

**DATE: APRIL 4, 2023**

**FROM: ENVIRONMENTAL MANAGEMENT**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - SECOND AMENDMENT TO AGREEMENT NO. 19-3639 WITH THE CALIFORNIA AIR RESOURCES BOARD FOR THE ZERO EMISSION SHORE TO STORE DEMONSTRATION PROJECT**

**SUMMARY:**

Staff requests approval of the Second Amendment to the California Air Resources Board (CARB) Grant Agreement No. 19-3639 to fund the zero emissions “Shore to Store” Demonstration Project (Project). The Second Amendment revises milestone deadlines and reallocates funding between budget items among subrecipient partners to account for actual spending over the life of the Project without increasing the total grant amount from CARB. All other terms and conditions remain the same. The City of Los Angeles Harbor Department (Harbor Department) will not commit any additional funding under this proposed Second Amendment.

**RECOMMENDATION:**

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 administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the Second Amendment to Agreement No. 19-3639 between the City of Los Angeles Harbor Department and the California Air Resources Board to revise milestone deadlines, and reallocate budget line items for the Shore to Store Demonstration Project;
3. Authorize the Executive Director to execute and the Board Secretary to attest to said Second Amendment for and on behalf of the Board; and
4. Adopt Resolution No. \_\_\_\_\_.

**SUBJECT: SECOND AMENDMENT TO AGREEMENT NO. 19-3639 WITH CARB**

**DISCUSSION:**

Background/Context – On March 7, 2019, the Board accepted a grant award from CARB in the amount of \$41,122,260 and approved Grant Agreement No. 19-3969 to develop and demonstrate equipment and to administer the Project. On September 5, 2019, the Board approved subrecipient agreements with Kenworth, POH, and NREL. On July 23, 2020, the Board approved a subrecipient agreement with Shell. On April 1, 2021, the Board approved a funding agreement with the South Coast Air Quality Management Department (SCAQMD) to receive \$1,000,000 to support the construction of the zero-emission hydrogen fuel cell trucks manufactured by Kenworth as well as an amended Grant Agreement No. 19-3639 to extend the term of the Project.

“Shore to Store” Project Summary – The Harbor Department is partnering with world-leading original equipment manufacturers, Kenworth, Shell, and Toyota Motor North America (Toyota) to establish a new forward-looking zero-emissions framework for future goods movement throughout Southern California and beyond. The Project focus is on providing critical regional hydrogen fueling infrastructure for short, medium, and especially long-haul drayage provided by 10 zero emission hydrogen fuel cell drayage trucks. The Shore to Store Project showcases a complete zero emission supply chain from the time that a ship arrives at the Port of Los Angeles (Port) until it reaches its final storefront destination. Additionally, the Project is designed to expand into a statewide system serving Southern California and someday the entire state. Finally, the Project provides an opportunity for the POH to demonstrate two zero emissions battery electric yard tractors at its facility 60 miles north of the Los Angeles metropolitan area and support the deployment of a mobile zero emission ship-to-shore crane.

First Amendment - The First Amendment, approved by the Board on April 1 2021, incorporated new contract language from CARB, extended the Project timeline to March 30, 2023 and the contract expiration date to May 15, 2023, and adjusted the Project milestones to reflect the delay impacts to the Project from the COVID-19 pandemic.

Proposed Second Amendment - The proposed Second Amendment adjusts the budget allocations within the Project to accurately reflect the expenditures by Project participants, without any change to the original total CARB grant amount of \$41,122,260. Exhibit B to the Second Amendment reallocates \$1,856,759 of unspent funds from Kenworth’s budgeted tasks to cover increased actual costs by two project partners: \$148,000 to NREL for hybrid-electric crane analysis and final report tasks<sup>1</sup> and \$1,708,759 to POH for Zero-emission Infrastructure Construction tasks.<sup>2</sup> The Second Amendment also

---

<sup>1</sup> At the January 26, 2023 Board meeting, the Board approved Second Amendment to Agreement No. 23-3685-B, which increased NREL’s compensation by \$148,000 to cover increased costs. At the board meeting, Vice President Renwick expressed concern regarding the Harbor Department funding such overruns. This reallocation of another Project partner’s cost savings fully covers such amount.

<sup>2</sup> A separate Board action requests Board approval of a proposed Amendment to Subrecipient Agreement No. 19-3864 which increases Port of Hueneme’s compensation by \$1,708,759 to cover increased costs for zero-emission infrastructure. This reallocation of another Project partner’s cost savings covers a major portion of such increases, the rest of which will be covered by POH as additional match share.

**SUBJECT: SECOND AMENDMENT TO AGREEMENT NO. 19-3639 WITH CARB**

incorporates additional new contract language from CARB that has been developed since the First Amendment was executed.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of the Second Amendment to the Agreement with CARB for the proposed Project, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

Approval of the proposed Amendment will update the Project budget and milestones to adjust funds amongst subrecipients to account for actual spending over the course of the Project. The overall reimbursable costs Kenworth incurred totaled \$1,856,759 less than originally budgeted. Of those funds, \$148,000 will be reallocated to tasks being provided by NREL, and the remaining \$1,708,759 will be moved to tasks being performed by POH. There is no financial impact to the Harbor Department.

The table below summarizes the total CARB funding reallocated to project participants:

<b>Participants</b>	<b>CARB Funds</b>	<b>Reallocation</b>	<b>Updated CARB Funds</b>
Kenworth	\$20,430,000	(\$1,856,759)	\$18,573,241
Shell	\$17,100,000	\$0	\$17,100,000
POH	\$3,000,000	\$1,708,759	\$4,708,759
NREL	\$592,260	\$148,000	\$740,260
<b>TOTAL</b>	<b>\$41,122,260</b>	<b>\$0</b>	<b>\$41,122,260</b>

Matching funds and in-kind contributions required under CARB Grant Agreement No. 19-3639 have been incurred and provided by Kenworth, Shell, Toyota, POH, the truck companies that demonstrated the vehicles, and the SCAQMD.

**CITY ATTORNEY:**

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

DATE: APRIL 4, 2023

PAGE 4 OF 4

SUBJECT: SECOND AMENDMENT TO AGREEMENT NO. 19-3639 WITH CARB

**TRANSMITTAL:**

1. Second Amendment to Agreement No. 19-3639

FIS Approval: *MB*  
CA Approval: *JC*



CHRISTOPHER CANNON  
Director of Environmental Management

*Michael DiBernardo*

MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:

*Marla Bleavins*

EUGENE D. SEROKA  
Executive Director

CC/mrx  
AUTHOR: J. GOLDBERG

FILE: Y:\ADMIN\BOARD REPORTS\AIR QUALITY\GRANTS\CARB - ZANZEFF\ZANZEFF\GRANT AGREEMENT AMENDMENT 2\Environmental\_CARB\_ZANZEFF  
Amendment 2\_Board Report - FINAL.docx  
UPDATED: 04/4/2023 2:37PM - MRX