

DATE: MARCH 16, 2022

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND CALSTART, INC. FOR ADMINISTRATION OF THE PORT OF LOS ANGELES ZERO-EMISSION TRUCK VOUCHER INCENTIVE PROGRAM

SUMMARY:

Staff requests approval of a proposed Agreement between the City of Los Angeles Harbor Department (Harbor Department) and CALSTART, Inc. (CALSTART) for the administration of the Port of Los Angeles (POLA) Zero-Emission (ZE) Truck Voucher Incentive Program (Voucher Incentive Program). On November 4, 2021, the Board of Harbor Commissioners (Board) approved the establishment of the Clean Truck Fund (CTF), directed Staff to prepare a spending plan, and approved collection of the CTF Rate starting April 1, 2022. This proposed Agreement supports a major strategy included in the CTF spending plan. The Voucher Incentive Program has allocated \$40 million of the approximate \$45 million initially expected to be collected from the CTF Rate to provide up to \$300,000 towards the purchase price of a ZE truck. Each truck funded will be obligated to provide drayage service to the San Pedro Bay Ports (Ports) for a period of three years. The Voucher Incentive Program is designed similarly to the California Air Resources Board (CARB) Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) and will leverage the HVIP network of vendors for distribution of the funding. CALSTART is the current administrator of the CARB HVIP Program. CALSTART has agreed to administer the Voucher Incentive Program at no cost to the Harbor Department. The Harbor Department is financially responsible for the approved vouchers up to the \$40 million of the CTF.

RECOMMENDATIONS:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is generally and administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Section 15061(b)(3) of the State CEQA Guidelines and Article II Section 2(f) of the Los Angeles City CEQA Guidelines;

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2. Approve the Agreement between the City of Los Angeles Harbor Department and CALSTART, Inc. for administration of the Port of Los Angeles Zero-Emission Truck Voucher Incentive Program;
3. Approve the use and distribution of \$40 million of Clean Truck Funds in the form of vouchers for the purchase of zero-emission trucks that will service the San Pedro Bay Ports;
4. Authorize the Executive Director, or his Designee, to approve the Port of Los Angeles Zero-Emission Truck Voucher Incentive Program Forms submitted by Program participants;
5. Authorize the Executive Director to execute and Board Secretary to attest to said Agreement for and on behalf of the Board of Harbor Commissioners; and
6. Adopt Resolution No. _____.

DISCUSSION:

Background and Context - Clean Air Action Plan – On November 2, 2017, the Ports adopted the 2017 Clean Air Action Plan (CAAP) Update, which includes further advancement of the Clean Truck Program (CTP) to help the trucking industry phase out older trucks and transition to the CAAP goal of ZE drayage trucks by 2035, which aligns with a proposed requirement in the CARB Advanced Clean Fleet rulemaking process.¹ As a result of the successful CTP efforts over the years, air emissions from trucks operating at the POLA have been reduced by 98% for diesel particulate matter (DPM), 83% for nitrogen oxides (NO_x), 92% for sulfur oxides (SO_x), and 16% for greenhouse gases (GHGs) compared to 2005.

Clean Truck Fund Rate and Spending Plan – An important element in the 2017 CAAP Update is the establishment of a CTF Rate, which will charge a rate to cargo owners or their authorized agents on loaded containers hauled by drayage trucks at POLA terminals, with exemptions for ZE and Low NO_x trucks.

On November 4, 2021, the Board approved the Temporary and Permanent Orders to amend Tariff No. 4 to establish the CTF and to start collecting the CTF Rate of \$10 per Twenty-Equivalent Unit (TEU) on April 1, 2022. In addition, the Board approved a stipulation requiring all CTF Rate revenues to be used exclusively to fund incentive programs to replace port drayage trucks with ZE trucks that may include associated ZE infrastructure as needed. The Board also directed staff to prepare a spending plan. The spending plan guides Harbor Department's allocation of revenues from the CTF Rate. It establishes the near-term objectives of the CTF investments, describes priority targets

¹ <https://ww2.arb.ca.gov/resources/fact-sheets/advanced-clean-fleets-fact-sheet>

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for spending over the three-year span, and defines the pathways and programs that will be used to disseminate the funds, understanding that more detailed guidelines for each pathway will be forthcoming.

The CTF Rate is expected to generate \$90 million a year collectively from both Ports with \$45 million of it generated by POLA, in the initial years. That amount is expected to decrease each year as the fleet turns over to the cleaner trucks exempt from the CTF Rate. Although significant, the Ports' CTF will be only a small contribution to the estimated \$10 billion or more needed to support the trucking industry's transition of approximately 20,000 drayage trucks serving the Ports to ZE.

HVIP Program – The HVIP Program launched by CARB in 2009 plays a crucial role in the deployment of ZE technologies and accelerates commercialization by providing point-of-sale vouchers to make advanced vehicles more affordable. In the HVIP Program, prospective truck purchasers apply through a CARB certified truck vendor for eligible trucks listed on the HVIP website.² Upon delivery of a truck, an approved HVIP voucher is paid to the truck vendor, reducing the cost of purchasing the truck to be comparable to the cost of a diesel truck. CARB competitively selected CALSTART to administer the HVIP Program. Currently, the HVIP Program provides \$150,000 for drayage truck vouchers.

Voucher Incentive Program – The Voucher Incentive Program is a key component of the spending plan for distribution of the collected CTF Rate. Similar to CARB's HVIP Program, the Voucher Incentive Program will distribute money to incentivize the purchase of a ZE truck that services the Ports. The Voucher Incentive Program will help lower the cost of ZE trucks to be comparable to the cost of diesel trucks. For the Voucher Incentive Program, the same list of eligible HVIP trucks can also be applied via the CARB HVIP online application website.³ The list of requirements for participation of the Voucher Incentive Program can be found in the scope of work for the proposed Agreement (Transmittal 1), which includes but is not limited to registration in the Port Drayage Truck Registry, minimum number of truck trips to POLA, and completing an annual survey.

Staff sees the need for adaptability in the Voucher Incentive Program. Currently, the HVIP website of eligible vehicles are all battery electric technology. Hydrogen fuel cell vehicles may be added to the HVIP website list of eligible vehicles during the course of the proposed Agreement. The cost of fuel cell trucks is expected to be significantly higher in price than battery electric technology. Since the purpose of the HVIP Program and Voucher Incentive Program are to lower the price of ZE trucks to be comparable to their diesel truck counterparts, the Voucher Incentive Program will need to be flexible to account for increases in truck prices from these types of advances in technology. In addition, the Voucher Incentive Program should attempt to match any changes made in the CARB HVIP Program funding amount.

² <https://californiahvip.org/vehicle-category/heavy-duty/>

³ <https://californiahvip.org/purchasers/>

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Staff requests the Board provide authorization of the Executive Director, or his designee, to:

- Approve Port of Los Angeles Zero-Emission Truck Incentive Voucher Program Request Forms (Transmittal 2) in the amount of \$150,000 or the cost of the ZE truck, whichever is lower;
- Authorize increasing funding amounts up to \$300,000 in the following instances:
 - a) New, more expensive technology, such as hydrogen, emerges and becomes part of the CARB's eligible HVIP vehicles; or
 - b) CARB increases HVIP voucher funding amounts.

CALSTART Agreement – Staff proposes that the Harbor Department enter into an agreement with CALSTART to administer the Voucher Incentive Program, which is modeled after the successful CARB HVIP Program. The proposed Agreement will leverage the existing HVIP Program agreement between CARB and CALSTART. Initially \$40 million from the CTF will be disbursed by CALSTART for vouchers. If the Voucher Incentive Program is successful, Harbor Department staff may request the Board to approve additional CTF funding to the Voucher Incentive Program ahead of the annual CTF spending plan disbursement.

CALSTART releases the CARB HVIP incentive funding to the trucking community on a regular basis throughout the year. In order to take advantage of CARB's outreach to interested parties, POLA's Voucher Incentive Program funds will be made available to the trucking community at the same time as CARB's HVIP Program funds. The Voucher Incentive Program will not stack on top of the HVIP Voucher to increase the funding for a ZE truck. POLA may request that CALSTART distribute POLA Vouchers outside of CARB HVIP funding distribution times. In doing so, the Voucher Incentive Program will not be restricted by the CARB HVIP Program funding plan timeline.

Under the proposed Agreement, CALSTART will coordinate and process vouchers and track Voucher Incentive Program funding for a term of three years (Transmittal 1). Since CALSTART is already compensated by CARB to manage the HVIP Program, CALSTART will manage POLA'S Voucher Incentive Program at no charge to the Harbor Department.

CALSTART will create electronic versions of the Voucher Incentive Program Request and Payment Forms for use by prospective participants to apply to the Program (Transmittals 2 and 3).

Staff requests that the Board authorize the Executive Director, or his Designee, to approve Voucher Incentive Program Request Forms (Request Form) and Voucher Incentive Program Payment Forms (Payment Form) without additional Board action. The Request Form is an application form and acts as a voucher, and upon approval by the Department, reserves CTF money for a ZE truck purchase. The Payment Form serves as

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an invoice for Harbor Department staff to initiate the release of funds reserved by the Request Form upon delivery of the truck to a Program participant.

ENVIRONMENTAL ASSESSMENT:

The proposed action is an agreement between the City of Los Angeles Harbor Department and CALSTART to administer the Port of Los Angeles Voucher Incentive Program. This is an administrative action that will distribute monies for the purchase of ZE trucks that will provide drayage services to the San Pedro Bay Ports. This action is an activity where it can be seen with certainty that there is no possibility of a significant adverse effect on the environment and an administrative activity.

Therefore, the Director of Environmental Management has determined that the proposed action is generally and administratively exempt from the requirements of CEQA in accordance with Section 15061(b)(3) of the State CEQA Guidelines and Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

CALSTART is being compensated by CARB for their services in administering the CARB HVIP Program. Since CALSTART already performs the same work for the CARB HVIP Program, CALSTART has agreed to administer the Voucher Incentive Program at no cost to the Harbor Department. CARB has given CALSTART approval to provide the Harbor Department administrative services through their own agreement.

Initially \$40 million of the CTF money will be allocated for the Voucher Incentive Program towards the purchase of ZE trucks. If the Voucher Incentive Program is successful, Harbor Department staff may request the Board to approve additional CTF funding to the Voucher Incentive Program ahead of the annual CTF spending plan disbursement. The Board may be requested to modify future funding amounts, both to individual participants and the Voucher Incentive Program as a whole, for issues including, but not limited to incentive fund expenditures, other source contributions to funding pools, stakeholder input, and future state and federal regulations.

It is anticipated that \$2 million will be expended in the first fiscal year beginning Fiscal Year 2022/23 and will increase every year until the funds are exhausted. Funds for the Voucher Incentive Program will be available in Account 59966 (Clean Truck Program Subsidies), Center 0330 (Environmental Management), Program 000 (Base Budget).

CITY ATTORNEY

The Office of the City Attorney has reviewed and approved the proposed Agreement as to form and legality.

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TRANSMITTALS:

1. Agreement between the City of Los Angeles Harbor Department and CALSTART, Inc. for the Port of Los Angeles Zero-Emission Truck Incentive Voucher Program
2. Port of Los Angeles Zero-Emission Truck Incentive Voucher Program Request Form
3. Port of Los Angeles Zero-Emission Truck Incentive Voucher Program Payment Form

FIS Approval: MB
CA Approval: SO



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