

DATE: NOVEMBER 26, 2013

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - FIRST AMENDMENT TO AGREEMENT NO. 12-3037 - PROPOSITION 1B - GOODS MOVEMENT EMISSION REDUCTION PROGRAM COOPERATIVE GRANT AGREEMENT WITH THE SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT FOR THE IMPLEMENTATION OF SHORE-SIDE ELECTRIC POWER AT TEN BERTHS

SUMMARY:

In January 2012, the Board of Harbor Commissioners (Board) approved a grant from the South Coast Air Quality Management District (SCAQMD) for reimbursement funding from the Proposition 1B – Goods Movement Emission Reduction Program (Prop 1B). On January 17, 2012, the City of Los Angeles Harbor Department (Harbor Department) entered into Agreement No. 12-3037 (Agreement) with the SCAQMD, the fiduciary agency, to receive Prop 1B grant reimbursement funding in the amount of \$23.7 million to install shore-side electrical power, also referred to as Alternative Maritime Power (AMP) at ten berths within the Port of Los Angeles (Port). Agreement No. 12-3037 currently requires that ships be able to actually plug into Prop 1B funded berths on or before December 31, 2013, or grant funding will be forfeited. However, if no ship is available to plug in by December 31, 2013, a rule violation would result. As a result, the proposed First Amendment to Agreement 12-3037 (Amendment) will allow load bank testing to demonstrate operability at the Prop 1B funded AMP berths prior to December 31, 2013, in the event there is no available ship capable of plugging into an AMP berth on or before that time. The load bank system test will secure the full grant funding amount until the SCAQMD can witness a ship successfully plug into an AMP berth at a later date.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve in substantial form the First Amendment to Agreement No. 12-3037 for acceptance of grant funds under the Proposition 1B - Goods Movement Emission Reduction Program, between the South Coast Air Quality Management District and the City of Los Angeles Harbor Department;

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- 2. Authorize the Executive Director to execute and the Board Secretary to attest to said Agreement for and on behalf of the Board; and
- 3. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – Prop 1B, approved by voters in 2006, authorizes \$1 billion in bond funding to the California Air Resources Board (CARB) to cut air pollution and the associated health risk by upgrading the diesel equipment used to move freight in California’s trade corridors. The intent of the Prop 1B funding is to achieve emission reductions surplus to what is required by regulation. CARB has adopted a regulation to reduce emissions from diesel auxiliary engines on container, cruise, and reefer vessels while at-berth. In order to achieve surplus emission reductions, Prop 1B funded berths must achieve at least ten percent more shore-power calls than what is required by regulation.

In June 2010, CARB awarded \$200 million in Fiscal Year 2008/2009 primarily to truck and vessel/cargo handling equipment projects. Smaller allocations were made for locomotive and harbor craft projects. Of the \$81 million allocated to vessel/cargo handling projects, approximately \$61 million of this funding was allocated to reduce at-berth vessel emissions in southern California. SCAQMD has been designated as the fiduciary agency for these funds. On January 17, 2012, the Harbor Department entered into Agreement No. 12-3037 with SCAQMD to receive \$23.7 million in Prop 1B grant funding.

Prop 1B requires that funded berths operate for a minimum of ten years. Prop 1B also requires that a minimum percentage of calls to a funded berth utilize shore-power. The minimum percentage of AMPed vessel calls required by compliance year for the Prop 1B grant in relation to the CARB requirements are shown below.

Years	Minimum AMPed Vessel Calls Required	
	CARB Rule Requirements	Prop 1B Requirements
2014-2016	50%	60%
2017-2019	70%	80%
2020-2023	80%	90%

Prop 1B does, however, include a provision that allows averaging for multiple berths at a terminal, understanding that certain berths are utilized more frequently due to terminal

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berthing plans. If minimum usage requirements are not achieved, then the Harbor Department would be required to return a prorated amount of the Prop 1B funds to the SCAQMD. Recordkeeping to demonstrate compliance with Prop 1B will be conducted by Harbor Department staff.

The expected emission benefit over the life of Agreement No. 12-3037 is estimated to be 85 tons of particulate matter and 4,972 tons of nitrogen oxide. The AMP equipment funded under Prop 1B is expected to operate beyond the ten-year term of this Agreement No. 12-3037, which will provide additional long-term emission reduction benefits at the Port and the region.

Program Award – In January 2012, the Board of Harbor Commissioners approved the Prop 1B grant award to help fund the installation of AMP capabilities at ten container berths. The grant provides up to \$1.9 and \$2.5 million per berth for a total of \$23.7 million. The Agreement allows reimbursement of up to 50% or \$2.5 million per berth of the Harbor Department's eligible costs once the projects are completed and pass post-inspection. The berths that received Prop 1B reimbursement funding were West Basin Container Terminal (Berths 121 and 126), Yusen Terminal (Berths 212 and 216), Seaside Terminal (Berth 227), and Pier 400 (Berths 401, 402, 403, 404, and 405).

Agreement Amendment – The proposed First Amendment to Agreement No. 12-3037 (Transmittal 1) allows for the addition of load bank system testing. Load bank system testing demonstrates the operability of the AMP berth. The load bank test will be used if there is no ship capable of plugging into an AMP berth on or before the project completion date of December 31, 2013. Due to ship vessel call schedules and seasonal variabilities, there may not be ships available at every Prop 1B berth to demonstrate a fully operational AMP connection before project completion date. The load bank system test will secure the full grant funding amount until the SCAQMD can witness a ship plug into an AMP berth at a later date.

Load bank testing is required as part of the existing construction contract to demonstrate landside AMP infrastructure is operable prior to project closeout.

ECONOMIC BENEFITS:

Approval of the proposed Amendment will have no employment impact. The project on AMP installations associated with the proposed Amendment was assessed to support 556 direct one-year equivalent jobs for the five-county region at the time of approval.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Amendment to Agreement No. 12-3037 with SCAQMD to allow for the use of load bank testing demonstrating operability of AMP infrastructure until successful ship plug-in can be demonstrated. As an activity involving the installation of environmental protection devices for use in conjunction with existing facilities, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article III Class 1 (6) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The proposed First Amendment to Agreement No. 12-3037 allows for the addition of load bank system testing. Load bank system testing demonstrates the operability of the AMP berth. The total anticipated grant reimbursement remains at \$23.7 million. The total anticipated cost to equip ten berths with AMP is \$68.7 million. To date, no reimbursement payments have been requested by the Harbor Department. Reimbursement requests will be submitted in the first quarter of 2014.

Failure to meet minimum usage requirements will require the Harbor Department to return a prorated amount of Prop 1B funds to the SCAQMD, serving as fiduciary agent for CARB. In the event the Harbor Department is required to return some or all of the Prop 1B funds due to failure to meet usage requirements shown above, the Prop 1B funds will be considered as a capital expense subject to repayment in the normal course of resetting compensation at the affected terminals. Construction & Maintenance Division will request to budget \$100,000 in the FY 2014/2015 budget to fund operating and maintenance expenditures for the AMP infrastructure.

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CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the First Amendment as to form and legality.

TRANSMITTAL:

1. First Amendment to Agreement No. 12-3037

FIS Approval: _____ (initials)
CA Approval: _____ (initials)

CHRISTOPHER CANNON
Director of Environmental Management

MICHAEL R. CHRISTENSEN
Deputy Executive Director

APPROVED:

GARY LEE MOORE, P.E.
Interim Executive Director

AUTHOR: CARTER ATKINS
BOARD MEETING: 12/12/2013

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