

MINUTES OF MEETING

BE IT REMEMBERED that the Commissioners of the Port of Bay City Authority met Friday, February 24, 2023, at the office of the Authority, 1305 Seventh St, Bay City, TX 77414. The following Commissioners and staff were present:

George Harrison	Chairman
Joey Sliva	Vice-Chairman
Matt Ashcraft	Secretary
Buddy Treybig	Commissioner
Craig Hlavinka	Harbor Master
Sharron Perez	Office Manager
Allen Cumbie	Office Manager
Visitors:	
Michael Ferdinand	MCEDC Executive Director
Jessica Russell	BCCDC Executive Director
Dimitri Millas	Norton Rose Fulbright
Leslie Bacon	Norton Rose Fulbright
Bob McKee	Big Hill
Anthony McKee	Big Hill
Lindsey Thompson	Big Hill
Kyle Wundt	HDR Inc
Absent:	
Lee Weathers	Commissioner
Trey Treybig	Commissioner

The workshop was called to order at 10:00am by Commissioner George Harrison. All attendees were introduced. George Harrison advised that the grant application for the PIDP grant is due April 28, 2023 and that the Port Authority has engaged HDR Inc to complete the grant application. George Harrison reviewed the agenda for the workshop. Big Hill will provide an update on their project, followed by Norton Rose Fulbright reviewing the draft agreements, and Sharron Perez reviewing any action items that will be pursued.

Bob McKee, with Big Hill briefly updated the Commissioners on the project. Big Hill is pursuing the production and storage of hydrogen, ammonia, and ethanol. There are existing salt domes that will be mined and utilized for the storage of these products. Each dome can hold six to ten million barrels of product. Each dome will be MITD tested. The construction of the domes and the MITD testing results will limit the quantity that can be stored in each. B&J has been engaged for the refurbishment of the docks and dolphins which are set to be completed in May or June of this year. George Harrison asked Leslie Bacon and Dimitri Millas if the refurbishment by Big Hill can be applied as their contribution to the project. Bob McKee advised that the Gulf Intracoastal Waterway bisects their property. Big Hill has permits with the US Corps of Engineers, Texas General Land Office, and Bureau of Ocean Energy Management for the offshore pipeline and platform to load ocean going vessels. Big Hill will construct twelve caverns. It will take eleven to fourteen months to construct two caverns. There are currently two companies in negotiations with Big Hill for offloading the salt that will be mined from the caverns. The total projected cost of the port project is \$700,000,000 - \$800,000,000 which includes the offshore pipeline and platform. The port project excluding these two items will cost approximately \$40,000,000. Hydrogen will be converted to ammonia for shipping. The Port of Corpus Christi is a hydrogen hub and has been in

negotiations with Big Hill for a shipping port. Big Hill cannot wait for the PIDP grant and will be moving forward with the refurbishment of the docks and dolphins. The Port Authority will be meeting with the Port of Corpus Christi on March 20, 2023 to tour the port facility. If Big Hill utilizes the Port of Corpus Christi for shipping, there would have to be above ground storage constructed by Big Hill. Bob McKee advised that in the years that he has been in business there have only been nominal grants actually received. At the present time, there are six wells and a water retention lake on site. The water in the retention lake is clear. In order to produce clean hydrogen, demineralized water is needed.

George Harrison inquired about the facility having multiple business partners and producing multiple products but not being a reinvestment zone. George Harrison advised that the possible tax abatement related to a reinvestment zone would bring in potential partners. Bob McKee advised this may be pursued at some point in the future. George Harrison advised that his experience is that potential partners like to see local support. Michael Ferdinand advised that there are many state incentives that could be applied for not only by Big Hill but also their partners. Some of these incentives and grants could help fund the necessary infrastructure.

George Harrison understands Big Hill needing to move forward with the project and not waiting for grants to come thru. Bob McKee discussed that currently Big Hill is hauling off all of the trash that was previously dumped on site and cleaning up the area. The road will need improvements to support the increased heavy truck traffic. Big Hill is in talks with Matagorda County regarding the existing bridge and road improvement needs. George Harrison asked Michael Ferdinand if there are any state funds available for these needs. Michael Ferdinand advised reaching out to the Yoakum district first and then the infrastructure act grants.

There was a discussion regarding the proposed rail to the facility. Big Hill does own the rail route. BNSF wants a circular route which Big Hill can accommodate. Big Hill is proposing a loop with a couple of rail spurs. Once an agreement is reached with BNSF, then Big Hill will submit the proposal to the Railroad Commission.

There is an existing pipeline operating at 30% usage. Big Hill may be able to tie into the existing pipeline to move product.

Big Hill intends to be in the market in three years. George Harrison asked if Big Hill will build its own power facility. Big Hill is a big supporter of nuclear power. Big Hill will need the power equivalent of five million homes. Steam turbines may be constructed on site to produce the power need.

George Harrison asked if there were any other questions for Big Hill. There being none, George Harrison introduced Kyle Wundt, with HDR Inc, to discuss the grant approach. The original grant, although submitted, was not reviewed due to issues with SAM registration. Kyle Wundt wants to discuss with Big Hill what components will be constructed prior to the possible grant funding to redo the grant application for the additional items that would have to be constructed. The cost of marine construction continues to increase, and some administration changes have occurred since the last PIDP grant application was prepared. Matagorda County is an underserved area and could qualify for grant funding on that basis. Another item to focus on is climate change and its effects on the Colorado River flow. The exporting of grain products by barge and the direct result of decreased carbon footprint for the county. The PIDP grant would be awarded toward the end of 2023. The application has to be submitted on or before April 28, 2023. The funding, if granted, would be available in early 2024. The Port Authority would have special meetings regarding the approval of the project and the allocation of the grant funds. HDR Inc will review the award

criteria and adjust the grant application accordingly. Dimitri Millas asked if the Port of Bay City Authority is awarded the grant in 2024 where Big Hill would be in construction of the facility. Bob McKee advised the docks and dolphins would be complete by then. The rail would be close to completion, and Big Hill would be starting the offshore section. Bob McKee advised that the infrastructure needs to be completed quickly in order to move forward with the project. George Harrison advised that HDR Inc look at the current grant application, review Big Hill's contributions of enhancements that can be considered as their contribution, and see what else information is needed. Big Hill has been approached by the Port of Freeport and Port of Houston regarding the offshore platform. There was a brief discussion regarding the Port of Corpus Christi being the sister port to the Port of Rotterdam.

Dimitri Millas advised that timing of the grant funding, construction, and the Port Authority being bound by bid requirements will cause complications. Bob McKee advised that by the time funding occurs Big Hill will have most of the construction completed or near completion. Restructuring the grant application to focus on the regional uses for the dock facility and constructing additional structures needed such as grain elevators, pipe racks, storage facilities may be necessary. Bob McKee indicated that he hopes the locks are completed by the time the facility is operational. Big Hill will not interfere with the navigation of the Gulf Intracoastal Waterway. There are several additional revenue streams that the project will generate. Kyle Wundt advised that HDR Inc will proceed with restructuring of the grant application.

Dimitri Millas and Leslie Bacon advised Big Hill that the Port Authority had engaged their firm to draft a Lease and Development agreement to be discussed; however, based on the discussions, this agreement will need to be revised. The Port Authority is a governmental entity which limits what it can or cannot do. Leslie Bacon discussed the ownership and other requirements that would need to exist in order for the Port Authority to enter into an agreement with a private company due to the usage of public funds. Bob McKee advised that Big Hill is not agreeable to the Port Authority owning or controlling the facility. The Port Authority would only provide the management umbrella at the facility. Bob McKee continued to discuss the small portion of the project that the grant funding, if awarded to the Port Authority, would cover. Leslie Bacon stressed that the Port Authority is very limited on the use of public funds. Dimitri Millas discussed the general scope of the draft. George Harrison advised that there would be a separate agreement for the offshore platform. The initial draft was based on the proposed \$14,000,000 cost of the dolphins and docks refurbishment with the grant being applied for providing \$11,000,000 of the project cost. Bob McKee advised that his company is currently operating three facilities and has all of the necessary operating and training guidelines in place. If the Port Authority wants to be involved in the project, then the Port Authority would need to look at the more rural and local need such as the grain exports, fertilizer, pipe, etc. Leslie Bacon advised that there is a very limited scope. George Harrison inquired about how the operations will go. It will take \$140,000,000 to \$145,000,000 to construct grain elevators, conveyors, tanks, pipe racks, etc. Kyle Wundt advised that he is currently working on a grain exporting project that obtained grant funds thru PIDP. The grant application needs to be expanded. Bob McKee discussed the possibility of Tenaris utilizing the port facility. George Harrison advised Kyle Wundt to have HDR Inc look at the scope and what can be added. The premise is the same; however, the application needs to be scaled differently. Leslie Bacon discussed the need to have the lease and development agreement in place. The due diligence being done shows that the Port Authority and Big Hill are in a partnership. The Port Authority would need to be the entity entering into construction agreements, as the Port Authority has requirements for the use of public funds. An operational agreement would be entered into between the Port Authority and a third party to operate the port facility. Big Hill wants to have approval of the third party or operate the facility themselves. There will be a revenue split of remaining funds after operational expenses are covered.

Bob McKee discussed the possibility of an issue arising in the future as new Commissioners are elected to the Port Authority. Another concern for Big Hill is the Port Authority is relying on grant awards for the project. Dimitri Millas stressed that the use of public funds is very limited. Bob McKee asked if the grants were not awarded to the Port Authority. Leslie Bacon advised that the current agreement is based on the grant being awarded to the Port Authority. Dimitri Millas stated that options would be reviewed for the project being constructed by a developer. Dimitri Millas will research options outside of construction. George Harrison advised that the project and agreement have lots of dynamics that are changing. The Port Authority wants Big Hill to be successful. The Port Authority will move towards an operations agreement working with Norton Rose Fulbright to protect public funds. Kyle Wundt will look into different options to expand the grant application. Big Hill will continue to move forward with the project. George Harrison advised the Port Authority will focus on a concept based on investment recovery. Leslie Bacon discussed setting an annual budget understanding the operation of the facility. Anthony McKee has operations budgets for each aspect of the project. George Harrison advised that the Port Authority would need to look at the risk tolerance of the operations. Big Hill is currently insured by Arthur J Gallagher.

Bob McKee asked how the third-party operators would be funded. Leslie Bacon advised that in the draft agreement Big Hill would fund operations. The remaining tariffs would be split between the Port Authority and Big Hill. Bob McKee questioned why Big Hill would pay the third-party operators if the Port Authority is over operations. George Harrison stressed the Port's oversight of the facility and risk involved. The Port Authority is ensuring the public is protected. Bob McKee stated the docks will be completed in May or June. Bob McKee discussed the Port Authority covering the costs of operations. Dimitri Millas advised that the Port Authority would have to be reimbursed. Leslie Bacon advised that the Port Authority cannot just write checks for a private business. Part of the proposed agreement is the reconciliation of the operational expenses. The total income from operations would first be utilized to pay the monthly operational costs. The remaining income would be split between the Port Authority and Big Hill. Joey Sliva inquired that if Big Hill constructs the facility, then the Port Authority would just operate it. If someone is interested in shipping grain and the necessary storage exists, then the shippers' cost would be lower. Big Hill is currently the financier, and the Port Authority would operate the facility. Dimitri Millas advised to enter into operations agreement now. If grants are received later, then a public fund agreement can be entered into at that time.

George Harrison advised that when discussions first began the potential offshore pipeline and platform were not in the initial agreement. Bob McKee discussed that there is only one other in the Gulf of Mexico that is used to only import products. Bob McKee has the option to export products. There is a growth in the hydrogen business which will require transforming hydrogen to ammonia and shipping the ammonia. Once the ammonia begins shipping, it will open up the Permian basin. Bob McKee stated that the construction of the facility cannot slow down to wait for potential grant funds. Also, the Port Authority would be required to put the third-party operations out for bid. Big Hill does not want a third party to control any part of the operations. George Harrison advised that this is part of the risk that the Port Authority cannot take on. The Port Authority cannot invest and risk bankrupting the district. Bob McKee stated their business has been in existence for ninety-five years. Hydrogen business has not been done on this level.

George Harrison stated that the Port Authority cannot fund the project without a reconciliation of the public funds used on the project. Norton Rose Fulbright will look at options. The Port Authority

would be the name plate on the project. Anthony McKee advised that there is minimum risk that would be covered by insurance policies.

Michael Ferdinand discussed the only other platform in the Gulf of Mexico is located in Louisiana waters. The Big Hill platform will be in federal waters. Leslie Bacon will look at the constitutional agreements.

George Harrison understands that Big Hill has a business and needs to keep moving the project forward. The Port Authority would like to see the barge facility to move forward. The Port Authority would have to hire a third party to operate the barge facility. Big Hill cannot allow the project to fall behind as they are not the only company that will be utilizing the facility.

The dynamics continue to change. HDR Inc will meet with Big Hill to obtain an understanding of the aspects of the barge facility that can wait on potential grant funding including what equipment is needed for additional users. Some of these items could be the grain elevators, storage, dry racks, and pipe racks. Big Hill will continue to work on completing necessary upgrades to the road, bridge, and rail. HDR Inc will then determine what the best combination of these items will be best for the PIDP grant. Kyle Wundt advised that the grain project he is working on was awarded \$20,000,000. George Harrison advised Kyle Wundt to determine the best route to take moving forward. Norton Rose Fulbright will restructure the agreement to be fully operational for the facility on the Gulf Intracoastal Waterway. The offshore platform would need to be a completely separate agreement. Norton Rose Fulbright will also look into reimbursement of operational costs and split of additional income.

George Harrison thanked those in attendance. The meeting was very positive and was a very good discussion. The Port Authority will continue to work on the project.

There being no other items to discuss, the workshop was adjourned at 12:00pm.

Attest:

Approve:

/S/ George Harrison

/S/ Matthew Ashcraft