



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: OCTOBER 13, 2011

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - TECHNOLOGY ADVANCEMENT PROGRAM GRANT AGREEMENT FOR THE JOHNSON MATTHEY, INC. DIESEL PARTICULATE FILTER SWITCHER LOCOMOTIVE DEMONSTRATION PROJECT AND COSTSHARE AGREEMENT WITH THE PORT OF LONG BEACH

SUMMARY:

The Clean Air Action Plan (CAAP) Technology Advancement Program (TAP) Advisory Committee (AC) has reviewed and recommended partial funding for California Air Resources Board (CARB) verification of emissions reductions from the Johnson Matthey, Inc. (Johnson Matthey) Tier IV Diesel Particulate Filter (DPF) Switcher Locomotive Demonstration Project (Project). The Project is designed to reach Tier IV emissions standards for an 85% reduction of particulate matter (PM) with additional carbon monoxide and hydrocarbon reductions. The total cost of verification is \$304,778. The recommended TAP funding amount is \$150,000, which will be shared equally by the City of Los Angeles Harbor Department (Harbor Department) and the Port of Long Beach (POLB), in the amount of \$75,000 each. The remaining balance of \$154,778 will be covered by Johnson Matthey (Malvern, Pennsylvania).

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve the Technology Advancement Program Grant Agreement with Johnson Matthey, Inc. for a not-to-exceed amount of \$150,000;
2. Approve the Supplemental Cost Share Agreement between the Harbor Department and the POLB for the reimbursement of \$75,000 from the POLB to the Harbor Department as established by the Clean Air Action Plan Master Cost Share Agreement No. 2546;
3. Authorize the Executive Director to execute and the Board Secretary to attest to said Agreement with Johnson Matthey, Inc.;

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4. Authorize the Executive Director to execute and the Board Secretary to attest to said Supplemental Cost Share Agreement between the Harbor Department and Long Beach; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background - In May 2010, the Harbor Department applied for funding from the CARB Assembly Bill (AB) 118 Air Quality Improvement Program (AQIP) on behalf of Johnson Matthey to demonstrate a Tier IV DPF Retrofit System on a 2,100 horsepower Tier III Genset Switcher Locomotive operated by Union Pacific Railroad. The system is designed to reach Tier IV emissions standards for PM (85% PM reduction) with additional carbon monoxide and hydrocarbon reductions. The Harbor Department was awarded \$346,178 for the Project. The Harbor Department has entered into Agreement No. 10-2919 with CARB to accept and administer \$346,178, of which \$20,000 has been allocated to Harbor Department staff grant administration. Additionally, the Harbor Department has entered into a Subrecipient Agreement (No. 10-2920) with Johnson Matthey to disburse the grant funds.

Project Description - In order for the emissions reductions from this demonstration Project to be accepted by regulatory agencies, the technology needs to be verified. To get this verification, the technology must undergo emissions testing under CARB approved methodologies. The estimated cost of verifying the Johnson Matthey DPF system is \$304,778. However, AB 118 grants do not cover the cost of verification. Since funding for emissions testing is consistent with the goals of the TAP to accelerate the verification or commercial availability of new, clean technologies, staff recommends the Board of Harbor Commissioners (Board) approve the Grant Agreement (Transmittal 1) between the Harbor Department and Johnson Matthey in the amount of \$150,000. \$75,000 of this amount will be reimbursed through the Supplemental Cost Share Agreement (Transmittal 2) between the Harbor Department and the POLB for reimbursement of \$75,000.

Verification expenses include emissions testing, labor hours associated with gathering and analyzing emissions data, and also generation of all reports documenting the testing results, which have been detailed in the Project budget provided by Johnson Matthey (Transmittal 3). Johnson Matthey, through the TAP, has requested funding to pay for half of the verification cost. The TAP AC has recommended funding in the amount of \$150,000 to help fund the verification.

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Cost Sharing of Project - In June 2007, the Harbor Department and the POLB (Ports) executed the Clean Air Action Plan Master Cost Share Agreement No. 2546 (Transmittal 4) to establish a cost sharing arrangement for all joint, non-legal CAAP expenditures. In accordance with the provisions of this CAAP Master Cost Share Agreement, a draft Supplemental Cost Share Agreement between the Ports is being submitted for approval. This Supplemental Cost Share Agreement identifies the Harbor Department as the contracting port and establishes that the costs associated with the Project will be shared equally by the Ports. Up to \$75,000 of Project funding would be reimbursed by the POLB to the Harbor Department.

ENVIRONMENTAL ASSESSMENT:

The proposed action is an Agreement between the Harbor Department and Johnson Matthey to fund half of the CARB verification for the Locomotive DPF Demonstration Project consistent with the CAAP's TAP. It also includes a Supplemental Cost Share Agreement between the Harbor Department and POLB for the reimbursement of half of the funding furnished by the Harbor Department. As such, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II, Section 2(d) and 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Upon Board approval, funding for this Cost Share Agreement in the amount of \$150,000 will be requested in the fiscal year 2012/13 Operating Budget, in Account 59965, Center 0330, Program No. 000 (Technology Advancement Program). The POLB is expected to reimburse the Harbor Department 50 percent of this amount, or \$75,000, as part of the pending cost share agreement between both ports, leaving the Harbor Department's cost share amount for verification of emissions reductions at \$75,000. This cost share is in addition to the previously Board approved cost share for the demonstration Project discussed herein.

ECONOMIC BENEFITS:

This Board action will have minimal economic impact (less than one full-time-equivalent direct job) in the five-county region.

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CITY ATTORNEY:

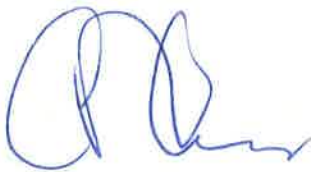
The Office of the City Attorney has reviewed and approved the Agreements as to form and legality.

TRANSMITTALS:

1. Proposed Grant Agreement between the Port of Los Angeles and Johnson Matthey
2. Proposed Cost Share Agreement between the Cities of Los Angeles and Long Beach
3. Johnson Matthey Project Budget
4. Clean Air Action Plan Master Cost Share Agreement No. 2546

FIS Approval: ep (initials)

CA Approval: gk (initials)



CHRISTOPHER CANNON
Director of Environmental Management



MICHAEL R. CHRISTENSEN
Deputy Executive Director

APPROVED:



GERALDINE KNATZ, Ph.D.
Executive Director