

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

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

Timing

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

Projected Collections

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

Per Vessel Proposal

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

Assessment Structure

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

Additional Details

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

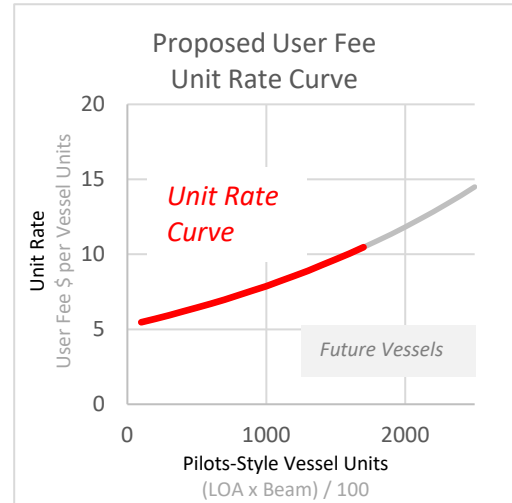
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\* See 33 USCA §2236 Port or harbor dues

Supplemental Information

**Unit Rate Formula**

- Formula is based on proposal from Industry "Houston Ship Channel Project 11: An Introductory Financial Analysis, February 12, 2020, Vincent J. DiCosimo"
- Unit Curve Formula =  $S_1 C_1 e^{C_2(\frac{x}{10^4})}$ 
  - Where:
  - S1 = Scaling Factor = 2.372
  - C1 = Coefficient 1 = 2.214
  - C2 = Coefficient 1= 4.061
  - X = Vessel Units
  - Excel: “=S1\*C1\*(EXP(C2\*(X/10000)))”
- Additional Discussion:
  - When S1 is set to 1, the formula is the same as the 2020 industry proposal, e.g. formula structure and values for C1 and C2 come from the industry proposal
  - S1 was set to hit the target collections level based on project costs, representing a linear scaling of industry’s proposed unit rate curve
  - Larger vessels pay proportionally higher user fees
  - Based on actual HSC vessel arrivals 2018-2023, the minimum units for a vessel is 27, and the maximum is 1720



**Estimate of Year 1 Per Transit User Fee Levels, by Vessel Type**

Based on Actual 2018-2023 Vessel Arrivals

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