair but also all interested parties must also
17 receive it on October 19th and that was not done. So, none
18 of that was brought forth until October 22nd, which was the
19 first time that any interested party, according to the
20 statute, even saw the financial information.

21 So, I'll limit my comments to that. We've
22 provided information and briefs and motions and responses
23 attesting to our ability to stand before you on behalf of our
24 members in regards to the pilot rate application and I look
25 forward to your ruling.

1 CHAIRMAN PIRTLE: Thank you. Do we have any
2 other objecting parties' response? Judge Gayle.

3 JUDGE GAYLE: Regarding the standing issue,
4 WGMA does have standing to present the named parties and the
5 ones that requested them to make an appearance on them here
6 in court today -- or here in the procedure today. That
7 includes, as I understand it, Stolt, Dole, MOL, and MSC. So,
8 the request to quash their appearance on lack of standing as
9 to those parties is denied. They do not have any standing to
10 represent any of the unnamed parties. That long list of
11 their members, which is not required as it was required in
12 the Hunt case that you're talking about, counsel, the U.S.
13 Supreme Court case. That was a case in which all of the
14 apple growers and all of the apple people that were trying to
15 ship their products were required to join this trade
16 organization. That was a state entity that required this.
17 That's a different situation. I don't think that trade
18 entity or trade organization applies in this instance because
19 all the people that your -- you have members, does not
20 include everybody that uses the Port of Freeport. Plus a lot
21 of these people don't use the Port of Freeport. So, their
22 standing will be limited to those people that were requested
23 here today or Stolt or Odjfell who, I think, did reflect that
24 in your objections.

25 Regarding the late filing of the exhibits.

1 This is a procedural hearing. This is not a trial in which
2 you've got the Rules of Civil Procedure and they issue
3 automatic sanctions except for good cause for late filing.
4 So, this is a discretionary matter. Burden of proof in this
5 is a reasonable man standard as to what goes in and what
6 doesn't go in. Everybody has had exchange now at this point.
7 All of the exhibits or all the late filings of the exhibits
8 by both sides but mainly the one by the defendants -- excuse
9 me -- not the defendants -- by the --

10 MS. SAATHOFF: Objecting parties.

11 JUDGE GAYLE: What do we call them?

12 MS. SAATHOFF: Objecting parties.

13 JUDGE GAYLE: -- objecting parties, they'll be
14 allowed as will your late filing of whatever the financial
15 documents, Randy, if they were late. There's not going to be
16 any surprises on that. There won't be any documents or any
17 witnesses allowed to testify that were not presented. I'm
18 not going to let some witness come up here that wasn't listed
19 at some point and I'm not going to let any documents in that
20 have not been exchanged. So, I think that covers all the
21 rulings on that. That's my recommendation, counsel.

22 CHAIRMAN PIRTLE: Thank you, sir.

23 JUDGE GAYLE: Not counsel but Mr. Chairman.

24 Excuse me.

25 CHAIRMAN PIRTLE: Sir?

1 JUDGE GAYLE: I said counsel but Mr. Chairman.
 2 CHAIRMAN PIRTLE: Thank you, sir. All right.
 3 With that, in regard to Odfjell and Stolt, do you have any
 4 comments on those two?
 5 JUDGE GAYLE: No.
 6 CHAIRMAN PIRTLE: Regarding Judge Gayle's
 7 advice, it's my decision that Odfjell USA does possess a
 8 legitimate interest as an objecting party and may participate
 9 in this hearing. Odfjell USA has indicated West Gulf Marine
 10 (sic) Association will be representing their interest and has
 11 been identified as a witness by WGMA.
 12 My decision on Stolt Tankers, they do possess
 13 a legitimate interest as an objecting party but Stolt Tankers
 14 did not file an exhibit list, exhibits, or witness list and,
 15 therefore, will not participate in this hearing.
 16 It is my decision that WGMA does possess a
 17 legitimate interest and may participate in this hearing.
 18 It's my decision that exhibit lists, exhibits,
 19 demonstratives, and witness lists of the West Gulf Marine
 20 Association and Odfjell Tankers can be admitted into evidence
 21 and may be -- may participate in this hearing.
 22 Any other comments?
 23 MS. SAATHOFF: Stolt, they didn't submit any
 24 records but they're here.
 25 *(Discussion off the record)*

1 JUDGE GAYLE: Stolt will be allowed to
 2 participate in the hearing through their representative,
 3 WGMA. But they'll not be allowed to present any evidence.
 4 Their representative will have the right to cross-examine.
 5 That's WGMA. But if Stolt does have an attorney here and
 6 they want to cross-examine, not both lawyers -- both sides,
 7 WGMA and Stolt, will not both get to cross-examine. That's
 8 two bites of the apple. They can't do that on
 9 cross-examination. But technically speaking, they will be
 10 allowed to participate in the hearing through WGMA. That's
 11 my recommendation.
 12 MS. SAATHOFF: So, you adopt that
 13 recommendation.
 14 CHAIRMAN PIRTLE: Yes. Based upon that --
 15 different than what I said a minute ago. We will adopt that
 16 recommendation and Stolt can participate if they have an
 17 attorney present.
 18 MR. MOORE: In that regard, Mr. Chairman,
 19 might I ask -- Randy Moore again for BPA. We've already
 20 heard from Stolt during the public comment portion of this
 21 hearing. So, they've already been allowed at least one bite
 22 at the apple to present their arguments. I understand Judge
 23 Gayle's recommendation that certainly they can't produce any
 24 evidence or admit any exhibits but through WGMA they be
 25 allowed to cross-examine BPA's witnesses. But I would ask

1 that the WGMA and that its time be reduced by 20 minutes.
 2 They had four representatives up here essentially making
 3 arguments to you out of turn is really what it amounts to.
 4 And so, they've already had a 20-minute bite at this
 5 particular apple and I move that their time be reduced
 6 accordingly.
 7 CHAIRMAN PIRTLE: That's --
 8 MS. SAATHOFF: You might want to confer.
 9 JUDGE GAYLE: That's denied, Randy. And the
 10 reason it's denied is because all the opening statements are
 11 not one iota of evidence. Only the evidence is what's going
 12 to be presented by our witnesses under oath. So, that
 13 doesn't constitute anything and that doesn't -- none of
 14 that -- none of the opening statements are computed against
 15 the time. The time starts when you start presenting evidence
 16 and all the objecting parties have two hours collectively.
 17 So, all of the statements that were made cannot be considered
 18 by this panel as far as any evidence in making a
 19 determination on the rate increase in question.
 20 CHAIRMAN PIRTLE: It is my recommendation that
 21 we adopt -- it's my decision that we adopt that
 22 recommendation. Thank you.
 23 All right. Any other further comments on
 24 anything else? Okay. Do the parties have any other
 25 preliminary matters before we continue?

1 MR. MOORE: I do for BPA. I would -- given
 2 the recommendations made by Judge Gayle and the chairman's
 3 adoption of those recommendations and the rulings with regard
 4 to the exhibits proffered by WGMA, I would move on behalf of
 5 BPA at this time that our premarked exhibits be admitted into
 6 evidence. I still have objections to WGMA but understand the
 7 chair's ruling. I think it would be more efficient just to
 8 admit all of the exhibits at this time so that we can
 9 streamline the future proceedings.
 10 CHAIRMAN PIRTLE: Any objections from the
 11 other party to that?
 12 MS. LARMOND: No objections.
 13 CHAIRMAN PIRTLE: Very good. We adopt the
 14 recommendation that all exhibits be accepted into the
 15 record -- admitted into the record. All right. Thank you.
 16 All right. Just for clarification, Texas
 17 Transportation Code 68.067 requires the board to consider
 18 seven matters specifically: Characteristics of the vessels
 19 to be piloted; costs to the pilots to provide the required
 20 pilot services; the effect, including economic factors
 21 affecting the shipping industry in the area that the
 22 granting, refusal, or modification of the application would
 23 have on Brazoria County ports and the persons residing in the
 24 board's jurisdiction; an adequate and reasonable compensation
 25 for the pilots and a fair return on the equipment and vessels

1 that the pilots employ in connection with the pilot duties;
2 the relationship between the pilotage rates in the Brazoria
3 County ports and the rates applicable in other ports of this
4 state; the average number of hours spent by a pilot
5 performing pilot services on board vessels and all pilot
6 services; and the average wages of masters of United States
7 flag vessels that navigate in the board's jurisdiction for
8 which the pilotage rate is going to be established.

9 Each side will have two hours in this case --
10 in its case cumulative unless the commission finds good cause
11 to extend such time. We will start with the pilots. You are
12 free to use the time as you see fit by making an opening
13 presentation, calling witnesses, offering exhibits, and/or
14 making a closing argument. Each witness is subject to
15 cross-examination by the other side. Pilot -- the pilots
16 have the right to make the first opening statement and the
17 last closing statement. There will only be one attorney for
18 one witness. So, you have to figure out who that's going to
19 be. For the pilots, who will be speaking in this hearing?

20 MR. MOORE: As the attorney, I will be at the
21 beginning, Mr. Chairman.

22 COMMISSIONER KRESTA: State your name.

23 MR. MOORE: Randy Moore.

24 COMMISSIONER KRESTA: To the mic.

25 MR. MOORE: And the pilots -- at this point in

1 need to make a decision are we going to be the small port
2 that we were or the large port that we're planning on being?
3 So, when we started talking about the
4 deepening and widening project, you know, we had our
5 preliminary designs. We talked about our future, what we
6 wanted to do and we bought into that as pilots. And in order
7 to bring the project to the fruition, the deepening and
8 widening project, we went to our voters. And we made a
9 proposal for an investment into our future. There's two
10 people in this room that articulated that vision -- one of
11 them is sitting up there with you and the other one is here
12 with me -- when we went to the Chamber of Commerce, the ABC
13 contractors, the -- we went to churches. We went to rotary
14 clubs. We pitched this vision of the future to the citizens
15 of Brazoria County to make this investment into our future.
16 I took that personally. I believe in it. I'm in. And then
17 once we got it passed, I had to start developing our business
18 to make sure that we maximized that return.

19 A lot of things you hear from the objecting
20 parties and you're going to hear are we didn't ask for this
21 deepening and widening. We were happy with the service. And
22 the hard part for me is these are some of our oldest
23 customers. I mean, Dole has been here forever. Odfjell,
24 Stolt, these guys have been here with Dow from the beginning
25 and they buoyed this port when no one else was here. And

1 time, I'm going to call Captain Daniel Blanton to make the
2 presentation on behalf of the pilots. And our opening
3 statement, he'll make that as well.

4 CHAIRMAN PIRTLE: Before we begin on that, I'm
5 going to ask if we need to take a quick break? Is everybody
6 good here? Everybody okay?

7 MS. SAATHOFF: Uh-huh.

8 CHAIRMAN PIRTLE: With that Mr. Blanton, if
9 you would, please, sir. And identify yourself. The time is
10 10:00 o'clock.

11 **DANIEL BLANTON,**
12 having been duly sworn later in the proceedings, testified as
13 follows:

14 CAPTAIN BLANTON: So, thank you, Chairman.
15 Thank you, maritime partners and everyone here. So,
16 Freeport -- go ahead.

17 CHAIRMAN PIRTLE: The judge is trying to --

18 JUDGE GAYLE: I couldn't see you.

19 CAPTAIN BLANTON: No worries. So, Port
20 Freeport is growing. That's our story. There's massive
21 infrastructure projects in place for the terminal operators.
22 We have a massive infrastructure project going forward with
23 the Port of Freeport deepening and widening project. And a
24 major part of that infrastructure is our ability to maximize
25 its utilization and that's why we're here today. It's we

1 it's true, that the growth in this -- they already have
2 nighttime operations. They have been operating without
3 deckhands for years. They didn't need the big boats. They
4 don't need to go further offshore. They don't need the
5 draft. But at some point we made a conscious decision to
6 move this port forward.

7 You know, the majority of their complaints are
8 on the minimum charges. And we'll go through it in a little
9 bit to explain, you know, why we're moving in that direction.
10 But you can't argue with their point. They've operated here
11 for decades and they are integral to our past. They're
12 integral to our future. And them staying in Port Freeport is
13 very important because we've got to be as robust as possible.
14 We have got to have all of these market segments covered.
15 We've got to have the car carriers. We've got to have the
16 container ships. We've got to have the chemical ships.
17 We've got to have the car carriers. We've got to have the
18 crude oil. We've got to have the LNG. That diversification
19 of our vessel portfolio is what is going to make us robust
20 across all -- you know, no matter if it's a pandemic or what.
21 That's how we're going to stay economically viable. That's
22 how the taxpayers are going to get their return on their
23 investment.

24 So, their concerns are legitimate. I won't
25 deny that. But I will show you and prove to you that the

1 impact that it has on their overall business model and the
2 economics of Port Freeport going forward and you balance that
3 out against some of our biggest corporate citizens and their
4 capital investments and their real property tax values that
5 we've leveraged to move this port forward, they have an
6 interest as well.

7 So, that's my opening. So, here we are. This
8 is what we're asking for. You've already been through it.
9 The proposed changes, the communications fee. 2017 we've
10 identified this it's something we had to sort. In order to
11 compete on a global stage and even more locally in the
12 western Gulf region -- Houston, Sabine, Galveston -- they've
13 all got these communication hubs. And a lot of you have the
14 history on what we tried to bring into fruition to develop
15 this, to make sure that this port was set up to have the
16 command and control, to have safe and efficient piloted
17 services. We went through several iterations but this is
18 where we landed.

19 It was denied in 2017. We wanted to see,
20 could we have proof of concept? What were the costs going to
21 be? We partnered with the industry. We developed a plan.
22 We developed a strategy and we implemented the dispatch
23 system that currently employs five people, all Brazoria
24 County residents. These are young women that have families
25 that didn't have jobs before now and have a stable income

1 throughout the pandemic. That's five Brazoria County jobs.

2 If you look at some of the support letters
3 that we have, you know, they say why isn't industry paying
4 for this. Well, the industry that they're talking about, the
5 people that sent us the support letters, that's Dow Chemical,
6 that's Freeport LNG, that's Phillips 66. That's the Sweeny
7 refinery. That's the NGLs. And as much appreciation as I
8 have for what Stolt and Odfjell and all of them do in our
9 community, with the exception of Dole, there's no Stolt
10 offices here. There's no Odfjell offices here. Their
11 interests are on the short term. They need to come in and
12 get out as cheap as possible. And some of us have to play
13 the long game in how we're going to develop this channel and
14 some of us are using the resource as best as they can and at
15 as cheap as a cost as they can. And that's the mindset that
16 we're debating. That's what the -- we're trying to thread
17 the needle between two different philosophies.

18 As a businessman, I get it. I'm sympathetic
19 to it. They do not need where Port Freeport is going. But
20 even with the stated objectors -- Odfjell represents
21 3 percent of the business in the port, maybe four depending
22 on how many ships they have. But in their stated figures,
23 it's 50 ships. That's 4 percent. Stolt is eight. Dole
24 would be another four and the Nordic tankers, that's 30
25 ships. That's 2 1/2 percent. This is an extreme minority of

1 the people that utilize our channel and they are valuable to
2 us. But that is the dynamic that you're talking about now.

3 So, the communications fees, we have support
4 letters from Dow. It vastly improves the efficiency at the
5 port. We've integrated the Coast Guard into this. You can
6 read the exhibit for the letter from the Coast Guard. The
7 ability for them to interface into our vessel movement
8 scheme -- because we've integrated the new gas services in
9 the Port Freeport, the NGLs for Phillips 66, and the LNG
10 ships, they're doing a lot of vessel escorts. The vessel
11 escorts are the same vessels that do search and rescue in
12 Brazoria County. Them being able to maximize the limited
13 resources they have for boat operators to operate those boats
14 directly impacts search and rescue efforts for Brazoria
15 County residents. That -- the ripple effect of what our
16 communication systems does across the board, even with
17 operating in the individual terminal bases to maximized
18 throughput, when you look at the -- a larger scale of how do
19 you shift the ports between Houston, Galveston, and Freeport,
20 having that information saves them untold amounts of money.
21 Dole objected.

22 One of my -- I have an E-mail from Chris from
23 a couple of weeks ago that he was complaining to me. His
24 labor costs with his two crews are about \$12,000 to unload
25 that ship. I projected that the vessel would be at his dock

1 and I was ten minutes off in my assessment on what time that
2 ship would be at the dock. He was complaining to me that
3 because of my -- the ship was ten minutes late, through no
4 fault of our own, just from overutilization of the channel
5 with the tugboats and with the other traffic there, it
6 resulted in a 2200-dollar fine for him. In total what you're
7 talking about for him for a ship is \$136 a ship for the year.
8 For the year. If we put this whole thing in effect all the
9 way out to 2026, it averages to be \$136 a ship. That's
10 \$7,000 a year. You're talking about 35 minutes of time on
11 his labor side that we're trying to balance this out with.

12 So, those are the numbers when they tell you
13 30 percent, 40 percent. With the exception of Stolt, whose
14 total bill across all the -- all their ships, if this was
15 fully implemented and you annualize it over six years, you're
16 talking about \$18,000 a year for a hundred vessels to move
17 through here. So, that's the impact of the communications
18 fee. When you're talking about the day rates that you're
19 talking about on these ships, when you're talking about what
20 these business units cost to operate, what it cost to operate
21 an LNG plant, what it cost to operate your docks, what it
22 cost to operate Dow, these efficiencies we gain with dispatch
23 are measured in hours. It's the one commodity that's rarer
24 than anything and it's the one thing that's the hardest to
25 get. We give people time.

1 So, I'm going to skip over the increase in
2 pilotage rates. The second boat. The second boat is as
3 integral to safety as anything. We've shown you the vessel
4 and the assets that we're trying to get. We're moving more
5 pilots and we're moving them further offshore. The second
6 boat is imperative to the growth of this port. We are
7 phasing out a 36-year-old boat. We have one that's 19 years
8 with a 20-year life expectancy. We put \$125,000 into that
9 boat in lieu of replacement in order to maximize its
10 utilizations to get us to this point to decide our future of
11 what kind of port we're going to be.

12 Adding deckhands. We need to get the
13 deckhands for -- safety for what we're doing now. But as I
14 told anyone that would listen, I've articulated my vision of
15 what this port is going to be. And that's my position.
16 That's what I'm moving towards. But no one elected me. At
17 the end of the day, it's you guys that are going to decide
18 what this port is going to be. And that was a reality I came
19 to a couple weeks ago when you're trying to negotiate with
20 these guys. And I appreciate their position. But, you know,
21 when they start out with we're going to -- if we do this,
22 we're going to have costs in Houston. Well, in Houston
23 they're going to charge us a user fee for their deepening and
24 widening project. In Sabine, you know, they're going to
25 charge us by the tonnage. We didn't do that. We went to our

1 citizens and said we're going to articulate the future of
2 this port. We're going to ask you to pay for it. And then
3 for them to come in at this point and say, well, we didn't
4 ask for any of that, not only did we not ask for that but
5 we're going to have these costs in other ports, Freeport
6 cannot be in a position to subsidize the Houston ship channel
7 or the Sabine ship channel.

8 The second boat is necessary equipment to go
9 forward. Adding deckhands, that's necessary because if you
10 took the mindset that we're going to stay in the port that we
11 used to be, they already have 24-hour access. The ones that
12 we're talking about expanding for -- the LNG ships, the LPG
13 ships, the car carriers -- they're the most difficult jobs we
14 do. They take two pilots on every single one of those
15 because of their unique characteristics, they have restricted
16 visibility, they have huge wind loads, they're extremely
17 large vessels. In order to do those at night with two
18 pilots, you're talking about potentially 400 ships more
19 between all the units. Say half of those are night
20 movements. If you put two pilots on there, think about the
21 number of extra nighttime pilot transfers we're having to do.
22 That's what we're trying to capture for the safety culture of
23 Brazos Pilots moving forward with the deckhand.

24 Changes in education fees. Our education fee
25 was put into place to train four pilots, and it was

1 established decades ago. Since we were here in 2017, we were
2 four pilots and we were four employees. Currently we're six
3 pilots. We're six employees. If you enacted this measure in
4 full, we would be 21 people. 21 Brazoria County jobs is what
5 this rate request entails. That's five permanent
6 dispatchers, four deckhands. We have four boat captains, one
7 port captain who oversees all of that operations, an office
8 manager, and six pilots.

9 The minimum draft and minimum unit fees. This
10 is what we're -- well, the education fee. We have more
11 people to train. And our model in the past was we train to a
12 budget. What we're trying to move towards is we have more
13 people to train and we're going to train to a target and
14 adjust the budget to that.

15 The minimum draft, minimum unit fees is what
16 most people are complaining about today. The methodology
17 that I got is we had a fixed fee of \$1100. We're proposing
18 to move it to 1353. So, when we established this minimum
19 fee, we had a smaller boat and we were running to a sea buoy
20 that was 4 1/2 miles offshore. We're going to a larger boat.
21 We're going to run it further offshore. But even if we took
22 the position as static today, do you believe that it
23 represents a cost of \$1100 to run a 65-foot boat manned 24
24 hours a day 4 1/2 miles offshore? Or do you think a
25 representative value of the -- exclude pilots, exclude

1 everything else. What do you think it would cost to run a
2 65-foot boat 4 1/2 miles offshore on two hours' notice any
3 day of the week? I'm suggesting that it is closer to \$1300.
4 It's a 200-dollar difference.

5 Not putting the minimum charge in and vastly
6 shifting the vessel portfolio from a larger vessel to a
7 smaller vessel profile that is an unknown granted but the
8 Stauffer basin has a potential to do. That is what I was
9 trying to hedge against when we did the minimum charge.

10 Deep draft charge. There's no objections on
11 that. We're a 42-foot channel. We're going to 55. We have
12 to extend the draft fee zone. Next slide, please.

13 So, you'll hear today that they're growing.
14 They're going to get -- you know, why can't they do this all
15 out of growth. We're not only growing. Yes, we have an
16 uptick in ships. But we're asked to do more. We're asked to
17 change our basic operating procedures. If you look at the
18 history of this port, waivers were rare. Waivers were what
19 you did when you were outside of the norm. We were being
20 bombarded with waivers. And it's not just an administrative
21 thing, these waivers. They mean something. It means that
22 we're stepping outside what this channel was designed to do,
23 what this pilot organization was designed to do. We're asked
24 to do more. We're asked to do bigger ships. We're asked to
25 start completely new trades. We're -- we had dock

1 compatibility that we're constantly asked to stretch. In
2 that respect, we're growing. We're growing because we're
3 getting more people to come, which is a good thing. We're
4 growing because we're going to have an expansion of our
5 channel.

6 MS. LARMOND: Excuse me. I hate to interrupt.
7 But this demonstrative exhibit, I don't believe that
8 objecting parties received that.

9 MR. MOORE: This is argument. All he's doing
10 is illustrating what he's telling you.

11 MS. LARMOND: Yet, in the procedures it's
12 stated that information will be exchanged. You attested to
13 the fact that everything was exchanged.

14 CHAIRMAN PIRTLE: You will have an opportunity
15 to cross. Thank you. Please proceed.

16 CAPTAIN BLANTON: All right. So, number of
17 movements have gone up. Just generally if you look at the
18 types of vessels to be piloted in Freeport, it's one of the
19 things that you're asked to -- Freeport does everything save
20 cruise ships and the largest of the largest container ships.
21 There's no type of vessel that we're not piloting.

22 The deepening and widening project. This is
23 one of the main drivers for why we're here. The stone has
24 been dropped on the future of this port. And regardless of
25 who wins the election, regardless of the outcome of a global

1 pandemic, the waves of this deepening and widening project
2 are already here. There's a drilling rig out there doing
3 core samples in the channel that my guys are going around.
4 In December they're going to start doing the sheet piling.
5 It's already affected the cost of the real estate in Stauffer
6 Basin and how that affects me is that's where my shipyard
7 was.

8 Two weeks ago someone went in and bought our
9 shipyard. We lost access to our travel lift. How that
10 affects me, well, a six-hour repair in a shipyard that I had
11 priority access to, we could use my labor to work in, now I
12 have to work out a deal to either go to Palacios or Houston.
13 A six-hour repair just turned into a two- or three-day event
14 for me to get the vessel over there. And I don't even have
15 the labor contracts to where if I can establish if I have to
16 use outside labor. It will affect my maintenance and repair
17 costs dramatically. That's all stuff I have to figure out.
18 But to pretend that we can't do a multi-year deal based on
19 what we're doing now and not take into consideration that the
20 change that we know is coming is unfair. To have the
21 position as stated in some of their letters of support that
22 is not indicative of our industry. Well, how do you compare
23 that with a horizon that we have that we know is coming?
24 This deepening and widening project we've already put our
25 money into. It's coming to fruition, and we've worked hard

1 for it.

2 What does it mean? We're going to move the
3 sea buoy another 4 miles offshore. It's going to be a
4 56-foot project depth. Q4 2022, Berth 8 comes online. The
5 addition of the Stauffer Channel, the widening in the
6 Phillips Bend, and the deep draft vessels.

7 Next slide. So, this is where we're at now.
8 To our sea buoy to the back of the Brazos Harbor 7 is
9 7.54 miles. Once the channel is increased, it will be a
10 12.62-mile channel. That's a 67 percent increase in our area
11 of operation. Any transportation industry that you went to
12 and you were told that you are now going to serve 67 percent
13 larger service area and to expect that you can do that
14 without a cost, it would be unfounded in my position. That's
15 what we're trying to move to where we're prepared for what is
16 coming.

17 Go to the next slide. You ask why are we
18 having to go that far out. So, I know there's some
19 conversations on where the Federal channel ends with the
20 Corps of Engineers but at the end of the day, the buoyage
21 system is going to be done by the Coast Guard. The Coast
22 Guard's factor -- if you can see what it is now, this is off
23 of my PPU. That's our sea buoy. We have six buoys and the
24 sea buoy. We have a 45-foot channel. 1.2 times of that is
25 54 feet. That's how they determine where that sea buoy goes.

1 That's how they determine where our channel is going to be.
2 55 feet times 1.2 is 66. That ring right there is 4 miles
3 from our sea buoy. And that goes to 64 feet. Outside of
4 that is our pilot boarding area.

5 Four years ago a working group out of the Lone
6 Star Harbor Safety Committee noticed an increase in our
7 anchorage usage and they asked us to come up with a plan to
8 manage this. That drawing on the right, it shows our sea
9 buoy location. The pink circle is the pilot boarding grounds
10 and the anchorage circles that were proposed. This is just
11 waiting on the project to get done. To try to manage that
12 kind of an anchorage circle system without a dispatch system
13 is impossible to put into practice and it would be unsafe to
14 do so. You're not going to be able to manage the traffic
15 without these infrastructure improvements.

16 Next slide. Results from the two-year Fort
17 Velasco trial period. We managed to increase ship traffic.
18 We managed to increase daylight restricted ships. We managed
19 limited tug availability. It improved communications with
20 vessels offshore. Prior to the iteration now, a vessel would
21 come to our anchorage, there was no one there to answer the
22 radio to tell them do you have pilots, heave your engines,
23 start your engines, wake your crew up. There were massive
24 losses, inefficiencies without having that communications
25 nexus necessary. We've established what some of these hourly

1 rates are for labor. We save hundreds -- I'm not going to
2 quantify it. We save a tremendous amount of time by being
3 more efficient with this dispatch service. That's the
4 return. That's the ROI. That's the cost that it gives us.
5 Timeliness of labor orders. Provides a data
6 source for demurrage claims. It's not a question of what the
7 pilots are doing now. You can go on to our website.
8 Everyone in realtime can monitor their ships. We're giving
9 estimates on when your pilots are going to be on board and
10 you can forecast this hours and hours in advance.
11 Clarity of operations on the channel, improve
12 channel communications during port closures. We push out all
13 of the information when there is an interruption on the
14 channel, whether that be a hurricane, whether it be a fog
15 event, or some kind of other significant maritime casualty.
16 We send it out in E-mails. We send it out in text messages.
17 We've integrated the Coast Guard into this. We've integrated
18 the CBP into this. This is the command control for Port
19 Freeport. It is not meant to be a static organism. This is
20 meant to be an organic system that the users have input and
21 we make it better all the time.
22 The communications fee is not arbitrary as was
23 pointed out, the multiplier. It is designed to just pay for
24 the operation of the dispatch. It is not a
25 revenue-generating scheme. As traffic increases, that fee

1 would float down. And then when we looked at the fees
2 originally in 2017, the boat fee and the communications fee,
3 we propose flat fees. The reason those multipliers are in
4 there that they're complaining about is because we've shifted
5 all of our fees to a progressive scale to offset the cost of
6 the lower size operators. It's not pegged to CPI. It's --
7 you can't make the argument that in 2017 I shouldn't pay as
8 much as an LNG ship as I do to operate a smaller ship. And I
9 concede the fact. They've all got different margins and
10 everything else. But then it's disingenuous to come in in
11 2022 and say, well, why do you put this multiplier in there,
12 it's confusing? We did that to make the scale more
13 progressive until you shift those costs up to the larger
14 guys.
15 Current status of dispatch. Q1 2021 funding
16 expires for Fort Velasco Signal Station. What is Fort
17 Velasco Signal Station? We as pilots can only provide a
18 service that we are paid for through the tariff. We were
19 unable to come to an agreement on what communications should
20 look like in 2017 but industry and the board themselves,
21 everyone, you saw that there was still a need for this. So,
22 we created a third-party company. Me and three of my
23 partners are in it. We seeded the money for it. We went to
24 industry. We started this entity. We partnered with the
25 terminals. They paid to pay -- cover the operating costs.

1 The pilots paid for all the capital improvements, all the
2 equipment. All industry paid for was the five dispatchers
3 and the utility costs. And we said what is this going to
4 cost and what value is it going to provide? And it's
5 tremendous value.
6 And what we're trying to do is not go
7 backwards. We need to keep this moving forward. Dispatch
8 service began March, 2019. Pilot station, 24/7 dispatch.
9 Through a pandemic and God knows how many hurricanes we've
10 been through this year, we never shut down once. We haven't
11 had one day. We're mobile. They can evacuate and still take
12 orders.
13 Current subscription for dispatch, we have 118
14 people. We don't charge any of them. We don't plan on
15 charging anyone. If you have a legitimate interest in the
16 organization, if you have a legitimate interest in pilotage
17 and Port Freeport, you get access to this information. That
18 118 users does not represent the number of people that are
19 actually using that. I mean, for instance, the Coast Guard
20 is one user. They have dozens of people tied into this.
21 Port Freeport is one user. There's dozens of -- there are
22 hundreds of people that are depending on this service now.
23 The realized annual cost. Five dispatchers
24 with salaries, four hundred and thirty. Operating expenses,
25 fifty-six. The -- what we're targeting is the four

1 eighty-six. So, with the fee that we proposed, if it went
2 into effect using September's numbers with LNG already here,
3 with the car carriers already here, we would be \$50,000 short
4 of this figure. But we didn't want to propose a figure
5 because we are optimistic. We do see the growth. But we
6 can't quantify that. I don't know what it is. But I didn't
7 want to put a fee out there that generated this large number
8 and then we would have to adjust it down the following year.
9 So, we're targeting this and it's not a revenue-generating
10 scheme. We're trying our best to put it in place.
11 So, this is what we're talking about, the
12 proposed communication fee. Next slide. This is what
13 communications is going to cost. The smaller vessel, 195
14 units. It pays a hundred dollars. An LNG ship, 1400 units
15 pays \$320. So, there was two methodologies to do this. You
16 know, when it was a flat fee, it was \$225 across the board
17 for everybody. And last year they argued that wasn't fair.
18 So, now we put in the multiplier. You can see how it skews
19 the costs and they're complaining about that because it's not
20 a nonstandard or recognized system. It is what it is. The
21 projected revenue for 2019 based on this formula is three
22 ninety-nine. Annual budgets we're proposing to be reviewed
23 by this board annually. We're targeting plus or minus
24 5 percent of the operating budget and then if the traffic
25 shows up, the fee would go down.

1 Next slide. Increase in units and draft. So,
2 this is the 3 percent that we're proposing to institute to
3 cover the deckhands, cover our future growth, cover our
4 operating expenses. So, they say 3 percent is not a
5 realistic ask for a rate request. All factors being
6 considered, the 3 percent is only on a -- is excluding a lot
7 of our charges. The communications fee is excluded. The
8 transportation fee is excluded. The education fee is
9 excluded. So, what is the net effect of that? 2.45 percent
10 increase. They're arguing CPI is 1.5. So, you have
11 .9 percent on top of a CPI to radically expand our
12 capabilities in the night operations, to put deckhands on.
13
14 As I mentioned, in 2017, we were four pilots
15 and three pilot boat operators. Today we are six pilots. We
16 have a port captain and four pilot boat operators. Why did
17 we have to do that? Five, six years ago if we operated the
18 pilot boat for eight hours a day, six hours a day, we were
19 patting ourselves on the back saying congratulations. The
20 first quarter of this year we were routinely running those
21 pilot boats 18 hours a day. We could not stay within fatigue
22 management guidelines for those pilot boat operators and have
23 that kind of asset utilization on those boats, which drives
24 us to another point. At some point if you get to 24 hours
25 run time on your boat, you can gain huge efficiencies by
running a second boat. Those are some of the costs that

1 widened to have two vessels with a robust and redundant
2 capacity to provide pilot services. A 25-year-old boat that
3 is significantly smaller than what we're proposing would make
4 the port a less safe and less efficient place. We have got
5 to make this capital investment to move forward. This is the
6 future of our organization.
7
8 Acquisition of a second boat. Next slide.
9 Channel extensions, we've talked about that. Additional
10 vessel utilizations for pilot transfers in shore. So, we
11 intend to phase this in. In lieu of replacing our
12 19-year-old boat, we put \$125,000 into fixing the hull and
13 repowering it. To run that big boat from the jetties back up
14 to Brazos Harbor 7 we'll burn 30, 40 minutes of time because
15 it's so large and it throws a big wake. But offshore you
16 can't compete with its capability. Running the small boat in
17 shore there is an opportunity to increase our efficiencies by
18 a large measure. We plan on doing that. We have a port
19 captain who can run that small boat and then we can transfer
20 at the sea buoy and use the big boats to run offshore.
21 Eventually we'll phase in to running the two large boats.
22 That's the future I see. If -- if the deepening and widening
23 project goes through, if Brazos Harbor 8, whatever product
24 comes to fruition there -- there's a lot of unknowns. I
25 don't know what's going to happen with an offshore terminal
off of Freeport. I don't know what happens when Vopak

1 aren't being shown, that they're not talking about, not to
2 mention the 67 percent increase in our operating area.
3
4 Current boat fee. So, we had a
5 2 1/2-million-dollar projection in 2017 on how we were going
6 to acquire the asset. We came in on time. We came in on
7 budget. Most of you have seen the asset. The BRAZOS PILOT
8 is performing wonderfully. How does that make it better for
9 them? Why do they need bigger pilot boats? Well, bigger
10 pilot boats allow you to take more pilot boats out at one
11 time. So, you're gaining efficiencies by doing multiple
12 jobs. But more importantly than that, your operation windows
13 are significantly increased when you have a larger platform
14 to work off of. So, your number of weather delays are
15 reduced significantly when you have the assets required to go
16 do the work. You cannot provide efficient pilot services
17 without pilot boats. They're the most expensive asset that
18 we have and it's the one thing that you arguably, other than
19 the pilot, you can't do without. You have to have these
20 pilot boats.
21
22 Our payment is 17,912 a month. Again, this
23 boat fee goes into an escrow account. There's no revenue
24 generated. The pilots don't even see it. We report monthly
25 statements to this board. All of it goes to pay the
principal and interest. We are asking to do this in order to
be in a position in 2025 when this channel is deepened and

1 integrates into Dow. I don't know the nature and the
2 composition of the vessels that you're going to do at Brazos
3 Harbor 8. There's a lot of unknowns in there. But if the
4 trends continue to move and the channel is going to come no
5 matter what we do, I have to position myself to where we're
6 ready for the wave.
7
8 So you know that we're not going out and
9 buying some obscene monstrosity, the boat we're talking about
10 is 65, 75-foot, 18 to 21-foot beam, cruising speed of 28
11 knots. No less than what we have now and nothing
12 significantly larger. The largest driver on the cost of this
13 boat is not going to be the length but it's going to be the
14 engine packages and forecasting its purchase in 2025 or
15 whenever the payment is done. My hope would be to get this
16 boat delivered at or near the time that the deepening and
17 widening project comes to fruition. We want to restructure
18 the boat loan, if possible, and we want to take advantage of
19 a lighter -- smaller interest rate. We have a small window
20 to do that. Interest rates -- we're paying six and a half on
21 that. I don't know what I can get but I think we can do
22 better now if we can decrease our interest rates and move
23 that delivery date up and we can get this boat in service
24 sooner, that's what we need to do.
25
26 Next slide. So, we have the quotes. You can
see, they run the gamut. The 64 to 70-foot -- Metal Shark is

1 the one who built the boat currently. Costs run anywhere
2 between 3.2, 4.7. Breaux, we got quotes from them as well
3 just so you can see so we're not -- we don't want to be
4 pigeonholed into one builder. We want to find the best, most
5 practical project in the time frame that we're talking about
6 delivering it. So, they're not astronomical costs for this
7 boat compared to some of the capital investments made by
8 other pilot groups to provide a similar service. We think
9 the boat's costs are reasonable and in line and it's not
10 going out and spending frivolously on a boat. This is what
11 we need. We're not buying a Ferrari. We're buying a Ford
12 truck.

13 Education fee. So, as you can see, the
14 proposed education fee, it's moving from about a
15 30,000-dollar pool to a 60,000-dollar pool. We talked about
16 we had four pilots. We've gone to six pilots. We've gone
17 from three boat operators to four boat operators, a port
18 captain. And we're optimistic in the way this board is going
19 to rule and we're hopeful that we get the deckhands. Our
20 goal is not to train to a budget. Our goal is to train to a
21 target. We're going to expand the human capital that we have
22 in this company and we want to train to that standard. If we
23 go back to why are we doing these multipliers, the .03, the
24 smaller ships actually get a reduction in their price. The
25 education fee was a fixed fee of \$17.22. Instituting this

1 education fee as we proposed it with a multiplier, the
2 average bill of the ships is a 3-dollar increase. Some ships
3 go up. And then the LNG ships, the big gas carriers and the
4 big crude oil ships pay more. But to go from 17 to a
5 35-dollar bill for a crude oil ship, the fee is nominal and
6 arguably you can say that they are consuming more of a
7 resource.

8 Next slide. This is where the biggest
9 pushback of the people who have articulated their position
10 are today. And so, what we're talking about with adopting
11 the new minimum fee, where you had a fee that was in place
12 but was not tied to any vessel characteristic specifically is
13 we had a fee of \$1123.94. The methodology I came up with is
14 how much does it actually cost me to send that boat out
15 there? How much is it going to cost me to send a larger boat
16 out there further? \$200 is what I was talking about. \$200.
17 So, when they say, you know, a 20 or 30 percent increase over
18 the five years, we're talking about \$200 worst case scenario.
19 The majority of these shippers are talking about \$160 if you
20 amortize it out over six years. If you're operating 30 to 50
21 ships, we're arguing over between seven and ten grand. Stolt
22 is more than that. They do a hundred ships. You can double
23 at eighteen.

24 Compare that to the economic investment of
25 hundreds of millions of dollars we put our citizens on the

1 line for, for the billions of dollars in capital investment
2 that our community partners -- Freeport LNG, Dow, Phillips
3 66 -- the number of people they employ here, the number of
4 charities they donate to. My kids play softball here or
5 baseball here. When I look out on the fields, I see the
6 signs on back. It's Freeport LNG, it's Dow, it's LNG. Do
7 you know what I've never seen at a baseball field? A Stolt
8 sign, an Odfjell sign. And that argument may be petty but
9 it's true. This is our community. We've made our pitch. We
10 know where we're going in the future. And no matter -- this
11 is where I had catharsis over the last couple of weeks
12 talking to these people. You know, they make arguments
13 about, well, how is it going to affect their cost in Houston.
14 They have a different operating philosophy for Freeport.
15 They want it to be what it was, and I understand that.
16 They've been here. They're valued customers. I want them to
17 stay here. They were a part of our history, and I want them
18 to be a part of our future. But these investments are
19 necessary to move forward.

20 The minimum units and minimum drafts, that's
21 the large part of their argument. It's \$200. You understand
22 the methodology of why I wanted to do it. And I may be wrong
23 and I'll leave that for you to decide. But it was not
24 targeted at a specific business unit. It was to hedge
25 against the unknown and to make sure that when we go out

1 there we're at least covering the minimum costs it cost to
2 provide the service. You know, they brought up why aren't
3 these other people -- why aren't -- could you imagine
4 yourselves as Brazoria County residents, a company coming
5 into our community and arguing what has Dow Chemical done for
6 you? It's absurd. What has Freeport LNG done for you? I
7 saw Phyllis' slides. I know how we've leveraged their tax
8 base, not to mention all the other things they've done in our
9 community. You go into the local hospital, there's an LNG
10 wing in there. There's no Stolt wing in there. There's no
11 Odfjell wing in there. Deep draft charge, that's the future.
12 That's why we did all this, to get deeper ships in. That's
13 it.

14 CHAIRMAN PIRTLE: Very good. Thank you, sir.

15 COMMISSIONER HOSS: Mr. Chairman?

16 CHAIRMAN PIRTLE: Yes, sir.

17 COMMISSIONER HOSS: One minor question for
18 Captain Blanton. The draft portion fee of your fee charge,
19 is that a linear -- in other words, just -- it's by the foot
20 or is it a computed with a --

21 CAPTAIN BLANTON: It's fixed 42 feet and then
22 it goes up from 42 to -- what did we say -- 52, Phyllis?

23 COMMISSIONER HOSS: For every foot it
24 increases, it increases a certain amount?

25 COMMISSIONER KRESTA: Commissioner Hoss, point

1 of order, say who is talking right now for the court
2 reporter, please.

3 COMMISSIONER HOSS: I'm sorry. Commissioner
4 Hoss is asking the question. Thank you.

5 CAPTAIN BLANTON: It does not change up to
6 42 feet.

7 COMMISSIONER HOSS: It's just a fixed fee?
8 CAPTAIN BLANTON: After 42 feet is a linear
9 increase.

10 COMMISSIONER HOSS: Thank you.
11 CAPTAIN BLANTON: But it is a linear increase.
12 So, you don't -- you don't just get hit at 42 feet. So --
13 and I -- I would note one thing on this is I don't know for
14 sure what metric we used for the proposed -- and all this is
15 tied to the basic operating procedures, which we've
16 addressed. But the factor that we used in the past to
17 develop our minimum fee was 10 percent of the charted depth
18 plus 1 foot back to the ship. But it depends on what datum
19 you used. So, Phyllis and I have had a conversation. I
20 don't -- was it 50 or 51, Phyllis?

21 MS. SAATHOFF: We're going to 51 feet.
22 CAPTAIN BLANTON: She got more than I had
23 originally proposed and I yield that fact, just whatever it
24 is. We were -- we were different by a foot when we were
25 factoring the datum to be used. And I want to -- I don't

1 know at what point in the discussions that this was developed
2 but I will yield to the larger number that was discussed.
3 So, if you do implement it, make sure it goes to the draft
4 that you proposed. Does that make sense?

5 CHAIRMAN PIRTLE: Due to the mean low tide
6 versus mean low --

7 MS. SAATHOFF: Mean low low water, that's
8 correct. So, 51 versus 52, correct.

9 CHAIRMAN PIRTLE: Commissioner Pirtle.
10 Reminder, please state your name. We have people on the
11 phone and the court reporter is trying to keep track of who
12 is saying what. Thank you very much. And she doesn't know
13 us all.

14 Anyway, with that, cross-examination to the
15 objecting parties. Please state your name.

16 MS. LARMOND: Shareen Larmond with WGMA. Is
17 it possible to get a short recess so that we can get a copy
18 of the demonstrative exhibit that was displayed and further
19 examine it?

20 CHAIRMAN PIRTLE: I actually don't have a
21 problem with that. If we can take a short recess, that would
22 be great. So, five minutes and we'll be back. Thank you.
23 It is 10:45.

24 *(Recess taken)*
25 CHAIRMAN PIRTLE: We will reconvene at 11:14.

1 We were at the point of cross-examination. Shareen, please.
2 MS. LARMOND: Just procedurally, how do you
3 want -- do you want him also at the mic, at a different mic,
4 or do I just ask right here?

5 CHAIRMAN PIRTLE: That is a very good
6 question.

7 CAPTAIN BLANTON: I think they can hear me.
8 MS. SAATHOFF: That mic will probably --
9 COMMISSIONER SINGHANIA: Shane, I could not
10 hear the question.

11 CHAIRMAN PIRTLE: The question was how
12 procedurally they would cross-examine and then how Daniel or
13 Mr. Moore would respond. And so, I think we can hear Daniel
14 all right. I think you'll be able to hear him on the mic.
15 Push it closer. All right. Please proceed.

16 **CROSS-EXAMINATION**

17 Q. (BY MS. LARMOND) For the record, my name is
18 Shareen Larmond with West Gulf Maritime Association. Hello
19 again. And so, mister -- Captain Blanton, I would like to
20 ask you a couple of foundational questions. Did you prepare
21 the Brazos Pilots application that's Exhibit 2?

22 CAPTAIN BLANTON: Can you show me what
23 Exhibit 2 is?

24 MR. MOORE: I certainly can, Captain Blanton.
25 MS. LARMOND: Before we go any further, are we

1 going to admit the demonstrative exhibit and if so --
2 COMMISSIONER KRESTA: Ma'am, talk up a little
3 bit, please.

4 MS. LARMOND: Are we going to admit the
5 demonstrative exhibit that was displayed and, if so, can we
6 do that as Exhibit No. 20?

7 CHAIRMAN PIRTLE: We can admit it as Exhibit
8 20. That's fine. It's a part of the process of explaining
9 what the rate increase is.

10 MR. MOORE: Absolutely. BPA has no objection
11 to marking the demonstrative slide as Exhibit 20 and we move
12 for its admission.

13 *(Exhibit 20 marked)*

14 A. Yes, I did. Exhibit 2 was your question, right?
15 Q. (BY MS. LARMOND) Yes. Did anyone else assist you
16 in preparing that document?

17 A. My partners did and with consultation from our
18 attorney, Randy Moore.

19 Q. Okay. Did you -- so, you prepared the Exhibit 1,
20 port-to-port comparison chart?

21 A. Our office manager compiled those figures.
22 Q. Did you assist in that preparation?
23 A. Yes.
24 Q. Okay. So, I would like to ask you a couple of
25 questions about the methodology and different facts and

1 figures that were used in Exhibit 1.
 2 A. Okay.
 3 Q. So, can you explain the methodology and information
 4 used to develop that exhibit, the port comparison chart,
 5 which is Exhibit 1?
 6 A. For Port Freeport, we used our tariff.
 7 Q. The current tariff?
 8 A. The current tariff.
 9 Q. Okay. And so -- go ahead.
 10 A. And then for each other ports we consulted their
 11 tariff to the best of our ability and compiled their tariffs.
 12 Where there is a strike, there couldn't be a true
 13 port-to-port comparison because, to my knowledge, those
 14 vessels do not have that trade in their port.
 15 Q. Okay. And so, what I would like to do is using the
 16 GOLAR KELVIN as example for my following questions under Port
 17 Freeport, what does that \$18,833 encompass? What goes into
 18 that?
 19 MR. MOORE: If I might, would you mind if we
 20 pulled up Exhibit 1 so everyone --
 21 MS. LARMOND: Not at all.
 22 MR. MOORE: -- can follow with your questions?
 23 Thank you, Missy. It would be BPA's exhibit.
 24 MS. BEVERS: Is this one it?
 25 MR. MOORE: Yes.

1 MS. LARMOND: Yes.
 2 Q. (BY MS. LARMOND) So, the last vessel, the
 3 \$18,833.06, what does that number encompass, just for my
 4 knowledge?
 5 A. That is the cost for that vessel to transit to and
 6 from Port Freeport with two pilots. That includes education
 7 fee. That includes the transportation fee.
 8 Q. Does it also include the draft charge?
 9 A. It's everything. The draft, the units. That is
 10 the total bill invoiced for a transit of the GOLAR KELVIN to
 11 the Freeport LNG facility in Freeport, Texas.
 12 Q. And so, how is the draft charge -- just breaking
 13 down some of the numbers and the elements that are in that
 14 number, how is the draft charge calculated?
 15 A. Okay. The draft charge is 32 -- 33 -- hold on.
 16 Let me get the exact number for our draft. \$33.79 per draft
 17 foot. So, as you go up 1 through 42, you charge \$33 -- the
 18 33-dollar fee. You then multiply that by the draft of the
 19 vessel and then you have a unit fee. The unit fee is based
 20 on the length and the width of a ship. You take the length
 21 and the width and it's not a direct measure of square
 22 footage. It is a proprietary value, an anomaly -- not an
 23 anomaly. It's a placeholder to determine an estimation of
 24 square area on the vessel and that's your units. So, you
 25 have the units divided by -- or multiplied by a value and

1 then you add the draft fee, which is the draft foot. So, if
 2 it comes in -- for like the GOLAR KELVIN would probably come
 3 in at 9 meters. So, you would multiply nine times 32 and you
 4 would get a fee. For the departure, it would probably leave
 5 at 11 meters. So, 11 times 32 and you get a fee. That is
 6 the draft fee that we calculate for Port Freeport. You add
 7 the draft fee to the unit fee and then that is the general
 8 tariff for the vessel to transit.
 9 In addition to that, we charge an education
 10 fee, which is currently a flat fee of \$17.22 per movement.
 11 We also charge a transportation fee. The transportation fee
 12 is a fixed of 100 and then a multiplier times the number of
 13 units. And that's how we determined what the transportation
 14 fee, education fee, and total fee is for a vessel to transit.
 15 In this case, the GOLAR KELVIN going to the Freeport LNG
 16 terminal.
 17 Q. Thank you for that. You've answered a couple of
 18 other questions that I had.
 19 A. I figured you were going that way.
 20 Q. So, for the unit charge that's in your proposal, do
 21 they have a minimum currently?
 22 A. The minimum right now is a -- it's not an arbitrary
 23 assessed value but it is a minimum charge. So, it's 1100 --
 24 \$1123.94 is our current minimum. So, it has no basis in what
 25 the length is, what the draft is. That is the minimum charge

1 that it costs to do a vessel in Port Freeport. But -- but
 2 that excludes the education fee and the transportation fee
 3 and if enacted, the proposed communications fee. So, that
 4 \$1100 is in addition to you have to pay the line fees in our
 5 tariff. That's how it works.
 6 Q. So, you said it was arbitrary?
 7 A. It's not arbitrary in the sense -- it's -- so, it
 8 is not tied to a function of the vessel.
 9 Q. How is it calculated? It's just a mandatory for
 10 all vessels?
 11 A. So, however many years ago they instituted this fee
 12 and based on what they thought it would cost to run our boat
 13 to a sea buoy, they assessed a value. And that's -- the
 14 problem with that methodology is it can get lost as you move
 15 through the years. So, if we -- my theory was that -- what
 16 does it cost me to run that boat offshore. And the value
 17 that we had stated on our tariff is \$1123.94. In reality, my
 18 estimation was that that value was closer to 1353.60. And my
 19 fear was that with the deepening and widening project and the
 20 institution -- or the recommissioning of the Stauffer Basin
 21 that we could get a large influx of these minimum charge fees
 22 that are currently not in our vessel portfolio.
 23 If you significantly shifted the vessel
 24 portfolio of Port Freeport from these larger vessels to
 25 smaller vessels and in theory you were losing \$200 every time

1 you went out there to get the boat, that's what -- that was
2 my entire mindset on the minimum charge. It was never
3 targeting a specific industry with the chemical carriers.
4 And I hope you guys know that. But my methodology going
5 forward was just that, what can -- what does it cost to run
6 these larger boats to the sea buoy now? What is it going to
7 cost to run these larger boats in the future? And to remain
8 in a position that we could take on these costs if they
9 showed up, a hedge, if you would, I proposed increasing this
10 from -- that was my target number. But how we did that was
11 is we looked at the tariff. And if you do 520 units and you
12 do 25-foot draft, you get 1353. So, we didn't go -- it
13 didn't start in the tariff and then work to a number. We
14 found a number that we thought was appropriate and then we
15 went into the tariff and we figured out how that was. It
16 wasn't -- it wasn't I'm going to target this specific vessel.
17 I wasn't going for a length and the width specifically. What
18 I was going for was a value that represented the true cost to
19 take that pilot boat 24 hours a day to that sea buoy. That
20 was the methodology. But -- and I'll concede that it hit the
21 chemical ships and it did.

22 Q. Okay.

23 COMMISSIONER KRESTA: Repeat that, please.

24 This is Commissioner Kresta.

25 A. It hit the chemical ships, the minimum charges.

1 rate increase.

2 But if you look at like the STOLT QUETZAL, if
3 we said -- my original methodology of going from 1355.60 to
4 1123.94 -- what is that, \$200? A little more -- a little
5 over \$200. That's what we're talking about raising the
6 minimum charge. The QUETZAL, because it's not completely a
7 minimum charge, the net effect was 195-dollar increase on
8 that ship. And I concede the point. But as you go up to a
9 larger vessel, that value comes up because the number of
10 units that you're increasing is diminished. So, the STOLT
11 QUETZAL is 130 -- let's do simple math. The STOLT QUETZAL is
12 200 units. But the STOLT SUN is 475 units. The impact of
13 moving the units to 520 on the STOLT QUETZAL is larger
14 because they're going from 200 to 520 as opposed to the STOLT
15 SUN or one of those that are closer to that 520. So, the
16 impact of the minimum charge is -- it shrinks as the vessels
17 get larger because -- and eventually they get to a point
18 where they're above 520 where it doesn't impact them at all.

19 Q. So, how many of the larger vessels are you seeing
20 in comparison to the smaller vessels unitwise?

21 A. I would say it depends on the year. So, for
22 what's -- do you want to go by company or do you want to go
23 by -- like for Stolt -- so, Odfjell is different from Stolt.
24 So, Odfjell, their smallest unit ship is 422 units. So, you
25 have a hundred unit difference between the new minimum charge

1 So, some of these guys are half in or half out. By saying --
2 we were trying to establish a 1353.60 and then going into our
3 tariff and seeing where that hit, some of the -- those fees
4 upcharge the chemical carriers' current bills.

5 Q. (BY MS. LARMOND) And those chemical carriers
6 represent how -- what percentage of your pilotage services?

7 A. So, I mean, Stolt is about 8 percent in their
8 stated value of a hundred vessel calls. Odfjell says -- with
9 their stated value of 50 calls, that's 4 percent. The Nordica
10 tankers, about 30 vessels or -- 30 vessel calls. So, you're
11 at 3 percent, more or less, quick math. So, I mean, we're
12 12, 13 percent, somewhere in there.

13 Q. And admittedly you admit that that cost hits
14 primarily their vessels?

15 A. Well, it hits all minimum charge vessels.

16 Q. Okay. But --

17 A. But there is a lot of ships that they -- they do
18 operate vessels that are outside of the minimum charge. So,
19 in particular, like if you look at the Stolt vessel portfolio
20 and you look at the STOLT TEAL, which is the smallest ship
21 they operate, like the QUETZAL, that class of vessel, which
22 is a minimum charge, that's 30 percent of that hundred vessel
23 calls that come here. And then as you move up through their
24 vessel portfolio, the impact of the minimum charge is
25 reduced. So, admittedly, their minimum charge ships got a

1 and the one that's applied. Whereas on their larger ships,
2 they're 638 units. So, the minimum charge doesn't even apply
3 to them. So, Jared might -- have you looked at it, Jared?
4 Do you know what percentage of it? Can I ask that? Never
5 mind. I'll let them say it.

6 So, there's -- there is a percentage in there
7 depending on the portfolio that calls on the port for that
8 year of how that minimum charge is going to affect them. And
9 I have no determination on what ship they send there. And
10 I'm sure that they can tell you that, yes, they have vessels
11 in that trade but they can't tell you year to year exactly
12 what the composition of the size of the ships that's going to
13 trade there for the year. Maybe they can. That's not my
14 business. I don't know that. But I would imagine it would
15 be exceedingly hard to exactly pinpoint what the array of
16 vessels that are going to call on that port in any given
17 year.

18 CHAIRMAN PIRTLE: Just to answer your
19 question, they can call Mr. Honeycutt as a witness to answer
20 that question.

21 CAPTAIN BLANTON: I'll stay out of that.

22 Q. (BY MS. LARMOND) Let's move on and look at Page 2
23 of Exhibit 1. So, still using the GOLAR KELVIN as an
24 example. Under your proposal, the education fee -- and let's
25 talk about the education fee for a moment. That would be

1 1422 times .03 plus \$10; is that correct?
 2 A. Correct. In the previous presentation, I'll tell
 3 you exactly, the GOLAR KELVIN for an education fee will pay
 4 \$320.
 5 Q. Okay. And is that fee charged by shift or in and
 6 out?
 7 A. Per movement.
 8 Q. Per movement?
 9 A. Yeah.
 10 Q. And so, then that would be additional money each
 11 movement?
 12 A. Yes. So, the education fee is outside of our
 13 general revenue. The education fee is held on a separate
 14 ledger. It cannot -- it is expressly forbidden to be used
 15 for anything outside of education. We can only use that to
 16 educate pilots. Much in the sense of the transportation fee
 17 goes into the escrow account and the proposed communication
 18 fee, which would only be used to cover the operating costs of
 19 the dispatch. The education fee's sole purpose -- it is
 20 audited monthly or at least every time we come before this
 21 board, that's one of the financials that we have to present
 22 and we have to account on where all those fees went. So,
 23 the --
 24 CAPTAIN KROHN: I think you said 320. It's 52
 25 for the education fee.

1 A. I'm sorry. The GOLAR KELVIN education fee is
 2 \$52.66. That's what we're proposing to move it to. Now it's
 3 \$17. I got it confused with the communications fee. So, the
 4 communications fee is higher. The education fee, we're
 5 talking about a 35-dollar increase on their bill.
 6 Q. (BY MS. LARMOND) So, let's move on to the
 7 communication fee, then.
 8 A. Sorry.
 9 Q. The communication/dispatch fee, is that by shifting
 10 or is that --
 11 A. Per movement.
 12 Q. Per movement. And how much is that fee again?
 13 A. For the GOLAR KELVIN -- I mean, just for the
 14 record, we keep focusing on the LNG ship. Every single one
 15 of these LNG ships has written a letter of support that they
 16 support this tariff in total.
 17 Q. It's just for an example. I just picked the last
 18 one.
 19 A. You also picked the biggest one. All right. The
 20 communications fee will be \$320.
 21 Q. Everything is bigger in Texas.
 22 A. I agree.
 23 Q. It's not to pick on a certain type of vessel but
 24 just for simplicity sake.
 25 A. I understand. We get to have bourbon after this.

1 Q. You've been promising that for a few years.
 2 A. Three twenty per movement.
 3 MS. LARMOND: Not part of the record, please.
 4 Q. (BY MS. LARMOND) So, it is based on shifting?
 5 A. It's based on movement.
 6 Q. Movement?
 7 A. A shift is when you move from one dock in the port
 8 to another dock in the port. But, correct, every time a
 9 vessel transits the channel, whether it's from the sea buoy
 10 to the dock, from the dock to another dock, or from the dock
 11 back out to the sea buoy, we assess all of the line charges.
 12 Those line charges are the communication, the education --
 13 I'm sorry -- the transportation, the education, and the
 14 would-be proposed communications fee.
 15 Q. How many movements does an average vessel do?
 16 A. Two.
 17 Q. Two. And is that by class or is that the nature of
 18 how -- do you know?
 19 A. So, due to the nature of their work, the only
 20 reasons, excluding chemical ships, that a vessel would shift
 21 within Port Freeport is for rarely a regulatory inspection,
 22 to utilize the port facilities as a lay berth, or some kind
 23 of inspection maintenance, something that is outside of the
 24 nature of their trade or commodity. The only ones that shift
 25 as it relates to the nature of their work are people calling

1 on multiple terminals and typically the only ones that do
 2 that -- for sure the only ones that do that are the chemical
 3 ships.
 4 Q. Okay. So, how many times does the average chemical
 5 vessel --
 6 A. So, speaking specifically on behalf of Odfjell
 7 because I looked this up, Odfjell in -- last year they did 50
 8 ships. Thirteen of those shifted. So, I mean, you could
 9 argue 10 percent, 12 percent of the vessel calls are shifts
 10 from one berth to another berth.
 11 Q. Okay. So -- but how many times did Odfjell --
 12 like, for example, how many times -- how many movements do
 13 they usually have? Is it just three times?
 14 A. It's 50.
 15 Q. Fifty a year?
 16 A. Fifty calls. Thirteen times did they shift.
 17 Q. Okay.
 18 A. So, you had 50 inbounds, 50 outbounds. When the
 19 port -- ship was in port, 13 times it shifted either -- we
 20 used to shift from Dow to Phillips but that's largely gone
 21 away. The majority of our shifts are from A-22 to A-8, A-8
 22 to A-22, or A-22 to A-14. So, we only shift typically within
 23 Dow. But the big problem is the logistical side of Dow has
 24 made it to where it's difficult for them to shift as much as
 25 they used to in the past.

1 Q. Okay. So, you do admit that because of the nature
2 of their business, the chemical carriers would pay maybe a
3 little bit more in regards to the communication and dispatch
4 fee?
5 A. In what regard? Because, I mean --
6 Q. If they're paying by movement.
7 A. But their minimum charge vessels. And we've -- if
8 we could admit that we have set up the tariffs in a largely
9 progressive scale to shift the cost up, if you're a minimum
10 charge vessel, all of your fees are subsidized by the larger
11 guys. If you look at a percentage -- I mean, you pointed it
12 out. The STOLT SPAN pays \$140 for the communications fee and
13 the GOLAR KELVIN paid 320. But I concede the point that most
14 of those other ships only have a transit in and a transit
15 out. And 10 percent of the time the chemical ships shift by
16 the virtue of their work and no other ships are subjected to
17 that fee. But you're talking about 10 percent of their
18 business, if we can concede that point, and then 30 percent
19 of the vessel traffic overall that is the chemical trade or
20 whatever that value comes out at. The point is most ships
21 don't shift. Sorry.
22 Q. Okay. But you would concede, though, that the
23 subsidy that you claim is being paid by the larger ships do
24 diminish because of the fact that they are paying by movement
25 more and they move more than those larger ships?

1 A. They do move more, but they move more because of
2 the nature of their work. I mean, just because Dow operates
3 three deep water docks here, you could also make the claim
4 that you have an advantage that you can make three vessel
5 calls or two vessel calls and do the same amount of work
6 without going to another port. But, I mean, that's above my
7 purview. That's their business. I'll concede the point that
8 they have to shift. But that's the nature of their work. I
9 mean, if you know I'm going to Port Freeport and I'm going to
10 hit two docks in Port Freeport, you're utilizing the service
11 to shift. It's true. I concede the point.
12 Q. Okay. And in regards to the communication/dispatch
13 fee, who's charged that? Who utilizes that?
14 A. Everybody. So, they dispatch for the pilots, all
15 the agents, all the terminals, the tugboats, the mooring
16 crew, the Coast Guard, CBP, line crew. Did I say line crew?
17 Any auxiliary or interested party that has a legitimate
18 interest in the transit of that ship, either directly gets
19 impacted by the dispatchers dispatching the line crew to
20 there or calling the tugboats or they spread the information
21 out via the website, text message, phone calls, or E-mails if
22 they're the agents or operators or terminals or anyone.
23 Q. It sounds like you have a lot of people using your
24 communication system and that's a sign of efficiency and
25 effectiveness. But who is charged ultimately under your

1 proposal that's submitted before the commission?
2 A. In my proposal, the shippers that utilize our
3 service pay for the dispatch system.
4 Q. And that's the only one that's charged?
5 A. The Brazos Pilots have no function to charge for a
6 service outside of the tariff. And as stated -- and I do not
7 want to do it because I truly believe it is not our data,
8 that we're not going to charge a subscription for it. I
9 think it's bad practice. If the industry supports dispatch
10 in this port, then they shouldn't be turned around and
11 charged to get that data. So, if it goes in, there is no
12 subscription fees. We're not going to generate extra revenue
13 by selling that data because it's not my data. It's your
14 data. That's my position.
15 Q. And then one quick question. In comparison to
16 Exhibit now 20 of the BPA's exhibits and comparing to the
17 dispatch information that you displayed on Exhibit 1 -- 2 of
18 your proposal, there seems to be a discrepancy between the
19 numbers. On your Exhibit 2, the proposal, you list that the
20 dispatch estimated costs were going to be \$350,000. However,
21 in your presentation, you list the annual cost as 486,490.
22 What is the discrepancy in that?
23 A. Let me -- can you state the exhibit?
24 Q. Exhibit 2 is the proposal where you list the
25 dispatch costs as approximately \$350,000 a year. However, in

1 your proposal, you state 486,490 in Exhibit 20. And just
2 some clarification as to what the discrepancy is.
3 CAPTAIN KROHN: Three fifty? Is that what
4 you're saying?
5 MS. LARMOND: Yes.
6 CAPTAIN KROHN: That's purchasing equipment.
7 A. That was just to purchase the equipment for BRAZOS
8 PILOT. So, we front loaded and we bought all the equipment.
9 So, all the communications, we installed a 100-foot tower.
10 Our pilot station was not set up for a dispatch. So, we
11 turned a bedroom into an office suite. We integrated T1
12 internet line. So, that's what the Brazos Pilots actually
13 paid to get this system online.
14 So, then the users paid the operating costs.
15 So, 80 percent of the operating costs are the salaries. And
16 then the 20 percent left over are the utilities to do the
17 service. So, we went to industry and they said this thing
18 has value and we were trying to figure out how to get it off
19 the ground. And that was the bargain that was struck. The
20 pilots are in for all the equipment and hosting and training
21 and industry was in. Industry being the Port of Freeport,
22 the Dow Chemical Company, Freeport LNG, Enterprise, and
23 Phillips 66. So, they paid this entity Fort Velasco Signal
24 Station that myself, Captain Krohn, Captain Burns, and then
25 Captain Teeter has been bought out of it. We started it just

1 to have a vehicle to show the -- how much it would cost to do
2 this and would it provide value to industry and to the port
3 as a whole. And it was the intention that after this trial,
4 this board would say, yes, we want to move in this direction.
5 Yes, this has value. And, yes, we determine that industry is
6 going to support it or they're going to determine that
7 industry doesn't support it. For me, I think it would set us
8 back significantly if we lost the dispatch system.

9 Q. And those entities that you named that were
10 instrumental in helping to fund that dispatch system, are
11 they also being charged this dispatch fee?

12 A. I have no way to charge anyone outside of our
13 tariff. The only function -- I can only charge for a service
14 I provide. I do not provide a service directly to Dow,
15 directly to Freeport LNG, directly to Phillips 66. These
16 people, they have the capital investment. A lot of the cases
17 they charter the vessels. We have letters of support from
18 the vessels themselves. But I have no way to engage in any
19 kind of a purchase agreement with them. The only people that
20 actually apply and pay pilot services are the ships.

21 Q. So, how did they end up investing in this?

22 A. So, Captain Teeter, Captain Blanton -- that's me --
23 Captain Burns, and Captain Krohn all put \$5,000 of our own
24 money outside of BPA. This was out of our personal bank
25 accounts. And we incorporated a company called Fort Velasco

1 tariff that we keep on a separate ledger just to pay the
2 operating costs. Every year plus or minus 5 percent, we
3 propose that the rate float. So, if traffic gets better,
4 then that communications fee would go down. But it doesn't
5 go into the general fund. And that's the current structure
6 as was explained in the beginning and that I understand.

7 Q. So, this profit that the dispatch system
8 received --

9 A. No. No. That double line is BPA's. Everything --
10 the dispatch is above that. Fort Velasco, other than the
11 moneys put in by the terminals, that's -- we haven't never
12 charged a subscription or anything. So, this quarter, the
13 last payment from the port went in and with our projection
14 and our burn-through rate of the capital, it's going to be
15 out in March.

16 Q. Do you receive, as one of the investors, a return
17 on your investment?

18 A. Nothing. I've never received a dollar from Fort
19 Velasco. And in March -- even if we don't put this thing in,
20 if everyone rejects it and the board says this is a bad idea,
21 we don't want this, we're going to keep those employees on
22 until March. When the funds are gone, it is zeroed out.
23 Fort Velasco is dissolved and we had a 5,000-dollar
24 experiment and -- for me personally. But I'm telling you
25 it's going to be catastrophic if we lose this, if we go

1 Signal Station. That corporation entered into an agreement
2 with the Port of Freeport to provide dispatch services for --
3 until the -- this fourth quarter of this year to do
4 dispatching at cost for the Port of Freeport to see what it
5 cost and what is the value of this going to be. The
6 agreement was that the Brazos Pilots will host it, will train
7 it, will buy all the equipment, and get it up and running and
8 then industry would pay for the operating expenses for the
9 trial.

10 Q. Okay. So, they are investors in a company and I
11 see that on Exhibit 4 -- and I'll give you a moment. A
12 little higher up. The BPA dispatch, is that what you're
13 referring to, Fort Velasco Signal Station? Is that that?

14 A. So, the BPA -- the way we envision this thing going
15 is the last payment was applied in this quarter. In February
16 or March all the funds in the bank account for Fort Velasco
17 will be exhausted. It's unfunded, out of money. That
18 includes the initial \$5,000 of Captain Blanton, Captain
19 Krohn, and Captain Burns. Captain Teeter bought in at 5,000.
20 When he retired, so we could absolve him from the company, he
21 took 4,000 back out. So, a thousand-dollar loss.

22 Fort Velasco has never paid any pilots any
23 money. That money is going to be a complete wash in March.
24 And then at that point when it's unfunded, Fort Velasco will
25 be absorbed into Brazos Pilots and will be supported by this

1 backwards. With the port it's going to be a tragedy.

2 Q. And so, the individual that retired, Captain
3 Teeter --

4 A. Teeter. He took \$4,000 out of his initial --

5 Q. His initial --

6 A. He lost a thousand dollars to play the game.

7 MS. LARMOND: Okay. Okay. I have no further
8 questions.

9 CAPTAIN BLANTON: Thank you.

10 MS. LARMOND: Thank you.

11 CHAIRMAN PIRTLE: Thank you.

12 MS. LARMOND: Pass the witness.

13 CHAIRMAN PIRTLE: Just for sake of everyone's
14 knowledge, Mr. Letourneau, if you would give us a time update
15 of BPA and objecting parties and how much time they have
16 available, please, sir.

17 MR. LETOURNEAU: Mr. Chairman, the BPA has one
18 hour, seven minutes, 50 seconds. And the objecting parties
19 have one hour, 21 minutes, and 46 seconds left.

20 CHAIRMAN PIRTLE: Thank you.

21 COMMISSIONER HOSS: Mr. Chairman --

22 CHAIRMAN PIRTLE: Yes, sir.

23 COMMISSIONER HOSS: -- Commissioner Hoss. I
24 have a question on this particular exhibit. And forgive me.
25 My printed copy is difficult to read and the one that's on

1 the screen is really -- is not giving me any more support.
2 Can you identify, second column and we're talking about the
3 BPA area only, the next to the bottom line that says BPA
4 dispatch net profit, it appears to be 79,000 in the first
5 column. Are you with me so far? Lower left-hand corner.
6 CAPTAIN BLANTON: Yeah.
7 COMMISSIONER HOSS: If you move to the right,
8 that looks like either 150,000 or maybe -- or a negative
9 15,000.
10 CAPTAIN BLANTON: Fifteen, yes.
11 COMMISSIONER HOSS: And then, again, one more
12 to the right, it looks like it could be a negative number of
13 1300.
14 CAPTAIN BLANTON: Correct.
15 COMMISSIONER HOSS: Can you enlighten me on
16 what those numbers mean and how did we get negatives there?
17 CAPTAIN BLANTON: The first year was when we
18 first started going and we were scaling the employees in. We
19 didn't hire five employees all at once. So, it took a little
20 while to get into the cash because we slowly started. And
21 then the losses -- so, the BPA contributions to the system as
22 it was coming in can help show you where we covered the
23 losses of it. So, it was the scale up. So, I mean, it shows
24 as a profit but it wasn't. We just didn't consume it because
25 we were ramping the people up. But all the value of it is

1 still in the account and that's why we -- it's not going to
2 run out of money when you write us the last check. We think
3 it's going to be all -- the capital reserves are going to be
4 exhausted in March. But there was -- when it was initially
5 funded for five dispatchers but we started at two and then we
6 went to three and then we lost one and then we went to four
7 and then we went to five and then -- it was the ramp up. But
8 it's never -- I mean, and as a profit, all those fees go to
9 the utility and -- I mean, largely it's to the salaries.
10 80 percent is the salaries.
11 COMMISSIONER HOSS: My interpretation here,
12 though, is that the pilots had to reach into their pocket and
13 make a contribution is what this --
14 CAPTAIN BLANTON: We put \$310,000 into this in
15 the last two years, BPA. And then four pilots all put -- I
16 mean, Teeter is bought out. But then in addition to that,
17 me, Matt, and Billy have got 15 grand into this that's going
18 to be a wash, too, that we wrote. I've written it off. I
19 mean, I thought it worked wonderfully and I would do it
20 again.
21 CHAIRMAN PIRTLE: Just for clarification, that
22 money that was put in, the 300-plus thousand was for
23 facilities remodel and purchase of equipment.
24 CAPTAIN BLANTON: Yeah. So, we bought all the
25 monitors. We installed a hundred foot tower. We put -- part

1 of the contract had some language in there for up time. So,
2 we didn't have an emergency diesel generator at the station.
3 So we wouldn't -- so we wouldn't be in violation of the
4 contract, we bought a generator. We've got ten computer
5 monitors. We've got radios. All the equipment it takes to
6 run a dispatch plus the software and engineering to start a
7 computer program from scratch that can interface -- I mean,
8 it's on your smart phone. I mean, it's --
9 COMMISSIONER HOSS: So, you could say that the
10 pilots have contributed an amount, maybe not equal to the
11 other parties but a significant amount of money to the --
12 CAPTAIN BLANTON: They put more in it but the
13 operating costs were more.
14 COMMISSIONER HOSS: So, this cash flow
15 projection, then, is not really cash flow because it says
16 January to August, 2020, at the top of the column. And in my
17 mind, that means that y'all collected money from some place
18 and then -- but you actually lost money.
19 CAPTAIN BLANTON: We collected it from you,
20 the port. Y'all are the people that are paying us.
21 CHAIRMAN PIRTLE: Clarification, there were
22 five entities plus the Port that --
23 CAPTAIN BLANTON: I'm not privy to the
24 agreement between the Port and the other entities. I know we
25 all sat at the table and -- to keep me as the guy who is

1 doing Fort Velasco as a side gig from trying to go to five
2 entities to collect money, the Port acted as the intermediary
3 between that. I do not know what happened between the Port
4 and the backside. But I know that we have an engagement
5 letter with the Port to provide the service for two years.
6 Does that make sense?
7 COMMISSIONER KRESTA: Mr. Chairman, can I talk
8 to that?
9 CHAIRMAN PIRTLE: Yes, sir.
10 COMMISSIONER KRESTA: This is Commissioner
11 Kresta. There was an entity -- a working group put together.
12 CAPTAIN BLANTON: Correct.
13 COMMISSIONER KRESTA: User group.
14 CAPTAIN BLANTON: Correct.
15 COMMISSIONER KRESTA: And, yes, Port Freeport
16 did take the challenge and put it together to help collect
17 the money. And everybody put up \$85,000 a year. Between
18 five, all five did. All right. I believe it was \$85,000 a
19 year to get it off the ground. That was all given to the
20 user group. The whole point I think Shareen is saying here,
21 now it's going all straight to the shippers. All right. The
22 user group that's paid for it before or the users of the
23 channel are not paying this no more. Because that's one fee
24 that's going straight to the shippers. That's a new fee,
25 brand-new --

1 CAPTAIN BLANTON: Correct.
 2 COMMISSIONER KRESTA: -- to the shipper. So,
 3 for the sake of argument -- not argument but statement,
 4 that's just a new fee that I think was trying to be designed.
 5 And after two years, we put this together. We said we would
 6 get this thing started and the users said they would put this
 7 money in to get this started. And then in two years we're
 8 supposed to go and see if the shippers agree to take this
 9 over. There was never nothing wrote as far as demanding the
 10 shippers take it over. It was wrote to say that's who we
 11 need to take it over or these users need to take it over, one
 12 of the two.
 13 CAPTAIN BLANTON: Correct.
 14 COMMISSIONER KRESTA: So, I'm just clarifying
 15 that's how it is. And you are at the point right now your
 16 two years is up.
 17 CAPTAIN BLANTON: Correct.
 18 COMMISSIONER KRESTA: So, I'm laying it out
 19 for the shippers, too. That's the reasoning for this and
 20 that's how it got started and that's where we're at.
 21 CAPTAIN BLANTON: If I could interject one
 22 point on that. You said that the users had to agree to take
 23 this over. We have support letters just from the LNG
 24 terminals and the people who don't object to this, that
 25 support this. We're talking about a very small minority

1 of --
 2 COMMISSIONER KRESTA: Okay. Let me --
 3 CAPTAIN BLANTON: -- of the shippers that
 4 don't agree to this.
 5 THE REPORTER: I'm sorry. One at a time.
 6 CHAIRMAN PIRTLE: Go ahead, Captain Blanton.
 7 CAPTAIN BLANTON: I'm not -- I don't want to
 8 put words in Paul's mouth. I'm not trying to do it, Paul.
 9 But, you know, if you say we're -- we were going to get to
 10 this point to see if the shippers would agree to this cost
 11 and I'll tell you right now that you could go into any
 12 meeting with any group of people and you're not going to get
 13 a unanimous consensus on almost anything, what kind of
 14 sandwich we're going to order. But, you know, if you can get
 15 to where there's 20 percent of an objecting party, I think
 16 you can responsibly say that an overwhelming majority of the
 17 people realize the value of this and they do accept it. And
 18 not that they shouldn't be heard. I agree to that. I mean,
 19 especially when you're on a minimum charge. And we knew it
 20 was going to be hard to put a fee like this on a minimum
 21 charge ship. But at the end of the day, they are a very
 22 small minority of the ships that apply their trade here. The
 23 vast majority of the ships that apply their trade here
 24 support this and use this. It's absolutely necessary for the
 25 growth. And to be constrained because you can't get a

1 hundred percent consensus, you're never going to move
 2 forward, you're never going to make everybody happy. That's
 3 a fact.
 4 COMMISSIONER KRESTA: This is Commissioner
 5 Kresta. I wanted to come back with that. You talk about
 6 this whole time you got support letters from the terminals.
 7 Okay?
 8 CAPTAIN BLANTON: And shippers.
 9 COMMISSIONER KRESTA: I know. I'm just saying
 10 that's where the whole communication issue is. I'm not
 11 saying I'm against it. I'm not saying I'm for it because I'm
 12 not supposed to say that out loud. I'm just saying -- I'm
 13 trying to straighten it out to where it was supposed to go
 14 this direction. Okay? That's all.
 15 CAPTAIN BLANTON: Okay. But --
 16 COMMISSIONER KRESTA: And what we're hearing
 17 is the shipping fee on the dispatch, some shippers don't
 18 agree with it, everything -- the communication didn't get to
 19 them or it didn't get from the terminal to them or whatever.
 20 That's all my point. And I'm saying the same thing you are
 21 because you said everybody can't agree. That's all.
 22 CAPTAIN BLANTON: Yeah. But one more point in
 23 there. And you heard it in their arguments and you can see
 24 it in their history. These people have operated here for
 25 decades without this system. You can use their own words.

1 They didn't ask for this. They don't want it. They operated
 2 like this for 30 years. But, you know, if we're going to go
 3 forward, then we need to talk about things like this. If you
 4 want to have the mindset that this is what Freeport was and
 5 it worked for us for 30 years, then you stay there. But you
 6 can't have the same argument that, well, we want to grow, go
 7 global, and do everything else and keep the same model. For
 8 me, we've already made that decision. I made that decision
 9 when I got in front of all those people and we voted for the
 10 bond. I'm in it for the long haul in the future. And I'm
 11 sympathetic to them. I'm sympathetic and they're great
 12 partners. They've been here forever. But we -- we need them
 13 in the future. We need to be a robust port. We need a
 14 diversity in our trade and commodities. But we can't let a
 15 minority who was happy with the way things were constrain a
 16 majority to get to the place that we want to go.
 17 CHAIRMAN PIRTLE: Thank you, sir. This is
 18 Commissioner Pirtle. One comment I will have. Depending on
 19 which numbers we use, we have anywhere from 15 to 30 percent
 20 of the business that is with Stolt or Odffjell or somebody
 21 else, that business, as with y'all, is very important to us.
 22 And, yes, they've been here a long time and we want to keep
 23 them here. So, obviously why the hearing is here.
 24 CAPTAIN BLANTON: I agree. And I even said it
 25 then, you know, this is not my decision to make. I've got no

1 right to tell -- I have a specific duty to move the ships.
 2 Strategic vision in what you're doing, what all these
 3 business units are doing is not in my purview. You know,
 4 you're going to have to make that decision what we're going
 5 to do. It's not my call. And I concede that point as well.
 6 CHAIRMAN PIRTLE: Thank you, sir.
 7 COMMISSIONER HOSS: Mr. Chairman --
 8 CHAIRMAN PIRTLE: Yes, sir.
 9 COMMISSIONER HOSS: -- a follow-up. Captain
 10 Blanton, you've answered this somewhat. But in simple terms,
 11 the cost based on this document, do you anticipate that it
 12 would operate at a loss based on what your 2020 information
 13 is here?
 14 CAPTAIN BLANTON: So, if you took the fee as
 15 proposed --
 16 COMMISSIONER HOSS: No, not as proposed. As
 17 operating today. Would it operate at a loss?
 18 CAPTAIN BLANTON: It would -- can I -- let me
 19 get through one sentence and see if it answers the question.
 20 If you bang the gavel and put it in as we propose it today,
 21 you base that off September numbers -- that's with LNG and
 22 everybody here -- and you project that out to the next year,
 23 it's \$50,000 short.
 24 COMMISSIONER HOSS: And I'm not --
 25 CAPTAIN BLANTON: We are optimistic that --

1 you know, I don't know how the election is going to go.
 2 COMMISSIONER HOSS: I'm not looking forward to
 3 a number. I'm asking what its operational costs are today or
 4 through this point in time and -- or even for the budget for
 5 the year. And do you guys operate on a calendar year or
 6 physical year? October 1 or January 1 is the beginning of
 7 your year?
 8 CAPTAIN BLANTON: January.
 9 COMMISSIONER HOSS: Thank you. Because the
 10 Port starts at October. So, that -- you got to ask
 11 sometimes. But I'm looking at your numbers and your
 12 number -- your monthly average here will tell me without --
 13 if we bang the gavel and said no, your money just is -- this
 14 thing would not -- somebody has got to put money in it to
 15 make it work.
 16 CAPTAIN BLANTON: That's us.
 17 COMMISSIONER HOSS: Have you guys been putting
 18 money in it up until now, other than what you contributed,
 19 the 300-something thousand?
 20 CAPTAIN BLANTON: \$19,000 this year.
 21 COMMISSIONER HOSS: Okay. So, y'all -- to
 22 make it operate --
 23 CAPTAIN BLANTON: Correct.
 24 COMMISSIONER HOSS: -- you've thrown in
 25 19,000 --

1 CAPTAIN BLANTON: Yeah.
 2 COMMISSIONER HOSS: -- nearly 20 grand out of
 3 your own pockets. So, y'all are subsidizing it. And you had
 4 a budget that Port Freeport gave you a check for and it was
 5 an estimate. I understand these things. But you're finding
 6 out it's falling short. So, you guys are actually pulling
 7 out of your pockets and making it go?
 8 CAPTAIN BLANTON: We believe in it. It's got
 9 value.
 10 COMMISSIONER HOSS: And so, you said something
 11 earlier about the value of this, that it actually exercises
 12 and controls movements of the ships in the harbor. I'm
 13 modifying your words because you said something earlier about
 14 command and control. And it becomes a de facto movement --
 15 they move the ships around. They tell the ships what to do
 16 through communications, not a decision-making process.
 17 CAPTAIN BLANTON: I'll concede this point.
 18 The pilots had always generated the ship list. The agents
 19 come in and there was nobody there to assemble this. So, in
 20 the past if you had three vessels order for 0700 in the
 21 morning but they had ordered throughout the night, no one
 22 would know what would happen until they called that pilot at
 23 6:00 and they would give him all of the orders. Then he
 24 would say, okay, we're going to do this one, this one, and
 25 this one. And then he would start calling other pilots and

1 then he would start calling the boatmen. And that was our
 2 world.
 3 Now those agents place the orders, a
 4 dispatcher populates it into a web -- everyone can see their
 5 orders are placed. The agents can forecast if they have
 6 delays. The tugboats can see it. The dispatch dispatches
 7 the pilot boats, it dispatches the pilots, it dispatches the
 8 mooring crew. If it's a U.S. Coast Guard security zone, we
 9 contact Station Freeport. We let them know if they're going
 10 to have any delays. They have to call extra people in from
 11 Houston. I mean, it's the brains of it.
 12 COMMISSIONER HOSS: It is the
 13 communications --
 14 CAPTAIN BLANTON: Correct, it is. And we
 15 talked, you know, with the admiral when he came in and we
 16 talked about the growth of what Port Freeport was looking at
 17 and how we were going to do that. And he said there was no
 18 appetite for Houston BTS to absorb us. They're not going to
 19 do it. And he specifically said y'all need to come up with
 20 something, whether it's public partner or private but you
 21 have to do something. And this is where that came from. I
 22 mean, it was that and a million conversations. It wasn't
 23 just that. Don't -- don't say that the captain told me, or
 24 the admiral, we had to do this. I mean, we -- it was a
 25 realization of a lot of visions and a lot of conversations to

1 get to that point is what I'm saying. I mean, it wasn't in a
2 vacuum. Yes, I helped drive the bus on it because I see a
3 need. I'm the one down here dealing with it. But it wasn't
4 a unilateral decision by anyone to put this thing in
5 development is the point I'm trying to make.
6 COMMISSIONER HOSS: You've answered my
7 question. And maybe for the record, when I asked that and
8 Captain Blanton was educating me on the loss per month,
9 Captain Krohn was shaking his head yes in agreement, that
10 they've -- BPA is subsidizing the Fort Velasco -- the
11 dispatch facility right now on an average. I just -- thank
12 you. No further questions.
13 CHAIRMAN PIRTLE: Thank you. Appreciate it.
14 We're going to try to press on here. Did you have any more
15 witnesses from BPA?
16 CAPTAIN BLANTON: No.
17 CHAIRMAN PIRTLE: None at all? Then normally
18 we would jump over and let the objecting parties present
19 witnesses but it is lunchtime. And so, we're going to
20 take -- I'm going to call it ten minutes because it takes 30
21 minutes -- I'm just kidding. We're going to take a brief --
22 try to keep it within 45 minutes, if we can, so we can
23 proceed on. Right now it is 12:09. So, in 45 minutes,
24 12:54.
25 MS. SAATHOFF: Just say 1:00 o'clock sharp.

1 correct. Thank you. There you go. Thank y'all. I need an
2 I do.
3 (All previous and future witnesses agree and
4 are sworn in)
5 CHAIRMAN PIRTLE: All right. Thank you. With
6 that, we'll proceed on. I believe BPA had no more witnesses.
7 MR. MOORE: That's correct.
8 CHAIRMAN PIRTLE: So, Ms. Larmond, we will
9 turn to you.
10 **OPENING STATEMENT**
11 MS. LARMOND: Good afternoon. Again, my name
12 is Shareen Larmond with West Gulf Maritime Association. As
13 you've heard before, that we are a maritime trade association
14 representing a variety of members, some of which are users
15 and payors of the Brazos Pilots Association.
16 Now, the pilots have always had an important
17 role in maritime industry. Pilots benefit our members in
18 providing local up-to-date knowledge of the conditions and
19 geography of our ports. Our members recognize this and
20 recognize that pilots must do so in a safe and effective
21 manner. We all know the reason we are here today is to
22 discuss the recent rate application filed by the Brazos
23 Pilots Association. However, you do not need to look far to
24 know that we are in the midst of a global economic crisis.
25 Many in the shipping industry, along with other industries,

1 CHAIRMAN PIRTLE: We will start at
2 1:00 o'clock but target 12:54. How's that? Thank you.
3 12:10. Now we're going to take a brief break.
4 (Lunch recess)
5 CHAIRMAN PIRTLE: One item we overlooked
6 previously is we didn't swear --
7 COMMISSIONER KRESTA: Are we on record?
8 CHAIRMAN PIRTLE: Yes, sir. It is 1:01, and
9 we are back in session. Thank you. But one item we
10 overlooked previously was swearing in all witnesses,
11 attorneys, and everyone else. So with that, those who are
12 going to be witnesses or speaking, would you please stand up
13 and hold up your right hand. Ms. Stacey is our court
14 reporter -- licensed court reporter. Both of y'all --
15 MR. MOORE: I'm going to be speaking, but I'm
16 not going to be presenting any evidence.
17 CHAIRMAN PIRTLE: You're speaking, you're
18 presenting evidence in some sort or another.
19 MR. MOORE: Okay.
20 CHAIRMAN PIRTLE: All we're going to ask is
21 that everything you say and present previously and heretofore
22 coming has been truth and factual. Anything else we need to
23 include in that?
24 MR. MOORE: It was all true and correct.
25 CHAIRMAN PIRTLE: Swear it's all true and

1 have suffered massive layoffs and financial losses and, with
2 the potential, unfortunately, of a second wave of global
3 pandemic looming, an uncertain financial future.
4 Now, Section 68.0673 of the Texas
5 Transportation Code states that this body must take into
6 consideration the effect, including economic factors that
7 granting, refusing, or modifying an application would have on
8 Brazos -- Brazoria County ports. Now before you is an
9 application rate increase set to take effect January 1, 2021.
10 That's just two months from now. This application is
11 completely out of touch with the economic realities faced
12 with the industries globally. As I stated, our members and
13 what you've heard are not opposed to tariffs that ensure a
14 safe and efficient environment for our industry. In fact, we
15 applaud the pilots for recognizing the growing needs of the
16 port and are agreeable to reasonable increases based on
17 reasonable methodologies in the future to support their
18 endeavors once economic factors have stabilized.
19 It is my hope that the commission will further
20 evaluate aspects of this application and assure that the rate
21 increase asked for by pilots are within the parameters of
22 Section 68 of the Texas Transportation Code. We are hopeful
23 that after today an amicable resolution can be reached. A
24 resolution that will be balanced and will balance safe and
25 efficient pilotage service with the economic realities faced

1 by the maritime industry. With that --

2 CHAIRMAN PIRTLE: Thank you. You're welcome

3 to call witnesses.

4 MS. LARMOND: I will call Jared Honeycutt.

5 MR. HONEYCUTT: I can project pretty well if

6 you want me to stand over here. Jared Honeycutt, I'm the

7 port operations manager for Odfjell USA.

8 MS. LARMOND: Thank you, Jared. This is

9 Shareen Larmond again for West Gulf.

10 **JARED HONEYCUTT,**

11 having been previously duly sworn, testified as follows:

12 **EXAMINATION**

13 Q. (BY MS. LARMOND) Can you tell the commission about

14 your experience and background.

15 A. So, just real quick, 11 years and counting military

16 service with the Coast Guard and the Navy. And went to Texas

17 A&M Galveston. I've been working at Odfjell for eight years

18 now in operations. We specifically, out of our Houston

19 office, cover everything from Lake Charles west to the whole

20 coast of the U.S. We have agents that board our ships down

21 here in Freeport. Right now we have about -- right around

22 50, 52 average number of ships that we have call port per

23 year. About --

24 MR. HONEYCUTT: Is that a hand for a question?

25 COMMISSIONER KRESTA: No. I'm just scratching

1 my ear.

2 MR. HONEYCUTT: Sorry. Caught it out of the

3 corner of my eye.

4 A. About 12 percent do shifts within the port from one

5 dock or need to call two docks within the port. So, whether

6 that be a direct shift, which due to what's been happening

7 with Dow's congestion lately, more times than not means we go

8 back out to the anchorage and have to come back in.

9 Q. (BY MS. LARMOND) So, a little bit more about the

10 company that you represent.

11 A. So, Odfjell is a global shipping and tank storage

12 company. We have a global fleet of around 80 ships. That

13 number moves up and down. But 80 ships will suffice. We've

14 got five storage facilities that we own and operate. There's

15 another dozen that are owned partially with related companies

16 and that kind of setup. But -- so, a global shipping company

17 with a global storage footprint.

18 Q. And how many years have you been operating in Port

19 Freeport?

20 A. Forever. As long as Dow -- our -- Odfjell has been

21 a chemical tanker parcel company for over a hundred years.

22 And as long as Dow Freeport has been here, we've been coming

23 here to pick up their chemicals and take them down to

24 wherever they want to ship them to.

25 Q. So, you work in conjunction with Dow?

1 A. Dow is our customer.

2 Q. Okay. So, expanding on your activities here in

3 Port Freeport, you mentioned shifting and moving. How does

4 that work exactly for your company?

5 A. So, we'll have a ship that will arrive to Freeport

6 and let's just say, for example, she's going to come in to

7 Dow A-22. She's going to load a variety of chemicals. She

8 may need to, because of the chemical program that she has,

9 need to call another dock. It could be A-8, A-14, or it

10 could be Phillips 66, which you're right, we don't -- haven't

11 been doing that business much lately.

12 So, we might shift between those docks. If

13 that second dock is open and available, we would shift

14 directly over to them. And then when we're done with those

15 cargo operations, we will sail. If not -- if that dock is

16 occupied by another ship or for whatever other reason cargo

17 is not ready and ready to conduct operations, the ship will

18 go back out to the anchorage, wait until they're called in,

19 come in, work the cargo at that second berth, and then sail

20 from there.

21 Q. So, how many times do you have to go out to

22 anchorage?

23 A. In the last two years, we've averaged 12 percent of

24 the time.

25 Q. 12 percent of your --

1 A. 12 percent of our ships have to go back out to

2 anchorage.

3 Q. And under the new application -- rate proposal

4 application, is there an adjustment in the distance?

5 A. So, that's -- with the realignment of the channel,

6 deepening and widening, which results in an extension of the

7 pilot station 4 nautical miles out, I mean, it's simple. If

8 you end up with an extra 8 nautical miles round trip of

9 transit, that ends up on our ship, which most of the time you

10 wouldn't think of going 8 miles as having much of an

11 operational cost. But on a ship you're burning somewhere --

12 depending on the ship class, you're burning anywhere from 25

13 to 30 tons of fuel a day. Right now on today's market, fuel

14 that we have to burn to be compliant is just under \$400 a

15 ton. And so, we're going to burn about a ton, ton and a half

16 of fuel in those eight miles. So, you're talking about four

17 or \$500 just in fuel costs to go to the extended sea buoy.

18 Q. So, that's in addition to what is being proposed?

19 A. Yes. That is in addition to what is being proposed

20 in any piloting --

21 Q. So, what is your company's position for the record

22 on the current reapplication that's been put forth?

23 A. Our position -- and I don't want to give the

24 impression that I'm speaking for my industry colleagues back

25 here. Odfjell's position is that we support the pilots in

1 all of their efforts to make operations safe, efficient. We
2 appreciate the fact that they are working to make the port --
3 they are working to do their part to make the Port of
4 Freeport as efficient as possible. As captain said, making
5 sure they have 24-hour operations and all those types of
6 things.

7 At this time, with the local -- excuse me.
8 With the global economy being what it is in the midst of the
9 pandemic and having less than a clear view of what, you know,
10 the next six to 12 to 18 months is going to bring us, it's
11 hard to sign up for a five-year deal. I can tell you if we
12 went to any of our customers and said here's our proposal,
13 let's do a five-year deal with a 3 percent increase in fees
14 every year, I would get laughed out of the building.

15 Q. Have you suffered -- has your company suffered any
16 losses during this time or a decrease in volume?

17 A. We have seen shifts in cargo volume. The way that
18 the pandemic went around the globe caused regional economies
19 to suffer and slow down at different times. They varied.
20 Cargo flow has changed. There's -- you know, the CPP, clean
21 petroleum market, on the east of the Suez has been very bad
22 for a while. So, it's -- there has been financial
23 repercussions from this pandemic, absolutely.

24 Q. And so, how will this rate increase affect your
25 company?

1 520 minimum. Stolt is right about 25 percent. MOL, it's all
2 of their ships except for the five that call for MOL
3 methanol. They've got five ships that would be above the
4 520. So, all of their ships are affected by the 520 unit
5 minimum. So, it's the combination of the minimum being 520,
6 the communication fee being all new, and then the compounding
7 aspect of the 3 percent increase.

8 I would want to point out that we completely
9 support you on the education and understand what you're
10 trying to do there. The communications fee, while it
11 sounds -- it is important to us. But we also understand that
12 it is a valuable aspect for the entire port and for that, we
13 think that it is something that could be -- the cost of that
14 should be shared throughout the port and all of the users. I
15 realize you don't have a way to send the Coast Guard a bill.
16 Those bills usually only go one way because we received them
17 a lot. But if everybody is getting benefit from it, then
18 everybody should share the burden from it. And we can -- we
19 can pay our part of that because we see benefit from it. But
20 we shouldn't have to pay all of it.

21 Q. Okay. Has your company ever decided not to enter
22 into a port because of the cost to do so?

23 A. Due to the nature of our business, you're taking
24 port expenses into account when you are bidding for a cargo,
25 be it on a contract basis that's going to last -- have a

1 A. It looks like just by doing a rough projection on
2 the application against our past voyages, by the time the
3 life-span of the application runs out, we're looking at a
4 26 percent increase in what our pilotage fees would have been
5 at the last year of the application as opposed to 2019 -- or
6 2020. So, it's about 26 percent increase. It's somewhere --
7 I mean, this could change depending on the number of ships
8 that call Freeport and the number of shifts we have and a lot
9 of different variables. Somewhere in the neighborhood of
10 \$50,000.

11 Q. A year?

12 A. Yes.

13 Q. And is that attributed to a certain cost or what is
14 that?

15 A. The single biggest cost is, of course, the
16 communications fee because it's a brand-new fee. The
17 3 percent increase does not seem to be much on face value but
18 by the time you compound it for five years, it adds up.

19 Q. Any other fees attributed to that 50,000 or that
20 increased amount?

21 A. Nothing of -- the minimum of 520 units hits about
22 35 percent of our ships that call Freeport. And talking with
23 my colleagues, I'll go ahead and -- and then that was to
24 answer your question, Captain, that you had asked earlier.
25 It's about 35 percent of our ships that would be below the

1 life-span to it or if it's on a one off. You've got to take
2 the cost of that -- of going in and out of that port into
3 account. If the cost of going in and out of that port rises,
4 it could mean that we can no longer competitively enter that
5 port because somebody else can do it with a smaller ship
6 that's more competitive costwise or something. Perhaps
7 somebody can do it with a bigger ship that's competitive
8 costwise. But it will affect you that way. It could affect
9 a long-term contract if you get to the point to say that the
10 port costs have risen; so, therefore, we would need to raise
11 our rates and that allows -- that makes it to where that --
12 what we call charter, our customer does not want to pay our
13 fee that would cover those increased costs.

14 Q. Okay. And has your company ever decided to leave a
15 port because of the increase?

16 A. We have stopped calling ports because of what I
17 just described played out and we no longer had a contract.
18 So, we ended up no longer calling that port.

19 MS. LARMOND: Okay. I have no further
20 questions. Pass the witness.

21 CHAIRMAN PIRTLE: I think the easiest way to
22 proceed with this is allow cross-examination on each witness
23 rather than waiting until the end, if that works.

24 MR. MOORE: Can you pull up the port-to-port
25 cost comparison.

1 MS. BEVERS: Is it one of the exhibits?
2 MR. MOORE: Yeah.
3 MS. LARMOND: One. Exhibit 1.
4 MS. SAATHOFF: The one you had up earlier.
5 MR. MOORE: Right there.
6 **CROSS-EXAMINATION**
7 Q. (BY MR. MOORE) Sir, with regard to the number of
8 ships --
9 CHAIRMAN PIRTLE: Please identify yourself.
10 MR. MOORE: Randy Moore for BPA.
11 Q. (BY MR. MOORE) With regard to the number of ships
12 that Odfjell had called on Port Freeport in 2019, in 2020
13 isn't it true that Odfjell had more ships call in Port
14 Freeport in 2020 than they did in 2019?
15 A. Yes.
16 Q. And, in fact, we're now sitting here, it's not even
17 November. So, you expect to have substantially more of your
18 ships call on Port Freeport in 2020 than you ever did in
19 2019, correct?
20 A. In 2019 we had 47 ships. We are on track, if
21 everything holds, by the end of the year to have 54. So, I
22 don't -- if seven is substantially, then, yes.
23 Q. Given that small number, it might be, correct?
24 A. I suppose.
25 Q. All right. So, when you're telling the board what

1 your potential problems are because of the pandemic -- so far
2 the pandemic has helped -- has hurt you not at all,
3 correct --
4 A. No.
5 Q. -- the Port Freeport?
6 A. You can't -- you cannot equate number of port calls
7 to financial balance sheet. That's not how our business
8 works. I can have a ship call here in 2019 -- I can have --
9 of those 47 ships that called in 2019, every one of them
10 might have been fully loaded out of Dow Freeport with -- down
11 to their full dead weight and sailed. Whereas, in 2020, they
12 might have all come in and only loaded half of that cargo and
13 then had to sail and deliver that cargo to the foreign port
14 that it was destined to.
15 CHAIRMAN PIRTLE: Gentlemen, if I might remind
16 you, your presentation is to the commission.
17 MR. MOORE: I'm sorry. I was looking the guy
18 in the eye when I asked him questions.
19 CHAIRMAN PIRTLE: Thank you.
20 Q. (BY MR. MOORE) You knew you were going to be here
21 today, correct?
22 A. Yes.
23 Q. You brought no evidence whatsoever to present to
24 the board to substantiate any supposed or proposed loss that
25 Odfjell may suffer as a result of either the board's

1 implementation of the rate increase or any loss caused by the
2 pandemic, correct?
3 A. I did not bring any evidence. I'm not a lawyer.
4 I'm an operations manager and a naval officer. So, I offered
5 to give the perspective of our company to the board and
6 anybody else who wants to listen. I'm happy to discuss that
7 further and I would -- was working with colleagues to try to
8 reach an amicable solution for our ships to be -- continue to
9 be safely operated -- or safely handled by the pilots.
10 Q. I appreciate that. I take it that the answer to my
11 question was no, you didn't bring any?
12 A. Yes. I said, no, I did not bring any evidence.
13 Q. You had mentioned earlier that your ship burns fuel
14 to go that extra 8 nautical miles.
15 A. Uh-huh.
16 Q. It would also be true, wouldn't it, then, sir, that
17 the pilot boat would also burn additional fuel to go that
18 extra 8 nautical miles?
19 A. I would assume so.
20 Q. It would also be costly to the Brazos Pilots
21 Association to have a pilot on board to go that extra 8
22 nautical miles, true?
23 A. I don't know how their pay structure works, whether
24 they get paid hourly or by shift. I don't know.
25 Q. Let's assume we have a pilot boat captain who's

1 operating that boat. Wouldn't he have to operate the boat
2 longer to go the additional 8 nautical miles?
3 A. I have no idea whether he gets paid to be on the
4 boat for 24 hours or he gets paid by the number of nautical
5 miles that the pilot boat moves.
6 Q. And if we have to go that extra 8 nautical miles
7 with a deckhand and boat captain, you could see where that
8 would be increased expense as well?
9 A. Again, I have no idea whether they're being paid as
10 boat hands and deck crew to be on the boat for a specified
11 amount of time or if they're paid by trip or if they're paid
12 by the length of travel of each transit.
13 Q. And your -- as I understood what you told the board
14 earlier, your only customer here in Port Freeport is the Dow
15 Chemical Company, correct?
16 A. No, that's not correct.
17 Q. Who else do you have?
18 A. We have various chemical producers on contract and
19 in spot market. I don't know that it's necessary that we
20 name them all, is it?
21 Q. No, it's not. Your primary customer is the Dow
22 Chemical Company?
23 A. The -- we call the Dow berths, the Dow terminal by
24 far the most. I don't -- we load for others from those
25 docks. The business model of Dow has changed over recent

1 years to where they have segregated certain business units
2 into other spin-off companies but still allow them to operate
3 infrastructure within the Dow facility and their cargoes are
4 loaded or worked at those docks. So, we are primarily
5 calling the Dow berths, yes.

6 Q. Okay. So, if you're calling the Dow berths --
7 you're aware that the Dow Chemical Company is fully in
8 support of the rate adjustment requested by the pilots
9 association?

10 A. I would love to have a copy of the letter that --
11 of Dow's support so that I can take it to them for our next
12 contract negotiation when we ask for an increase and say
13 since you supported this 3 percent increase, we would like
14 3 percent increase on our rates.

15 Q. That's interesting. I was going to pull up the
16 letter. But I appreciate what --

17 A. You don't have to pull up the letter.

18 Q. I appreciate what you just said. And that is that
19 you have the ability to pass the cost on to your customer
20 when you have your next contract negotiation, correct?

21 A. We do not have -- we operate in a fair market. I'm
22 in -- my company is in competition with these two gentlemen
23 back here and others. So, we are not in a cost plus model
24 business. Just because our operating expenses go up does not
25 mean that we can turn around and directly pass that cost on

1 to our customer.

2 Q. But it's certainly something you said you could
3 negotiate at the very next negotiation session?

4 A. At your next negotiation session, you can negotiate
5 anything. But Dow can also say, sorry, I'm going to ship
6 with Stolt or I'm going to ship with MOL.

7 Q. Let me ask you, does -- is it Odfjell?

8 A. The name of the company?

9 Q. Yes.

10 A. Odfjell. The J is silent.

11 Q. Odfjell, does it own any real property here in the
12 Brazos river -- Port Freeport Harbor Navigation District?

13 A. No.

14 Q. Does it have any employees that are located here
15 within the Port Freeport Harbor Navigation District?

16 A. I'm not exactly sure of the boundaries of all of
17 your navigation district. But we do, I believe -- I'm not a
18 hundred percent sure on where all of our close to 200
19 employees in the U.S. live but I believe we have people that
20 live in Brazoria County.

21 Q. Okay. But you don't know whether they live within
22 the confines of the Harbor Navigation District and pay any
23 personal property taxes here or not, correct?

24 A. Do not. Do not know that.

25 Q. What particular Odfjell vessels call on Port

1 Freeport?

2 A. I don't have a complete list with me. I could get
3 it for you. But of our 80 global ships, it's going to be
4 somewhere in the neighborhood of 50 to 55 and it's going to
5 be anything from 50,000 tons to 25,000 tons.

6 Q. Okay. But Odfjell does not have a vessel with the
7 dimensions of 640 feet by 106 feet, does it?

8 A. 640 specifically?

9 Q. 640 feet by 106 feet. There was a proposed exhibit
10 that was offered by WGMA purportedly on your behalf and my
11 understanding is you don't even have a ship that size; is
12 that true?

13 A. Not 640 feet long, no.

14 Q. So, if --

15 A. We have -- we have 600 feet and we have some that
16 are longer or one -- seven that are longer than that but not
17 640.

18 Q. So, if there was a proposed calculation of what the
19 rate adjustment may have on a vessel 640 feet by 106 feet,
20 that wouldn't be for a vessel that you had, correct?

21 A. I don't believe so.

22 Q. Okay.

23 A. But I don't keep track of the dimensions of all 80
24 of our ships all the time.

25 Q. Does Odfjell pay any taxes to the Port Freeport

1 Navigation District?

2 A. I don't know the answer to that.

3 Q. You're aware of the port deepening and widening
4 project, correct?

5 A. Yes.

6 Q. And I take it --

7 A. Not all the details but generally speaking.

8 Q. And I take it that Odfjell's position is that
9 because of the advances -- or the different types of vessels
10 that will be calling on Port Freeport as a result of the port
11 deepening and widening project, that shouldn't impact any
12 fees that Odfjell should have to pay to the pilots
13 association. Is that basically it?

14 A. If the port is being deepened and widened to hold
15 vessels or to allow for vessels that are larger than what is
16 currently calling, we have no designs to have vessels that
17 cannot currently meet the Freeport restrictions call
18 Freeport.

19 Q. And I understood that --

20 A. But, again, we do support the training. If the
21 training is meant to bring additional people so that larger
22 ships can come, our ships will also benefit from that. So,
23 we support that. And we -- we support the idea of the
24 24-hour dispatch. Where we differ is in the idea that the
25 ship operator should be the only ones paying the bill for it.

1 Q. And you understand, as Captain Blanton said
2 earlier, that the association can only charge pursuant to a
3 tariff and that the Brazos Pilots Association has no ability
4 to charge industry, terminals, those types of folks, right?
5 A. Okay. Yes.
6 Q. You understand that?
7 A. Yes.
8 Q. I just want to make sure that we're all on the same
9 page. With regard to the communications fee, you take the
10 position that that is -- has been -- the dispatch service has
11 been a great thing for the port?
12 A. Again, with our ships primary -- excuse me --
13 primarily calling Dow, dispatch is handled a little bit
14 differently than it would be at other docks. Whereas, Dow is
15 setting the pilot for us to leave or for us to come in, we're
16 communicating directly with Dow about when that pilot is
17 going to board, be it from the sea buoy or board from the
18 dock to sail the ship. So, in our day -- we do not have
19 day-to-day communications with the Brazos Pilots dispatcher.
20 Q. You had told the board earlier that your ships
21 sometimes have to go back out to anchorage, I think you
22 called it during shifts, on occasion.
23 A. Uh-huh.
24 Q. Who calls your ship back into port?
25 A. If we're calling at Dow berth, it's Dow.

1 Q. And --
2 A. If we're calling a different dock, it's -- are
3 y'all -- because we're getting it from -- we're getting it
4 from the dock. We're not calling the --
5 CAPTAIN BLANTON: The dock places the order
6 with our dispatch system.
7 MR. HONEYCUTT: Right. Right.
8 CAPTAIN BLANTON: So, our guys call your
9 ships.
10 A. That's how our communication works. You're calling
11 the ship on the VHF.
12 CAPTAIN BLANTON: Correct.
13 A. But as far as communication with us --
14 communication between me and my group and -- there's no
15 communication between my group and the pilots association to
16 set pilots one way or the other. Our call goes through Dow.
17 The pilots association is calling the ship directly on the
18 VHF to tell them, hey, we're going to board you at whatever
19 time. We're also getting that phone call from Dow and we're
20 calling the ship and saying you're going to get boarded at
21 whatever time.
22 Q. (BY MR. MOORE) Okay. So, if we look at the -- did
23 you have a chance to look at these port-to-port comparisons,
24 Freeport versus competitor Texas ports?
25 A. I've seen some of these, yes.

1 Q. Have you had a chance to analyze those rates?
2 A. I've been paying these rates for a while. So, is
3 there something in particular you would like me to comment
4 on?
5 Q. Well, the only thing I saw with regard to your
6 particular ships is it appeared to me -- and you can check my
7 math -- that even with the rate increase or the rate
8 adjustment that the association is asking for today, the rate
9 for your ship would still be \$318 cheaper per ship than the
10 nearest competitor, which is Corpus Christi; is that true?
11 A. If you did the math on it, I'll take your word for
12 it. None of my ships are listed up there.
13 Q. That's correct.
14 A. But that's fine. For discussion sake, I'll go off
15 of the Stolt ship being a commensurable ship that is
16 comparable size to ours -- or some of ours. Freeport, you
17 know, like I said, we are going to Dow -- the Dow terminal,
18 which is the very first one in. It's an hour and a half,
19 hour and 45-minute shift, whereas Houston you could be
20 going -- the nearest chemical facility in Houston is over
21 three hours and the furthest is about seven. Sabine, seven
22 to eight, depending on how far up into Beaumont you're
23 getting. So, the -- yes, Freeport is cheaper. It's a lot
24 shorter shift. And we -- not in an effort to hold Freeport
25 in the past but we appreciate the -- I don't mean to make

1 this sound derogatory. We appreciate the simplicity of it.
2 And I know our sailors appreciate the simplicity of the
3 channel to get in, that the facilities are easy to reach,
4 that there's only -- you know, it's a fairly straightforward
5 mooring. There's not a lot of -- there's no passing --
6 nobody is playing Texas chicken in the channel down here.
7 So, you know, we appreciate all those things. And the fact
8 that it's a cheaper port to call on port calls means that we
9 can offer cheaper freight rates to our customers, which
10 allows them to expand their facilities and expand their sales
11 globally.
12 MR. MOORE: I think with that, that's all I
13 have. Thank you, sir. Appreciate your endorsement of BPA.
14 CHAIRMAN PIRTLE: Thank you, Mr. Honeycutt.
15 MR. HONEYCUTT: Thank you.
16 CHAIRMAN PIRTLE: Reminder that these
17 presentations should be amenable and hospitable. And the
18 presentation is to the commission. Thank you. Ms. Larmond.
19 MS. SAATHOFF: Would you like her to clean
20 that first? She'll wipe it down.
21 MS. LARMOND: I would like to call -- Shareen
22 Larmond, West Gulf Maritime Association. I would like to
23 call Niels Aalund.
24 CHAIRMAN PIRTLE: One quick -- Mr. Letourneau,
25 if we can get a time check, please, sir.

1 MR. LETOURNEAU: Mr. Chairman, the BPA has 52
2 minutes and 47 seconds and the objecting parties have 68
3 minutes and five seconds.

4 CHAIRMAN PIRTLE: Real close. All right. Go
5 ahead.

6 **NIELS AALUND,**
7 having been previously duly sworn, testified as follows:
8 **EXAMINATION**

9 Q. (BY MS. LARMOND) State your name for the record.
10 A. Niels Aalund with the West Gulf Maritime
11 Association.

12 Q. And can you tell the commission about your
13 experience and background.

14 A. Experience and background, wow. That's -- time
15 travels quickly over 40-something years. The first job in
16 this business was with WGMA. And after I graduated from
17 college, they lined up some interviews. So, always leave on
18 good terms, you may come back. And I worked in the industry
19 for 25 years for ship owners, ship agents. I worked in
20 Houston; Washington, D.C.; Baltimore; Philadelphia. I worked
21 for a large trade association in D.C. as an advocate for the
22 industry. Ship owners, ship agents, stevedores, terminals.
23 And now the last 15-plus years with WGMA. And I've had a lot
24 of experience on all levels. I'm a generalist.

25 Q. And do you have experience in dealing with pilot

1 rate increases?

2 A. Yes. The last 15 years I've been involved with
3 every pilot application -- our geographic scope is
4 Lake Charles, Louisiana south to Brownsville. And the pilots
5 at each port have always shown the courtesy of coming to WGMA
6 and discussing the applications. We meet. We discuss. We
7 give feedback. So, I've been involved with each one of
8 those. And the ideal scenario is to reach an agreement, come
9 to the commission and say we support it. And in this case
10 that was what we tried to do even up to just a couple days
11 ago on the phone and telephone, e-mail exchange.

12 Q. And could you tell us about WGMA, the company you
13 represent?

14 A. Yes. Founded in the mid 1960s. We have over
15 200-plus members. We have two divisions basically. In
16 simplest terms, we represent management, collective
17 bargaining with the ILA. We do the payroll services, safety,
18 security, training, conduct discussions in that regard. The
19 other branch that I manage called maritime affairs is we're
20 advocates for the industry. Not only advocacy with groups
21 like the Coast Guard, U.S. Customs, port authorities, we're
22 also an educational outreach conduit. We go to Washington,
23 D.C.; Baton Rouge; Austin and represent our industry. We
24 produce a daily industry update report. We have meetings.
25 Excellent relationships, I think, with all pilot groups and

1 proud to say that all the ports in the state of Texas are
2 members, including the Port Freeport as a stakeholder.

3 Q. And what's the company's position?

4 A. On this specific issue -- I think it's important to
5 go through the methodology. And quite frankly, I don't feel
6 we're that far off from what the pilots proposed and what
7 we've heard today. As we mentioned and others have agreed,
8 we're in the middle of a pandemic, a very difficult economic
9 time. We acknowledge that the pilots provide a valuable and
10 essential service. We're not saying that they shouldn't get
11 an increase. We look here at the education fee, check that
12 one off. We agree with that. The expansion of the draft
13 table can remain the same as proposed by the pilots for
14 drafts greater than 42 feet. We agree with the continuation
15 of the boat fee as long as it's not applied for shifts.

16 We've made some discussions and negotiated
17 back and forth about the minimum charge modification on the
18 draft. I think the key is is that the communication fee -- a
19 dispatch fee. I haven't heard anyone say close the dispatch
20 center. It provides a value for all port users and we
21 commend the pilots and the port authority for moving -- we
22 remember when we talked about this at the last hearing,
23 industry wanted a dispatch center to enhance communications.
24 With 200-plus members, as I think Daniel made the
25 illustration, can we get everybody to agree on a sandwich,

1 no. But one thing that we can -- a very strong consensus is
2 that it should not be borne solely by the ship owners. The
3 port industry users are all benefiting. So, we respectfully
4 suggest that that cost can be spread among multiple parties.
5 The port is already paying some, industry. We would
6 respectfully ask that that would continue, to spread the
7 cost.

8 The other issue is back to the five years, the
9 length of time, economic conditions. Instead of a 3 percent
10 automatic increase each year, we would suggest the
11 possibility, consider a consumer price index to be adjusted
12 on an annual basis or perhaps -- perhaps some have suggested
13 a tonnage fee that could be applied to help cover the costs
14 of the dispatch center or something like that.

15 COMMISSIONER CROFT: Can you repeat that. I
16 didn't hear.

17 COMMISSIONER HOSS: Stand a little closer to
18 the microphone, please.

19 MR. AALUND: What?

20 COMMISSIONER HOSS: What? Thank you.

21 A. We were looking at the possibility of -- in our
22 negotiations of finding a way to fund the dispatch center and
23 the tariff increases. Instead of an automatic 3 percent
24 every year, we suggested to look at a possibility of a
25 consumer price index as being a way to adjust that. To fund

1 the dispatch center, one option could be to spread the costs
2 among different users that benefited from it or another might
3 be the implementation of a minimum tonnage tax that everybody
4 would pay to help fund that. There's different options to
5 look at. It doesn't always have to go on the back of the
6 vessel operator.

7 Q. (BY MS. LARMOND) You mentioned the methodology
8 that you came to this consensus. Can you tell us more about
9 that.

10 A. Okay. As I mentioned, I get involved with all the
11 pilot rate hearings up and down the coast. And it's -- it's
12 very consistent that the pilots reach out and say we would
13 like to meet with you. And they bring in a package, a
14 PowerPoint that y'all have probably already seen. And
15 Captain Blanton and Captain Krohn, we met together and they
16 went through the PowerPoint with me. And I acknowledged a
17 lot of the good points that they brought up and I provided
18 candid and transparent feedback with what I thought would
19 work, what the industry could work with, the time limit, the
20 cost level, spreading the costs out. There's a term in
21 shipping called your word is your bond. And they gave me a
22 copy of their application before they even filed it and said
23 this is for your benefit, don't share it. And I didn't. I
24 didn't. I waited until they gave me the green light.

25 When that goes out, we send it to our

1 meetings here, not all of them but most of them and they give
2 updates, you can ask questions. Theoretically if you
3 approved a one-year deal, they can come back in nine months,
4 start making the rounds, and come in and ask for something
5 else. Two years, a year and a half from now they can start
6 the process. So, we hope you consider that.

7 MS. LARMOND: Pass the witness.

8 CHAIRMAN PIRTLE: All right. Very good.

9 COMMISSIONER SINGHANIA: Mr. Chairman, I have
10 a question for Niels.

11 CHAIRMAN PIRTLE: Yes, sir.

12 COMMISSIONER SINGHANIA: You mentioned for the
13 expense to be fairly cost distributed to be given to the
14 owners. But help me because in my mind if it is charged to
15 the ships, it gets to the owners one way or another. Isn't
16 that a fair way to do it or is there a better way?

17 MR. AALUND: May I ask who --

18 CHAIRMAN PIRTLE: This is Commissioner
19 Singhania that is talking right now asking questions. All
20 the other commissioners are here. He's online. So, Ravi, if
21 you would, please, ask the question one more time so we're
22 ready.

23 COMMISSIONER SINGHANIA: This is Ravi
24 Singhania, port commissioner. Niels, you mentioned a way to
25 distribute the costs for the signal station or dispatch

1 members -- all of our members, especially those that are
2 impacted and I get feedback. Immediately I got a lot of
3 feedback about the time limit right away. We try to build a
4 consensus and go back to the pilots and say can you tweak
5 this or you can tweak that. The goal is to try to work
6 something out. But ultimately if we don't feel like we're
7 able to work an agreement out, I go to -- we go to our board
8 before the time limit and -- our board of directors and said
9 unfortunately we're at a stalemate. To participate in this
10 hearing, we have to file an objection. And they grant
11 approval for that. We file an objection.

12 But that doesn't stop the dialogue. We
13 continue to try to work something out with the pilots,
14 exchanging E-mails, phone calls, meetings with industry
15 stakeholders. There's a dialogue sometimes there. And over
16 the years I've had situations where literally out in the
17 hallway before a hearing starts something is agreed to and we
18 come in here.

19 So, the methodology is one that we've tried to
20 find a solution to avoid a public hearing and -- because you
21 never know what's going to happen at a public hearing,
22 whether it's going to go one way or the other. So, we ask --
23 we just ask for some reasonable short-term decisions to be
24 made. The pilots have brought up that you guys can review
25 things and ask questions. I've been to pilot commission

1 station. It's better to be paid some by owners or some other
2 ships but to me if you pay other ship, which are really the
3 station is monitoring, isn't that fair enough or how can it
4 be more equitable?

5 MR. AALUND: Well, you know, it's very simple.

6 The ship owners pay for everything right now: pilotage, line
7 handlers, tugs, CBP costs, port agencies, stevedoring,
8 dockage, wharfage, the list goes on and on. We respectfully
9 ask that they're thinking out of the box. We can come up
10 with a solution. Currently the port authority and industry
11 terminals are footing the bill. If we come up with a fair
12 solution to split it among maybe three parties -- we're just
13 looking for some relief that the total cost does not have to
14 come on the back of the ship owner for something that
15 provides a great benefit, yes. But we don't know in future
16 years what the costs are going to be, what kind of services
17 will be provided, the overhead, the cost. Things are kind of
18 fluid right now. So, it's just a suggested option for the
19 commissioners to please consider.

20 CHAIRMAN PIRTLE: All right. Thank you, sir.

21 MR. CREW: Mr. Chairman, Paxton Crew on behalf
22 of BPA. Very, very briefly.

23 **CROSS-EXAMINATION**

24 Q. (BY MR. CREW) Mr. Aalund, I appreciate you being
25 here. I have a few questions about some things that may

1 affect your members, particularly demurrage. Can you tell us
2 what demurrage is and how it affects your individual members.

3 A. Wow. I haven't dealt on the commercial side in a
4 while. But obviously demurrage is delays and then somebody
5 has to pay for that delay, in simplest terms.

6 Q. And what I'm asking you is have any of the members
7 that you're acting on here today given you any insight into
8 how the Fort Velasco dispatch system has saved them money in
9 demurrage fees on a more efficient system of handling vessels
10 arriving here in Port Freeport?

11 A. Paxton, that dialogue specifically on demurrage has
12 not occurred. But I will say that they do appreciate the
13 value that the dispatch center brings and there is
14 efficiencies found already, yes.

15 Q. So, you understand that in many events demurrage
16 costs can be many hundreds of thousands of dollars?

17 A. It can potentially.

18 Q. And so, we're talking about for these individual
19 small ships, tankers, chemical tankers, \$50,000 for --

20 A. I'd have to look for a nod because I don't --

21 MR. CREW: For Odfjell about 50,000 a year?

22 MR. HONEYCUTT: Do you mind if I --

23 MR. CREW: Sure.

24 CHAIRMAN PIRTLE: Please come forward and
25 identify yourself at the mic, please, sir.

1 MR. HONEYCUTT: Jared Honeycutt with Odfjell
2 Tankers. Demurrage is a mechanism of the commercial
3 contract. It is a negotiation point between the ship
4 operator and the charterer of the cargo. It has to do
5 with -- it has to do with the market aspects but it
6 essentially is you get a certain amount of what is referred
7 to as lay time, which is free time, to wait -- have the ship
8 wait, load cargo or work cargo and then be completed with the
9 operation. There's -- the clauses can be worded in two dozen
10 different ways where you combine the time at load port and
11 discharge port. It can -- there's certain acronyms that mean
12 holidays included and if the H isn't there, then the holidays
13 don't count and Sunday doesn't count. It's all up for
14 negotiation at the time of either negotiating a contract or
15 booking a spot cargo. Demurrage is not a business
16 proposition for the ship operator and it certainly has not
17 been in any -- in the last 12 years of the shipping industry
18 with the market being where it is right now.

19 MR. CREW: Mr. Honeycutt, I appreciate that
20 answer. But in terms of what the benefits of the Fort
21 Velasco dispatch service gives to economies and efficiencies
22 for the entire port operations, for Odfjell, for MOL, for
23 Stolt --

24 MR. HONEYCUTT: Our waiting time for -- our
25 waiting time at Odfjell to get into port and conduct

1 operations has not significantly changed since the
2 implementation of the Fort Velasco dispatch.

3 MR. CREW: And so, in terms of any exhibits or
4 kind of items of how you've been harmed or improved or
5 anything, you've not offered anything that would support that
6 here today?

7 MR. HONEYCUTT: We have -- our waiting time to
8 get into Dow is relatively the same as it's always been or as
9 it was three, four, five years ago before the dispatch. It
10 has more to do with how many ships Dow is booking and less to
11 do with how the internal communication of the port is going
12 on.

13 MR. CREW: So, in terms of, I guess, Dow
14 Freeport supporting this dispatch system, at least your
15 customer realizes the value that that brings to them, true?

16 MR. HONEYCUTT: It sounds like they -- they
17 support shifting the cost from whoever is paying the bill now
18 to us paying the bill. I will take at face value that the
19 endorsement of the tariff, that they read the line that said
20 Dow is not going to have to pay for this anymore, the ship
21 owners are and they said, yeah, that sounds good to us.

22 MR. CREW: You can't offer us any insight into
23 how demurrage factors into that?

24 MR. HONEYCUTT: I can tell you how demurrage
25 works. I cannot tell you how Dow thinks.

1 MR. CREW: I'm talking about from Odfjell. I
2 said -- sorry. Odfjell. I'm talking about from Odfjell's
3 perspective. That's not even a line item that you capture
4 for this port, true?

5 MR. HONEYCUTT: I don't understand. Can you
6 restate the question?

7 MR. CREW: Sure. The total demurrage cost for
8 a ship -- for port operations in a year factored against the
9 metric of how much you're paying, let's call it 50,000 a year
10 for this dispatch. That's not even -- that's not even
11 something that's on the radar for Odfjell?

12 MR. HONEYCUTT: Our goal is not to have the
13 ship -- our goal is for the ship to not earn demurrage
14 because we want the ship to earn money carrying cargo.
15 Demurrage is a quote, unquote, I get penalty for the
16 charterer not providing the open berth for us to go conduct
17 operations at.

18 CHAIRMAN PIRTLE: Out of time.

19 MR. CREW: Thank you.

20 CHAIRMAN PIRTLE: Thank you, sir. Any further
21 cross-examination?

22 MR. MOORE: No, sir.

23 CHAIRMAN PIRTLE: Ms. Larmond, do you have any
24 other witnesses? Do you have any other witnesses?

25 MS. LARMOND: No, sir.

1 CHAIRMAN PIRTLE: Okay. So, we have exhausted
2 witnesses on both sides. At this point it's my understanding
3 that BPA has the opportunity -- do you have any closing
4 arguments before we press on? BPA will get the final words.
5
6 **CLOSING STATEMENT**
7 MS. LARMOND: Just a short statement that we
8 understand and appreciate the value of the Brazos Pilots
9 Association brings to the Port of Freeport as well as to all
10 of the members that utilize their services. But at what
11 cost? We are in the middle of a pandemic that has not been
12 unnoticed by anybody in this room. Everybody has been
13 impacted by it. Other industries have been impacted by it.
14 So, we ask that you explore other methodologies, other
15 mechanisms under the current economic climate and consider
16 that as you pursue an overview of this application.
17 CHAIRMAN PIRTLE: Thank you. It's too bad
18 that y'all didn't come to an agreement during lunch out there
19 in the hallway.
20 MS. LARMOND: They left. Just kidding.
21 CHAIRMAN PIRTLE: Very good. Brazos Pilots
22 Association.
23 **CLOSING STATEMENT**
24 CAPTAIN BLANTON: So, we're back where we
25 started.
MS. SAATHOFF: State your name.

1 CAPTAIN BLANTON: Daniel Blanton for Pilots.
2 Not the -- I'm the president of the Pilots. Sorry. We're
3 back where we started. We have the interest of how we
4 operated for 30 years and we're weighing those against the
5 interest of what we're doing going forward. We've taken the
6 position that we've already stepped into the future. I
7 appreciate their position. I understand. We're not arguing
8 about the legitimacy of the ask on the merits of does it
9 provide value. We're arguing over the cash value to move
10 those ideas forward.
11 The amount of money that we've invested as a
12 community to make this deepening and widening project far
13 outweigh the considerations that were put forth today. And I
14 agree, they are significant but they add tremendous value.
15 They represent -- this represents our future. For me, we've
16 already made that bet. And it's not my position to tell you
17 what future we're going to be. No one elected me, you know.
18 But I do take it personally. Like I said, we went out and we
19 sold this vision and then I moved my company to be in the
20 position to make that a reality. But at the end of the day,
21 you guys have got to decide, are we going to be constrained
22 by the ways of our past or are we going to move forward with
23 those old partners and move into the future. And that's why
24 we're here today. Thank you.
25 CHAIRMAN PIRTLE: Very good. Thank you.

1 COMMISSIONER HOSS: Mr. Chairman --
2 CHAIRMAN PIRTLE: Yes, sir.
3 COMMISSIONER HOSS: -- I have a question or
4 two here for the pilots about some of the stuff they
5 submitted. Is it an appropriate time to ask?
6 CHAIRMAN PIRTLE: We're about to go into
7 deliberation. So --
8 COMMISSIONER HOSS: It's an appropriate time
9 to ask.
10 CHAIRMAN PIRTLE: -- it's an appropriate time.
11 But given the consideration of what's going on, I was going
12 to try to see if Mr. Singhanian since he's online --
13 COMMISSIONER HOSS: I concede to
14 Mr. Singhanian.
15 CHAIRMAN PIRTLE: Mr. Singhanian, are you
16 there?
17 COMMISSIONER SINGHANIAN: Are you there?
18 CHAIRMAN PIRTLE: Yes, sir. We are now going
19 into deliberations seeing that we have no other witnesses or
20 not any more testimony. With that, it is 1:54.
21 COMMISSIONER HOSS: Before we go into
22 deliberations, will we be able to have questions and answers?
23 CHAIRMAN PIRTLE: I'm sorry. Questioning
24 session.
25 MS. SAATHOFF: You've got things to read in

1 there. You've got to lead into it.
2 CHAIRMAN PIRTLE: You're right. We are going
3 into questioning session and commissioners have an
4 opportunity to do that. So, we'll start with each
5 commissioner. So, again, pursuant to Transportation Code
6 68.066, the Pilot Commission may require relevant information
7 it considers necessary to determine the proper pilotage rate.
8 So, in that light, we will call upon each commissioner to
9 present questions that they may pose to the pilots or
10 objecting parties. And with that, I will ask Mr. Singhanian
11 to go ahead with any questions he may have.
12 COMMISSIONER SINGHANIAN: I un-muted my mic.
13 Thank you, Mr. Chairman Pirtle and commissioners. I have a
14 few questions but I do want to give a few comments along with
15 it. I want to first applaud the excellent service the BPA
16 and pilots provide to our channel users. They actually share
17 the proactive planning by continuing this level of service as
18 a port and groups. On the other hand, I do feel compelled to
19 express my concern or say disappointment. At the last rate
20 adjustment hearing, as you already commented in 2017, we
21 listened to the testimony from BPA expert witness
22 Mr. Carnegie, former CEO of PNJ. He emphasize the safety to
23 have a deckhand on pilot boat. This testimony was very
24 compelling. It was the major factor in my decision for the
25 rate adjustment and also for the years as it was requested.

1 Unfortunately -- (connection garble). The present rate
2 increase, as you, Mr. Chairman, mentioned about the statute,
3 I see my responsibility as a pilot commissioner, commission
4 member, the rates provide for fair compensation to the
5 pilots. It provides for all the needed training and other
6 sources like for safety and efficient service, like the
7 dispatch station and all.

8 To perform fully the improvement better, I
9 have spent considerable time reviewing the information and
10 resources as late as last evening. I've come to a conclusion
11 that we still don't have the financial reports for last three
12 years. And I'm making new report, balance sheet, income
13 statement, and cash flow along with the projection for the
14 six years for which the rate request is made. Without this
15 it will be hard for me to make an informed, intelligent
16 decision. Just for example, the vessel cost for the
17 calculation was based on what it is today on average. And
18 all our projections are based on by 2026 a vessel cost may
19 increase by almost 20 percent. And because of this is what I
20 thought, again, the pilot, BPA, is planning what needs to be
21 done to continue these operations.

22 But just 30 percent increase in vessel cost,
23 just doing some rough calculation, that has almost a
24 25 percent increase, in fact, in revenue fees. It's almost
25 like \$2 million. So, we need that information or I want to

1 ship. Say, we go to a car carrier at Brazos Harbor 2. They
2 order to sail at 1700. They order the tugs. They order the
3 pilots. They order the line crew. We show up. The ramp is
4 down and they say I've got an hour and a half more of cargo
5 to do. We can't stay there. So, there is a penalty
6 associated with that called a cancellation fee.

7 The detention fees are assessed mostly during
8 mooring operations. So, we give them -- they have a certain
9 amount of time, 30 minutes to tie the ship up, which is
10 reasonable. The majority of ships can tie up in that time.
11 But the problem is, particularly with LNG, due to the size of
12 the ship and the number of moorings that they require and the
13 way they insist on tying the ships up, that 30 minutes gets
14 drug out to two, three hours to tie a ship up. They refuse
15 to let the gangway down. They must -- the pilots must remain
16 on board with the tugboats. So, you're consuming large
17 amounts of time to tie up a boat outside of what is normal
18 pilotage duties. So, that is where the detentions and the
19 cancellations come in.

20 COMMISSIONER HOSS: Okay. How are they
21 calculated, please? And I don't see an exhibit number on
22 here. But it is from your financial report, periods 2019 and
23 January, August, 2020.

24 MR. MOORE: That's Exhibit 3. BPA Exhibit 3.

25 COMMISSIONER HOSS: Like I said, there's no --

1 see that information and sit down with the staff to make me
2 feel more -- make a good decision. Thank you, sir.

3 CHAIRMAN PIRTLE: Thank you, sir. Mr. Hoss, I
4 believe you had some questions.

5 COMMISSIONER HOSS: Yes, sir. For the pilots,
6 one of your exhibits mentions --

7 CHAIRMAN PIRTLE: Speak up, please, sir.

8 COMMISSIONER HOSS: How's that? Better?

9 CHAIRMAN PIRTLE: Better, yes, sir.

10 COMMISSIONER HOSS: Sorry. For the pilots,
11 one of your exhibits has your fees on it. And forgive me, I
12 didn't write down which one. I think it's around No. 1 or
13 No. 2. On the fees that are collected, it mentions
14 cancellation fees, which I'm assuming your job got cancelled,
15 so you sent them an invoice for, you know, something. And
16 detention fees. Can you briefly tell us how each one of
17 those are calculated and then specifically what is a
18 detention fee.

19 CAPTAIN BLANTON: So, a detention fee and
20 cancellation fee are outlined in the tariff. The
21 cancellation fee -- say, we went to sail a ship from A-22 at
22 3:00 in the morning. They order the pilot. The pilot shows
23 up, the tugboat shows up, the line crew shows up. The pilot
24 goes on board the ship and then they say, we're not done with
25 samples, the ship is not ready to sail and they cancel the

1 probably would be up in the handwritten notes.

2 CAPTAIN BLANTON: Matt is looking it up off of
3 our tariff right now. He's going to have it. I don't want
4 to quote you the wrong number.

5 COMMISSIONER HOSS: The total numbers there
6 are -- for 2019, the detention fee is \$19,933.93. And the
7 cancellation fee is 20,925 and change. I'm just wondering --

8 CAPTAIN BLANTON: The LNG.

9 COMMISSIONER HOSS: -- how they're --

10 CAPTAIN BLANTON: That detention is the LNG.

11 COMMISSIONER HOSS: -- how they're usually
12 assessed.

13 CAPTAIN BLANTON: Cancellation fee is \$400.

14 COMMISSIONER HOSS: It's just a flat rate?

15 CAPTAIN BLANTON: And detention is \$400.

16 COMMISSIONER HOSS: Okay. Per occurrence or
17 per hour?

18 CAPTAIN BLANTON: The cancellation is a
19 one-time fee. So, I mean, you cancel and then it's done.
20 And then the detention is applied for once they go over. But
21 the -- so, the problem and the distortion comes on the
22 detention fee with LNG. You have two pilots. So, you're
23 paying a double detention.

24 COMMISSIONER HOSS: \$900 -- four or 450? What
25 did you say?

1 CAPTAIN BLANTON: I think it's 456, 455.
 2 COMMISSIONER HOSS: That's why the odd numbers
 3 here?
 4 CAPTAIN BLANTON: That's why the odd number.
 5 CAPTAIN KROHN: It's 406.34.
 6 CAPTAIN BLANTON: It's 406.34 times two. And
 7 LNG is where they sit there and they -- I mean, it's a
 8 massive consumption of our resources --
 9 COMMISSIONER HOSS: I understand.
 10 CAPTAIN BLANTON: -- to sit there and tie a
 11 ship up 18 lines one line at a time.
 12 COMMISSIONER HOSS: What we are reviewing
 13 today on the -- will those numbers change if we apply a rate
 14 increase?
 15 CAPTAIN BLANTON: So, they would go up
 16 3 percent. So, the 400 would go up 3 percent per year.
 17 COMMISSIONER HOSS: Okay. And that has
 18 nothing to do with the units of the ship or the draft of the
 19 ship?
 20 CAPTAIN BLANTON: It has nothing to do with
 21 any of that.
 22 COMMISSIONER HOSS: It's just a flat number?
 23 CAPTAIN BLANTON: It's just a flat number.
 24 COMMISSIONER KRESTA: Commissioner Hoss, can
 25 you verify that and say is it a flat number for every ship or

1 CAPTAIN BLANTON: I have very little control
 2 over that. We recommended the first quarter to put this in
 3 and then the first quarter -- January 1, 2021.
 4 MS. LARMOND: It says January 1. Shareen
 5 Larmond.
 6 COMMISSIONER HOSS: January 1, 2021?
 7 MS. SAATHOFF: Just make sure we get that --
 8 MS. LARMOND: January 1, 2021.
 9 COMMISSIONER HOSS: I don't think I have any
 10 other questions.
 11 CHAIRMAN PIRTLE: You always have the
 12 opportunity to come back if you have more.
 13 COMMISSIONER HOSS: Thank you very much.
 14 CHAIRMAN PIRTLE: Mr. Croft, do you have any
 15 questions since we're on that end?
 16 COMMISSIONER CROFT: Can I ask that those more
 17 senior to me in tenure have their comments first?
 18 CHAIRMAN PIRTLE: That's fine.
 19 COMMISSIONER CROFT: Please.
 20 CHAIRMAN PIRTLE: We can come back any time.
 21 Mr. Kresta, I think he's talking to you.
 22 COMMISSIONER KRESTA: Thank you, Mr. Chairman.
 23 MS. SAATHOFF: Somebody had a birthday this
 24 week, right?
 25 CHAIRMAN PIRTLE: Let's not start in on that.

1 certain ships?
 2 CAPTAIN BLANTON: The cancellation fee, it
 3 doesn't matter if it's a shrimp boat or an LNG ship, it's 400
 4 bucks.
 5 COMMISSIONER KRESTA: That's what I wanted to
 6 ask.
 7 COMMISSIONER HOSS: The detention fee, is that
 8 also flat for each and every size ship?
 9 CAPTAIN BLANTON: It's all the same. There's
 10 one fee.
 11 COMMISSIONER HOSS: Okay. Let's see. I had
 12 another question. If we're moving forward and we grant this
 13 rate increase or there's any changes to the rate increases,
 14 when will those go into effect?
 15 CAPTAIN BLANTON: The what?
 16 COMMISSIONER HOSS: The rate increases if we
 17 grant them? Because I recall something about the last
 18 hearing we did something and it was retroactive so far. So,
 19 when --
 20 CAPTAIN BLANTON: Are you talking about last
 21 time when we had to retract the fee we applied?
 22 MS. SAATHOFF: This time you stated a year
 23 they would go in effect. This is Phyllis Saathoff, CEO. I
 24 think the question is do you intend for that to go into
 25 effect January 1 of the stated year that was in your --

1 COMMISSIONER KRESTA: You want to talk about
 2 senior.
 3 CHAIRMAN PIRTLE: There they are, picking on
 4 you again, Judge Gayle.
 5 COMMISSIONER KRESTA: Let me get some thoughts
 6 here together. On this education fee -- and I believe in it
 7 a hundred percent. And I think it's been asked but I'm
 8 supporting it and everything else. But I want to ask the
 9 pilots, if it's approved and it's carried through or if it's
 10 not approved from now on, we need to see a plan. The
 11 commission needs to see a plan of what we're actually doing
 12 with it for it to be transparent. Just not saying we're
 13 training pilots. You know, give us the name of the training
 14 plan, give us just a schedule of what we're actually doing
 15 and then you saying up there, oh, we got to train pilots.
 16 Well, I understand -- we understand -- part of us understand
 17 you've got to go to pilot school, you've got to go to --
 18 CAPTAIN BLANTON: It's not a little pilot
 19 school.
 20 COMMISSIONER KRESTA: I'm trying to go by
 21 the --
 22 CAPTAIN BLANTON: I understand.
 23 COMMISSIONER KRESTA: -- the one in Bayport.
 24 Simulator school and all this. All right. Where that needs
 25 to be listed, okay, if you don't mind. We'll put -- talk

1 about that more.
 2 The minimum draft fee is -- right now is
 3 \$1100; is that correct. 1123?
 4 CAPTAIN BLANTON: 1123.94.
 5 COMMISSIONER KRESTA: Okay. You're wanting to
 6 go to 1350?
 7 CAPTAIN BLANTON: I wanted to go to 1353.60.
 8 COMMISSIONER KRESTA: And where did you get --
 9 every time you discuss this and you said that, your theory,
 10 it was a theory, where did you get a basis of going up \$230?
 11 How did you get to a 230-dollar basis instead of you sitting
 12 there and telling me, well, in theory, hypothetically?
 13 That's all I heard. I didn't hear nothing saying how you got
 14 there. Okay. So, that's my question I would like to get
 15 cleared up, you know, on that part of it instead of telling
 16 everybody what -- what I just said.
 17 CAPTAIN BLANTON: The methodology that got me
 18 there is I try to strip out, you know, all the auxiliaries
 19 that weren't directly related to that boat. The boat
 20 insurance, yes, the employees, the boat, consumables, and the
 21 fuel. So, the core components to physically moving that boat
 22 out there. And it gives you a value. And then you divide
 23 that value by the number of ships you do and that will give
 24 you how much does it cost to run that boat.
 25 COMMISSIONER KRESTA: Yeah. And that's the

1 agree with you, Mr. Niels, it could be in a different way.
 2 But I think it might be a nightmare if you go by tonnage or
 3 whatever ideas you've got. Now, whatever they make up their
 4 mind about is going to be passed on, well, the shippers, I'm
 5 sorry, but that's a communication tool between the pilots and
 6 that man on the ship. And that's a big communication tool.
 7 And the efficiency we have seen that's really gone into this
 8 is really good. And so, with that being said, I mean, I want
 9 to go back to this current dispatch deal and ask one
 10 question. It says -- on Exhibit 1 of your opening
 11 statements, it says current status of dispatch -- I'm looking
 12 at this piece of paper right here just for fast reference.
 13 Okay?
 14 MS. SAATHOFF: The PowerPoint.
 15 MR. MOORE: The PowerPoint, Exhibit 20.
 16 COMMISSIONER KRESTA: They brought up a point.
 17 It's in there. I don't understand it myself. So, I want
 18 clarification. It says the current status of dispatch. When
 19 you go with these operating expenses, the internet and the
 20 phone line and it's \$17,600. That's a year?
 21 CAPTAIN BLANTON: Correct.
 22 COMMISSIONER KRESTA: Wireless bill, is that a
 23 year? Is all this in a year?
 24 CAPTAIN BLANTON: It's all a year.
 25 COMMISSIONER KRESTA: Then we get down there

1 whole thing what I'm saying, you just came up with I did this
 2 value, I did this value. All I'm asking for -- can you tell
 3 me right there sitting here how you got that \$230. Because
 4 you're saying what it cost to run that boat 8 miles out, how
 5 much does it cost you an hour?
 6 CAPTAIN BLANTON: I have not broken it out
 7 like that.
 8 COMMISSIONER KRESTA: So --
 9 CAPTAIN BLANTON: And it depends on --
 10 COMMISSIONER KRESTA: I am under the
 11 convention that if you didn't break it down by the hour --
 12 you know how much it burns, how much labor is on it, or how
 13 long it takes to get out there. You know that. But it
 14 should be broke down by the hour in how much it costs instead
 15 of telling me about a theory. That's why I'm asking the
 16 question.
 17 CAPTAIN BLANTON: Fair enough.
 18 COMMISSIONER KRESTA: And try to make up my
 19 mind on that how much it really costs is what I'm getting at.
 20 All right. The communication part of it I really do like. I
 21 mean, I think we were involved with getting that started. I
 22 think it's a wonderful tool. And shippers, I'm sorry, it's a
 23 damn good tool for y'all. It's all over a good tool for all
 24 the users. The users jump in and pay for it to get it
 25 started and it was going to be passed on to the shippers. I

1 to a total of \$486,000 because you added 430,000 plus 56,100
 2 to come up with 486,490, correct?
 3 CAPTAIN KROHN: Yes, sir.
 4 CAPTAIN BLANTON: Yes.
 5 COMMISSIONER KRESTA: Now, the tower rental
 6 space, optional.
 7 CAPTAIN BLANTON: Correct.
 8 COMMISSIONER KRESTA: You're not saying that
 9 you're going to use it. You're just saying -- you put it in
 10 there if you have to use it.
 11 CAPTAIN BLANTON: No, sir.
 12 COMMISSIONER KRESTA: Explain that to me.
 13 That's why I asked.
 14 CAPTAIN BLANTON: The tower optional is when
 15 we came to the decision that we're going to move forward with
 16 dispatch.
 17 COMMISSIONER KRESTA: Yes, sir.
 18 CAPTAIN BLANTON: We built a hundred-foot
 19 tower at our station. The way VHF works is line of sight.
 20 So, if I get the radio antenna a hundred feet in the air, I
 21 have a 13-mile line of sight. We're moving our sea buoy
 22 further offshore. We have a two-hour call-out. Factoring in
 23 the speed of the ship, there is an option that we can execute
 24 to rent a spot for \$25,000 a year to put an additional VHF on
 25 a 400-foot tower that we do not own. What that does is it

1 increases our communication range with the ship to align it
2 with our operating windows. So, when they order pilots and
3 they're still 30, 40 miles offshore, they can talk to us.
4 So, we can tell them slow down, you're going to have a delay
5 so he's not burning the fuel unnecessarily. So we can tell
6 them speed up and make your pilotage. So we can tell them
7 you have no orders, there's a ship in your berth. There's
8 huge efficiencies you can gain with that. But when we were
9 getting it off the ground, they said, Daniel, make it as
10 skinny as possible. I think it would be a good option to
11 exercise. But we do not have it in a current iteration of
12 dispatch and we would hope that it would go forward if we
13 exercised the option.

14 COMMISSIONER KRESTA: So, actually that there
15 is not going to be spent unless you exercise the option?

16 CAPTAIN BLANTON: I mean --

17 COMMISSIONER KRESTA: Is that correct?

18 CAPTAIN BLANTON: I want it. I think we need
19 it.

20 COMMISSIONER KRESTA: I'm hung on the word
21 "optional" is all I'm saying.

22 CAPTAIN BLANTON: The "optional" was put in
23 there because it reflects a cost that we didn't carry in the
24 trial period that we are forecasting to carry --

25 COMMISSIONER KRESTA: You come back and say,

1 the worth.

2 COMMISSIONER KRESTA: That's all I wanted to
3 get cleared up is that word right there.

4 CAPTAIN BLANTON: I'm comfortable if you're
5 comfortable.

6 CHAIRMAN PIRTLE: So, the earth is not flat?

7 CAPTAIN BLANTON: Who are you asking?

8 COMMISSIONER HOSS: Where is this tower
9 located?

10 CHAIRMAN PIRTLE: Commissioner Hoss.

11 COMMISSIONER KRESTA: Commissioner Hoss.

12 UNIDENTIFIED SPEAKER: There's one in Kirby
13 and there's also one out on 2004.

14 CAPTAIN BLANTON: There's one by Kirby and
15 there's one by 2004.

16 UNIDENTIFIED SPEAKER: They're 400 foot --

17 CAPTAIN BLANTON: They're four -- we have
18 options off of either one. And that will be digital as well.
19 So, we could sync that back into our call center. So, if we
20 did -- it has a lot of advantages. We don't own the towers.

21 COMMISSIONER KRESTA: Okay. All right. Thank
22 you. In past pilot meetings and past board meetings, you've
23 had to get on ocean-going tugs. Okay. What's the rate for
24 an ocean-going tug when you get on a tug?

25 CAPTAIN BLANTON: It's the minimum.

1 you know, these are the costs but that word "option" got put
2 in there. That's not really a cost if you don't exercise it.

3 CAPTAIN BLANTON: Do you understand the point?
4 We're not using the tower now. I want to use the tower.

5 COMMISSIONER KRESTA: I know. You just told
6 me you were going to exercise it if you had to but you don't
7 think you have to. Only you want to do it in the future to
8 have that option. That's all.

9 CAPTAIN BLANTON: If you approve --

10 COMMISSIONER KRESTA: I'm just telling them to
11 look at the true cost.

12 CAPTAIN BLANTON: If you approve this, I'm
13 going to execute -- as proposed with the budget that we put
14 in there, that tower is going to get put in place.

15 COMMISSIONER KRESTA: That's a little clearer
16 statement, then. Thank you.

17 CAPTAIN BLANTON: The reason it was optional
18 is so people could identify it as a cost that wasn't
19 currently being employed. So, we didn't -- we did not elect
20 to go to the 25-foot tower -- or the 25,000-dollar optional
21 tower with the increased range because we were still trying
22 to prove the economics of this thing and we were still trying
23 to prove was it worth it.

24 COMMISSIONER KRESTA: Okay.

25 CAPTAIN BLANTON: I think it would increase

1 COMMISSIONER KRESTA: Can you elaborate on
2 that, please.

3 CAPTAIN BLANTON: It's \$1123.94.

4 COMMISSIONER KRESTA: Is that going up, too?

5 CAPTAIN BLANTON: My proposal would be to move
6 it to 1353.60.

7 COMMISSIONER KRESTA: Is that captured in any
8 of this?

9 CAPTAIN BLANTON: It's a minimum charge
10 vessel.

11 COMMISSIONER KRESTA: That's what I wanted to
12 get clarified. It's included all barges will be done, too,
13 because everything was in here as vessels and I wanted to
14 make sure everybody understood because this is ships and
15 vessels and it's all going to vessels. But now we're going
16 to make sure that the barges get treated the same. Is
17 that --

18 CAPTAIN BLANTON: They were always treated as
19 vessels, sir.

20 COMMISSIONER KRESTA: I wanted to get that
21 clarified. So, they would go to a minimum of 1350?

22 CAPTAIN BLANTON: Correct.

23 COMMISSIONER KRESTA: And they don't draft.
24 They don't pull very much on draft.

25 CAPTAIN BLANTON: No. It's like 13, 16 feet,

1 something like that.

2 COMMISSIONER KRESTA: Would the minimum fall

3 under there?

4 CAPTAIN BLANTON: They are a minimum charge

5 vessel.

6 COMMISSIONER KRESTA: Your fees would be 1350

7 plus all the education and all the other fees?

8 CAPTAIN BLANTON: Education, communication --

9 let me be very clear. It would be transportation, education,

10 and then the jury is still out whether it would be a

11 communications.

12 COMMISSIONER KRESTA: All fees that applies to

13 a ship applies to a barge?

14 CAPTAIN BLANTON: Correct. Anyone that --

15 they're not -- they're engaging for the service. We provide

16 the service. It doesn't matter if it's a tug boat. It

17 doesn't matter if it's an LNG ship. They pay for the

18 service.

19 COMMISSIONER KRESTA: Thank you. I just

20 wanted to get that clarified because I heard different ways

21 of doing it. I didn't know if barges were treated the same

22 or not.

23 CAPTAIN BLANTON: It's counted as a vessel.

24 COMMISSIONER KRESTA: Thank you. All right.

25 And the reason you're going to a minimum and -- you know,

1 instead of 42 to 51; is that correct?

2 CAPTAIN BLANTON: The minimum?

3 COMMISSIONER KRESTA: Yes, sir.

4 CAPTAIN BLANTON: We've always had a minimum

5 but it --

6 COMMISSIONER KRESTA: You had a minimum of 42?

7 CAPTAIN BLANTON: We had a minimum of --

8 CHAIRMAN PIRTLE: Draft fees are --

9 COMMISSIONER KRESTA: Minimum draft fee, sir?

10 CHAIRMAN PIRTLE: Yes, minimum -- we're

11 increasing the draft from 42 feet to 51 feet.

12 COMMISSIONER KRESTA: That's what I just said.

13 So, we're going from 42 to 51?

14 CAPTAIN BLANTON: Correct.

15 COMMISSIONER KRESTA: When do you think you'll

16 start -- be able to use this 51 feet?

17 CAPTAIN BLANTON: So, the tariff --

18 COMMISSIONER KRESTA: When do you think -- let

19 me get a better question for you. When do you think the

20 larger vessel ships will be coming in to warrant you going to

21 a deeper minimum?

22 CAPTAIN BLANTON: I have no control over the

23 schedule at which the channel will be deepened. I have no

24 control over the types of vessels that utilize the channel

25 and I have no control over the drafts of which they operate.

1 COMMISSIONER KRESTA: You do have control if

2 it's too big of a ship to come in and you have told the board

3 before -- or you told our staff that really can't come in

4 because the keel is going to hit the mud. That's what's

5 going to happen. It just wouldn't be piloted in. I mean,

6 this conversation was between me and you anyway. But I guess

7 what I'm saying is with the taxpayers and the people in this

8 county that approved the money to go to 51 feet and now we're

9 going to go to a minimum of -- we're going to go to 52. Now

10 we're going to take the minimum draft charges to 51 because

11 of the vessels --

12 CAPTAIN BLANTON: No, sir. No, sir. None of

13 that is true.

14 COMMISSIONER KRESTA: Tell me.

15 CAPTAIN BLANTON: The minimum draft is

16 25-foot.

17 COMMISSIONER KRESTA: I'm missing something.

18 MS. SAATHOFF: He's expanding -- may I answer?

19 COMMISSIONER KRESTA: Yes, please.

20 MS. SAATHOFF: Can I help maybe clarify the

21 range of draft for vessels is being changed. And for

22 charging draft fees, they'll now go to a minimum draft charge

23 of 25 feet. Before you effectively calculated that under --

24 well, I'm not going to go there but it was a little

25 different. It was a little different.

1 CHAIRMAN PIRTLE: Can we bring the exhibit up,

2 please?

3 MS. SAATHOFF: Which exhibit?

4 CHAIRMAN PIRTLE: The draft fee, the 51 feet.

5 MS. SAATHOFF: The draft range exhibit, Missy.

6 It's in the same --

7 MR. MOORE: It's in Exhibit 20.

8 COMMISSIONER SANTOS: I've got it as Exhibit 1

9 towards the end.

10 MS. SAATHOFF: Yes. It's in Exhibit 1. You

11 can go back.

12 MS. BEVERS: I thought y'all said --

13 MS. SAATHOFF: You just passed it up again.

14 Thank you. There you go.

15 COMMISSIONER KRESTA: You went from 25 to 42.

16 Is that --

17 CAPTAIN BLANTON: No, sir.

18 COMMISSIONER KRESTA: I'm trying to

19 understand.

20 CAPTAIN BLANTON: The minimum draft fee -- if

21 I can be so bold as not to conflate the two. The minimum

22 draft fee is for the smaller vessels. That's the minimum

23 we'll charge. If they come in anywhere between 25 and

24 42 feet, they will be applied that fee. The reason our table

25 stopped at 42 feet is because we're currently existing in a

1 45-foot channel. The maximum operating draft in the 45-foot
2 channel is 42 feet. So, we leave 3 feet so we don't run
3 aground. When Jason Hull gets it together and we dig this
4 thing to 50 and then out to 55 and, God willing, the ships
5 come, we'll do them deeper. But we can't -- you can't do
6 51-foot in a 42-foot channel. So, we never charged it. So,
7 to reflect the future of a deeper channel and envisioning a
8 deeper ship is going to utilize that channel, we're expanding
9 the table.

10 CHAIRMAN PIRTLE: Just for clarification, you
11 already have a draft table that goes from 25 feet to 41 feet
12 or 42 feet.

13 CAPTAIN BLANTON: Forty-two feet, correct.

14 CHAIRMAN PIRTLE: So, it's already existing
15 there. The draft table --

16 CAPTAIN BLANTON: It just stopped. There was
17 no need to extend it beyond a point of which it could not
18 exist.

19 CHAIRMAN PIRTLE: I'm just saying I couldn't
20 find the rest of the table, which is what I was --

21 COMMISSIONER KRESTA: That's what I was --
22 just wanted to make sure we're clear on.

23 CHAIRMAN PIRTLE: There is an existing draft
24 table right now.

25 CAPTAIN BLANTON: Correct.

1 COMMISSIONER KRESTA: I just wanted to make
2 sure I was --

3 CAPTAIN BLANTON: It's not a new fee. It's
4 just a function of the beauty -- we're getting a deeper port.
5 It's a great problem to have.

6 COMMISSIONER KRESTA: No. It's fine. My
7 whole point was when -- I'll just leave it alone. Never
8 mind. Can you go through one more time on the education fee
9 so everybody understands just one more time how the bigger
10 ships -- and you can pull the table up on the -- the bigger
11 ships is going to pay the more money and the smaller ships
12 pay less money and all that goes toward the barge also,
13 correct?

14 CAPTAIN BLANTON: Can you bring it up, please?

15 MS. BEVERS: Which one?

16 CAPTAIN BLANTON: The education fee exhibit.

17 MS. BEVERS: Is it on the presentation today?

18 CAPTAIN BLANTON: What do you want to see?
19 The actual charge?

20 COMMISSIONER KRESTA: The chart. I think you
21 had it on there.

22 MR. MOORE: It's in the PowerPoint in 20.

23 COMMISSIONER KRESTA: Just for clarification
24 for the Court to say that everybody is passing on this
25 same --

1 CAPTAIN BLANTON: It is changing. The
2 methodology on how we charged it is changing and the
3 methodology on what we're doing with it is changing as well.

4 COMMISSIONER KRESTA: Yes, sir.

5 CAPTAIN BLANTON: So, the education fee
6 currently is \$17.22. It's a flat fee applied to every ship.
7 You know, when we came in in 2017, one of the things we
8 looked at is when we proposed this, the boat fee, when we
9 proposed the communications fee back then, it was done on a
10 flat fee basis and we got a lot of pushback on that. So,
11 what we've done is we've moved all of our fees to a
12 progressive scale to kind of offset those costs for the
13 smaller ships compared to the larger ships, taking into
14 consideration market segments and what their -- their
15 business units demand and the consumption of the service.

16 So, in doing that, the multiplier that you put
17 in forces the larger ships who generally have larger
18 operating margins to pay more of the education fee. So, what
19 is an education fee? I've said in the past that we had four
20 pilots and we trained to a budget. What I want to do going
21 forward is target training and have a budget and we're going
22 to expand. We've already expanded the pilots. We've
23 expanded the boatmen. We're optimistic that we can figure
24 something out for the deckhands. We're going to train all
25 these people.

1 Just to give you an idea of the cost to train
2 a pilot, I sent Billy and I sent Noah to a man model school
3 in Louisiana last week. So, they build -- they construct
4 these models. They construct docks that are in your port.
5 They scale everything except for wind. They scale speed and
6 you're able to have a hands-on like no other experience
7 training environment to where you can put into practice
8 everything that you think you know and it gives you an
9 environment free of risk that if you did something that was
10 wrong -- we have to have a hundred percent repeatability
11 every time. We cannot have an accident. These schools in
12 our profession is very esoteric. There's not a lot of people
13 that do this and there's not a lot of people that do it at
14 this skill set. So, the schools are very expensive. It was
15 \$9,000 for the week to send one pilot to this man model
16 school.

17 In addition to that, the reason that we're
18 able to do this large expanse and the size of the ship we do
19 or the reason we're able to expand into these night
20 operations, the reason we're able to expand into these larger
21 weather and restricted visibility windows is the technology
22 we employ compared to what our predecessors used in the past.
23 We have very sophisticated computer systems that are
24 independent. Some of them interlink into the ship's
25 navigation equipment. And then like any software, it's being

1 updated continuously. So, there was an incident called the
2 COSCO BUSAN in California where a pilot hit a bridge in the
3 fog and one of the findings that came out of that, it was a
4 huge environmental disaster and the pilot ended up going to
5 prison for it. His name was Captain Cota. But one of things
6 that came out of that was he had, it was identified, a
7 shortfall in his education because he was not trained on the
8 ECDIS unit, the electronic navigation equipment that he was
9 using on the bridge.

10 So, you know, through the national and state
11 pilot organizations, we've adopted this kind of training into
12 our system. So, we operate for redundancy purposes two
13 different PPU types. We have Ameritech and then we have a
14 channel pilot. So, it's a redundancy issue for us to make
15 sure that no matter what ship we have, we have all the
16 equipment we need to complete the job safely. And that is
17 very targeted training for software that has to happen fairly
18 regularly. We -- the last one we did was probably three
19 weeks ago for the channel pilot. And for all the guys to go
20 through for a one-day school it was \$5,000. That was -- and
21 then that's one of our software programs and the two we use
22 and then you figure the relatively obsolescence that a
23 software program is after six months, that's just the nature
24 of the beast.

25 In addition to that, the kind of training

1 system to where the users, whoever registers -- you register
2 or whatever, you've got certain levels -- one, two, and
3 three -- that can go in there and look at it because you
4 couldn't go into the deeper levels because of proprietary
5 issues with the users. All right. With this new
6 communication fee, will it stay the same or will it change?
7 CAPTAIN BLANTON: My intent -- and there is an
8 extreme amount of value in that small user organization.
9 That said, I do not want this to be a static system. I don't
10 want to lock it in its place and time. I think the value of
11 this port growing -- and I've even had conversations with the
12 Coast Guard, our inability to integrate them more into the
13 system as needed -- nothing is fixed, as far as I'm
14 concerned. But -- and I said it a minute ago, that's not my
15 data. That's your data.

16 COMMISSIONER KRESTA: Fair enough.

17 CAPTAIN BLANTON: My intent would be -- that
18 user group would set the tone of the bulk of the structure of
19 our dispatch system. And then at any time, as it is now, any
20 agent, any dispatcher, any pilot, any person who has a way to
21 do this better or if you could get more data out of there to
22 make it more usable, then we'll adopt that. I mean, for me,
23 it's organic and I want to be as valuable as possible.

24 COMMISSIONER KRESTA: All right.

25 Mr. Chairman, I think I'm done. Thank you.

1 we're talking about targeting, CPR, first aid, lifesaving,
2 water rescue. These are the kind of programs that we want to
3 bring into this organization that we haven't had the
4 opportunity to do in the past and expand that into the
5 deckhands, into the boatmen. If I can get the boatmen, AED
6 and CPR-certified, that means something. And that's what
7 we're trying to work towards.

8 COMMISSIONER KRESTA: It needs to be. It
9 needs to be. I just wanted you to go over that because I'm
10 with you a hundred percent.

11 CAPTAIN BLANTON: That's what I want.

12 COMMISSIONER KRESTA: And I am there and
13 because that is a -- industrywide it's needed.

14 CAPTAIN BLANTON: Agreed.

15 COMMISSIONER KRESTA: And it's recommended and
16 it has to be there, according to standard source. Okay.
17 Thank you for the summation. That's really good.

18 On this communication fee, today, this day and
19 time as you collect communication, the five users pay this
20 communication fee. And it was wrote up that they would have
21 meetings quarterly or yearly or half yearly, whatever was
22 determined and go through the audit process and see how the
23 communication was going and check the funds out to make sure
24 it's right. That's how it was set up. And with that being
25 set up that way, everything was transparent through your data

1 CHAIRMAN PIRTLE: Thank you, sir. Mr. Santos,
2 do you have questions?

3 COMMISSIONER SANTOS: Mr. Chairman, thank you.
4 Commissioner Kresta, thank you for clearing up that education
5 fee program because I wanted to go in depth on it, also. And
6 it sounds like you're going to spread the wealth of the
7 education to the boatmen, deckhands, and hopefully the
8 port -- the port captain, too. I can envision myself going
9 out there with you and then freezing up halfway up the
10 ladder. Someone is going to have to go get me. So, you
11 better make sure you train somebody to go get me. Last time
12 I went out with you y'all scared me about those magnets. If
13 you touch a magnet, it will blow off and hit you in the head.

14 Let's talk a little bit about this detention
15 fee. And it also kind of goes in a little bit to the
16 communication fee. Before you had all the efficiency of your
17 communication -- by the time you took off with your pilot
18 boat out to the anchorage, you were hoping someone had called
19 the captain of the boat to pull anchor and start engines and
20 by the time you got there, you get up there and you're ready
21 to roll in. Hypothetically, if you go out there, you get up
22 there and they still need to pull anchor and start engines,
23 how long does that take?

24 CAPTAIN BLANTON: With the dispatch or
25 without?

1 COMMISSIONER SANTOS: Without dispatch.
2 Before you had that luxury.
3 CAPTAIN BLANTON: It takes about an hour to
4 heave the anchor depending on --
5 COMMISSIONER SANTOS: And at that time, say,
6 it was just an hour, did you charge them detention time for
7 that reason?
8 CAPTAIN BLANTON: No. We -- we would work
9 with them. Usually the detention is charged for egregious
10 tie-ups. That's usually what it's reserved for.
11 COMMISSIONER SANTOS: I'm learning, also, a
12 little bit on this side. Within ourselves and our circle, we
13 talk about vessel movements. It's real easy to understand, a
14 coming in movement and a going out movement. Help me with
15 the inner harbor movements. Does that constitute a movement
16 on the total movements throughout the year?
17 CAPTAIN BLANTON: Correct. I mean, it is a
18 movement, yes. So, if you look at -- like our presentation,
19 we have it broken out in port calls and then movements, how
20 many movements you did.
21 COMMISSIONER SANTOS: We don't have to go to
22 the slide. I just needed to know if that counted. Because
23 what is the actual closest inner harbor movement that
24 justifies movement? I mean, you're not going out eight
25 hours. You're going from this dock to this dock.

1 CAPTAIN BLANTON: I mean, for A-14 to A-8,
2 you're --
3 COMMISSIONER SANTOS: Is it 400 feet, a
4 thousand feet?
5 CAPTAIN BLANTON: A thousand feet.
6 COMMISSIONER SANTOS: A thousand feet. And
7 you charge them the same thing you charge to go out?
8 CAPTAIN BLANTON: Correct. It is a movement
9 fee.
10 COMMISSIONER SANTOS: That's an understanding
11 that I needed.
12 COMMISSIONER KRESTA: Commissioner Santos, any
13 time the pilots get on the boat, they assess all fees. It
14 don't matter if they move 4-foot. Is that a correct
15 statement?
16 CAPTAIN BLANTON: We don't move 4-foot.
17 COMMISSIONER SANTOS: Hypothetically.
18 COMMISSIONER KRESTA: Moving from dock to
19 dock. Say from Dock 5 to Dock 2.
20 CAPTAIN BLANTON: Correct. That's a movement.
21 COMMISSIONER KRESTA: I'll just say every
22 time -- if you had to move from Dock 5 to Dock 2 -- we'll use
23 Port of Freeport as an example -- that is a movement?
24 CAPTAIN BLANTON: Correct.
25 COMMISSIONER KRESTA: And all fees do apply?

1 CAPTAIN BLANTON: Correct.
2 CHAIRMAN PIRTLE: I do recall where there was
3 a movement on Berth 7 that was maybe 20 or 25 feet, not 4
4 feet but there was a charge on that one.
5 COMMISSIONER SANTOS: It was a full-blown
6 charge?
7 CAPTAIN BLANTON: If a pilot leaves and then
8 the ship calls him back to move the ship, he moved the ship.
9 Fair?
10 CHAIRMAN PIRTLE: I'm just saying it was on
11 the same berth but it was --
12 CAPTAIN BLANTON: How many times has that
13 happened? It's -- I concede the point, yes.
14 CHAIRMAN PIRTLE: Just getting down to where
15 we were talking about the basics of --
16 CAPTAIN BLANTON: You are correct.
17 CHAIRMAN PIRTLE: -- you came back on the
18 ship --
19 CAPTAIN BLANTON: If you call a pilot and you
20 ask the pilot to move your ship, the pilot charges the fee,
21 which the board sets. We have to charge that fee.
22 COMMISSIONER SANTOS: Okay. Thank you for
23 that clarification. That's what I needed to know. Yeah, we
24 are experiencing a lot of change. And you are stepping into
25 the future. I'm going to look around here. Hopefully -- I'm

1 looking. I don't think any of us will be here to take
2 advantage of another great expansion of this harbor. It's, I
3 want to say, one in a lifetime for me. Maybe the next
4 generation will see something. You have some young people,
5 young pilots. You've got some young deputies. I don't know
6 whether your boat hands will ever evolve to become a pilot.
7 Probably not. But, yeah, we've got to take advantage of this
8 job. The stone has been thrown. But beware because as we go
9 forward for full funding of our project, moving forward, fast
10 forward it, there's going to be a lot of construction
11 activity. So, safety is an essence in our channel for the
12 next few years until we get to that depth -- whatever depth
13 we're going to do. That's just a comment added on. I'm done
14 with my questions, Commissioner.
15 CHAIRMAN PIRTLE: Very good. Thank you, sir.
16 Commissioner Croft, we'll go back to the youngest member.
17 COMMISSIONER CROFT: The rookie. I appreciate
18 it. It brings to mind, one of my teachers once told me
19 sometimes it's better to be quiet and thought a fool than
20 open your mouth and remove all doubt. So, I just held off on
21 my comments until the end here. I was also told by my
22 colleagues that I was getting ready to drink from a fire hose
23 by coming to this commission and I can tell you that that is
24 a fact that I find out more about every day.
25 Specifically in this case, let me first start

1 by thanking everybody who participated today: Stolt, WGMA,
2 Dole, Odfjell, MOL, and MSC. Thank y'all very much for your
3 input. It's been very beneficial to me to hear all aspects
4 of this -- of this issue today. So, thank you again.

5 Also, my education in this process has brought
6 me to a realization that it's a very unique situation and
7 scenario and structure that we're dealing with with the
8 pilots. It's an organization in structure developed by the
9 State of Texas. And if you can imagine having a bunch of
10 legislators come up with a corporate entity and coming up
11 with something that's easy to understand, it didn't happen.
12 But in our instance, you know, the Brazoria County Pilot
13 License and Regulatory Act brings the port commissioners into
14 the realm of being pilot commissioners. So, we kind of have
15 a dual duty there in that we're elected to our position as
16 commissioners but not so much as pilot commissioners. So, we
17 have a dual capacity there and we're doing our best to
18 understand the scenarios given the uniqueness of this
19 organization.

20 One thing that's been brought up is how some
21 of these expenses are going to impact the various companies
22 who have spoken today. And in that light, what comes to mind
23 to me, because of the uniqueness and how the legislature has
24 enacted each port and how they operate, it could be that the
25 costs that are concerns to the users and the shipping lines

1 are probably costs that you incur in other ports but are not
2 necessarily brought to light in the same way that they're
3 being brought to light to you today by this -- by the harbor
4 pilots. We understand that but at the same time we want to
5 be sure that we maintain the competitiveness of our port and
6 be sure that the increases are reasonable and defensible,
7 again, because we have a responsibility to the people who
8 have elected us.

9 Now, being specific and to the point of one
10 item here, Captain Blanton, the effective date of the first
11 3 percent rate adjustment is -- does not occur until 2022?

12 CAPTAIN BLANTON: Yeah. So --

13 COMMISSIONER CROFT: That was all I asked,
14 "yes" or "no."

15 CAPTAIN BLANTON: Yes, sir.

16 COMMISSIONER CROFT: Is that correct, no
17 increases, no 3 percent increases until 2022?

18 CAPTAIN BLANTON: Correct.

19 COMMISSIONER CROFT: So, with regard to the
20 pandemic and the impact that it has on your industries, I see
21 that there is some relief given the fact that this has been
22 put off, the first increase that they're proposing, for a
23 full year, almost 18 months. So, that's the 3 percent
24 increase that is proposed and before us today. Is that a
25 correct statement, Daniel?

1 CAPTAIN BLANTON: Correct. Now, there's some
2 methodology -- can I clarify that?

3 COMMISSIONER CROFT: Please.

4 CAPTAIN BLANTON: When we developed this plan,
5 we were trying to limit the total initial percentage increase
6 on a bill. The communications fee on average is 7 1/2
7 percent of any one tollers bill, if you take our billing as a
8 whole. On the very smaller ship, it's a larger percentage.
9 When you move up to the very large ships, it's an extremely
10 small percentage. But what we were trying to do is not put
11 the communications fee and hit them with a 3 percent at the
12 same time.

13 So, it was Phyllis and I that had this -- we
14 were trying to figure out how you could lessen the impact and
15 still get what we needed and take into consideration as many
16 economic factors as you could. So, there is increases in
17 2021, largely the education fee. Some of the education fees
18 will result in a smaller bill but mostly it's a nominal
19 increase. But the communications fee is significant. And
20 that goes in the first year. That's why we pushed the other
21 rate increases into the Years 2 through 6 to try to lessen
22 the impact and smooth the blow, if you would. Does that make
23 sense?

24 COMMISSIONER CROFT: Yes, sir. That's pretty
25 much what I understand. I want to be sure I understood the

1 3 percent didn't kick in until subsequent years.

2 MS. SAATHOFF: Can I -- this Phyllis Saathoff.
3 Can I say something for the record? I did not develop the
4 pilots rate recommendation.

5 CAPTAIN BLANTON: No. No.

6 MS. SAATHOFF: But I was asked for thoughts.
7 And when I was asked, I said I would be very concerned and
8 would not advise the pilots to bring forth a general rate
9 increase in the middle of a pandemic. And also where the --
10 you know, the priority was to keep the new communication
11 system in -- moving forward because of the effectiveness it's
12 had on the operations in the Freeport harbor channel for all
13 involved. And many of the terminals are much busier than
14 they've been. So, I did not develop their rate increase but
15 I did --

16 CAPTAIN BLANTON: I did not mean to imply
17 that.

18 MS. SAATHOFF: -- advise it wouldn't be smart
19 to bring forth a general increase in this year.

20 CAPTAIN BLANTON: It was -- I consulted with
21 lots and lots of people to try to develop a consensus on what
22 we want going forward, we as the greater community. I did
23 not imply that. This is my development, our development and
24 I didn't mean to imply that. Sorry.

25 MS. SAATHOFF: It's okay.

1 COMMISSIONER CROFT: Another question, Daniel,
2 on the communication and the actual system itself. Is there
3 redundancy of that system? Is it backed up? If it fails,
4 you know, what are the protocols?

5 CAPTAIN BLANTON: So, it's housed in our pilot
6 station. We have UPS battery backups and we have an
7 emergency generator that keeps it online. In addition to
8 that, we have -- we call them go bags and it's a product of a
9 hurricane. And we developed systems to where the girls come
10 in and they disburse depending on where the hurricane is and
11 we can actually operate independent of the station. They can
12 log in. We bought them computers. We bought them internet
13 phones and they can run it remotely with the exception of VHF
14 communications to the ship.

15 That said, if we exercise the option of the
16 larger tower, that is going to be a digital VHF system that
17 could be -- it's not guaranteed. We're trying to figure out
18 a way to link that back into where we could -- but it's not
19 guaranteed. We've still got to work out the bugs on that.
20 But with the exception of the VHF communications, if we had
21 to abandon the station, we could still take orders and
22 everything but we wouldn't -- the dispatchers couldn't
23 communicate with the ships directly. In theory, we would
24 have one of the pilot boat captains on the pilot boat talking
25 to them or whatever. In theory, it would probably be a

1 have been assured that protocols are in place to prevent
2 that. But I'm not the person, sorry, that can get you really
3 far into the weeds on that.

4 COMMISSIONER CROFT: No need to apologize. I
5 just know how to ask the question. Mr. Chairman, that's all
6 I have.

7 CHAIRMAN PIRTLE: Very good. Thank you, sir.

8 COMMISSIONER HOSS: Mr. Chairman, a
9 clarification and follow-up, if we could.

10 CHAIRMAN PIRTLE: Go ahead.

11 COMMISSIONER HOSS: With respect to the
12 redundancy in the tower discussion, you mentioned two towers,
13 one on 2004 and one at Kirby. I'm assuming that's Kirby
14 Marine Oyster Creek.

15 CAPTAIN BLANTON: (Captain nods head.)

16 COMMISSIONER HOSS: Both of those are located
17 farther inland than your current tower is at the pilot
18 station. And forgive me. I think you may have said this but
19 how tall are the -- where would -- what's the height that you
20 get if you move to this new tower?

21 CAPTAIN BLANTON: 400 feet.

22 COMMISSIONER HOSS: 400 feet. That's pretty
23 big. Because I was going to ask if anybody happened to know
24 what the height of the port's tower is here at the --

25 CAPTAIN BLANTON: I think Billy already did

1 hurricane and there wouldn't be someone here. But it is as
2 redundant as you can possibly make it, in my opinion.

3 COMMISSIONER CROFT: That didn't answer my
4 question.

5 CAPTAIN BLANTON: I'm sorry.

6 COMMISSIONER CROFT: It was good information
7 to have. Redundancy, in my mind, is that if that system
8 crashes, is it backed up somewhere?

9 CAPTAIN BLANTON: It's all on a server.

10 COMMISSIONER CROFT: Server --

11 CAPTAIN BLANTON: Cloud -- we pay a cloud
12 subscription. If you look at the utilities, one of the
13 utilities we have is cloud hosting service. I think it's --
14 Microsoft does our hosting services. And they have a node on
15 the west coast and they have a node on the east coast and
16 they guarantee 99.9 percent up time. So, provided a dual
17 nuclear strike on the continental United States where we lose
18 both the east and west coast, we should be covered.

19 COMMISSIONER CROFT: That answers it. Second
20 is security of that system. Do y'all have any security
21 protocols on hackers and stuff like that?

22 CAPTAIN BLANTON: We have firewalls and, I
23 mean -- I move boats. I don't do computer security. We do
24 have a service that we engage with that they do that with.
25 I've got other pilots that are more versed in that. But I

1 it. I think it's two seventy-five.

2 CAPTAIN BURNS: One fifty.

3 CAPTAIN BLANTON: One fifty.

4 COMMISSIONER HOSS: I would think that there
5 would be some openness to working with you guys. If that was
6 a need, that that could be a co-location for you at probably
7 a much lesser rate than \$25,000.

8 CAPTAIN BLANTON: It's not a function of cash
9 or sharing. I mean, the only thing that's going to
10 substitute range is height. And the difference in range
11 between a hundred-foot line of sight when you're looking at
12 the curvature of the earth as opposed to 150-foot line of
13 sight, you're not buying enough to generate the value. When
14 you get up 400 feet in the air, you're talking about a
15 48-mile communication range. I mean, you can get it out
16 there.

17 COMMISSIONER HOSS: What's the height of your
18 current tower?

19 CAPTAIN BLANTON: A hundred foot. That does
20 14, 15 miles. That's --

21 COMMISSIONER HOSS: Then a question, we were
22 talking about the minimum charges that are applied. Does
23 the -- are the comms fees, the boat fees, the education fees,
24 are those in addition to the minimum charge when you do a
25 minimum invoice?

1 CAPTAIN BLANTON: So, the comms fee,
2 education, and boat fees are all applied to the actual. So,
3 you're not -- you're not moving them up. So, if a ship was
4 125 units, then that's the units that apply to the line
5 charges.

6 COMMISSIONER HOSS: So, if I bring in my boat
7 that's only 125 unit qualification, I pay the minimum of --
8 is it 500 units I saw on here someplace proposed?

9 CAPTAIN BLANTON: If adopted, you brought in a
10 bathtub and engaged a pilot, you would be charged \$1300.53 --
11 1353.60.

12 COMMISSIONER HOSS: Total?

13 CAPTAIN BLANTON: In addition to that, you
14 would be charged an education fee, which is based off your
15 actual units, the multiplier to the units. So, your
16 education fee would be \$10, .3 times whatever -- your units
17 would be almost nothing on a hundred feet.

18 COMMISSIONER HOSS: What it is on --

19 CAPTAIN BLANTON: Basically you're paying \$10
20 for education fee. The communication fee is also applied in
21 addition to the minimum charge and it is based on the actual
22 units.

23 COMMISSIONER HOSS: Let me ask this since
24 everybody is still in the room, between you, maybe
25 Mr. Honeycutt, and Mr. Aalund, since you-all have knowledge

1 in this. Would there be a meeting of the minds on some
2 middle ground if you could lower the proposed minimum from,
3 say, 500 to 400 units?

4 MR. AALUND: Would you like me to answer?

5 CAPTAIN BLANTON: Go ahead, Niels.

6 COMMISSIONER HOSS: I'm not hearing any
7 screaming or throwing things. So, I think that's a positive.

8 MR. AALUND: Can I answer?

9 COMMISSIONER HOSS: Go right ahead. Please.
10 I'm sorry.

11 MR. AALUND: Niels Aalund with the West Gulf
12 Maritime Association. As a matter of fact, that's one of the
13 things we did talk about. We didn't reach agreement on it
14 but, yes, that was something industry had discussed with the
15 pilots, that 400 units, yes. And the draft of 21 feet was
16 another thing that we had talked about. But in fairness to
17 the pilots, they didn't agree to that.

18 MS. SAATHOFF: Can you speak up because we do
19 have Mr. Singhanian remotely. Thank you.

20 COMMISSIONER HOSS: For a big fellow you're
21 speaking awful soft.

22 MR. AALUND: I'm trying to look at the person
23 I'm talking with. I'm sorry. Your question about the 400
24 units. Yes, that was discussed between us and the pilots and
25 the 21-foot draft that was proposed. In fairness to the

1 pilots, they did not agree to that but it was discussed and
2 we were hoping for some kind of compromise.

3 COMMISSIONER HOSS: All right. So, I'm happy
4 knowing it's been discussed.

5 CAPTAIN BLANTON: If I can speak one thing to
6 that.

7 COMMISSIONER HOSS: Sure. Please.

8 CAPTAIN BLANTON: So, if you move the minimum
9 draft from 520 to 400, you clear all the Odfjell ships from
10 the minimum fees that apply. The Stolt ships, it's just the
11 TEAL and the QUETZAL, the 400.

12 MR. O'SHAUGHNESSY: If I may, just for the
13 facts --

14 CHAIRMAN PIRTLE: Please come to the mic.

15 COMMISSIONER HOSS: Please identify yourself.
16 I think you're a fresh face.

17 MR. O'SHAUGHNESSY: Norman O'Shaughnessy with
18 Stolt Tankers. In all fairness, our hundred port calls are
19 split between smaller ships and larger ships. Twenty-five
20 port calls for the smaller ships. So, that's 50 transits.
21 Of those 50 transits, approximately 43 of them fall under the
22 minimum at 400 feet. And of our large fleet, ten of them --
23 ten transit will fall under the minimum. At the 520, all the
24 small ships, as far as I could tell by actual invoice, would
25 fall underneath that minimum and a significantly larger

1 portion of the larger ships, which I couldn't give you a fair
2 estimate. But I imagine probably close to half of them. So,
3 at the 520 minimum, I expect our fleet to be hit 75 percent
4 of the time by actual invoices that I looked at for last
5 year. Thank you.

6 COMMISSIONER HOSS: Thank you.

7 CAPTAIN BLANTON: The net effect for lowering
8 it from 520 to 400, you basically split the difference. You
9 go -- don't quote me in the new price. But the minimum
10 essentially goes from 1123 to somewhere around 1240. So, it
11 will be a hundred-dollar increase on the minimum charge.
12 Does that make sense? All right.

13 COMMISSIONER HOSS: But the impact to the
14 ships, while they would all fall under your -- yeah. They
15 will go up because -- if you want to come up here, it's okay.
16 This is to everyone. You're still going to have -- if it
17 were 400 and it split the difference, it would go up a
18 hundred dollars in your estimation. But we're still going to
19 come back and adjust the pilot -- I mean, the education fee
20 now is going to go -- is going to move up and then the boat
21 fee will move --

22 CAPTAIN BLANTON: The boat fee stays the same.

23 COMMISSIONER HOSS: We'll come back to that
24 one in just a second. And then the comms fee or the
25 communications fee, which is a totally new fee, would be --

1 well, yeah, their's would be like --

2 CAPTAIN BLANTON: It doesn't change because

3 it's based on the actual.

4 COMMISSIONER HOSS: Actual size.

5 CAPTAIN BLANTON: Correct.

6 COMMISSIONER HOSS: But they would, then, get

7 hit if -- hypothetically, 400 units would be 80 plus 65. Am

8 I reading that right?

9 MS. SAATHOFF: It doesn't -- I didn't hear the

10 question but there wouldn't be a minimum units applied. It's

11 just whatever the actual units are of that vessel is --

12 COMMISSIONER HOSS: I thought we were applying

13 minimum units to everything.

14 CAPTAIN BLANTON: No. All line charges are

15 based on actual.

16 MS. SAATHOFF: The line item fees.

17 CAPTAIN BLANTON: The line charge being the

18 communication, the education, and the transportation. The

19 minimum fee has no bearing on the line charges.

20 COMMISSIONER HOSS: Okay. So, if the

21 operational -- if we're looking at the minimum fee as the

22 operation of the boat and that seemed to be what the

23 discussion was, going offshore and the cost of operating the

24 boat, then it should -- it's tied to that line item, it's not

25 tied to the minimum units. So, effectively those minimum

1 units are strictly what goes to a pilot.

2 CAPTAIN BLANTON: No. No, sir.

3 COMMISSIONER HOSS: Okay.

4 CAPTAIN BLANTON: The units are half of the

5 function. There's units and draft. You combine those and

6 that's the revenue that operates the entirety of the pilots'

7 organization.

8 COMMISSIONER HOSS: But that is your -- that

9 makes up the minimum charge, right, the draft plus the units?

10 CAPTAIN BLANTON: The draft fee --

11 COMMISSIONER HOSS: Plus the proposed 500

12 units.

13 CAPTAIN BLANTON: -- plus the unit fee -- no,

14 sir. Different ships have different units. So, it's --

15 COMMISSIONER HOSS: I'm talking about the

16 minimum fee you're suggesting is made up of 500 units plus

17 the draft fee.

18 CAPTAIN BLANTON: It's 500 units times the

19 multiplier for that unit.

20 COMMISSIONER HOSS: Right.

21 CAPTAIN BLANTON: And then you add the draft

22 fee times thirty-two twenty-two. And then you combine those

23 and that's your fee. So, the same size ship coming to the

24 port and leaving the port will have the same unit charge. If

25 their ship came in light and left heavy, their draft fee

1 would change. So, the fees coming in and coming out are not

2 the same. If the ship leaves heavier, it's charged more.

3 COMMISSIONER HOSS: Right.

4 CAPTAIN BLANTON: Conversely, if it comes in

5 heavy, discharges and leaves light, the unit fee doesn't

6 change. The ship physically didn't change. Its length and

7 width are the same. The only mechanism that changes the

8 invoice for a ship is the draft.

9 MR. O'SHAUGHNESSY: To that point, sir, while

10 I'm standing here. We had mentioned a draft of 21 feet. We

11 didn't pull that out of the air. For our smaller ships that

12 were being hit by this minimum, the mean draft for all

13 arrivals and departures was 22. We chose 21, kind of split

14 the difference to see where we would go to continue a

15 conversation. So, I sort of looked at it as, okay, you've

16 got half of them. We get half of them. But I figured there

17 would be more conversation. So, I just wanted to make that

18 point out, that it wasn't pulled out of thin air. It was a

19 mean draft of arrivals and departures.

20 COMMISSIONER HOSS: Thank you for that

21 clarification. And, Daniel, I'm looking at your letter where

22 No. 5 -- and you're talking about instituting a minimum

23 charge based on vessel size. And here it says you're

24 proposing a minimum charge of 25 feet and 520. And I said

25 500. And so, I'm looking at that and I'm kind of weighing

1 that in with the other fees. And I understand the discussion

2 earlier about the necessary need for a minimum fee for the

3 boat and the minimum fee for the comms center. So, I'm

4 trying to understand the minimum charge here as it breaks

5 down and going -- instead of just arbitrarily sticking a

6 minimum charge on something, it's clearly tied to the units.

7 So, that's where my question is coming from.

8 CAPTAIN BLANTON: That's what we tried to do.

9 We tried to take it as a number that was out there and we put

10 it into the tariff where all of our other charges are based

11 out of. So, I haven't done the math. I know where I'm at --

12 if you drop it to 400, you're about 1230. My concern would

13 be -- and I haven't done it -- if you drop the draft fee down

14 to 21 on top of that, our 1100-dollar minimum fee which we're

15 trying to raise is going to go down. So, you're actually --

16 we're going the wrong direction.

17 COMMISSIONER HOSS: Okay. I think I've -- I'm

18 not sure if I clarified this or not, Mr. Chairman. But there

19 is one thing, Phyllis, you handed me this and just to be

20 clear, I had this marked on my own --

21 MS. SAATHOFF: This is one of your exhibits.

22 COMMISSIONER HOSS: One of your exhibits.

23 It's the same Exhibit 1. It's the -- I can tell you which

24 one it is. Exhibit No. 3, the financial report, again, the

25 one we referred to earlier. And I need to understand in

1 general terms, the first line is draft charges. So, it's --
 2 so, invoices that are broken down into draft, 2019 was
 3 2.4 million and change. The unit charges at -- and then the
 4 educational, actual fees, pilot fees and then we had --
 5 CAPTAIN BLANTON: Pilot transfer. That's the
 6 boat.
 7 COMMISSIONER HOSS: Okay. That's --
 8 MS. SAATHOFF: That's what I was going to tell
 9 you.
 10 COMMISSIONER HOSS: That's what I was trying
 11 to understand is that's the boat fee basically?
 12 CAPTAIN BLANTON: Correct.
 13 MS. SAATHOFF: That pays the loan.
 14 CAPTAIN BLANTON: That goes into the escrow
 15 account.
 16 MS. SAATHOFF: Interest on the loan.
 17 COMMISSIONER HOSS: All right. That -- and
 18 these are actual charges --
 19 CAPTAIN BLANTON: That's it.
 20 COMMISSIONER HOSS: -- for 2019 and the first
 21 part of this year -- first eight months of this year?
 22 CAPTAIN BLANTON: Correct.
 23 COMMISSIONER HOSS: We, of course, have not
 24 put a communications fee in there because there hasn't been
 25 one.

1 CAPTAIN BLANTON: Correct.
 2 COMMISSIONER HOSS: And roughly that number
 3 needs to be 300-something thousand a year, 400,000 a year is
 4 what you're budgeting -- is that -- roughly?
 5 CAPTAIN BLANTON: Correct.
 6 COMMISSIONER HOSS: I think I've probably
 7 muddled the water or cleared it up, one of the two. I'm not
 8 sure which but I'll take -- I'll get my head around that.
 9 But you have answered all my questions with this -- respect
 10 to these. Thank you, sir.
 11 CHAIRMAN PIRTLE: Thank you, sir.
 12 COMMISSIONER HOSS: Thank you for your time.
 13 CHAIRMAN PIRTLE: I just have a couple of
 14 quick questions. I think it's my turn. The 1100-dollar fee
 15 that you're talking about getting that, that is based upon
 16 current operation or --
 17 CAPTAIN BLANTON: We charge that now. That is
 18 in our tariff.
 19 CHAIRMAN PIRTLE: You are wanting to up that?
 20 CAPTAIN BLANTON: \$200.
 21 COMMISSIONER KRESTA: \$230 and some cents.
 22 CHAIRMAN PIRTLE: Yes, sir.
 23 CAPTAIN BLANTON: Concede the point.
 24 CHAIRMAN PIRTLE: The point is that's -- you
 25 need to get to that point after the deepening and widening or

1 prior to the deepening and widening. So, once you move --
 2 CAPTAIN BLANTON: Prior. We're operating a
 3 bigger boat now than when this fee was instituted. So --
 4 CHAIRMAN PIRTLE: That's clarification. You
 5 need to get there now because operation of that boat is more
 6 expensive.
 7 CAPTAIN BLANTON: Correct.
 8 CHAIRMAN PIRTLE: You're anticipating expenses
 9 to go up once deepening and widening is done and you have to
 10 go out to a buoy that's 4 nautical miles further?
 11 CAPTAIN BLANTON: Correct.
 12 CHAIRMAN PIRTLE: I guess for my clarification
 13 or understanding, is there not a point where you can meet
 14 those ships at the same location you are now? Do you have to
 15 go out to the outer buoy?
 16 CAPTAIN BLANTON: Yeah. So, the pilot
 17 boarding grounds are heavily regulated by the Coast Guard.
 18 And I'm sure these guys would attest to you, the ships are
 19 very, very expensive and they do not want ships operating in
 20 a narrow channel near their assets without pilots. Can I say
 21 that emphatically?
 22 MR. HONEYCUTT: Yeah.
 23 CHAIRMAN PIRTLE: I can concede that,
 24 especially if they're deeper ships. But if they're the same
 25 ships we're currently running --

1 CAPTAIN BLANTON: I assure you that we were on
 2 those ships for a reason and there is a tremendous amount of
 3 risk. And if you look at the pilot boarding grounds as an
 4 intersection, no matter where you are, if you come up to an
 5 intersection, you recognize how it works. The system that
 6 you proposed where you didn't have a pilot on and you're
 7 inside of the intersection injects a massive amount of
 8 confusion into the operation. The ship's considered
 9 anchorage. They could watch the ships come up. They watch
 10 the pilot boat comes out. All prudent mariners understand
 11 what is happening. And when you have ships moving into the
 12 channel without pilots, it is -- the liabilitywise I don't
 13 know how you would assume it and we couldn't assume it.
 14 CHAIRMAN PIRTLE: I'm just simply asking for
 15 clarification. The Coast Guard is actually setting the pilot
 16 boarding areas.
 17 CAPTAIN BLANTON: The Coast Guard will
 18 designate our channel.
 19 CHAIRMAN PIRTLE: Right. And that will be
 20 after we finish the deepening and widening?
 21 CAPTAIN BLANTON: Correct. So, once the Corps
 22 of Engineers turns it over to the Coast Guard, they're going
 23 to look at it, and they're -- we're going to put buoys here,
 24 here, here. This is the pilot boarding ground. These are
 25 your anchor circles. We have input in that and they're

1 obviously going to come talk to us. But to say we're going
2 to invent some new pilotage boarding situation is not going
3 to go over very well.

4 CHAIRMAN PIRTLE: At this point, we really
5 don't know exactly where that's going to be but typically
6 it's been at the outer border.

7 CAPTAIN BLANTON: Their standard is 1.2 times
8 the charted depth. So, if we're going 55-foot, you're at 64,
9 65-foot is where our channel is going to start. And that's a
10 function of if you're operating a ship at 52 feet -- there's
11 no captain in the world that's going to drive into the shore
12 with 3 feet under his keel, 1 meter under his keel without a
13 pilot. It's not going to happen. It is -- the risk is
14 unimaginable to try to maneuver a ship when you don't know
15 where you are with that kind of a UKC. It is a bad idea and
16 no one would do it.

17 CHAIRMAN PIRTLE: Understood. The other one,
18 there was some discussion about ship movements, shifting and
19 going back to anchorage. Are the anchorage locations moving
20 or will they still stay approximately the same?

21 CAPTAIN BLANTON: The anchorages are going
22 offshore. In the slide, we actually -- Al was part of it.
23 We had a Lone Star Harbor Safety Committee meeting about
24 managing our anchorage. The guys will attest to you, you
25 know, the throughput on some of these docks has not been as

1 it's operated in the past. Not only are we doing more ships
2 but the ships that we were doing are not being able to shift
3 within the port. So, they're going out and using the
4 anchorage. So, our anchorage utilization is becoming -- I
5 mean, it -- ten years ago if you saw two ships in the
6 Freeport anchorage, it was hallelujah. I mean, we
7 continuously have nine, ten, 11 ships. If you look at the
8 Houston anchorage, it's a nightmare.

9 CHAIRMAN PIRTLE: Houston-Galveston, I
10 imagine.

11 CAPTAIN BLANTON: So, we have worked with the
12 Coast Guard and we do use our dispatch system to try to
13 manage that and we're -- yes.

14 CHAIRMAN PIRTLE: My point was that even
15 though we're deepening and widening the channel, are the
16 anchorage points that exist today moving farther out?

17 CAPTAIN BLANTON: Yes.

18 CHAIRMAN PIRTLE: Okay.

19 COMMISSIONER HOSS: How far?

20 CAPTAIN BLANTON: So, our pilot boarding
21 grounds -- can you go to the slide that I showed?

22 CHAIRMAN PIRTLE: I saw those anchorage points
23 on there. I know we have today just --

24 CAPTAIN BLANTON: All this is theoretically
25 going to be adopted by the Coast Guard. But just to

1 illustrate a point, it's in the slide.

2 MS. BEVERS: Is it further down?

3 CAPTAIN BLANTON: It's like fourth -- fourth
4 or fifth. So, that -- that red and white buoy that you see
5 in the middle of the picture on the left, that is our sea
6 buoy. It's called the FP buoy. So, we have a 45-foot
7 channel. 1.5 -- or 1.2 times 45 you're in 55 feet of water.
8 So, you have this 20 percent safety cushion for a vessel
9 that's operating at the designated draft of the channel. The
10 red ring that you see arced and radiused in the bottom right
11 corner of the picture on the left shows 4 miles from the FP
12 buoy location. If you see the water depth at that location,
13 you're at 64 feet. If you have a 55-foot channel and you
14 have a 1.2 safety factor for the channel for the water depth
15 that you're going to operate in, it's actually like 66. So,
16 that point that I illustrated that's 4 miles past the current
17 FP buoy would be the new FP buoy location.

18 The slide on the right shows you -- there's a
19 sea buoy location and then there's a red circle offshore of
20 the sea buoy. That red circle has a half a mile radius. So,
21 what we consider that is the pilot boarding grounds. That's
22 where the ship will come out of the anchorages where the
23 circles are, they will drive into that red area and depending
24 on other traffic, depending on the currents, depending on
25 their draft, depending on what boat we have, there's a

1 million factors, we have to determine where a lee is going to
2 be, we have to negotiate on what speed you're going to do.
3 You're transferring a human between two metal objects moving
4 in the water, sometimes in the dark. So, that 1-mile
5 boarding ground because it's -- the ship has to be on a
6 particular heading in order to provide a lead safe enough for
7 the pilot to board. You don't want a bunch of other ships
8 around there impeding his ability to maneuver. In addition
9 to that, he's in very, very narrow water considering what
10 he's usually operating in transiting the ocean.

11 So, from the proposed FP buoy location, the
12 back of that circle for the pilot boarding is a mile and then
13 the anchorages start after that. So, that will give you an
14 indication of, you know, it will start at around 8 miles,
15 8 1/2 miles is where the anchorage is going to start to make
16 a long story short.

17 CHAIRMAN PIRTLE: The anchorages are closer
18 than that right now?

19 CAPTAIN BLANTON: They are on the sides of the
20 current channel. So, if you can -- they're not illustrated
21 on there. But, yes, essentially they're -- you're moving all
22 the anchorages another 4 1/2 miles, 5 miles offshore from
23 where they are now.

24 CHAIRMAN PIRTLE: Okay. That's what I was
25 asking, whether those anchorages --

1 CAPTAIN BLANTON: Everything is moving
2 offshore.

3 CHAIRMAN PIRTLE: Thank you. I do not believe
4 I have any further questions. The commission reserves the
5 right to ask further questions as we go into deliberation
6 here in a minute. But with that, it is 3:12 and I am going
7 to suggest a five-minute break for all of us.

8 (Recess taken)

9 CHAIRMAN PIRTLE: We are going to go into
10 deliberations now. It is 3:24. And before we start on
11 deliberations, as stated earlier, the Texas Transportation
12 Code 67.067 requires the board to consider seven matters
13 specifically: Characteristics of the vessels to be piloted;
14 costs to the pilots to provide required pilot services; the
15 effect, including economic factors affecting the shipping
16 industry in the area, that the granting, refusal, or
17 modification of the application would have on Brazoria County
18 ports and the persons residing in the board's jurisdiction;
19 an adequate and reasonable compensation for the pilots and a
20 fair return on the equipment and vessels that the pilots
21 employ in connection with pilot duties; the relationship
22 between the pilotage rate and Brazoria County ports and the
23 rates applicable in other ports of this state; the average
24 number of hours spent by a pilot performing pilot services on
25 board vessels, all pilot services; and the average wages of

1 masters of United States flag vessels that navigate in the
2 board's jurisdiction for which the pilotage rate is to be
3 established. Any questions, concerns on that?

4 COMMISSIONER HOSS: Mr. Chairman, we have
5 representatives here from various shipping companies. Does
6 any of these companies employ masters on U.S. vessels?

7 CHAIRMAN PIRTLE: I do not -- I see all of
8 them shaking heads no.

9 COMMISSIONER HOSS: In the negative. So,
10 basically that's just -- doesn't factor into anything in our
11 world.

12 COMMISSIONER KRESTA: Mr. Chairman, I want to
13 make a statement, just one thing.

14 CHAIRMAN PIRTLE: Yes, sir.

15 COMMISSIONER KRESTA: Just for the record, we
16 had Judge Ray Gayle here earlier and he left us for the day.
17 So, he's not here. I just wanted to capture that. That's
18 all.

19 CHAIRMAN PIRTLE: Thank you, sir. I'm going
20 to ask each of you in turn to discuss your position on the
21 rate request and your reasoning. After deliberations are
22 completed, I will entertain a motion to approve, deny, or
23 modify the request from the Brazos Pilots Association. And
24 we will take that on each one of the six items, do those
25 individually. If you desire to modify the request, please

1 state how you would modify it. The reasons agreed upon by a
2 majority of the commissioners will be included in the final
3 order entered by the commission.

4 We'll start with the first request from the
5 Brazos Pilots Association, a per vessel movement line item
6 surcharge for communication/dispatch service consisting of a
7 base charge of \$65 plus a unit charge, calculated as units
8 multiplied by the factor .18 to cover the costs and expenses
9 of providing a state-of-the-art dispatch service. Effective
10 January 1, 2021. Mr. Singhanian.

11 COMMISSIONER SINGHANIA: Mr. Chairman, did
12 somebody say something? I'm sorry.

13 CHAIRMAN PIRTLE: Yes, sir. If you have any
14 comments or whatever regarding the first request by the
15 Brazos Pilots Association, since you're online, we'll start
16 with you. If you want to wait until a later time, we can do
17 that, too, whichever is good for you.

18 COMMISSIONER SINGHANIA: That's fine. I'll be
19 glad to. On the communication/dispatch, to cover the costs
20 and expenses of providing a state-of-the-art dispatch
21 service, effective 2021. On this one, I do not have any
22 issues. I think the way it is proposed the -- what do you
23 call -- located or charged by the vessel. I think that's a
24 fair way. It goes back to the vessel shipper or the cost for
25 the product. So, I feel comfortable with it.

1 CHAIRMAN PIRTLE: Okay. We'll go in the same
2 order we did previously unless somebody has a preference to
3 do differently. So, Commissioner Hoss.

4 COMMISSIONER HOSS: Yes, sir. On the Fort
5 Velasco communication center, I recognize that it's an
6 integral part -- or has quickly become an integral part of
7 our community in the operations of this harbor. And I
8 recognize that entities other than the ships who are using
9 this to their advantage, the terminals primarily, tugs,
10 service companies. And I am reluctant to put the burden
11 solely on the vessels themselves. I understand the equation
12 they have here. I'm not disagreeing with the number. I
13 understand that the pilots have had to reach in their pockets
14 and have been subsidizing this operation for the last year --
15 this year, I guess, would be the correct term, 2020. And
16 understanding that that is a -- more or less a service of
17 this -- that's easily going to become integral and I
18 understand that Fort Velasco, whatever it is, FVSS, LLC is
19 currently a privately owned company. It is not the pilot
20 association. It is owned by the pilots and they put it
21 together as part of a trial period to make communications
22 work in this harbor.

23 I'm certainly not ready to just say "yay" or
24 "nay" on what's presented because I -- I think we need to be
25 looking out for the harbor itself, the harbor community.

1 Clearly this costs a lot of money per year to operate, in the
2 neighborhood of \$400,000. And it employs people, several
3 people. It's either going to require a subsidy -- and since
4 the Fort Velasco -- what is the proper name? What's the SS
5 stand for?

6 CAPTAIN BLANTON: Fort Velasco Signal Station.
7 COMMISSIONER HOSS: Signal Station. Thank
8 you.

9 CAPTAIN BLANTON: I made it up.
10 COMMISSIONER HOSS: It's fine. It's good.

11 Since that entity has basically worked only with the Port and
12 not with the terminals, they have no idea which terminals or
13 how much is being -- has been pledged the last three years.
14 And the Port has basically brokered that agreement. I think
15 we're going to have to look into funding for this that is
16 more evenly distributed than just putting a line item on the
17 tariff for ships. Now, there may be a line item on the
18 tariff for ships. It may be a lesser amount. I'm kind of
19 thinking in terms of our contracts that may have minimum
20 guarantees to them. There may be a minimum that's provided
21 by the users in the area, the community. And then maybe when
22 we will equate the throughput is actually charged to the
23 vessels itself. So, the vessels do share a load in this
24 operation but they don't share a hundred percent of the load.
25 That's my thought on the matter from the

1 50,000-foot level. I don't have -- I don't have enough time
2 or the resources right here in front of me to sit down and
3 talk about the nuances of pennies or dollars and units and
4 things like that. I think the unit scale is probably as fair
5 as it can be applied to all vessels evenly. It's
6 proportional. But there's a 65-dollar charge?

7 CHAIRMAN PIRTLE: Yes, sir.
8 COMMISSIONER HOSS: So, if you floated the
9 bathtub in, hypothetically, you would still pay \$65 for a
10 service fee. That might be pricey for the ship. And I don't
11 know, that .18 multiplier might be pricey per unit on a ship.
12 But at the same time, I don't know that we have the ability,
13 except through our property tax, to apply that to the
14 community. And that applies to the entire district that
15 shares some of the load on this.

16 So, I'm -- I don't know how you assess a fee
17 to the terminals in the area but there needs to be some
18 balancing here of what's going on. I don't see the load
19 being placed entirely on the ships nor do I see the load
20 being placed entirely on the community itself. There needs
21 to be some compromise. I just don't have one in my pocket to
22 hand out to you. I'm sorry.

23 CHAIRMAN PIRTLE: Thank you. I'm going to
24 interject one point here real quick. Our CFO and our CEO may
25 not like this. I was also thinking along the same lines of M

1 and O as far as the port would participate in some of this.
2 And I know we've pretty well expended that or planned for it.
3 But just food for thought. Mr. Kresta.

4 COMMISSIONER KRESTA: Okay. On this
5 communication fee here, I'll ask point blank because you're
6 saying all the shippers and the terminal users, Mr. Hoss. It
7 is getting through the terminals because you do have terminal
8 users and companies that own their own ships. Those own
9 their own ships. So, that's going to them, correct? They
10 own their own ship. Phillips owns their own ships. Freeport
11 LNG, I can't tell you if they contract them out or own their
12 own ships.

13 COMMISSIONER HOSS: They contract them, as far
14 as I know.

15 CAPTAIN BLANTON: It's a tolling agreement,
16 which for the tollers --

17 COMMISSIONER KRESTA: But actually owning the
18 ship I do not --

19 CAPTAIN BLANTON: The tollers have written
20 support for the tariff as it stands. They're willing to pay
21 the bill.

22 COMMISSIONER KRESTA: Fair enough. So, being
23 spread around between the terminal users and the shipping
24 industry, I'm not -- I don't know anybody else that owns a
25 ship, that has a terminal is what I'm saying. It is getting

1 to the companies, terminal users, part of it. I want to say
2 of the port maybe 40 percent. I have to do some math on it
3 is what I'm saying of who owns their own ships and that's
4 going back to the users.

5 I think this here is good. I think you
6 touched on something the way it should be covered pretty
7 evenly but with us knowing who owns the ships and the
8 companies own the ships but the shipping industry provides
9 its service and the dispatch, and this part right here,
10 communicate directly with the ships and we're having access
11 to all the material is a big advocate of this -- I'm a big
12 advocate of this staying here. And I just don't -- can't see
13 an M and O tax provided to a private entity to help offset
14 the cost. I will say that three times. I just cannot say
15 the tax on the people -- you already got them for a bond.
16 You already got them for dredging. But how can I support a
17 tax, M and O -- the chairman here said and you said something
18 about the property tax -- you go to a private industry to pay
19 for a dispatch system where the industry is enjoying just
20 this part of it. You can sit here and we can talk about it
21 all day long as far as during the economy or anything else
22 and all that but they're still a --

23 COMMISSIONER HOSS: They are.
24 COMMISSIONER KRESTA: So, my thing is I would
25 not -- I wouldn't like that part of it myself and I just -- I

1 think it should be done the way it's being done now and we
2 need to understand that -- what terminal users are using it
3 and have their own ships and they are paying part of it.
4 Hoegh owns their ships but we got worried the other day,
5 things might transcribe on -- something different on ships.
6 As of today Hoegh owns their ships and they would be paying
7 their share of the ship fee. Okay?

8 Let's go with Tenaris. They own their own
9 ships. So, it would be going to terminal users. It would be
10 going to the company paying the wages plus the shipper as a
11 category subsidiary of the main parent. Okay. So, I'm
12 trying to cover the bases saying, you know, yes, terminal
13 users are using them, getting the fee. It's not going to be
14 all the shippers because terminal people is paying it also.

15 COMMISSIONER HOSS: Ship agents are using
16 them, too.

17 COMMISSIONER KRESTA: Yes.

18 COMMISSIONER HOSS: The tugs. I mean,
19 whatever service company --

20 COMMISSIONER KRESTA: I'm going to go with
21 just communication. I don't know about tugs.

22 COMMISSIONER HOSS: I'm saying they're a user.

23 CHAIRMAN PIRTLE: They're using the
24 communication, too.

25 COMMISSIONER KRESTA: Sure.

1 and go, okay, I'm going to have a user fee for the port or
2 the terminals, that's going to be more directed. But you
3 already have a mechanism in place. And that is not a
4 suggestion that would raise or add taxes either. So, please,
5 let me clarify that right up front. I know you guys are
6 going to get nervous about this. I'm not. I'm just saying
7 we already collect tax. And we've done a really good job of
8 managing those dollars. But if we take dollars and put into
9 this, where do we get them from is the next question. And I
10 wouldn't want to say, yeah, that's a great idea, let's --
11 we're going to partially fund this without the understanding
12 of where do we get the money to fund it from.

13 COMMISSIONER KRESTA: I just wanted to clarify
14 that, you know, whenever we said M and O.

15 COMMISSIONER HOSS: I threw the M and O out
16 there. It's a touchy subject.

17 CHAIRMAN PIRTLE: I was by no means offering
18 increased taxes.

19 COMMISSIONER HOSS: I'm going to put the dead
20 cat on the table. If we're supportive of this, where do you
21 get the money from to support it? I yield to Commissioner
22 Singhania.

23 CHAIRMAN PIRTLE: Commissioner Singhania, go
24 ahead.

25 COMMISSIONER SINGHANIA: The question is that

1 COMMISSIONER HOSS: They're using the service.
2 So, they're getting benefit from it. Now, I said part of the
3 M and O. I'm open to funding sources here. Okay? I'm not
4 stuck on that. I'm just saying that if the port were to
5 contribute to some of this, where would we get our funds from
6 and how would that be applied evenly to the port users. And
7 the first source that comes to my mind is we already apply a
8 tax. It might come out of those dollars. I'm not stuck on
9 that.

10 COMMISSIONER KRESTA: I don't understand
11 the apply a tax. Explain.

12 COMMISSIONER HOSS: You've got to get your
13 funds from someplace.

14 COMMISSIONER KRESTA: I know that but I'm just
15 asking where are you applying the tax? What are you saying?

16 COMMISSIONER HOSS: I'm saying we already
17 collect property tax. We get funds. If you decide you're
18 going to fund some of this out of the Port's pocket, where --
19 where are you getting the money from?

20 COMMISSIONER KRESTA: I understand. You asked
21 what I'm talking about. But you said put a tax out there. I
22 don't understand --

23 COMMISSIONER HOSS: I didn't say put a tax on
24 it. I said that is a source of funds that we already put on
25 the people that come into us. Unless you can substitute that

1 signal station, the port movement, the vessel movement
2 efficiency, it impacts how we ship the product out. Okay.
3 Now, if they are charging by the ships in part, help me
4 there. I don't believe that it should be subsidized by the
5 taxpayers. It's like a business. So, it goes into -- if you
6 charge the vessel, then it goes into the costs because the --
7 whoever pays for that, whether Dow pays or Dole pays or
8 whoever, it goes into the part of the product delivered
9 whenever it goes. Okay? So, one way or the other it
10 balances out.

11 So, if we take that Dole is getting too much
12 fees and then it's up to us when we -- it's like a business.
13 We look at our tariffs and all, how to adjust the tariffs for
14 our customers that are coming and I will have to do the same
15 thing to lower the price of the products so that the product
16 delivered at the end of the pipeline is compatible. So,
17 everybody has to -- it becomes pretty equitable if you're
18 charging by the -- but aren't each of the user boat, like
19 Port Freeport and Dow, Phillips, BASF, all of them, the users
20 pay for it. Because I can't see property tax because we all
21 run as a business. This should be -- we should not be
22 leaning towards property taxes, subsidize the efficiency of
23 operation in the channel.

24 CHAIRMAN PIRTLE: Okay.

25 COMMISSIONER HOSS: Then, Ravi, we could --

1 I'm sorry. I was going to respond to you but you're not
2 finished.

3 COMMISSIONER SINGHANIA: I'm finished.

4 CHAIRMAN PIRTLE: Thank you, sir.

5 Commissioner Hoss.

6 COMMISSIONER HOSS: You could -- you could not
7 use any M and O funds and you could have some sort of a fee.
8 But before I would support spending money on literally
9 anything, I want to know how it's going to be paid for. So,
10 I threw the M and O out there. But if there -- if you see
11 other funding mechanisms, I'm open to this discussion.

12 CHAIRMAN PIRTLE: I think the key point here
13 is the -- we recognize the Fort Velasco Signal Station as a
14 huge asset to Port Freeport as well. I mean, to all of our
15 users but it's also been very functional for us as well to
16 see what's going on and, you know, assist us in everyday
17 traffic management or anything else. That's the point. And
18 we're beneficial -- beneficiary of Fort Velasco Signal
19 Station one way or another. Okay.

20 COMMISSIONER SANTOS: Mr. Chairman, you're
21 absolutely correct. Just to be perfectly clear, the M and O
22 is out of the picture. I think we are committed to our
23 taxpayers already through ad valorem to deliver a project
24 that needs to be delivered and we stay within our means.
25 Once we deliver what we told our taxpayers, then we can start

1 getting creative with the needs of the port and the channel.

2 Our partners here, being the pilots, have come
3 up with a mechanism that seems to have proven itself with
4 efficiency of the program, of them getting in and out,
5 getting the vessel to the dock in a ten-minute window, where
6 labor isn't waiting on them and et cetera, et cetera. I
7 think the mechanism is there. At this point, I'm willing
8 to -- I agree with the mechanism. We can deliberate how we
9 will pay for this in January as a port. I don't know. I
10 think we have -- we have our business to take care of and we
11 need to be tight with our money. How are we going to pay for
12 it I can't come up with in the next two months. So, if
13 you're asking me, I would be ready to make a motion to
14 approve the communication fee as proposed.

15 CHAIRMAN PIRTLE: Okay. All right. Anything,
16 Mr. Kresta?

17 COMMISSIONER KRESTA: No.

18 CHAIRMAN PIRTLE: Mr. Croft?

19 COMMISSIONER CROFT: Yes, sir. I understand
20 the communication is basically integral to the shipping
21 industry. Yes, there are other users but the primary
22 benefit, I think, are to those shippers, my opinion. Also,
23 if you look at our overall costs and what we charge the ships
24 coming to our port as compared to our competition, we're
25 below our competition with this cost included.

1 COMMISSIONER KRESTA: Can I verify one thing?

2 It's not what we charge. It's what the pilots charge.

3 COMMISSIONER CROFT: What is being
4 charged from the Port Freeport.

5 COMMISSIONER KRESTA: Just for the record.

6 COMMISSIONER CROFT: Exactly. You're right
7 on. But being as we are -- we have a competitive advantage,
8 even with this new fee, I think it's a good approach to
9 maintaining our competitiveness as well as this communication
10 aspect. So, Rudy, I'm kind of on your side. I'm ready to
11 move on the transaction -- or the proposal as presented,
12 possibly with some amendments but we'll discuss that further.

13 CHAIRMAN PIRTLE: Okay. Well, it sounds like,
14 to me, that the majority is in favor of moving to approve as
15 presented to us. Do you have anything --

16 COMMISSIONER KRESTA: I'm in favor of what
17 Mr. Dan Croft said. You know, if we was to look at this --
18 and I think I covered it in the regular meeting -- I'm sorry.
19 Commissioner Kresta. I wanted to just come back with some
20 things.

21 CHAIRMAN PIRTLE: Okay. Go ahead.

22 COMMISSIONER KRESTA: You know, with this
23 being said and done and the way everybody feels with this, I
24 want to capture in the amendments as we talk and about -- I
25 did -- what's in place today, that it could still be audited.

1 It will still continue with the working group and everything
2 that's in place today of keeping that account and that
3 working group together and auditing fees on the Velasco
4 Signal Station stay in place is what I talked about earlier.

5 That's why I wanted to ask and just -- it's a statement
6 saying -- I'm not saying you're not going to do it. I'm not
7 going to say you are going to do it. I'm just saying that's
8 how we're talking right now.

9 MS. SAATHOFF: Can I ask a question,
10 Mr. Chairman?

11 CHAIRMAN PIRTLE: Please do.

12 MS. SAATHOFF: This is Phyllis Saathoff. I
13 don't believe there is an audit of that but the working group
14 had met quarterly and reviewed the financials and the budget.

15 COMMISSIONER KRESTA: That's something I might
16 want to put in the amendment.

17 MS. SAATHOFF: And review the financials and
18 the budget.

19 COMMISSIONER KRESTA: Look at the quarterlies,
20 right.

21 CAPTAIN BLANTON: May I make one point to
22 clarify this?

23 CHAIRMAN PIRTLE: Yes, sir.

24 CAPTAIN BLANTON: Fort Velasco Signal Station
25 is going to cease to exist in March. We are not going to

1 continue this as a private entity. It will be absorbed into
2 Brazos Pilots or it will go away.

3 CAPTAIN KROHN: In a separate account.

4 CAPTAIN BLANTON: In a separate account to be
5 audited like you said.

6 MS. SAATHOFF: Yes, a separate account to be
7 maintained and --

8 CAPTAIN BLANTON: We are not looking for
9 partnerships with the tax base to do this. We feel that it
10 is appropriate for the shippers to pay this cost. And for
11 the board acting as pilot commissioners to engage a private
12 entity into a contract with the Port is a little problematic
13 as well for us as well.

14 CHAIRMAN PIRTLE: You mean in terms of not
15 having the working group review --

16 CAPTAIN BLANTON: The working group stays
17 intact.

18 COMMISSIONER KRESTA: Everything stays intact.
19 I might use a strong word of audit. And what Phyllis was
20 talking about, it was overseeing the books is all it was in
21 that account. That's all it was.

22 CAPTAIN BLANTON: The whole goal is to cover
23 the operating costs on a separate ledger.

24 COMMISSIONER KRESTA: Yes, sir.

25 CAPTAIN BLANTON: And none of that changes.

1 But Fort Velasco will cease to exist in March when those
2 accounts are drawn completely down.

3 COMMISSIONER KRESTA: I just wanted to make
4 sure that we captured the same thing that's going on today
5 with that dispatch system as far as the user group working
6 together.

7 CAPTAIN BLANTON: Correct. But we are not
8 looking for a partnership with the --

9 COMMISSIONER KRESTA: I don't know how good
10 the user --

11 MS. SAATHOFF: No, that's not what was
12 intended. Just the communication, the oversight, the input,
13 making sure you still have a system that --

14 CAPTAIN BLANTON: It will just be like the
15 education fee and the boat fee. It will be a line charge.
16 When you call the Pilot Commission, Daniel, what are we doing
17 on the communications fee.

18 COMMISSIONER KRESTA: I just make a
19 suggestion, you know, back to the same thing I was talking
20 about working with a user group, whatever you want to call
21 the user group I believe it is. I think you might have to go
22 a little further with this user group. And the group should
23 probably consist of maybe one or two more bigger shippers in
24 the channel since you're asking them, if this passes. You
25 see what I'm talking about?

1 CAPTAIN BLANTON: I've got -- we had developed
2 that system and we were meeting regularly. And I am not a
3 chair of that system -- that system. I'm a member in it.
4 And it was going well and there was a lot of productive
5 conversations coming out of there and then COVID hit and it
6 really diminished our capacity.

7 COMMISSIONER KRESTA: I'm just -- I'm just
8 saying if it goes directly, you know, to include --

9 CHAIRMAN PIRTLE: Right now five users
10 contribute to that for the most part. That needs to be
11 expanded beyond those -- there's a lot more users out there.

12 COMMISSIONER KRESTA: It can be or however
13 y'all feel about it. I'm just throwing it out there for the
14 shippers as well is what I'm trying to expand to.

15 MR. MOORE: Commissioner Kresta, this is Randy
16 Moore for BPA. Those provisions are in a written agreement
17 that your counsel and I worked on. So, it's all right there
18 to be brought into this particular adjustment as well. So,
19 you don't have to rewrite anything. You may just want to add
20 a couple of shippers as part of the --

21 COMMISSIONER KRESTA: I will check that,
22 Mr. Moore.

23 MR. MOORE: -- working group. Thank you.

24 COMMISSIONER KRESTA: Because I didn't know
25 counsel had that.

1 COMMISSIONER HOSS: This is Commissioner Hoss.
2 Question to the pilots. Is your BPA structured in such a way
3 that you can absorb this Fort Velasco signal service -- I'm
4 going to use the term entity. I know your legal entity is
5 going away. I got that. The operations of that, can that be
6 brought in; and if so, will that have significant changes to
7 BPA's budget?

8 CAPTAIN BLANTON: BPA owns all of the
9 equipment. BPA owns the housing. All Fort Velasco Signal
10 Station does is pay for the employees. In March, Fort
11 Velasco Signal Station will cease to exist and they will
12 become Brazos Pilot employees. If -- effective
13 January 1st when you enact it, once we clear all the fees out
14 of Fort Velasco to where there's nothing in there, we will
15 transition them into BPA at that point. Does that make
16 sense?

17 COMMISSIONER HOSS: It does to me.

18 CAPTAIN BLANTON: There is no legal or
19 structural issues with that. We intend to absorb all of the
20 employees and we already own all of the equipment.

21 CHAIRMAN PIRTLE: So, if you begin this
22 January 1st, you're going to start accruing a balance in the
23 budget so that you can pay for --

24 CAPTAIN BLANTON: Yeah. It goes -- we'll
25 start a bank account. The money will go into that fund.

1 It's held just for dispatch. What I don't want to do is
2 transfer them all into BPA and then have money in Fort
3 Velasco. Fort Velasco is going to draw all the way down to
4 zero and dissolve and move into BPA, if we move forward.

5 COMMISSIONER SINGHANIA: I have a question for
6 Mr. Kresta.

7 COMMISSIONER KRESTA: Yes, sir.

8 COMMISSIONER SINGHANIA: When I -- I see what
9 you're saying, that everybody who uses the pilot service
10 should pay for the dispatch station. Right now you've got a
11 limited number of users who are paying for it. But the
12 proposal that is here on the table, it takes care of
13 everybody who uses the (connection garbled) -- so, I still --
14 I'm missing what is the drawback of the proposal that they
15 have?

16 COMMISSIONER KRESTA: You're not asking me
17 that question. I'm okay with it.

18 COMMISSIONER SINGHANIA: I'm asking you that
19 question.

20 COMMISSIONER KRESTA: I don't have a problem
21 with it.

22 COMMISSIONER SINGHANIA: Sorry?

23 COMMISSIONER KRESTA: I do not have a problem
24 with it. I just explained the users are some of the owners
25 at the terminals and they own these ships, too. That's what

1 I did. I'm okay with it, Ravi.

2 COMMISSIONER SINGHANIA: Okay. Thank you. I
3 just was wondering because -- anyway, you answered. Thank
4 you.

5 COMMISSIONER KRESTA: Yes, sir. Next time
6 I'll speak in English so you understand me instead of
7 Bohemian.

8 CHAIRMAN PIRTLE: Ms. Saathoff has a question.

9 MS. SAATHOFF: Yes. I would ask Captain
10 Blanton to answer this. I know this is intended to work out
11 where it would just cover the costs and there's no real
12 buildup of funds in the account. And I believe your proposal
13 says that the rate would be adjusted annually. Do you -- how
14 do you intend -- will that still come back to this body or --
15 and is that approved? Are you going to present a budget? I
16 mean, how does that work with the regulations that we have in
17 place?

18 CAPTAIN BLANTON: So, it's not coming from me
19 to where the -- if you didn't trust me, you don't want the
20 fox guarding the henhouse. That's the beauty of the user
21 group. Because, as I said, I do not intend for this to stay
22 static. And if there is a need in the future to expand or
23 reduce the service or incorporate a new thing to make this
24 more viable and we wanted to change it, then my intention
25 would be that we would present, you know, the budget to this

1 group and then they would make a recommendation to the board
2 on is it fulfilling its function and this is the capital
3 necessary to fill that function. And then, you know,
4 annually we pick it -- you know, July, you guys say, okay,
5 this is what the fee was and it floats, you know. It's not
6 uncommon to have fuel surcharges in other parts that float to
7 meet the man and that's what we were intending, you know. If
8 we were optimistic and the traffic gets greater and there's
9 more people in this pot, there's no sense accruing a large
10 amount of capital in there or needlessly expanding it beyond
11 its usefulness. Its usefulness is defined by the five people
12 in there operating it. There's going to be some insurance
13 costs and everything that goes up. But, I mean, unless you
14 get to some critical mass where you have to expand it, it
15 should finance itself on a relatively steady budget. But if
16 you have more people using it, then you don't want to
17 generate a bunch of excess and you would tailor that down.
18 That was my intention or how I envision this thing working.

19 CHAIRMAN PIRTLE: One follow-up question to
20 that. What happens if you had major equipment failure? How
21 does that --

22 CAPTAIN BLANTON: All equipment is covered by
23 BPA, no matter what. We do all of the equipment: the towers,
24 the monitors, all of that is BP -- our tower. The
25 25,000-dollar optional tower would be considered a utility,

1 in my opinion. But maintaining of the generators,
2 maintaining the computers, all of that, the radios, all that
3 is us.

4 CHAIRMAN PIRTLE: Okay.

5 CAPTAIN BLANTON: Because we own that. Those
6 are our assets.

7 CHAIRMAN PIRTLE: If I might ask Mr. Cordoba,
8 you're comfortable with the agreement that the BPA and
9 Mr. Moore have gone through all of that and I think we've
10 covered all our bases as far as user group?

11 MR. CORDOBA: Yes. We spent a lot of time
12 going through that as a group, individually. Certainly
13 conferred with Mr. Letourneau along the way as well whenever
14 we did that. The agreement did provide for a channel user
15 group that met quarterly. The purpose of the group was to
16 share information regarding dispatch services and provide
17 feedback regarding the vessel traffic of the Freeport harbor.

18 COMMISSIONER KRESTA: Very good.

19 COMMISSIONER HOSS: Mr. Chairman, question for
20 Captain Blanton. John Hoss. How would this fit into BPA's
21 budget by absorbing this?

22 CAPTAIN BLANTON: It would be assessed as a
23 line charge. It's no different from the boat fee, no
24 different from the education fee. It tracks independently
25 from our general operating funds. It would not be fungible.

1 You wouldn't move money from one side of the ledger to the
2 other. It's designed to cover the operating costs of
3 dispatch. We cover the equipment. You're paying for people
4 and utilities.

5 COMMISSIONER HOSS: But does B -- BPA has a
6 budget. So, you would just be moving this end of the budget
7 for the coming year?

8 CAPTAIN BLANTON: So, we assess the tariff.
9 The tariff would have a line charge for communications. Like
10 the boat fee, that money comes in. We report how many ships
11 that we charged, what we charged them to come in through for
12 the boat fee. And then we generate a report to you and the
13 bank in the case of the boat fee to where you end for end it.
14 What we charge is what goes into that account and then you
15 track your profit/loss and all your statements out of there
16 and you can see that -- you know, you'll have a separate bank
17 account separate from our general funds and you'll be able to
18 see, all the funds generated by this fee would go into there
19 and then we're paying these fees out of that account for the
20 function of dispatch.

21 COMMISSIONER HOSS: Okay. I'm kind of
22 wondering how that fits in with regulatory code and that
23 the -- if you guys -- you haven't said you actually have a
24 budget. You've explained to me how you would keep your
25 books. But my understanding is that the pilot association,

1 COMMISSIONER HOSS: Today.

2 CAPTAIN BLANTON: Today.

3 COMMISSIONER HOSS: Is that something that's
4 like encompassed in the services y'all provide as -- because
5 I've looked at what BPA is supposed to do and, you know, it
6 just says fees. You provide for the use and benefit of the
7 branch pilot member. Appropriate communications facilities,
8 that's part of the code. 68.101 to be exact.

9 CAPTAIN BLANTON: It protects -- it
10 specifically designates communication as a service. I mean,
11 this is -- this is white letter law. This is one of the
12 things that we're allowed to charge for, boats and
13 communications. And there's a lot of pilot -- most pilot
14 organizations assess a communications fee. But we are well
15 within the boundaries to collect this fee and to hold this
16 fee for the purpose of communications. It's specifically
17 spelled out in 68.

18 MR. MOORE: Commissioner Hoss, if I might,
19 Randy Moore for BPA.

20 COMMISSIONER HOSS: Please.

21 MR. MOORE: What you're talking about as far
22 as pilot distributions are from the general funds that are
23 collected, pilotage fees that are collected. But that
24 distribution is made after the specific funds are collected
25 and then put into separate accounts so that they do not

1 when they collect their money for -- from the ships, in turn,
2 they pay for their utilities, the few staffers that you have
3 on board, maybe insurance, anything else and then you
4 distribute out those fees to the pilots the following month
5 as part of their earnings. And so, if you're doing that, how
6 do you account for -- my understanding, if you're doing
7 distributions, then pretty much you have a zero or minimal
8 amount left over in your account at the end of that time
9 frame. So, how do you -- what would be your budgeting for --

10 CAPTAIN BLANTON: It's no different --

11 COMMISSIONER HOSS: You're taking on an entire
12 service here into the association, which is a not for profit
13 group. And I'm kind of wondering how this all fits in. I
14 understand you're telling me there's a line item. I got
15 that.

16 CAPTAIN BLANTON: If you could, use the
17 education fee as the basis. So, the education fee is a line
18 charge. The education funds come into a bank account. Those
19 bank accounts are only used for education. So, you can
20 earmark dollars for a specific purpose, whether it's engine
21 maintenance or the education fee. So, it would not -- there
22 are no constraints for us to identify an account to fund
23 dispatch.

24 COMMISSIONER HOSS: Right.

25 COMMISSIONER KRESTA: Today.

1 become part of the calculation for pilot distribution. For
2 instance, in this instance, the communications fee would be
3 collected. We would have the amount that was charged for the
4 month for the communications fee. It would, then, be in toto
5 deposited into a communications fee account. The pilots
6 don't see it except to pay for communications expenses,
7 employee expenses, insurance, and the like. So, they're on
8 the expense side and they're treated separately like the
9 education fund. Then what would ultimately be left in the
10 BPA account to be distributed to pilots for payment for their
11 services. So, it's treated completely differently, if that
12 helps.

13 COMMISSIONER HOSS: I understand your
14 explanation but I'm also reading the code here. And I'm just
15 making sure that we're moving in because this group -- and
16 I've heard it echoed today as we've had questions about
17 things and hearing the shippers, you know, say that they
18 would be surprised by a new line item fee. They would
19 probably be surprised no matter how little or how large it
20 is. But it is a new fee that we're instituting that is going
21 to be perpetual. How is that going to be handled. And it
22 sort of goes into this pot, as you're saying. And then --
23 but it's not really part of the pilot's fees but how is,
24 then, it monitored because we're using our -- the authority
25 of our office to say certain vessels have to pay a fee, here

1 it is. And it's computed. We didn't compute it. We just
2 approved it. And it's going to go in here and it's -- okay,
3 where is it going to. And it's -- and it says, you know, the
4 expenses, as operating expenses, part of their budget. Well,
5 I'm asking what the budget looks like.

6 MR. MOORE: The budget for that will be a
7 complete passthrough basically because it's whatever the
8 working group decides the budget needs to be in order to pay
9 the expenses. There are no profits anticipated. There are
10 no distributions to be made to pilots from it because it is
11 treated as a separate pot. We don't treat it as the BPA pot.

12 COMMISSIONER HOSS: Fair enough. Then maybe
13 this board should be entitled to -- or maybe not entitled but
14 actually required to approve and look at those budgets on an
15 annual basis.

16 MR. MOORE: You do. That's what the working
17 group does.

18 COMMISSIONER HOSS: This board, not the
19 working group.

20 MR. MOORE: The working group comes to the
21 board.

22 COMMISSIONER HOSS: They can advise us. I'm
23 happy to. But I don't see anything in here about working
24 groups making decisions.

25 MR. MOORE: They don't. They come to you --

1 that we had with the communication fee, that the working
2 group can place in and I'll be happy to do the extra mile to
3 where they look at it and where the board gets a report just
4 like they would get on the education fee.

5 COMMISSIONER HOSS: Did we approve it?

6 COMMISSIONER KRESTA: We did not approve that.
7 We can make that an amendment.

8 COMMISSIONER HOSS: I'm saying that we've got
9 stuff that comes to us but we're using our authority here, I
10 think, that we should not only look at it but we approve it.

11 COMMISSIONER KRESTA: I agree with you. You
12 said we can make an amendment is what I'm saying.

13 COMMISSIONER HOSS: I'm good with that.

14 COMMISSIONER KRESTA: Instead of having to
15 make sure their user group works and meets and sends us
16 something, it can be treated just like education.

17 COMMISSIONER HOSS: I'm all for taking the
18 advice of the user group.

19 COMMISSIONER KRESTA: Correct.

20 COMMISSIONER HOSS: Because they're the users.
21 They have a much greater sensitivity to what's going on. I
22 don't think we should just blindly say here it is.

23 CHAIRMAN PIRTLE: No.

24 COMMISSIONER KRESTA: I agree with you.

25 COMMISSIONER HOSS: We're in agreement.

1 COMMISSIONER HOSS: Good.

2 MR. MOORE: -- to make the decision.

3 COMMISSIONER HOSS: I haven't seen one show up
4 yet. Okay?

5 MR. MOORE: Well, that's because it's been
6 treated in a completely different way and not pursuant to the
7 tariff, which is the way it should be treated.

8 COMMISSIONER HOSS: How do we treat that?
9 Because I think that's something we ought to iron out right
10 here and now.

11 COMMISSIONER KRESTA: We asked that
12 question -- Commissioner Kresta. We talked about this and
13 they were supposed to be meeting quarterly.

14 MR. MOORE: Quarterly.

15 COMMISSIONER KRESTA: Quarterly. And this
16 meeting -- we talked about this and I think I heard two
17 people say something about the pandemic set in and our CEO
18 said the same thing and they need to get back together to get
19 this done.

20 COMMISSIONER HOSS: Is that going to be a
21 requirement of this motion?

22 COMMISSIONER KRESTA: Yes, sir.

23 CHAIRMAN PIRTLE: Yes.

24 COMMISSIONER KRESTA: Jason just read it that
25 they've been talking and it states what the old agreement

1 CHAIRMAN PIRTLE: With all that being said,
2 I'm going to ask Mr. Kresta to make a motion accordingly for
3 the first BPA request, if you would. I think you have the --

4 MS. SAATHOFF: Counsel may want --

5 MR. CORDOBA: I've written a few things down
6 that I think I've heard. So, let me read it and y'all can
7 tell me if this sounds close or not.

8 CHAIRMAN PIRTLE: All right.

9 COMMISSIONER KRESTA: Yeah.

10 MR. CORDOBA: Approve Request No. 1 with the
11 following modifications. Channel user advisory group will
12 remain in place with such additional members that may be
13 added. The channel user advisory group will meet at least
14 quarterly. The purpose of the channel user advisory group
15 will be to share information regarding dispatch services,
16 including presentation of budget and financial information
17 related to dispatch services, provide feedback regarding
18 vessel traffic of the Freeport harbor, and present a report
19 to the Pilot Board.

20 COMMISSIONER KRESTA: On a quarterly basis or
21 what?

22 CAPTAIN BLANTON: I would not commit all of
23 that user group to a quarterly meeting. Just saying there is
24 a lot of busy people in there. But that's just my 2 cents.

25 CHAIRMAN PIRTLE: We can target that. We have

1 to make a decision. But the other one is -- is an annual
2 report or --

3 COMMISSIONER KRESTA: How often do we get the
4 education fee report?

5 CAPTAIN BLANTON: Annually is what's required.
6 But a lot of times when you set a Pilot Commission, we give
7 it to you anyway. But annually we have to do it.

8 COMMISSIONER KRESTA: I would like to see
9 that, if the board agrees, not annually but I would like to
10 see it at least semi-annually.

11 COMMISSIONER HOSS: Minimum of semi-annually
12 or when we meet.

13 COMMISSIONER KRESTA: Ravi, you agree?

14 COMMISSIONER SINGHANIA: I agree with
15 Commissioner Pirtle.

16 COMMISSIONER KRESTA: If we can incorporate
17 that.

18 MR. CORDOBA: Do you want me to read it again?

19 COMMISSIONER KRESTA: Incorporate that.

20 COMMISSIONER HOSS: I didn't hear something
21 about approving the budget because we're going to move
22 forward on this in perpetual and they're going to come back
23 and we're -- there's going to be increasing expenses over the
24 coming years. I've never seen anything that doesn't
25 increase.

1 COMMISSIONER KRESTA: I think, John, the way
2 that works is if they got to increase the budget, you've got
3 to increase the tariff.

4 COMMISSIONER HOSS: Gotcha.

5 COMMISSIONER KRESTA: And so, that has to come
6 back is what I'm saying. That's automatic.

7 COMMISSIONER HOSS: Right. If we're going to
8 increase the tariffs, we're going to have to see the budget
9 that goes with it.

10 COMMISSIONER KRESTA: Yes, sir.

11 COMMISSIONER CROFT: Mr. Chair, a question in
12 my mind is we're putting forth a requirement on an
13 organization that actually doesn't exist. This user group is
14 not a formalized group. So, we're mandating that BPA adhere
15 to meeting with a group that technically doesn't exist.

16 COMMISSIONER KRESTA: Commissioner Croft, it
17 does exist because that user group was made up of the five
18 people that started off BPA. That's who it consists of.

19 CAPTAIN BLANTON: Fort Velasco Signal Station,
20 they did not start BPA.

21 COMMISSIONER KRESTA: I'm so sorry, guys.

22 COMMISSIONER CROFT: But that's going away.

23 COMMISSIONER KRESTA: That's why I'm saying
24 keep that in place. That's your five biggest users and plus
25 the Velasco system to keep them talking to how to improve the

1 dispatch system or where can improvements be made to keep
2 that group talking. Would we keep them in place is what I'm
3 saying? And maybe expand it to shippers.

4 CHAIRMAN PIRTLE: Some of the railroads or --
5 COMMISSIONER KRESTA: A bigger --

6 COMMISSIONER HOSS: Would it be an option to
7 either -- if that group that doesn't exist to tap either EMAP
8 or the Lone Star Safety Committee, which is user groups here
9 in the channel to help perform that function?

10 COMMISSIONER KRESTA: I just don't want to get
11 too big to where you can't make a decision and you just
12 don't -- you get something -- some good advice. Okay? I do
13 agree with you when you want to say, you know, get the main
14 ones involved. That's -- that's everybody. I agree there.
15 It's just if you make up a working group as far as --

16 COMMISSIONER HOSS: I think you bumped your
17 microphone.

18 CHAIRMAN PIRTLE: It's Caller 11, whoever it
19 is.

20 COMMISSIONER KRESTA: If you put it too big, I
21 don't know if you'll get anything done. That's all I'm
22 saying. I know what you --

23 COMMISSIONER HOSS: To me, Dan's point, there
24 are groups here and if they -- it was an option.

25 COMMISSIONER KRESTA: Yes, sir.

1 MS. SAATHOFF: Can you define it in the
2 motion?

3 MR. CORDOBA: Define what?

4 MS. SAATHOFF: Working group, advisory group.

5 MR. CORDOBA: Of course.

6 COMMISSIONER HOSS: One that doesn't exist
7 or --

8 MR. CORDOBA: The problem is it sounds like
9 there's some uncertainty on whether additional members may be
10 added. So, I mean, I guess we can leave that open. And I
11 guess we're also assuming that the current members are going
12 to want to remain members.

13 CHAIRMAN PIRTLE: Maybe you identify it as
14 seven to eight. You don't want to put one twenty but seven
15 to eight.

16 COMMISSIONER KRESTA: What are you saying,
17 sir? Captain Blanton.

18 CAPTAIN BLANTON: I would recommend that we
19 leave it to the pilots to present it and then leave it to the
20 pilots to get consensus so we're not roping in a bunch of
21 people -- you have jurisdiction over me and you always have
22 the ability to deny it or -- I would suggest we propose it as
23 a floating fee. Let the pilots -- for five years, a floating
24 fee for five years. Let the pilots propose that to you and
25 then ask us to provide documentation or feedback from the

1 user group as defined so you're not trying -- you're leaving
2 the onus on us and then we can go out to the user group. I
3 don't understand how this board is going to command the user
4 group to do anything. That's my point. You have oversight
5 over me.

6 CHAIRMAN PIRTLE: Not necessarily command the
7 user group to do anything. It's more getting the open
8 personal feedback of what's going on versus, you know -- if I
9 tell you something and you tell Matthew something and Matthew
10 tells Billy something, it gets construed. If it's open and
11 everybody is meeting face to face, you have the opportunity
12 to communicate. And that's really the goal.

13 COMMISSIONER KRESTA: Mr. Chairman, your
14 previous conversation you said you wanted to keep the
15 advisory group together.

16 CHAIRMAN PIRTLE: Uh-huh.

17 COMMISSIONER KRESTA: Keep it at that.

18 CAPTAIN BLANTON: I agree.

19 COMMISSIONER KRESTA: Which I'm fine with.
20 Explain to me what you just said about floating. What does
21 floating mean?

22 CAPTAIN BLANTON: Instead of -- I mean, we're
23 defining what the -- how to get the tariff, right?

24 COMMISSIONER KRESTA: Yes, sir.

25 CAPTAIN BLANTON: But what we're suggesting is

1 MR. MOORE: Exactly.

2 COMMISSIONER KRESTA: Thank you for getting
3 that clarified.

4 CHAIRMAN PIRTLE: Mr. Cordoba, if you would
5 read our motion, please, sir.

6 MR. CORDOBA: So, the last sentence I think I
7 revised based on what I heard is that the pilots will
8 present -- not the group, not the user group but the pilots
9 will present at least a semi-annual report to the Pilot Board
10 for approval that includes budget and financial information
11 related to dispatch services. Is that what I heard?

12 CHAIRMAN PIRTLE: Yeah.

13 MR. CORDOBA: I'm going to read the whole
14 thing from the beginning. Approve Request No. 1 with the
15 following modifications. Channel user advisory group will
16 remain in place with additional members that may be added.
17 The channel user advisory group will meet at least quarterly.
18 The purpose of the channel user advisory group is to share
19 information regarding dispatch services, including
20 presentation of budget and financial information related to
21 dispatch services, and provide feedback regarding the vessel
22 traffic of the Freeport harbor. The pilots will present at
23 least a semi-annual report to the Pilot Board for approval
24 that includes a budget and financial information related to
25 dispatch services.

1 this is going to float like if it was a fuel cost or
2 something. And we're floating to meet a budget. That's what
3 I'm saying. So, you adjust --

4 COMMISSIONER KRESTA: I disagree with
5 everything that's in that piece of paper right there because
6 we're voting on \$65 plus a unit charge.

7 CAPTAIN BLANTON: Yes.

8 COMMISSIONER KRESTA: Plus times three. 0.18.
9 But now you want to change it to a floating.

10 CAPTAIN BLANTON: What -- okay.

11 COMMISSIONER KRESTA: I'm voting right here as
12 it says, and it's being presented by y'all, charge is \$65
13 plus a unit charge, okay, calculated as units multiplied by
14 the factor of 0.18 to cover the costs and expense of
15 providing the state-of-the-art dispatch service. And now you
16 say you want to call it floating?

17 CAPTAIN BLANTON: No.

18 CHAIRMAN PIRTLE: You can't float it. If it
19 has to change, it has to come back to us to make the change.

20 MR. MOORE: We're going with it the way it's
21 written.

22 CAPTAIN BLANTON: Correct.

23 COMMISSIONER KRESTA: Sir?

24 CAPTAIN BLANTON: Leave it the way it's
25 written.

1 COMMISSIONER KRESTA: Ravi, do you have
2 something to say?

3 COMMISSIONER SINGHANIA: Excellent. It's
4 like --

5 THE REPORTER: I'm sorry. What did --

6 CHAIRMAN PIRTLE: He said it's excellent. He
7 thought he --

8 COMMISSIONER KRESTA: Making sure I heard it
9 right.

10 MR. CORDOBA: Just taking good notes.

11 COMMISSIONER KRESTA: I'm Commissioner Kresta.

12 COMMISSIONER HOSS: Mr. Kresta, before you --
13 Mr. Hoss here. Do we want to define financial information
14 because that seems to be a point that we have been unclear on
15 over the past few years? Can we -- Commissioner Singhania,
16 where are you because you asked me this question, too.

17 COMMISSIONER SINGHANIA: We are talking about
18 now the communication area?

19 COMMISSIONER HOSS: Yes, sir.

20 COMMISSIONER SINGHANIA: We should get
21 expenses by line item and the total and what was charged out
22 so that we can get the full picture.

23 COMMISSIONER HOSS: Yes, sir.

24 MR. CORDOBA: The agreement that we had with
25 Fort Velasco indicated that the financial information that

1 would be available included bank statements, income
2 statements, profit and loss statement, and balance statement.
3 I don't know how well that works with a line item as opposed
4 to the business but that's what -- that's what the agreement
5 indicated that we've been operating under.

6 MS. SAATHOFF: Is that good?

7 COMMISSIONER SINGHANIA: For me --

8 CAPTAIN BLANTON: For the communications
9 charge.

10 MR. MOORE: The --

11 COMMISSIONER KRESTA: Ravi.

12 CHAIRMAN PIRTLE: Just a minute. Go ahead,
13 Ravi.

14 COMMISSIONER SINGHANIA: To me, bank statement
15 doesn't mean much. You have a budget that you presented over
16 here and I like to see, assuming the commissioners agree,
17 like how much was the spending of each of the items listed
18 and at the end of the day or end of six months, what was your
19 net result by the revenue you collected. Did you make more?
20 Did you make less? Because depending upon that, you will be
21 coming for the rate increase -- the next rate increase with
22 some adjustments.

23 CHAIRMAN PIRTLE: Did you hear Mr. Cordoba's
24 explanation of the agreement?

25 COMMISSIONER SINGHANIA: Please, go ahead.

1 CHAIRMAN PIRTLE: Mr. Cordoba, do you want to
2 read that off again of what the agreement was?

3 MR. CORDOBA: Sure. The agreement that we've
4 been operating under with Fort Velasco indicated that the
5 financial information that would be provided included bank
6 statements, income statement, profit and loss statement, and
7 balance statement.

8 COMMISSIONER CROFT: Mr. Chairman.

9 COMMISSIONER SINGHANIA: Income statement --
10 I'm sorry. To me income statement is fine if you break it
11 out by the items that you have listed in the budget.

12 CHAIRMAN PIRTLE: Thank you. Mr. Croft.

13 COMMISSIONER CROFT: Yes, sir. As it relates
14 to the legal entity that you're talking about, Jason, I
15 understand a balance sheet. A balance sheet would not make
16 sense in the information that we're asking for. All we're
17 looking for is income and expense. Cash flow, you know, P
18 and L, whatever you want to call it. But a balance sheet is
19 irrelevant in moving forward with what we're talking about.

20 COMMISSIONER HOSS: More like a journal entry,
21 a journal list.

22 CHAIRMAN PIRTLE: Mr. Aalund, you had a
23 question right quick. Please come to the mic.

24 MR. AALUND: Niels Aalund with the West Gulf
25 Maritime Association. In regards to the user group, may I

1 respectfully suggest that you might consider seeking
2 applicants? The current user group may want to continue but
3 they have to understand that they're going to meet quarterly
4 and have certain responsibilities. And at the same time you
5 might get applicants most likely from vessel operators, users
6 that are going to be paying the fee and they should be
7 included in this user group. That's a suggestion I would
8 like to consider, please.

9 CHAIRMAN PIRTLE: Appreciate it. We concur.
10 That's why we were discussing expanding that obviously and
11 maybe there would be some exchanges but starting with where
12 we're at, I think, would be beneficial. Okay. Mr. Kresta.

13 COMMISSIONER KRESTA: This is Commissioner
14 Kresta. I'll make the motion as read by legal counsel to
15 approve the communication surcharge, service consisting of
16 base charge of \$65 plus a unit charge, calculated as units
17 multiplied by the factor of 0.18 to cover the costs and
18 expenses of providing a state-of-the-art dispatch service,
19 effective January 1, 2021, with the amendments read by
20 counsel.

21 CHAIRMAN PIRTLE: Mr. Kresta made the motion.
22 Do we have a second?

23 COMMISSIONER HOSS: Can we have the amendments
24 read again, please?

25 MR. CORDOBA: Yes.

1 COMMISSIONER KRESTA: Can I ask for a second
2 and then we --

3 COMMISSIONER SANTOS: Commissioner Santos will
4 second.

5 COMMISSIONER KRESTA: Thank you.

6 MR. CORDOBA: The amendments would include the
7 channel user advisory group will remain in place with
8 additional members that may be added. The channel user
9 advisory group will meet at least quarterly. The purpose of
10 the channel user advisory group is to share information
11 regarding the dispatch services, including presentation of
12 budget and financial information related to dispatch
13 services, and provide feedback regarding the vessel traffic
14 of the Freeport harbor. The pilots will present at least a
15 semi-annual report to the Pilot Board for approval that
16 includes a budget and financial information related to the
17 dispatch services.

18 COMMISSIONER KRESTA: I don't know if you need
19 the word "approval" but I think you need the word --
20 something else because what it is is what it is. But if
21 they're going to ask for up or down --

22 COMMISSIONER HOSS: Review?

23 COMMISSIONER KRESTA: Review.

24 MR. MOORE: Review.

25 CAPTAIN BLANTON: Review.

1 COMMISSIONER KRESTA: I'm just trying to work
2 it both ways.

3 CAPTAIN BLANTON: I agree. Review.

4 CHAIRMAN PIRTLE: Mr. Cordoba, you okay with
5 that?

6 MR. CORDOBA: Fine. Yes.

7 CHAIRMAN PIRTLE: Mr. Kresta, you okay with
8 the change?

9 COMMISSIONER SINGHANIA: A budget -- I would
10 like to say a line item budget. And secondly, the addition
11 of members, who decides to accept or reject anybody who
12 applies to become a member?

13 MR. CORDOBA: We didn't include any language
14 in the motion on how the members of the channel user advisory
15 group would be selected. I would be happy to do that if
16 y'all want. It's getting a little long.

17 COMMISSIONER SINGHANIA: I will say so because
18 I'm going back to the statement that they should be open to
19 add some of the vessel operators or whatever. So, who has
20 the say to say yes if somebody wants to come, whether they
21 want to go from five to -- I'm just putting in a number, five
22 to ten or five to nine and how do we add to place these
23 people? Are they the people that are already on the board or
24 the committee?

25 CHAIRMAN PIRTLE: Mr. Kresta wants to answer

1 that. I'm sorry.

2 MR. CORDOBA: One second.

3 CHAIRMAN PIRTLE: Mr. Cordoba.

4 MR. CORDOBA: What I really thought the intent
5 was is that the Pilot Board would have some discretion on
6 exactly how that occurred and who those members were and how
7 that transpired. I'm not certain it's necessary to put it in
8 the motion. We can do that. I just don't know if it's
9 necessary.

10 COMMISSIONER KRESTA: Can I solve it?

11 CHAIRMAN PIRTLE: Yes, sir. Commissioner
12 Kresta.

13 COMMISSIONER KRESTA: Let's put our operations
14 director in charge of that. He's the one that's got to
15 correlate that and take care of that. Do you understand
16 that, Mr. Al?

17 MR. DUREL: Yes, sir.

18 COMMISSIONER KRESTA: You were looking down.
19 I didn't know if you heard me or not.

20 MR. DUREL: I'm trying to write my own notes.

21 COMMISSIONER KRESTA: That would be the person
22 that should be pulling this group together. That's my
23 opinion.

24 MR. DUREL: If I -- the advisory group has a
25 chairperson or -- so, I think it's Matt with Dow. So, we'll

1 bring this group back together. That's the first thing we
2 need to do and then discuss this -- this motion and move from
3 there. And then we can each make a nomination or something
4 like that.

5 COMMISSIONER KRESTA: I knew you were the
6 port's rep. That's why I was --

7 CAPTAIN BLANTON: He's a member. Just
8 designate Al. It doesn't matter if he's the chair or not.

9 COMMISSIONER KRESTA: That's fine with me.
10 That's why I wanted --

11 CAPTAIN BLANTON: I agree. If you designate
12 your port operations director, y'all have control. It
13 doesn't matter what position he holds in the group.

14 COMMISSIONER KRESTA: That's all I was after.

15 COMMISSIONER HOSS: Can you be open to say
16 that the -- then if we have that control and then Al is a
17 member, then I would reconsider who presents the information
18 to the Pilot Board. That should jointly be presented by
19 the -- a representative of the working group, which would be
20 Al, and the pilots.

21 COMMISSIONER KRESTA: We took that out a while
22 ago because we wanted them to directly send it to us and the
23 advisory group, if they have anything to report, to -- to
24 help the dispatch system that's where they come and file
25 because we're setting the tariff. We're voting on a tariff.

1 And the advisory group is overlooking the operations of it to
2 come back and be advising and talking with the pilots to
3 improve the system all the way through. So, if you create
4 another level in between, you know how that works. And
5 that's my opinion.

6 COMMISSIONER HOSS: I'm not creating one. I'm
7 suggesting that you've already done that.

8 COMMISSIONER KRESTA: That's why I was going
9 to put Al in charge of the deal to bring it to us is what I'm
10 saying.

11 COMMISSIONER HOSS: Then you need to change
12 the motion because that's not what your motion says.

13 MR. DUREL: Again, in the past, it was -- what
14 was the name before Matt? Gene Theriot was the chairperson
15 and he came from time to time and made a presentation to the
16 Pilot Board. So, really truthfully it should be the
17 chairperson of the advisory group. I'm a member. The pilots
18 are members plus industry has a member.

19 COMMISSIONER KRESTA: Yes.

20 COMMISSIONER HOSS: What we've done, though,
21 is substitute that chairperson -- we've substituted the
22 pilots for the chairperson in the motion. I'm not
23 disagreeing with you. I'm saying what we've done has
24 undermined it.

25 MR. DUREL: We kind of went around the back

1 door. The advisory group is -- you know, has the initial
2 core members in place and it has a chairperson.

3 COMMISSIONER HOSS: Right. Good. I'm all for
4 that.

5 MR. DUREL: It's just that, as we said, since
6 COVID hit, we were doing a meeting and it just kind of went
7 away a little bit. We can round it back up.

8 COMMISSIONER HOSS: But your motion just went
9 around that.

10 MR. CORDOBA: I think I heard maybe three
11 additional changes. One is that the pilots and the channel
12 user advisory group will present at least a semi-annual
13 report to the Pilot Board for review; is that right?

14 COMMISSIONER HOSS: That can be.

15 MR. CORDOBA: And then, I believe,
16 Commissioner Singhania wanted a sentence added that the
17 budget will include a line item budget.

18 COMMISSIONER HOSS: Okay.

19 MR. CORDOBA: Does that capture it?

20 COMMISSIONER HOSS: Works for me.

21 Commissioner Singhania unmute yourself.

22 COMMISSIONER SINGHANIA: Aye.

23 MR. CORDOBA: Back to you.

24 CHAIRMAN PIRTLE: If you would, then, please
25 reread what you have.

1 MR. CORDOBA: Sure.

2 CHAIRMAN PIRTLE: And then we'll see if
3 Mr. Kresta and Mr. Santos adopt it as a motion.

4 MR. CORDOBA: Okay. Approve Request No. 1
5 with the following modifications. Channel user advisory
6 group will remain in place with additional members that may
7 be added. The channel user advisory group will meet at least
8 quarterly. The purpose of the channel user advisory group is
9 to share information regarding the dispatch services,
10 including presentation of budget and financial information
11 related to dispatch services, and provide feedback regarding
12 the vessel traffic of the Freeport harbor. The pilots and
13 the channel user advisory group will present at least a
14 semi-annual report to the Pilot Board for review that
15 includes a budget and financial information related to
16 dispatch services. The budget will include a line item
17 budget.

18 CHAIRMAN PIRTLE: Commissioner Kresta.

19 COMMISSIONER KRESTA: I'll make the
20 modifications and accept it.

21 CHAIRMAN PIRTLE: Mr. Santos.

22 COMMISSIONER SANTOS: I'll second.

23 CHAIRMAN PIRTLE: All right. We have a motion
24 and a second. Motion by Commissioner Kresta, second by
25 Commissioner Santos to approve the request per vessel

1 movement line item surcharge for communication/dispatch
2 service consisting of a base charge of \$65 plus a unit
3 charge, calculated as units multiplied by the factor of .18
4 to cover the costs and expenses of providing a
5 state-of-the-art dispatch service, effective January 1, 2020
6 (sic), plus the further details that Mr. Cordoba read aloud.

7 Mr. Croft, how do you vote?

8 COMMISSIONER CROFT: Aye.

9 CHAIRMAN PIRTLE: Mr. Hoss, how do you vote?

10 COMMISSIONER HOSS: Aye.

11 CHAIRMAN PIRTLE: Mr. Singhania, how do you
12 vote?

13 COMMISSIONER SINGHANIA: Aye.

14 CHAIRMAN PIRTLE: I also vote aye. Motion
15 passes.

16 MR. CORDOBA: One point for clarification.
17 The effective date of that is January 1, 2021?

18 MS. SAATHOFF: Correct.

19 COMMISSIONER KRESTA: Yes, sir.

20 MR. CORDOBA: We thought we heard '20.

21 MS. SAATHOFF: No.

22 CHAIRMAN PIRTLE: It wouldn't be the first
23 time I read dyslexically. That motion is complete and
24 passed.

25 The second item on our agenda is BPA's second

1 request for the education fee to a charge consisting of a
2 base charge of \$10 plus a unit charge, calculated as units
3 multiplied by the factor of .03 for continuing education and
4 training for pilots, pilot boat operators. This also is
5 effective one January 1, 2020 (sic).

6 Mr. Singhania, I will open it up for your
7 comments or concerns, questions, whatever on this one.

8 COMMISSIONER SINGHANIA: I have a question
9 first. How is -- I should know that but I don't. How is the
10 education fee today passed on to the -- to the boat users?

11 CAPTAIN BLANTON: \$17.22 flat fee.

12 CHAIRMAN PIRTLE: He probably couldn't hear
13 you.

14 COMMISSIONER SINGHANIA: Does the education
15 fee that's passed follow the tariff or as an additional fee
16 like the boat?

17 MS. SAATHOFF: Go ahead and speak to it,
18 Daniel.

19 CAPTAIN BLANTON: It's a line charge like the
20 boat fee. It's a flat fee currently of \$17.22. We propose
21 adjusting it to a progressive scale in the new fee.

22 COMMISSIONER SINGHANIA: Based on that,
23 Mr. Chairman, the way I think, like if you can do the same
24 thing as we did for the communication and dispatch charge,
25 that will be acceptable.

1 CHAIRMAN PIRTLE: You're talking about the
2 additional items that Mr. Cordoba read?
3 COMMISSIONER SINGHANIA: I can --
4 CAPTAIN BLANTON: We already do that.
5 COMMISSIONER SINGHANIA: We don't need what I
6 call a full user or group for that. But should be --
7 CHAIRMAN PIRTLE: We're already actually
8 receiving the financials on that.
9 All right. Thank you. Mr. Croft.
10 COMMISSIONER CROFT: Yes. I would like to add
11 something to that. And that is that there be a written
12 program, development plan to identify how the additional
13 funds are intended to be used.
14 CHAIRMAN PIRTLE: Proposed training program?
15 Is that --
16 COMMISSIONER CROFT: Yes. Just a written
17 program identifying what -- the goals and objectives that
18 were stated, articulate those in written form so --
19 CAPTAIN BLANTON: We got the guy already
20 working on it.
21 COMMISSIONER CROFT: Good deal.
22 CAPTAIN BLANTON: It's done.
23 CHAIRMAN PIRTLE: Matthew is --
24 CAPTAIN BLANTON: No. It's Ross. This is
25 Ross' baby.

1 CAPTAIN KROHN: He's listening. He's already
2 texting me saying, oh, I'm so excited.
3 CHAIRMAN PIRTLE: Doing calisthenics and
4 everything else.
5 CAPTAIN BLANTON: He's on it. Don't worry
6 about that. You're going to regret what you just asked for.
7 CHAIRMAN PIRTLE: Commissioner Hoss.
8 COMMISSIONER HOSS: Question, how many -- this
9 changes -- we had a flat rate fee of -- was it \$17 or
10 something before?
11 MS. SAATHOFF: 17.22, yes.
12 COMMISSIONER HOSS: I guess that fee has been
13 in place for a long time. How does -- how does this impact
14 the lower end of the boat scale? We've got all these other
15 things. So, the -- the discussion should be pretty much the
16 same. When I say the lower end, lower unit numbers less
17 the --
18 CAPTAIN BLANTON: The NADJA, which is --
19 COMMISSIONER HOSS: The smaller vessels.
20 CAPTAIN BLANTON: The smallest vessel that we
21 do at Brazos Harbor 5, the NADJA, pays \$17.22 currently.
22 When you bang the gavel as -- if you bang the gavel as is,
23 they pay \$15.22.
24 COMMISSIONER HOSS: Okay.
25 CAPTAIN BLANTON: The GOLAR KELVIN, which is

1 the biggest one, I think it's a 35-dollar increase. But it's
2 laid out -- there is a slide that shows you pretty much a
3 broad spectrum of the ships we do and how this impacts their
4 budget.
5 COMMISSIONER HOSS: Commissioner Croft just
6 poked it at me and showed it to me. And I've not heard
7 anything from any of the testimony today that was really
8 against this, just to make sure that it's used in the proper
9 fashion and that our pilots become better pilots all the way
10 around. And I think I've heard that, all sides.
11 CHAIRMAN PIRTLE: Very good.
12 COMMISSIONER HOSS: I'll go with it. I'm
13 happy.
14 CHAIRMAN PIRTLE: Thank you, sir.
15 Commissioner Santos.
16 COMMISSIONER SANTOS: I think we've heard that
17 all pilots will benefit from this but I think we need to
18 expand and just go on the record that all your employees
19 will --
20 CAPTAIN BLANTON: That's the goal.
21 COMMISSIONER SANTOS: -- capitalize on this.
22 Your boatmen, your deckhands, your port captain, and maybe
23 even your dispatchers.
24 CHAIRMAN PIRTLE: Mr. Kresta.
25 COMMISSIONER KRESTA: I think the education

1 fee is appropriate the way it's presented and we'll have some
2 modifications to it to make sure they're held current. And
3 that's all I have to say about it.
4 CHAIRMAN PIRTLE: Very good. With that I
5 agree also. So, I'm going to ask Commissioner Croft to draft
6 a motion, if you would.
7 COMMISSIONER CROFT: With your amendments.
8 COMMISSIONER HOSS: With your amendments.
9 COMMISSIONER CROFT: With my amendments I move
10 to --
11 MR. CORDOBA: Do you want me to take a stab at
12 it, Commissioner?
13 COMMISSIONER CROFT: Please.
14 MS. SAATHOFF: I agree.
15 MR. CORDOBA: So, what I think I heard you say
16 was maybe a motion to approve Request No. 2 with the
17 following modification. A plan be presented by the pilots to
18 the Pilot Board with the education plan and goals. Does that
19 sound right, or did I leave something out?
20 COMMISSIONER CROFT: That sounds right.
21 COMMISSIONER KRESTA: Say it one more time.
22 MR. CORDOBA: Approve Request No. 2 with the
23 following modification. The modification is a plan be
24 presented by the pilots to the Pilot Board that includes the
25 education plan and goals for the organization.

1 COMMISSIONER KRESTA: Okay.
 2 COMMISSIONER CROFT: Add budget to that and I
 3 think you'll address Ravi's concern.
 4 MR. CORDOBA: Let me try it again. The
 5 following modification, that a plan be presented by the
 6 pilots to the Pilot Board that includes the education plan,
 7 goals, and budget.
 8 COMMISSIONER CROFT: That was my motion.
 9 CHAIRMAN PIRTLE: That's on an annual basis?
 10 COMMISSIONER HOSS: Yes.
 11 COMMISSIONER CROFT: Yes.
 12 CHAIRMAN PIRTLE: Thank you.
 13 COMMISSIONER SINGHANIA: We will get the
 14 financial report like the Item No. 1?
 15 COMMISSIONER HOSS: Right. We already get
 16 that.
 17 CAPTAIN BLANTON: You already get it.
 18 COMMISSIONER KRESTA: Yes, sir.
 19 COMMISSIONER SINGHANIA: Since it's a new game
 20 over here.
 21 CHAIRMAN PIRTLE: Right.
 22 MS. SAATHOFF: Jason, add when it will go into
 23 effect to your motion.
 24 COMMISSIONER HOSS: Go in effect January 1,
 25 2021. And I'll second that.

1 All right. Mr. Singhanian, any comments,
 2 questions, concerns about the change to the draft charge
 3 table?
 4 COMMISSIONER SINGHANIA: I don't -- it makes
 5 logical sense to me.
 6 CHAIRMAN PIRTLE: Very good. Thank you, sir.
 7 Mr. Santos.
 8 COMMISSIONER SANTOS: I also agree it makes
 9 sense to proceed forward with it.
 10 CHAIRMAN PIRTLE: Mr. Kresta.
 11 COMMISSIONER KRESTA: I want to -- I would
 12 like for the pilots to one more time say how it's being
 13 worked as far as going from the minimum to the draft greater
 14 than 42 feet just for the record that we are talking about
 15 it. And if you would, please, sir. Or you can pull the
 16 chart up and everybody can --
 17 CAPTAIN BLANTON: I can answer your questions
 18 right now. From the minimum all the way up to 42 feet, which
 19 we are currently doing, there is absolutely no change to what
 20 we're doing now and what we're going to do in the future. We
 21 are adding draft capacity from 42 feet up to keep us in line
 22 with the channel expansion. None of the minimum draft fees
 23 are affected at any rate. None of the ships that operate
 24 here currently are affected by this at all. This is solely
 25 for future expansion of the channel. It affects nothing.

1 CHAIRMAN PIRTLE: Okay. Commissioner Croft
 2 made the motion to approve the request to adjust the
 3 education fee to a charge consisting of a base charge of \$10
 4 plus a unit charge, calculated as units multiplied by the
 5 factor of .03 for continuing education and training for
 6 pilots and pilot boat operators, effective January 1, 2021,
 7 with the addition as Mr. Cordoba extrapolated there with the
 8 education plan goals, annual report, and effective January 1,
 9 2021. You second it, Mr. Hoss?
 10 COMMISSIONER HOSS: I do.
 11 CHAIRMAN PIRTLE: Mr. Singhanian, how do you
 12 vote?
 13 COMMISSIONER SINGHANIA: Aye.
 14 CHAIRMAN PIRTLE: Mr. Santos, how do you vote?
 15 COMMISSIONER SANTOS: Aye.
 16 CHAIRMAN PIRTLE: Mr. Kresta, how do you vote?
 17 COMMISSIONER KRESTA: Aye.
 18 CHAIRMAN PIRTLE: Mr. Pirtle votes aye.
 19 Motion passes effective January 1, 2021.
 20 All right. Moving right along. Third BPA
 21 request, to extend the draft charge table to include vessels
 22 with drafts greater than 42 feet. That really won't take
 23 effect until 2023, to be honest, or when we get the next
 24 vessel in that's -- it may not -- we may be optimistic.
 25 We're going to try.

1 COMMISSIONER KRESTA: Update your book, too,
 2 is what a lot of it is, too.
 3 CAPTAIN BLANTON: Correct.
 4 COMMISSIONER KRESTA: Been looking for that
 5 for a long time, Mr. Burns. He didn't hear me. About two
 6 years ago we had the same discussion. I'll agree with it.
 7 I'm good with it.
 8 COMMISSIONER HOSS: Mr. Chairman, I have a
 9 question. If we have a -- as I understand it, pretty much
 10 just a flat rate right now from 21 to 42 feet but that's it,
 11 just a rate, then why are we doing incremental rates from 42
 12 to 51 every foot?
 13 CAPTAIN BLANTON: So --
 14 COMMISSIONER HOSS: What's the logic behind
 15 that?
 16 CAPTAIN BLANTON: Largely that's driven for
 17 the costs of going further out and, you know, if you apply
 18 it. So, say, a crude oil ship came in and you kept it at the
 19 32-dollar draft fee, if they increased 11 feet for
 20 potentially 200,000 barrels of oil, they're going to get
 21 charged two hundred and -- or 300 more dollars more or less.
 22 So, the draft fee is a nominal fee. It's the units when you
 23 multiply it by the units. So, that was the methodology.
 24 Most of them double once they go over the 42 feet and we did
 25 not. We did not want to make it punitive.

1 COMMISSIONER HOSS: Okay. And so, there's
2 no -- the only real cost that this is offsetting is the fact
3 we're going to run another 4 nautical miles offshore?
4 CAPTAIN BLANTON: Well, there's a tremendous
5 amount of risk in operating a much heavier vessel. The types
6 of vessels that are going to operate at the 51 feet, you're
7 talking about 150,000 tons, 160,000 tons. That's a massive,
8 massive ship.
9 COMMISSIONER HOSS: Forgive me. I'm trying to
10 visualize that having no experience in that area. And
11 having -- comparing that to, say, an LNG ship, which is a
12 massive ship but I understand it doesn't have the draft.
13 CAPTAIN BLANTON: It's 11 feet. 11 meters.
14 Sorry.
15 COMMISSIONER HOSS: 11 meters.
16 CAPTAIN BLANTON: So, you take a crude oil
17 ship -- the same crude oil ship at 42 feet and put at
18 51 feet. You're adding thousands and thousands and thousands
19 of tons -- additional tons, weight to that vessel.
20 COMMISSIONER HOSS: So, it's much more
21 difficult to control?
22 CAPTAIN BLANTON: Yeah.
23 COMMISSIONER HOSS: And once it -- it
24 doesn't -- I'll just leave it at control. Because whether
25 you're stopping it, starting it, or turning it really doesn't

1 ones as they are.
2 COMMISSIONER HOSS: I'm just wondering because
3 we're just trying something new here.
4 CHAIRMAN PIRTLE: I understand.
5 COMMISSIONER HOSS: Trying to understand
6 what's going on.
7 CHAIRMAN PIRTLE: Thank you, sir.
8 Commissioner Croft.
9 COMMISSIONER CROFT: Nothing.
10 CHAIRMAN PIRTLE: Commissioners are in
11 agreement. So, Mr. Hoss, if you will make a motion on this,
12 I would appreciate it.
13 COMMISSIONER HOSS: Regarding the BPA third
14 request I, Commissioner Hoss, make a motion to approve the
15 request to extend the draft charge table, including -- to
16 include vessels with drafts greater than 42 feet and up to --
17 I guess you guys are going to go to 51 or 52. I'll put 52 on
18 it. You can stop where you want.
19 CAPTAIN BLANTON: You can put it at 52 and we
20 can control it with the basic operating procedure.
21 COMMISSIONER HOSS: Up to 52 feet. However,
22 you -- I can't see this possibly being used even in 2021.
23 CAPTAIN BLANTON: Yeah. My recommendation
24 would be institute it in 2021 and it will be in the tariff.
25 And if and when it gets used in the future, you have the

1 matter. It doesn't want to cooperate.
2 CAPTAIN BLANTON: It is a massive, massive
3 ship.
4 COMMISSIONER HOSS: Okay. Would those
5 effectively be two-pilot jobs?
6 CAPTAIN BLANTON: It depends. It depends on
7 the ship itself.
8 COMMISSIONER HOSS: Okay. Two tugs? Four
9 tugs?
10 CAPTAIN BLANTON: It depends on the ship.
11 Some of those we don't even control. Some of that is put
12 forward by the terminal. The terminal has massive capital
13 investments in their docks. And they have an interest in
14 determining the risk they're willing to accept on that dock.
15 So, you know, the LNG ship is in consultation with the pilots
16 but they have a very, very large say in what the ships take
17 to their docks. It's not a unilateral decision by us.
18 COMMISSIONER HOSS: Okay. So, why don't we
19 have incremental charges now between the 21 and 42 feet?
20 CAPTAIN BLANTON: That tariff was developed --
21 COMMISSIONER HOSS: By your dad.
22 CAPTAIN BLANTON: -- decades and decades ago.
23 Yeah. Correct.
24 COMMISSIONER HOSS: It's hereditary.
25 CAPTAIN BLANTON: I propose leaving the lower

1 capacity to use it. The hedge would be if you pick an
2 arbitrary date in the future and then the channel gets
3 there -- if you're never going to use it, you don't -- you
4 just have the administrative capacity to execute it. That's
5 what we're doing.
6 COMMISSIONER HOSS: Then effective January 1,
7 2021.
8 CHAIRMAN PIRTLE: Very good.
9 COMMISSIONER CROFT: I second that.
10 COMMISSIONER SINGHANIA: This is Ravi
11 Singhanian. I second it.
12 CHAIRMAN PIRTLE: Commissioner Croft got a
13 little ahead of you there. Sorry.
14 COMMISSIONER SINGHANIA: Either that or --
15 CHAIRMAN PIRTLE: I don't know what to tell
16 you.
17 COMMISSIONER CROFT: You snooze you lose,
18 Ravi.
19 CHAIRMAN PIRTLE: Commissioner Hoss made the
20 motion. Commissioner Croft seconded the motion to approve
21 the request to extend the draft charge table to include
22 vessels with drafts greater than 42 feet, effective January
23 1, 2021.
24 Mr. Santos, how do you vote?
25 COMMISSIONER KRESTA: Can I ask a legal

1 question first?

2 CHAIRMAN PIRTLE: Yes, sir.

3 COMMISSIONER KRESTA: Just conversation. Is

4 there anything else wrote up with this proposal that y'all

5 had talked about earlier?

6 MR. CORDOBA: I don't think so.

7 COMMISSIONER KRESTA: Okay. I just wanted

8 to -- dotting the Is and crossing the Ts is all it was.

9 MR. CORDOBA: Sure.

10 COMMISSIONER KRESTA: Thank you.

11 COMMISSIONER SANTOS: Santos votes aye.

12 CHAIRMAN PIRTLE: Mr. Kresta, how do you vote?

13 COMMISSIONER KRESTA: Aye.

14 CHAIRMAN PIRTLE: Mr. Singhanian, since you

15 almost second --

16 COMMISSIONER SINGHANIAN: Aye.

17 CHAIRMAN PIRTLE: Thank you, sir. Mr. Pirtle

18 votes aye. The motion passes. Very good. We're halfway

19 home, ladies and gentlemen.

20 COMMISSIONER SINGHANIAN: We are done with the

21 easy part anyway.

22 CHAIRMAN PIRTLE: Sir?

23 COMMISSIONER SINGHANIAN: We're done with the

24 easy part anyway.

25 CHAIRMAN PIRTLE: All right. Fourth request

1 COMMISSIONER CROFT: Thank you.

2 CHAIRMAN PIRTLE: Mr. Kresta.

3 COMMISSIONER KRESTA: Commissioner Kresta

4 here. Commissioner Santos, I like what you said. When are

5 y'all going to put deckhands on the existing boat now?

6 CAPTAIN BLANTON: We've got to vote on the

7 rate increase.

8 CAPTAIN KROHN: It's a separate item.

9 CAPTAIN BLANTON: It's a separate item.

10 COMMISSIONER KRESTA: I'm going back to what

11 he says here, first of all. At the last meeting it was

12 talked about having deckhands on the boat -- the new boat.

13 Okay?

14 CAPTAIN BLANTON: Correct.

15 COMMISSIONER KRESTA: And then it was talked

16 about, okay, well, it didn't get put in writing. I'm talking

17 about it now and I want to put it in writing if I'm going to

18 vote on it. So, I'm bringing everybody up to speed because

19 we did talk about it and we did discuss it and the remark was

20 said, well, we didn't put them on there because it wasn't put

21 in writing. I want to know --

22 CAPTAIN BLANTON: Can you put it on Item 6?

23 COMMISSIONER KRESTA: I ain't going to put it

24 nowhere. I want to know why now, how come not now. Because

25 you said you were going to put a deck mate on there.

1 is approve or deny the request to continue the per vessel

2 movement line item surcharge for pilot transport service

3 (boat fee) to cover the construction and acquisition of a

4 second pilot boat. The current charge consists of a base

5 charge of \$100 plus a unit charge, calculated as units

6 multiplied by the factor of .11 (sic).

7 Commissioner Santos, do you have any comments,

8 concerns, questions?

9 COMMISSIONER SANTOS: The institution of the

10 boatmen and the deckhands some way be included in that. And

11 last time we talked about a pilot boat, we were going to have

12 deckhands. And I think we are getting into this position

13 where we need them now. Other than that, I have no problem

14 with the boat fee as presented.

15 COMMISSIONER CROFT: Rudy, I didn't hear it

16 down here. Can you repeat that.

17 COMMISSIONER SANTOS: I'm sorry, Commissioner

18 Croft. Actually this is the first time I'm using the

19 microphone since I've been here.

20 But the thing that I want to have in place is

21 deckhands and the boatmen when or -- really we need them now

22 with the first pilot boat as we got it and then when the

23 second one comes, make sure we have those appropriate

24 personnel on both that are trained and ready to go. Other

25 than that, I'm good with the boat fee, sir.

1 CAPTAIN BLANTON: Yeah. We wanted to.

2 COMMISSIONER KRESTA: You did say that. I'm

3 going back to Ravi's comments earlier that you had a witness

4 come up and say they were going to put a deckhand on that

5 boat. All right. And Ravi talked about that earlier. And I

6 do not want this -- this to slide under. I don't want to

7 hear that we ain't talked about it. I don't want to hear

8 it's not in writing. I mean, it was something that was

9 promised and everybody else agreed to give you a boat. But

10 the deckhand didn't get put in there.

11 CAPTAIN BLANTON: Go ahead.

12 COMMISSIONER KRESTA: I'm asking him, Phyllis,

13 please.

14 MS. SAATHOFF: I know.

15 CAPTAIN BLANTON: Fair enough.

16 MS. SAATHOFF: I'm just going -- in a minute.

17 I want to make sure everybody knows what this fee covers.

18 That's all.

19 COMMISSIONER KRESTA: I understand.

20 MS. SAATHOFF: That's all.

21 COMMISSIONER KRESTA: I'm relating this back

22 to Commissioner Santos. He's tied this boat to deckhands.

23 And I want to get clarification from him the reason we don't

24 have deckhands today. Because this board did talk about it.

25 CAPTAIN BLANTON: The reason we don't have

1 deckhands today, it's outside of this fee. This fee cannot
2 be used in a general fund. It's in an escrow account for the
3 bank. The -- when we presented our case to the board last
4 time, we're talking about a lot of the same stuff we're
5 talking about now. We talked about two boats last time. We
6 talked about dispatch last time. And if -- our intention was
7 to do all of those. But we didn't -- we didn't get there.
8 We didn't get there on both boats and we didn't get there on
9 the dispatch. So, I funded the \$300,000 to start dispatch.
10 I took two more pilot boat captains on and I had to create
11 the port captain position and I took two more pilots. That's
12 where the deckhands went. There was a lot of uncertainty
13 about what was going to happen when we get to this point
14 again. I still don't know how -- if this doesn't get
15 instituted, how I'm going to finance this boat. So, I mean,
16 that's what I'm -- this package, if approved as requested,
17 you will get your dispatchers (sic) 2021 and that's before
18 the threes will be instituted.

19 CAPTAIN KROHN: Deckhands.
20 CAPTAIN BLANTON: Deckhands. Sorry.
21 Deckhands. So, I mean --
22 COMMISSIONER KRESTA: Not if this one passes
23 because you just got through your other pilots -- that's
24 No. 6 that's got to get passed for it to happen.
25 CAPTAIN BLANTON: Say it again. I'm sorry.

1 COMMISSIONER KRESTA: My question is about how
2 come we didn't get it done this time. And you're trying to
3 tell me you spent the money somewhere else and put the
4 reserves in different areas. That's the final statement that
5 you're saying?
6 CAPTAIN BLANTON: Yes. Item 6 is where we're
7 going to -- that we propose that the deckhands get addressed.
8 That's -- that's where we're driving -- this fee has -- it's
9 not fungible. It goes to a bank. It's in an escrow account.
10 I mean, it's not tied to dispatch -- I mean, deckhands at
11 all.
12 COMMISSIONER KRESTA: I totally understand
13 that.
14 CAPTAIN BLANTON: Okay.
15 COMMISSIONER KRESTA: I went back and just
16 wanted to clarify with this board what happened in the past
17 that didn't get fulfilled. Okay?
18 CAPTAIN BLANTON: Yes, sir.
19 COMMISSIONER KRESTA: That's what I'm saying.
20 Now, with this current boat charge is 100 plus unit charge,
21 calculated as units multiplied by the factor of 0.11. Right
22 now you have an excess amount of money and you're putting it
23 toward the boat as income statement said.
24 CAPTAIN BLANTON: Yes.
25 COMMISSIONER KRESTA: I would like to modify

1 this but I want to make sure we do it in a proper way and see
2 how the commissioners look at it. I would like to go to a
3 .09 as a multiplier. Tell me how that works out. If
4 somebody can figure that out for me and tell me how much of a
5 difference does that cover, if I'm doing it worthwhile or
6 not. Can you figure that, Captain Blanton?
7 CAPTAIN BLANTON: No, sir.
8 COMMISSIONER KRESTA: How can you figure .11?
9 That's what I was getting to.
10 CAPTAIN KROHN: It's not even .11. It's .1.
11 COMMISSIONER KRESTA: It's .11 right here in
12 front of my paper.
13 MR. CORDOBA: I think that may be -- on their
14 application it says .1.
15 COMMISSIONER KRESTA: I'm just going by this
16 before I read it out.
17 MR. CORDOBA: It's something internal we put
18 together. It's probably a typo.
19 COMMISSIONER KRESTA: Everybody clear this is
20 going to be .10, right?
21 COMMISSIONER SANTOS: That's correct.
22 COMMISSIONER KRESTA: Thank you. Ravi, you
23 heard all that?
24 COMMISSIONER SINGHANIA: Yeah.
25 CAPTAIN BLANTON: To answer your question --

1 COMMISSIONER KRESTA: Let's go to the boat
2 charge and show me the chart of what it's costing right now
3 for the boat charge fee.
4 CAPTAIN BLANTON: Hold on. I got you.
5 MS. BEVERS: Is it one of the exhibits?
6 CHAIRMAN PIRTLE: I think it's 17,000 a month.
7 MR. MOORE: Here it is right here. Exhibit
8 13.
9 CAPTAIN BLANTON: Yeah, Exhibit 13. Put up
10 13.
11 MR. MOORE: Please.
12 CAPTAIN BLANTON: Please. Sorry.
13 COMMISSIONER KRESTA: This is the one that's
14 all messed up.
15 CAPTAIN BLANTON: I'm trying to find them.
16 COMMISSIONER KRESTA: I know you are. I just
17 made a comment trying to read it.
18 CAPTAIN KROHN: Daniel, it's on the financial
19 report. You just had it up.
20 CAPTAIN BLANTON: How we came to this is we
21 had a big cross section of all the ships we had in a huge
22 spreadsheet. And we plugged in a bunch of multipliers and it
23 would generate a fee. So, this fee generates about thirty --
24 currently about \$30,000 a month, sometimes twenty-five. And
25 then our note is \$17,000. So, all of the excess that is put

1 into this account gets applied to the principal. That's how
2 we were able to -- so, they amortize it off of 20 years. It
3 got called at seven. So, if you look at our current balance,
4 we have \$1.9 million left on our current boat from the
5 original 2.45. And then the checking account, we keep -- so,
6 in inception in January of 2019, it accrued more money than
7 was required to pay the principal. And then in July the
8 excess that was in that account, we turned around and applied
9 to the principal again. And then we did that again in this
10 June. So, if you get an overage in bills every six months,
11 we just draw it back down to where we have four months of
12 bills in the account. Does that make sense?
13 COMMISSIONER KRESTA: It does. But it's not
14 answering the question.
15 CAPTAIN BLANTON: What was the question? I'm
16 sorry.
17 COMMISSIONER KRESTA: The question is I want
18 to know how much each ship is paying, you know, according to
19 your factor. You had a table on that.
20 CAPTAIN BLANTON: I got it. It's right here.
21 COMMISSIONER KRESTA: How you calculated your
22 .11 (sic) and what it actually cost.
23 CAPTAIN BLANTON: I got it. Hold on.
24 COMMISSIONER KRESTA: That's what I'm after.
25 CAPTAIN BLANTON: It's not in that.

1 CAPTAIN KROHN: It's already in place.
2 CAPTAIN BLANTON: Go to the port-to-port
3 comparisons. It will be in there. There you go. Give me
4 this one. So, that doesn't have it either. Can you -- I can
5 give you a sample from what it is for the Stolt and Odjell
6 guys. Does that help? Those are the only ones that I
7 actually have a basis for the communications fee -- for the
8 boat fee.
9 COMMISSIONER KRESTA: That's --
10 CAPTAIN BLANTON: It's currently in place.
11 COMMISSIONER KRESTA: Fair enough. Let's do
12 that. I'm just doing this so everybody understands what the
13 boat fee actually is instead of doing a multiplier that
14 nobody knows what the multiplier is.
15 CAPTAIN BLANTON: So, for the SOUTHERN PUMA --
16 COMMISSIONER KRESTA: Do we have that as an
17 exhibit to show, Missy?
18 CAPTAIN BLANTON: No.
19 COMMISSIONER KRESTA: This information will
20 be -- can we show everybody how we're going to do this
21 instead of having to read it out? Mr. Chairman, can we enter
22 that into an exhibit to show us?
23 CHAIRMAN PIRTLE: I'm not sure how we get it
24 in there.
25 COMMISSIONER KRESTA: I'm asking how to do it

1 so everybody can sit there and know what they're looking at.
2 CAPTAIN BLANTON: You're just working off my
3 handwritten notes. I was going to give you -- if you wanted
4 an idea of what --
5 COMMISSIONER HOSS: Can they scan that in
6 upstairs and have her put that up?
7 MS. SAATHOFF: Yes. His notes --
8 CAPTAIN BLANTON: It's got all my written
9 notes on it.
10 COMMISSIONER HOSS: Whatever parts you want to
11 share with us.
12 CAPTAIN BLANTON: I can tell you what the boat
13 fee is, if that's what you're asking, for a particular vessel
14 size.
15 COMMISSIONER KRESTA: I guess, let me clarify
16 my question. The current charge is a base charge of a
17 hundred dollars. You put the hundred dollars up there and
18 then you point a .10 times a unit.
19 CAPTAIN BLANTON: Yes.
20 COMMISSIONER KRESTA: And then that equals out
21 to how much a ship? That's what we -- I want to show --
22 CAPTAIN BLANTON: For a 600-foot ship, it's a
23 163-dollar charge. For a 514-foot ship, it's a 142-dollar
24 charge. For a ship that's 406 feet long, it's a 127-dollar
25 charge. For a ship that's 534-foot long, it's a 141-dollar

1 charge.
2 COMMISSIONER KRESTA: 141?
3 CAPTAIN BLANTON: Yes, sir. For a 556 by 81,
4 it's 145. A 600 by 106, it's \$163.
5 CHAIRMAN PIRTLE: 141 to \$163 roughly?
6 CAPTAIN BLANTON: Yeah. I mean -- and then it
7 all goes into the escrow account.
8 COMMISSIONER KRESTA: It all goes to pay the
9 loan as far as what --
10 CAPTAIN BLANTON: It all goes to pay the loan.
11 Our loan was currently \$17,000 a month and it generates
12 approximately twenty-eight to \$32,000 a month.
13 COMMISSIONER KRESTA: On your boat loan, you
14 made a comment in the whole situation here in this
15 presentation restructuring the loan. And which way are you
16 wanting to restructure the loan?
17 CAPTAIN BLANTON: Provided -- we have a
18 6.5 percent interest rate right now.
19 COMMISSIONER KRESTA: You've got it listed in
20 the paperwork as 6.25.
21 CAPTAIN BLANTON: I'm sorry. I would go with
22 what's in the paperwork. A 6 percent rate. I would like the
23 opportunity that, if the board approves this fee, I could,
24 then, show a financial institute that we have history of
25 paying this and then try to renegotiate a lower rate to close

1 this mortgage out, get us into a construction loan, and get
2 the delivery of the new boat earlier. So, it's a win win.
3 The shippers that are paying this could be paying at a lower
4 interest rate and we could --
5 COMMISSIONER KRESTA: You can't close the loan
6 out until it's paid off.
7 CAPTAIN BLANTON: Huh?
8 COMMISSIONER KRESTA: How are you going to
9 close the loan off and get -- and close it out?
10 CAPTAIN BLANTON: If we refinance it at a
11 lower rate.
12 COMMISSIONER KRESTA: That's a different word.
13 CAPTAIN BLANTON: That's what I meant by
14 restructuring the loan. Taking advantage of the interest
15 rates as they are now and seeing if we can get the 6.5
16 reduced to a different rate.
17 COMMISSIONER KRESTA: They wouldn't refinance
18 it without having this passed? Don't know, haven't checked,
19 right?
20 CAPTAIN BLANTON: Correct.
21 COMMISSIONER KRESTA: That's what you answered
22 the other day. Let me ask the next question. Is this a
23 payoff in five years or how long is this first boat -- when
24 is the first boat going to be paid off?
25 CAPTAIN BLANTON: The first boat is projected

1 COMMISSIONER KRESTA: What is the balloon note
2 if you stay just with the schedule and not pay extra? What
3 is on the schedule to be done?
4 COMMISSIONER CROFT: It's going to be 20 years
5 from when it originated.
6 COMMISSIONER KRESTA: That's right.
7 COMMISSIONER CROFT: That would be when --
8 COMMISSIONER KRESTA: The original note --
9 MS. SAATHOFF: Stop, guys. Everybody needs to
10 identify themselves.
11 COMMISSIONER KRESTA: I'm sorry.
12 THE REPORTER: I know who y'all are. Y'all
13 just need to talk one at a time, please.
14 COMMISSIONER KRESTA: When you made the
15 original note, if you paid on time, it had a balloon at the
16 end of it is what I'm saying. I'm asking what that is.
17 COMMISSIONER CROFT: What would be the
18 balloon? Dan Croft said that. And I have an amortization
19 here. I'll give it to you in a second.
20 MR. CORDOBA: Have you guys already paid
21 additional principal already, though?
22 CAPTAIN BLANTON: Yes, sir.
23 MR. CORDOBA: You're not making minimum
24 payments right now?
25 CAPTAIN BLANTON: No. We're way --

1 to be paid off the last of 2025, 2026 as it is now.
2 COMMISSIONER KRESTA: Is that a balloon note
3 on the end of that thing or is that a closed note?
4 CAPTAIN BLANTON: It was a 20-year mortgage
5 amortized over -- it was a seven-year mortgage amortized over
6 20 years.
7 COMMISSIONER CROFT: Seven-year balloon?
8 CAPTAIN BLANTON: Correct.
9 COMMISSIONER KRESTA: Is it a balloon note or
10 closed note?
11 MS. SAATHOFF: Balloon.
12 CAPTAIN BLANTON: Balloon.
13 COMMISSIONER KRESTA: Is that right, balloon?
14 CAPTAIN BLANTON: Correct.
15 COMMISSIONER KRESTA: So, after this
16 amortization is over with on this first boat, how much will
17 you owe?
18 CAPTAIN BLANTON: We hope to be paid off
19 before it's there.
20 COMMISSIONER KRESTA: I didn't say hopes. I
21 didn't say prayers. How much does it say that you would owe
22 if you stayed with the schedule?
23 CAPTAIN BLANTON: I think we'll have the boat
24 paid off before the balloon note. Depending on traffic.
25 It's -- the --

1 MR. CORDOBA: So, you can run --
2 CAPTAIN BLANTON: We're way ahead.
3 MR. CORDOBA: You can run an amortization but
4 I'm not sure how clear it's going to be if they've already
5 paid principal.
6 CAPTAIN BLANTON: We are way --
7 COMMISSIONER KRESTA: This is Commissioner
8 Kresta again. The original question was, what I want to know
9 is if you stayed on the schedule, what was the original
10 balloon?
11 MR. CORDOBA: The original. Got you.
12 COMMISSIONER KRESTA: Okay? Because
13 everything that I said and he said that we're hoping to pay
14 it off early. Well, I want to know what the actual schedule
15 is. That's all I'm asking.
16 MR. CORDOBA: Got you.
17 COMMISSIONER CROFT: Commissioner Kresta, this
18 is Dan Croft. Based on what I'm looking at right here, if
19 that balloon -- when that loan balloons in seven years, the
20 balance would be about 1.9 million. They're in to Year 3.
21 CAPTAIN BLANTON: I do not want this entered
22 into the record because it has all of our bank statements but
23 you've got a CPA and a banker up there. They can see it and
24 they can get that information here and answer it better than
25 I could.

1 COMMISSIONER CROFT: Yes, sir. They are into
2 Year 3 -- is that correct -- on payments?
3
4 CAPTAIN BLANTON: Correct.
5 COMMISSIONER CROFT: And they are already at
6 Year 7 in an amortization schedule. So, they are paying at
7 an advanced rate. Is that clear?
8
9 MS. SAATHOFF: I've got documents upstairs if
10 you want me to go get it that references that.
11
12 COMMISSIONER KRESTA: It's a fair statement.
13 CAPTAIN BLANTON: We're never going to get --
14
15 COMMISSIONER KRESTA: Everybody is answering
16 the same way. I was just saying, okay, if you got to the
17 point where you could not pay extra, what did the loan say
18 you owed at the end of the term?
19
20 COMMISSIONER CROFT: That would be what they
21 owed today.
22
23 COMMISSIONER KRESTA: Is that what it is?
24
25 COMMISSIONER CROFT: Yeah. They're that far
ahead.
26
27 COMMISSIONER KRESTA: They get a 20-year loan.
28
29 COMMISSIONER CROFT: At Year 7 they would be
30 where they are today. So, they are --
31
32 COMMISSIONER KRESTA: It's a 20-year loan.
33
34 COMMISSIONER CROFT: -- three years ahead in
35 payments, principal and interest.

1 COMMISSIONER KRESTA: Am I missing something?
2 It's a 20-year loan?
3
4 MS. SAATHOFF: 20-year amortization on setting
5 the monthly payment.
6
7 COMMISSIONER KRESTA: But after 20 years at a
8 scheduled payment, you still had a balloon.
9
10 MS. SAATHOFF: No.
11
12 COMMISSIONER HOSS: No. Seven.
13
14 CAPTAIN BLANTON: That's not how it works.
15 I'm sorry. It's a seven-year loan amortized over 20 years.
16
17 COMMISSIONER CROFT: Payments are based on 20
18 years. The loan comes due for renegotiation at seven. The
19 balance at that seven years, if they just made the minimum
20 monthly payment, would be about 1.9 million.
21
22 COMMISSIONER KRESTA: I got you.
23
24 COMMISSIONER CROFT: They're in Year 3 right
25 now and they owe that 1.9 million. So, they paid in advance
of what was called for in the note by three years at this
point. If they continue on that basis, I can project it out
but my guess is they're going to have it paid down to less
than a million dollars at the same rate that they're going
now. Now, if they reduce the rate, I've not factored that
in. If the rate is reduced, if they continue at the same
pace, the payback would be even, you know, more advantageous.
COMMISSIONER KRESTA: Okay.

1 COMMISSIONER HOSS: Commissioner Croft,
2 Commissioner Hoss here. Would it be fair to say they -- and
3 maybe -- correct me -- if I said they were making double
4 their payments, is that fair or is that an unfair statement?
5
6 COMMISSIONER CROFT: When you say "double,"
7 they're not doubling the payment. They're doubling the
8 amount of principal reduction. So --
9
10 CHAIRMAN PIRTLE: Reducing the interest.
11
12 COMMISSIONER CROFT: They're paying it off
13 quicker. They're not doubling the payment. They're doubling
14 the reduction that's called for in the principal.
15
16 COMMISSIONER HOSS: Correct. Okay. Thank
17 you. I asked you to correct me on that because I was saying
18 it wrong and I knew I was saying it wrong.
19
20 Then knowing that -- they've been able to pay
21 extra and it's very fortunate for them to be able to reduce
22 the note but is that a fair burden on the ecosystem here?
23 Because the boat is going to have a 20-year life to it. I
24 mean, theoretically if the pilots had sacks full of money,
25 they could just walk out and bought the boat and there's no
anything and they could go here, here's our boat. There's no
amortization schedules. There's no nothing. We're done.
But they've asked us to put fees on the users to help pay for
their boat three years ago. And three years ago there was
discussion about deckhands. And apparently their users had

1 asked about deckhands on boats. But I don't think it was
2 ever actually commitment -- there was a commitment towards
3 making a safer work environment but nothing was ever said or
4 written down about deckhands.
5
6 They've been able -- they've been very
7 fortunate and used, rather than a flat rate, a sliding scale
8 to assess the fee of the boats but that fee has brought in
9 enough money that they could effectively not only pay their
10 payment but double the amount of principal reduction that
11 takes place. And I'm just -- that's a pretty heavy load on
12 the ecosystem and users. And, yeah, it pays the boat off.
13 It's great for the pilots, but how is that set for the
14 community?
15
16 COMMISSIONER KRESTA: Mr. Hoss, this is
17 Commissioner Kresta. I agree with you. It does -- and, in
18 fact, mister -- Commissioner Santos has asked a question of
19 the deckhands, how come they're not used. And I'm asking the
20 same thing. Whenever you see this performance on the boat
21 here and the fees are going up on the boat and you've got an
22 extra amount of that -- for that boat, if you're maintaining
23 your boat bill, how come you would not make it safer to put
24 you a deckhand on there? And I'm just saying that because
25 we're looking at it through the same issue. It's just -- I
just kind of would like to see that happen. But I hate for
them to tell me that I've got to go to Item No. 6 to see if

1 we get a deckhand.
2 MR. CREW: Mr. Kresta, members of the board,
3 this is Paxton Crew for BPA. Back in 2017 we had this issue
4 where pilots were forced to try to predict what the factor on
5 future shipping would impact the boat fund. The boat fund
6 was required to be a segregated fund. It couldn't be used
7 anywhere else. They've been responsible stewards of that
8 money for the users and they've been very proactive trying to
9 pay the boat off on a very advanced rate. Because that's the
10 only way they can spend that money, on boats. They can't use
11 it on deckhands because of the way the line items are.
12 COMMISSIONER KRESTA: The way the line item
13 and the way the loan was wrote up. I understand that.
14 MR. CREW: That's right. And because they
15 didn't get funding for the deckhands in the prior rate
16 application back in 2017. So, I know we're kind of talking
17 around how this is a burden on the -- for the users. But
18 there was a lot of doom and gloom back in 2017 when that boat
19 fee was approved by this board, that it was going to impact
20 shipping. And what's happened is we've seen a pretty
21 dramatic increase in it. It's allowed the pilots to actually
22 accelerate payments, be responsible stewards, and to keep
23 that boat fund in their current proposal at the same rate to
24 try to go out and get another boat to facilitate all the
25 bigger ships that are trying to come here right now, to

1 satisfy the bond that was floated for the taxpayers of
2 Brazoria County to get a return on their investment.
3 COMMISSIONER KRESTA: I agree with you a
4 hundred percent, counselor. I just wanted to state the facts
5 of the whole board here of what took place and where all this
6 is going. And -- but I do agree that the boat fee is good.
7 Okay. I wanted to capture the whole part of extra money and
8 how good -- you know, help the ecosystem out. I was trying
9 to get a figure of how to use a .10. All right. And I got
10 those figures. But it's up to us if we want to go to a .09
11 or .08 and get it just a little closer. And business picks
12 up, that money still goes up.
13 COMMISSIONER HOSS: The volume of business
14 goes up.
15 COMMISSIONER KRESTA: That's what I'm talking
16 about, business goes up. That's what I'm after with this,
17 counsel.
18 MR. CREW: And I'm -- I'm --
19 COMMISSIONER KRESTA: That's why we're
20 deliberating this and we're trying to get a whole consensus
21 here and see how everybody feels. You know, mister --
22 Commissioner Hoss had the same feelings, he had the same
23 feeling but we got to understand, you know -- I don't want to
24 walk in this room and say how come I didn't talk about it
25 more.

1 MR. CREW: Yes, sir.
2 COMMISSIONER KRESTA: I appreciate the input.
3 Thank you.
4 COMMISSIONER HOSS: And I would say --
5 COMMISSIONER SINGHANIA: Commissioner
6 Kresta --
7 COMMISSIONER HOSS: I'll yield to Commissioner
8 Singhania.
9 CHAIRMAN PIRTLE: Go ahead.
10 COMMISSIONER SINGHANIA: The partner is --
11 maybe I can see why the deckhands should not be here as Item
12 No. 4. But I go back to the deckhand cost -- I look at the
13 testimony -- was like \$40,000. Okay. But also, I heard
14 Mr. Blanton -- Captain Blanton say about, okay, we added this
15 and that. But also if you look at our volume in 2017, we had
16 931 ship tons. In 2020 we are projecting 2,092. 931 to
17 2,092. That's a 17 percent increase in ship costs, too. So,
18 the revenue is there. So, I have a hard time accepting but
19 anyway, we will talk more when we come to Item 6 to see
20 that -- that compromise the safety for that and -- so, I'm
21 not -- that's why I'm saying that I cannot accept that part.
22 But anyway, let's proceed on to this boat thing that we are
23 talking about.
24 COMMISSIONER HOSS: I've got a comment on this
25 that, you know, Mr. Paxton has brought up a point that the --

1 basically the deckhand and things were down and projections
2 moving forward and we're trying to connect the deckhands to a
3 boat fee and that won't fit because we've got restrictions on
4 how these fees are used. But, excuse me, the last boat we
5 approved three years ago has the same restrictions. That
6 hasn't changed. In fact, nobody is asking for a change. How
7 does that boat operate? Does it drive itself? Does it not
8 have an operator on board, a captain? Does it not take fuel?
9 Does it not require maintenance? All those things are
10 occurring and they were not part of the fee that's here.
11 COMMISSIONER KRESTA: Not this one.
12 COMMISSIONER HOSS: They weren't part of the
13 fee that we approved in 2017 either.
14 COMMISSIONER KRESTA: No.
15 COMMISSIONER HOSS: But, yet, those things
16 occur. Those expenses happen day in and day out.
17 COMMISSIONER KRESTA: Yeah.
18 COMMISSIONER HOSS: So, what is putting a
19 deckhand -- why does this fee structure need to change
20 related to the deckhands? We've got testimony this year, we
21 have testimony from three years ago that talks about making
22 our port safe, safer operations. And while maybe the Coast
23 Guard isn't a fair comparison because they're a paramilitary
24 group and they have positions on 50-foot boats that require
25 boarding parties and gunners and stuff like that, I'm

1 wondering where the -- what does it take to actually operate
2 a 60-footish boat. How many people does it take to operate
3 that boat safely? And I'm thinking it's more than one
4 because we identified that previously.

5 A pilot lost his life. And there was some
6 testimony about, well, you know, you've got two big metal
7 objects floating in the water and somebody fell in between.
8 And so, the guy driving the pilot boat can't stop what he's
9 doing to drag the pilot out of the water. And I remember all
10 those discussions that took place three years ago. So, the
11 assumption was that we approved the boat and that there would
12 be a deckhand put on the boat. Because I don't recall any
13 discussion from any party that said, oh, that's too much. We
14 don't need that. That's an option. Nobody ever said that.
15 Nobody ever said, oh, we don't need the extra pair of hands.

16 So, I'm -- to Mr. Paxton Crew, I'm not going
17 to include the deckhand in my scope of thinking to pay for a
18 piece of equipment. But I'm wondering why it didn't get done
19 three years ago when it was certainly implied that that was
20 going to take place. And, I mean, a lot of stuff has taken
21 place since then. We've got communications up and running.
22 There's more ships that are moving. There's bigger ships
23 that are moving. So, there's more money. I mean, you can
24 look at the finance reports and just go, well, yep, they've
25 increased every year. Last three years gross -- we can look

1 at that. So, I'm just going why are we trying to couple this
2 deckhand with this boat when the parts don't fit financially.
3 That's not part of the scope here. Our scope is to decide
4 what should be the correct fee to support the boat.

5 CHAIRMAN PIRTLE: Agreed.

6 COMMISSIONER HOSS: To pay for the boat, not
7 support.

8 CHAIRMAN PIRTLE: I'm going to ask that any
9 further discussion regarding deckhands be moved to Item 6,
10 which is where we really need to discuss that. We pretty
11 well talked about the deckhands already. So, yes. Point of
12 order is we're talking about the boat fee. I understand the
13 concern that we did not get the deckhands.

14 COMMISSIONER KRESTA: Yeah. Hope for
15 discussion, Mr. Chairman.

16 CHAIRMAN PIRTLE: Right. With that, I would
17 like to focus back on boat fee and move on. With that, do
18 you have anything else regarding the boat fee, Mr. Hoss?

19 COMMISSIONER HOSS: Back to what I said about
20 the money we are collecting, it allows for an early payoff
21 but the boat is probably not going to be paid off. It may be
22 paid way down but not paid off. And at this point if we
23 change anything, we are basically giving the nod to picking
24 up another 4-million-dollar debt or -- between four and
25 5 million. I know it wasn't five but it's somewhere -- it

1 wasn't four either. So, somewhere between the fours and the
2 upper fours. I actually think I heard you say, Daniel, that
3 it was -- you were going to hold them to four, 4.2 million.
4 But the numbers I saw ranged up to 4.7. I'm -- I'm reluctant
5 to take on that sort of debt at the moment without really
6 understanding where it's at, where it's going.

7 CHAIRMAN PIRTLE: I understand. Thank you,
8 sir.

9 COMMISSIONER CROFT: John, that's why you have
10 me.

11 CHAIRMAN PIRTLE: Mr. Croft.

12 COMMISSIONER CROFT: This is Commissioner
13 Croft. In today's current interest rate market, it should be
14 somewhere around 4 percent, if refinanced. Refinancing the
15 existing 1.9 million would result in a payment of about
16 \$25,000 a month for seven years. Now, granted there's
17 already been three years that have gone by. So, seven years
18 just got it to that twenty-five, which is a magic number that
19 they came up with, basically what they're collecting. And I
20 think I heard where sometimes it's closer to thirty,
21 thirty-five. The realistic -- John, to your point, in four
22 or five years they ought to be about to zero on their
23 existing boat. So, stepping into another boat should
24 dovetail very nicely based on today's economic environment
25 and where they are with regard to the debt. Now, that's just

1 quick math that I've done here. But, you know, I feel pretty
2 comfortable with those numbers. And their minimum monthly
3 payment would basically drop about three grand a month. So,
4 that's how you get to seven years because they have the extra
5 money.

6 COMMISSIONER HOSS: Thank you.

7 COMMISSIONER CROFT: The request as I see it
8 and the methodology and their mindset and getting to, you
9 know, basically the start of a new boat where its delivery
10 occurs in four to five years should be pretty close to just
11 transitioning from one debt to another.

12 CHAIRMAN PIRTLE: Thank you, sir.
13 Mr. Singhania, any comments regarding the boat fee? I think
14 you've had some already.

15 COMMISSIONER SINGHANIA: No, sir.

16 CHAIRMAN PIRTLE: Thank you, sir. There was a
17 little bit of discussion about the factor -- the
18 multiplication factor. Did you want to pursue that or are
19 you okay with where we're at and what Commissioner Croft
20 has --

21 COMMISSIONER KRESTA: I would like to
22 re-present a table in an amendment to this of the cost per
23 ship of some of the numbers you just rang out. Okay? In
24 writing is what I'm saying. You provided a table for like
25 your 42 feet and 51 feet and your draft fees and all this.

1 There's not a table supporting this to us is what I'm --
 2 MS. SAATHOFF: Do you want examples of
 3 specific size ships? Is that what you're wanting?
 4 COMMISSIONER KRESTA: Yes, ma'am. I think
 5 they should provide that.
 6 CAPTAIN BLANTON: I think it's in the 2017
 7 rate application.
 8 COMMISSIONER KRESTA: Sir?
 9 CAPTAIN BLANTON: I think it's in the 2017
 10 rate application. We're going to see if we can find that
 11 table.
 12 CHAIRMAN PIRTLE: While that's being --
 13 COMMISSIONER KRESTA: That's all I'm asking.
 14 CHAIRMAN PIRTLE: While that's being
 15 developed, we will move on to the fifth item, if that's okay.
 16 COMMISSIONER KRESTA: Wait a minute. If you
 17 are moving on, I mean, we're moving on because we're waiting
 18 on this chart or do I need to see -- I don't need to see a
 19 chart to vote on it, Chairman.
 20 CHAIRMAN PIRTLE: Okay.
 21 COMMISSIONER KRESTA: I am asking for the
 22 modifications that say one will be provided. I don't want to
 23 muddy the water up.
 24 CAPTAIN BLANTON: I've got no issues
 25 generating the chart.

1 of Request No. 4 with the following modification. Pilots
 2 will present a chart of costs per ship.
 3 COMMISSIONER KRESTA: Let me ask the next
 4 question first before we go on. This is for what period of
 5 time? It doesn't say listed in here.
 6 CAPTAIN BLANTON: I would have to go to a
 7 lending institute to determine that. I don't know what rate
 8 or what interest I would have.
 9 COMMISSIONER KRESTA: Today's boat fee is
 10 perpetual?
 11 CAPTAIN BLANTON: No. It terminates when this
 12 boat is done. The proposed fee would terminate on the
 13 completion of the second boat. That's why we're asking for
 14 the continuation, so we can have this boat delivered when the
 15 deepening and widening project comes to fruition. That's my
 16 goal.
 17 COMMISSIONER KRESTA: Yeah. I guess, I'm just
 18 asking for clarification for the board. When the first boat
 19 fee that was brought into in 2017, when is it supposed to
 20 close out? Is there a time limit on it? That's all I'm
 21 asking. I cannot remember. I'm asking for clarification
 22 from anybody.
 23 CAPTAIN BLANTON: The mortgage will be
 24 satisfied before the seven-year period from 2018 when the
 25 boat was taken.

1 COMMISSIONER KRESTA: That's all I'm saying.
 2 CHAIRMAN PIRTLE: Thank you for the
 3 clarification. I thought you wanted the chart before you
 4 voted.
 5 COMMISSIONER KRESTA: No. I mean, I can take
 6 this for sure but --
 7 CAPTAIN BLANTON: I can show you just how we
 8 laid out education and proposed communication.
 9 COMMISSIONER KRESTA: It's the same thing as
 10 you did for that?
 11 CAPTAIN BLANTON: I can do it with the boat
 12 fee. I can have it to you -- Tammy can --
 13 COMMISSIONER KRESTA: I can live with being
 14 provided that.
 15 CAPTAIN BLANTON: If you put that as your
 16 amendment, you will get it. Ask and you shall receive.
 17 CHAIRMAN PIRTLE: I'm good.
 18 COMMISSIONER KRESTA: Everybody good with
 19 that?
 20 CHAIRMAN PIRTLE: Commissioner Santos is ready
 21 to make that motion.
 22 COMMISSIONER KRESTA: Mr. Santos.
 23 COMMISSIONER SANTOS: Have you got one written
 24 up?
 25 MR. CORDOBA: I think what I heard is approval

1 COMMISSIONER KRESTA: I'm not going to -- I
 2 don't -- John, do you understand what I'm saying?
 3 MS. SAATHOFF: You can set a date in the
 4 future or earlier termination of it or you can set a date for
 5 them to come back to you for a reconsider -- or consideration
 6 of it. Again, I don't know if you'll do a similar deal or
 7 whatever.
 8 COMMISSIONER KRESTA: When we messed with
 9 that, Phyllis, in respect, he's got to take this to the
 10 lending institution.
 11 MS. SAATHOFF: The financial institution.
 12 COMMISSIONER KRESTA: I understand that, too.
 13 That's why I'm trying to get a guidance on the first one. I
 14 know but right now we're doing -- we're doing one that's --
 15 if I don't put an end on this one, it's forever and we've got
 16 to come back and redo it.
 17 CAPTAIN BLANTON: No. It concludes -- it
 18 concludes at the termination of the mortgage of the second
 19 boat.
 20 COMMISSIONER KRESTA: It does not say that.
 21 CAPTAIN BLANTON: Yeah. It says for a second
 22 boat.
 23 COMMISSIONER KRESTA: Acquisition of second
 24 boat.
 25 CAPTAIN BLANTON: Acquisition of second boat.

1 COMMISSIONER KRESTA: I'm sorry but I would
2 like to have this expire at a certain date. It does say the
3 rate expires --
4 CAPTAIN BLANTON: It's only attached to the
5 second boat.
6 COMMISSIONER KRESTA: -- when the loan on the
7 pilot boats are fully repaid or a date and I want to put a
8 date in there, commissioners.
9 COMMISSIONER SINGHANIA: Absolutely. 2051.
10 COMMISSIONER KRESTA: Twenty what?
11 COMMISSIONER SINGHANIA: 2051 approximately.
12 MS. SAATHOFF: 2051. I thought he said 2021.
13 COMMISSIONER KRESTA: That's why I asked him
14 to repeat it.
15 CAPTAIN BLANTON: Before we do that, so, I
16 have to take -- I have to take this to a bank and then
17 they're going to amortize it out. We have to get a price for
18 a boat. Instead of putting a date on there, can we
19 specify -- we know how much this fee is going to generate.
20 In theory, say it's between thirty and \$35,000. We've also
21 identified the maximum amount that the boat could be used.
22 So, \$4.5 million. So, you know the maximum amount you can
23 buy a boat for and you know the fee that's going in. We're
24 not going to go buy a 15 million-dollar boat. But if we can
25 just keep it specific to the payment of the second boat, the

1 this. I want to put specific teeth in it is all I'm saying.
2 CHAIRMAN PIRTLE: I think we also said an
3 amount last time, 4 1/2 million or 5 million or something
4 like that.
5 COMMISSIONER KRESTA: Yes, sir.
6 CHAIRMAN PIRTLE: We didn't leave that
7 open-ended.
8 CAPTAIN BLANTON: So, we capped the maximum
9 amount and then we went to a bank and --
10 COMMISSIONER KRESTA: The motion, guys, we
11 need to -- I'd like for us to cover the bases on this.
12 CHAIRMAN PIRTLE: I agree.
13 COMMISSIONER KRESTA: Do y'all agree?
14 CHAIRMAN PIRTLE: That was one of my concerns
15 is we don't have in the motion the amount -- the maximum
16 amount. I think my comfort factor here is everything is
17 being accrued in escrow, payments -- they can't do anything
18 else with it. Payments should be made as soon as possible
19 and pay down on principal is the way I would identify it as
20 soon as possible. I understand that if there's a shortfall
21 and they have to extend it, then Pilot Commission, somebody
22 is going to have to come back and re-evaluate that or address
23 that.
24 COMMISSIONER KRESTA: Yes. I'm bringing this
25 all up for everybody to understand what we're actually voting

1 rest of the principals are in there on the money going in and
2 the maximum costs. I don't know the terms of the bank is
3 what I'm saying and it could end up hurting us interestwise
4 and it could work against what we're trying to do. You
5 could --
6 COMMISSIONER KRESTA: That's why I asked for
7 the original loan, how long it was. That's why I was going
8 with this, Captain Blanton.
9 CAPTAIN BLANTON: It was 20-year.
10 COMMISSIONER KRESTA: That's what I asked
11 about what we did with our first note. Did we put a date on
12 it where we said when the boat is paid off? I am saying
13 this. If I go in there and say right now we'll do it until
14 the boat is paid off and something happens and you don't pay
15 that boat off for 30 years and we've got a boat fee going for
16 30 years. I'm just hypothetically thinking I want to put --
17 if you want a 15-year date on this, you pay the boat off in
18 15 years, I'm with you. But as a voter and you taking this
19 piece of paper to the loan people and you got a 20-year note,
20 that tells me that you got 20 years on 2 million. Okay? And
21 that's what it -- because it's a boat loan. Because it says
22 boat loans and 20 years.
23 CAPTAIN BLANTON: Correct.
24 COMMISSIONER KRESTA: I just want to make sure
25 the board understands, I don't want to go perpetual with

1 on, too. Because I don't want to vote on something
2 perpetual.
3 COMMISSIONER SINGHANIA: Mr. Kresta, this is
4 Ravi Singhanian. I hear you what you're saying and we should.
5 But also one of the things that confuses me is -- what
6 troubles me is a tool as the business grows. So, having the
7 first boat now, the business is growing. So, their bills are
8 growing. So, when we get the second boat, we will be ready
9 for the revenue growth again with it. So, that's why I
10 wanted to see the revenue forecast with the vessel forecast.
11 This is why I wanted to see the financials, how they've been
12 growing because this will have impact on the -- we want to be
13 sure that the pilots are fairly compensated, which that's how
14 you would get a better idea.
15 So, I don't have a problem if they have a boat
16 fee but then you look at the financials and then we -- maybe
17 one day we come to whether they -- giving them an increase in
18 the rate structure on the Item No. 6 will be depreciated.
19 Just let me -- but, to me, if you are paying for all the
20 tools, there's something that has to show up over the
21 revenues, how it goes to expenses. That's where I am. I'm
22 okay if you want to pay the second boat with the boat fee and
23 put a date on it. And, of course, if it's not happening,
24 they can always come back after three years, two years, one
25 year.

1 CAPTAIN BLANTON: I'm never going to be able
2 to convince the bank on a three-year note if it can go away.
3 COMMISSIONER KRESTA: I didn't suggest a
4 three-year deal.
5 COMMISSIONER SINGHANIA: I'm not saying --
6 CHAIRMAN PIRTLE: He's saying if there's a
7 problem you can come back.
8 CAPTAIN BLANTON: Yeah.
9 MS. SAATHOFF: In the last order in 2017, it
10 read, it is therefore ordered, the Brazos Pilots Association
11 Request No. 2 is hereby modified as followed, a surcharge for
12 acquisition of one pilot boat consisting of a base charge of
13 \$100 plus a unit charge, calculated as units multiplied by
14 the factor of .10. The duration of this rate increase will
15 be until the boat is paid off. The pilots are required to
16 provide payoff statements on a monthly basis. The loan
17 status and tariff will be reviewed by the Pilot Board before
18 the expiration of eight years from the date of the loan
19 origination. Any excess funds collected under this tariff
20 shall be applied towards the loan balance save and except
21 allowing for four months' payments being in an escrow account
22 after the boat is placed in service.
23 COMMISSIONER CROFT: Was there a dollar amount
24 specified?
25 MS. SAATHOFF: No, sir.

1 CHAIRMAN PIRTLE: Pretty sure we discussed
2 that.
3 COMMISSIONER KRESTA: We did. That's why --
4 MS. SAATHOFF: There was some things discussed
5 that always didn't get into the motions.
6 CHAIRMAN PIRTLE: That motion -- I like that
7 motion actually. It functions pretty well. I would
8 definitely add maybe 5 million as the target.
9 COMMISSIONER KRESTA: You're generous, aren't
10 you?
11 CHAIRMAN PIRTLE: If you look at what they
12 brought in, there's four and a half -- if you have another
13 number, I'm fine with that.
14 CAPTAIN BLANTON: The only thing is that the
15 eight years is --
16 MS. SAATHOFF: It's a review. It just says
17 you're reviewing it. It didn't say they're re-approving it
18 but it has to be reviewed.
19 CAPTAIN BLANTON: But you review it monthly
20 really.
21 COMMISSIONER KRESTA: We do. We put a date on
22 it and that's why I'm glad she read that and it's good
23 clarification. We make -- the second motion is the same as
24 the first one or we need to clean it up after that? That's
25 where the whole thing was.

1 CHAIRMAN PIRTLE: Whatever number you're
2 comfortable with to -- but I think I'm more comfortable with
3 setting a limit on that. They suggested what those values
4 would be but I thought we put something in there last time.
5 MS. SAATHOFF: Not in your final order, you
6 did not.
7 COMMISSIONER KRESTA: We did not put the final
8 money. We just put a date to review of eight years and then
9 you put the boat is paid off. That's what you did. Now, I
10 can live with that because as a loaning institution, that's
11 what they need. Do you agree, Mr. Dan?
12 COMMISSIONER CROFT: Yeah. Yeah. This is
13 Commissioner Croft. The more restrictions you place on them,
14 the more they're going to look for alternative assurances.
15 In other words, they may come back to this commission asking
16 for some type of assurance, warranty, guaranty, indemnity, or
17 whatever. So, the more latitude we can give them to proceed
18 in operating the venture, the better off we're going to be in
19 not being asked to join them in the transaction.
20 COMMISSIONER KRESTA: Mr. Hoss. Hey, buddy.
21 You got sleepy on me.
22 COMMISSIONER HOSS: No. I'm listening.
23 COMMISSIONER KRESTA: I'm good with you. I'm
24 just --
25 COMMISSIONER HOSS: I know. You're just

1 making sure.
2 COMMISSIONER CROFT: Did that scare you?
3 COMMISSIONER SANTOS: Have you got something
4 revised?
5 MR. CORDOBA: I've got some stuff written
6 down. I can read it, if y'all want me to.
7 CHAIRMAN PIRTLE: Do we need anything more
8 than what was in the 2017?
9 MR. CORDOBA: There was a couple things
10 mentioned that I wrote down that I'm not sure if y'all want
11 to include it. But what I wrote down is the pilots will
12 present a chart of costs per ships. I think we want the
13 tariff to expire the earlier of the payment in full of the
14 second boat or 2051. Maximum principal sum of \$5 million.
15 CHAIRMAN PIRTLE: Whatever commission is
16 comfortable with.
17 COMMISSIONER CROFT: Not to exceed.
18 COMMISSIONER HOSS: Not to exceed.
19 MR. CORDOBA: The only other thing I put in
20 here is to include the framework from the 2017 order. I
21 didn't catch all of that that Phyllis said. I recall it but
22 I think the intent was to include that framework of
23 reporting, I think, is what it was.
24 COMMISSIONER HOSS: Mostly report.
25 COMMISSIONER CROFT: Same thing we're already

1 getting.

2 COMMISSIONER HOSS: Basically it's there to

3 provide payoffs on a monthly basis along with status and

4 tariff will be reviewed by the Pilot Board before expiration

5 of eight years from the date of loan origination.

6 MR. CORDOBA: So, if I start from the

7 beginning, it's pilots present a chart of cost per ships,

8 tariff, to expire the earlier of either, A, payment in full

9 of the second boat or, B, 2051. Maximum principal sum of

10 \$5 million. Pilots required to provide payoff statements on

11 a monthly basis. Loan status and tariff will be reviewed by

12 the Pilot Board before the expiration of eight years from the

13 date of the loan origination. Any excess funds collected

14 from under this tariff shall be applied towards the loan

15 balance. And then we did have a save and except allowing

16 four months' payments being held in escrow after the boat is

17 placed in service.

18 CAPTAIN BLANTON: We would request that stays.

19 That was in case we get hit by a hurricane clause.

20 CHAIRMAN PIRTLE: Maximum -- I mean, what you

21 offered here is the maximum amount 4,700,000. I don't know

22 if 300,000 makes a difference.

23 COMMISSIONER SANTOS: Just not to exceed.

24 COMMISSIONER HOSS: And am I understanding

25 correctly this not to exceed is actually the value of the

1 balance of both boats? In other words --

2 CHAIRMAN PIRTLE: No, sir.

3 COMMISSIONER HOSS: -- the new boat at four

4 something million and the tail end of the current boat

5 payoff? Is that what I'm understanding the max is?

6 CAPTAIN BLANTON: They're consecutive.

7 They're not concurrent. The new boat range is up to

8 5 million is what we're saying.

9 COMMISSIONER CROFT: A bit of information here

10 for my part. This is Commissioner Croft. With regard to the

11 5 million. You will start, as I understand it, construction

12 of the new boat while the existing boat is being operated and

13 paid for. That's a construction phase.

14 CAPTAIN BLANTON: There is a construction

15 phase on the boat that is free of principal. You just pay

16 the interest. But that would be terms that you would have to

17 work out with the lending institute if you got the rate

18 reduced. Our intention is to fund the second boat but not

19 change the fees. So, they don't pay any more. They -- the

20 fee stays the same to fund the second boat. We cannot do

21 concurrent boat fees as my understanding. But that would be

22 worked out with the lending institute. What we're trying to

23 do is get a boat not to exceed \$5 million as soon as possible

24 at a lower interest rate and not to charge the shippers any

25 more than they're paying now.

1 COMMISSIONER CROFT: Question, then, is what

2 would be your obligation for potentially having an existing

3 payment and an interest payment on a boat that's being

4 constructed or do you see the two overlapping?

5 CAPTAIN BLANTON: Provided that the fees

6 accrued in the -- the transportation line charge could pay

7 that, then we would do it. But it would be a function of not

8 increasing your total bill and you're factoring in what your

9 refinancing looks like at what different rate. But, I mean,

10 if we get it to 2025, I don't know what it looks like if you

11 refinance at what point in your payoff scheme and compared to

12 what the price of the boat you buy is and what terms you get

13 on a construction loan. We want the boat delivered as soon

14 as possible but we're going to do it within the confines of

15 the means granted to us with the communication -- the

16 transportation fee. We're not -- we can't exceed that pot.

17 That's what it is. So, however we can get that boat

18 delivered while staying within our means we're going to do

19 that.

20 MR. MOORE: I think he said we don't know yet,

21 Commissioner Croft -- this is Randy Moore -- until we get

22 this approved and go visit with the lending institution to

23 see what the terms of the construction loan are and what the

24 costs would be compared to what we're currently paying.

25 Because we only have a finite amount that's coming in.

1 COMMISSIONER CROFT: Thank you, Mr. Moore.

2 But what would be the term of construction? How long will it

3 take to --

4 CAPTAIN BLANTON: It depends on the shipyard.

5 It depends on the vessel you purchase. So, you could -- it

6 takes me about a year to work out the drafting on what the

7 boat is going to look like. And then there is a period of

8 time where you have to wait in a queue to get them to lay the

9 keel. And then for the amount of time it takes to create a

10 vessel the size, depending on the labor available in the

11 shipyard, you're talking anywhere from 12 to 18 months to

12 build the ship and deliver.

13 COMMISSIONER CROFT: When do you become

14 obligated to start sending them money for that boat that's

15 under construction?

16 CAPTAIN BLANTON: It would depend on the

17 shipyard. We have relationships with shipyards. It would

18 depend on how busy they are and that would be terms that you

19 would work out down the road with the shipyard.

20 COMMISSIONER CROFT: No more questions.

21 COMMISSIONER HOSS: Generally speaking, when

22 you place the order, there's going to be a percentage down.

23 CAPTAIN BLANTON: They'll have a draw

24 schedule. I agree with John Hoss. You will have a draw

25 schedule but the terms of that draw schedule --

1 COMMISSIONER HOSS: Are negotiable.
 2 CAPTAIN BLANTON: -- could be anywhere. They
 3 want to sell you a boat and if you have the finances to buy a
 4 boat, usually the parties could come to a consensus.
 5 COMMISSIONER HOSS: Question for you. And I
 6 know you guys have been out because you've presented us with
 7 the paperwork and you've been to at least two yards, Metal
 8 Shark and Breaux.
 9 CAPTAIN BLANTON: Correct.
 10 COMMISSIONER HOSS: I meant to ask you
 11 earlier, the Breaux boat was apparently a lot less expensive
 12 but --
 13 CAPTAIN BLANTON: If you look at their quote,
 14 it says "ballpark."
 15 COMMISSIONER HOSS: Fair enough. I was just
 16 going to ask you to -- that's a big number and you guys are
 17 still leaning -- that's a big delta and you guys are leaning
 18 to the higher number. What was the deal? So, apparently
 19 there's hidden costs in there.
 20 CAPTAIN BLANTON: We really haven't even
 21 got -- if you look at the difference between a 65 and a
 22 75-foot boat for them, it's a nominal difference. The thing
 23 that's going to drive the bus on the cost of these is the
 24 power packages and you --
 25 COMMISSIONER HOSS: Fair. Agreed.

1 driver on what I have to do when we determine the amount of
 2 rate that we get if we get these increases is, that's the
 3 minimum that I'm looking at. And that's just to put the boat
 4 there. But as I said earlier, the functionality of our
 5 current shipyard is gone. So, now we're either going to
 6 Palacios or Houston to fix our boat working in a yard where
 7 we may not be able to use our labor.
 8 COMMISSIONER HOSS: Houston Pilots let you use
 9 their travel lift?
 10 CAPTAIN BLANTON: The one we're talking about
 11 is the Houston Pilots travel lift but it's not in their yard.
 12 COMMISSIONER HOSS: It's over in Galveston,
 13 isn't it?
 14 CAPTAIN BLANTON: It's in Bolivar.
 15 COMMISSIONER HOSS: Bolivar. Okay.
 16 CAPTAIN BLANTON: We would not have any
 17 priority on that lift.
 18 COMMISSIONER HOSS: Fair enough.
 19 CAPTAIN BLANTON: I've talked to some
 20 engineering firms and I'm looking at what it would cost to
 21 build a slip in our -- on our property and then buy a travel
 22 lift and be able to do that maintenance in-house.
 23 COMMISSIONER HOSS: You could probably buy
 24 your travel lift locally.
 25 COMMISSIONER KRESTA: Let's go back to the

1 CAPTAIN BLANTON: Personally, if you want to
 2 get into the weeds on how I think we should do the engines, I
 3 think it's probably not to do it here but the -- what engines
 4 you put in there have a big, big factor on the ending cost of
 5 what that boat is going to be.
 6 COMMISSIONER HOSS: It depends on what they
 7 want to sell you, not what they're getting today. The
 8 question is in today's market, have you checked with the
 9 shipyards to see what the delivery time/rates are because, as
 10 you pointed out earlier, if you're going to do maintenance on
 11 this boat and, let's say, you go to a 75-foot boat, where are
 12 you going to have that boat hauled out at around here?
 13 CAPTAIN BLANTON: So, I keep talking about
 14 Issue 6. And so, one of the things that I have to consider
 15 and one of the things that we budgeted for is if this board
 16 approves this boat, I'll have three boats. We're phasing out
 17 the BRAZOS PILOT -- or sorry, the FREEPORT PILOT. We have
 18 the FREEPORT PILOT 1, the BRAZOS PILOT, and in theory if this
 19 goes through, we'll have another boat. At some point, I'm
 20 going to have to purchase a hundred-foot waterfront access
 21 adjacent to our station. In my estimates, which I think are
 22 low, we put that at \$100,000. And then on top of that, we
 23 forecasted the dredging and the dock costs to be \$350,000 for
 24 all in. That's just to physically park the boat.
 25 The point you bring up and what is a big

1 discussion, John.
 2 COMMISSIONER HOSS: One of the questions I
 3 have, though, is you're looking at the manufacturer, of the
 4 two you presented. Right now in today's market, do we have
 5 any -- are you guys sure that that manufacturer will be there
 6 three or six months or a year from now?
 7 CAPTAIN BLANTON: For Metal Shark, absolutely.
 8 They have huge, huge government contracts. They build all
 9 the ferries. They build all the Coast Guard boats. They
 10 build battleships and destroyers. They're a solid, solid
 11 company. Breaux Brothers is an oil and gas supply builder.
 12 I mean, they know how to tighten up when it gets skinny. So,
 13 I mean, they're from Louisiana. And they work with the dips
 14 in the oil recessions and they've gotten through all this. I
 15 don't think a bug is going to crush them.
 16 CHAIRMAN PIRTLE: If all commissioners are
 17 ready to move forward with this one, I'll ask Mr. Cordoba to
 18 read our motion.
 19 MR. CORDOBA: Sure. Approve Request No. 4
 20 with the following modifications. Pilots will present a
 21 chart of costs per ship. Tariff to expire the earlier of, A,
 22 payment of -- payment in full of second boat or, B, 2051.
 23 Maximum principal sum of \$5 million. The pilots to provide
 24 payoff statements on a monthly basis. The loan status and
 25 tariff to be reviewed by the Pilot Board before the

1 expiration of eight years from the date of the loan
2 origination. Any excess funds collected under this tariff
3 shall be applied towards the loan balance save and except
4 allowing for four months' payments being in an escrow account
5 after the boat is placed in service.

6 COMMISSIONER SINGHANIA: This is Commissioner
7 Singhanian. On 2051, it should be 2051 or earlier, as soon as
8 the boat is paid off.

9 MS. SAATHOFF: That's what it says.

10 MR. CORDOBA: Yes, sir. That's what I said.
11 The specific statement is to expire the earlier of either, A,
12 payment in full of second boat or, B, 2051.

13 COMMISSIONER SINGHANIA: Thank you.

14 CHAIRMAN PIRTLE: Are you seconding that
15 motion, Mr. Singhanian?

16 COMMISSIONER SINGHANIA: Sure. If Dan does
17 not want to jump in.

18 CHAIRMAN PIRTLE: I have Mr. Singhanian as a
19 second on that. Thank you. Mr. Santos made the motion.
20 Mr. Singhanian seconded the motion. And I won't try to reread
21 that motion. Basically the current charge of -- base charge
22 of \$100 plus a unit charge, calculated in units multiplied by
23 the factor of .1 for the boat fees to cover construction and
24 acquisition of the second pilot boat.

25 Mr. Kresta, how do you vote?

1 COMMISSIONER KRESTA: Aye.

2 CHAIRMAN PIRTLE: Mr. Hoss, how do you vote?

3 COMMISSIONER HOSS: Nay.

4 CHAIRMAN PIRTLE: Mr. Croft, how do you vote?

5 COMMISSIONER CROFT: Aye.

6 CHAIRMAN PIRTLE: Mr. Pirtle votes aye. All
7 right. We have five in favor, one opposed. Motion passes.
8 Thank you.

9 Ladies and gentlemen, it is now five minutes
10 to 6:00. We have two items on the agenda left. I'm going to
11 ask what your pleasure is as far as finishing this out or
12 coming back at 8:30 in the morning.

13 CAPTAIN BLANTON: I vote finish it, if I have
14 a vote.

15 COMMISSIONER HOSS: We have a CAT meeting that
16 should have started 30 minutes ago.

17 MS. SAATHOFF: They're on a tour.

18 COMMISSIONER HOSS: I got that. But we have a
19 CAT meeting that I was told to be at at 5:30. Thank you,
20 ma'am.

21 MS. SAATHOFF: I just got an update. I was
22 going to give you an update.

23 COMMISSIONER HOSS: I got that. But knowing
24 that they're on a tour, we have a few minutes. I don't think
25 that we can get two items of discussion. Quite frankly, I'm

1 a little tired right now to --

2 COMMISSIONER SINGHANIA: I have, too. I would
3 like to move and go for some other time, whether tomorrow
4 afternoon or whatever. And because I'm like -- I'm slowly
5 drained down and Item No. 5 and 6 is not going to be like the
6 other numbers anyway from my perspective.

7 COMMISSIONER HOSS: We have an OSS meeting at
8 8:30 in the morning but we can cancel that just -- and I'm
9 willing to.

10 CHAIRMAN PIRTLE: You can move to later on,
11 too, as long --

12 COMMISSIONER HOSS: If you should move this
13 meeting to tomorrow morning, OSS will back off their meeting
14 schedule.

15 CHAIRMAN PIRTLE: We have a posted meeting for
16 8:30 in the morning. So, we can move -- recess this evening
17 and move to tomorrow morning. So, it's already been posted.

18 MR. CORDOBA: Yes. The agenda indicates the
19 Pilot Commission may recess and continue the agenda items
20 listed above at 8:30 a.m., on October 30th.

21 CHAIRMAN PIRTLE: Right.

22 COMMISSIONER HOSS: Mr. Chairman, I would like
23 to see that happen.

24 CHAIRMAN PIRTLE: Any other --

25 COMMISSIONER KRESTA: I'm fine with it as long

1 as we do it in the morning. Ravi -- just a minute -- did you
2 say something -- you had something going on in the morning?

3 COMMISSIONER SINGHANIA: No. No, I don't. I
4 was just looking at the people who come in from out of town
5 or whatever, you know. I was looking for that. To me, I
6 don't attend this one, we have the OSS meeting tomorrow
7 morning at 8:30.

8 COMMISSIONER KRESTA: That's all I wanted. I
9 just didn't understand him. That's why I asked.

10 CHAIRMAN PIRTLE: All right. Well, I had
11 hopes we would get finished today but we came close.

12 COMMISSIONER HOSS: We made progress.

13 CHAIRMAN PIRTLE: We made a lot of progress.

14 COMMISSIONER HOSS: We should be happy with
15 that.

16 CHAIRMAN PIRTLE: We will recess until 8:30
17 tomorrow morning. My apologies to those who have to travel.
18 (Proceedings recessed at 5:57 p.m.)
19
20
21
22
23
24
25

1 STATE OF TEXAS
2 COUNTY OF BRAZORIA

3
4 **REPORTER'S CERTIFICATE**

5 **PUBLIC HEARING**

6 October 29, 2020

7
8 I, the undersigned Certified Shorthand Reporter in and
9 for the State of Texas, certify that the facts stated in the
10 foregoing pages are true and correct.

11 I further certify that I am neither attorney or counsel
12 for, related to, nor employed by any parties to the action in
13 which this testimony is taken and, further, that I am not a
14 relative or employee of any counsel employed by the parties
15 hereto or financially interested in the action.

16 SUBSCRIBED AND SWORN TO under my hand and seal of office
17 on this the _____ day of _____, _____.

18
19 _____
20 Stacey Whitley, CSR
21 Texas CSR 3999
22 Expiration: 04/30/2022
23 307 ARROWWOOD STREET
24 Lake Jackson, Texas 77566
25 979-480-3080
swhitley13@att.net