THE PORT OF LOS ANGELES

Executive Director's Report to the Board of Harbor Commissioners

DATE: **DECEMBER 21, 2011**

FROM: **ENVIRONMENTAL MANAGEMENT**

SUBJECT: **RESOLUTION NO. _____ - GRANT ACCEPTANCE - PROPOSITION 1B – GOODS MOVEMENT EMISSION REDUCTION PROGRAM COOPERATIVE AGREEMENT WITH THE SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT FOR THE IMPLEMENTATION OF SHORE-SIDE ELECTRIC POWER FOR TEN BERTHS**

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department) has been awarded up to $25 million of grant reimbursement funding from the Proposition 1B – Goods Movement Emission Reduction Program (Prop 1B) to install Alternative Maritime Power (AMP) at ten berths at the Port of Los Angeles for up to $2.5 million per berth. Based on preliminary estimates and analysis of the eligible costs, the Harbor Department will be eligible to receive $23.7 million of the available funding to offset a portion of the total cost of $68.5 million for the ten berths. The money will be provided to the Harbor Department upon demonstration that a project is completed. The South Coast Air Quality Management District (SCAQMD) has been designated as the fiduciary agency for the grant and therefore the Harbor Department is required to enter into an agreement with SCAQMD to receive the funds. Per this Agreement, the Harbor Department commits to using AMP at each Prop 1B berth for at least ten years and at a specified minimum percentage per year. If the minimum percentages are not met, the Harbor Department must return a prorated portion of the Prop 1B funds to the SCAQMD.

RECOMMENDATION:

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

1. Approve in substantial form the Agreement 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;

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 - The Proposition 1B - Goods Movement Emission Reduction Program, 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 10 percent more shore-power calls than what is required by regulation.

In June 2010, CARB awarded $200 million in available Fiscal Year 2008/2009 funds primarily to truck and vessel/cargo handling equipment projects. Smaller allocations were made to 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. In February 2011, the Harbor Department submitted an application that included fourteen berths; however, due to construction timing and other factors the number of berths was subsequently reduced to ten.

Program Award - The Harbor Department was awarded a grant to help fund the installation of AMP capabilities at ten container berths. The grant will provide up to $2.5 million per berth for a total of $25 million. In order to receive the funds, the Harbor Department must enter into an agreement with SCAQMD (Transmittal 1), which will allow reimbursement of up to 50% of Harbor Department's eligible costs once the projects are completed and pass post-inspection. Eligible costs include but are not limited to design, engineering, power upgrade equipment, transformers, switchgear, vaults, connectors, pull boxes, conduits, conductors, cable reels, cables, power control equipment, and high-voltage cables. Based on preliminary estimates and analysis of the eligible costs, the Harbor Department will be eligible to receive $23.7 million of the available Prop 1B reimbursement funding to offset a portion of the total cost of $68.6 million for the ten berths. The berths proposed for Prop 1B reimbursement funding are West Basin Container Terminal (berths 121, 126), Yusen Terminal (berths 212, 216), Seaside Terminal (berth 227), and Pier 400 (berths 401, 402, 403, 404, and 405).

In order to receive full reimbursement, the Harbor Department must demonstrate Prop 1B funded projects are completed and pass post-inspection by the SCAQMD by December 31, 2013. A one year extension may be granted to complete and demonstrate operability for a ten percent reduction in Prop 1B funding for that berth.

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.

	Minimum AMPed Vessel Calls Required	
Years	**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 berthing plans. Failure to meet the minimum usage requirements would require the Harbor Department 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.

CARB Shore Power Regulation Readiness - Prior to Prop 1B funding availability, the Harbor Department was scheduled to complete twenty-six AMP installations for shipping lines to prepare for compliance with the CARB shore power regulation that becomes effective on January 1, 2014. Nine of the twenty-six berths are scheduled to be operational in calendar year 2012. All ten Prop 1B funded berths are scheduled to be shore power ready by December 31, 2013.

Emission Reductions - The expected emission benefit over the life of this Agreement is estimated to be 85 tons of particulate matter (PM) and 4,972 tons of nitrogen oxide (NOx). The AMP equipment funded under Prop 1B is expected to operate beyond the ten-year term of this Agreement, which will provide additional long-term emission reduction benefits at the Port of Los Angeles and the region.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Agreement between the SCAQMD and the Harbor Department for acceptance of grant funds under the Proposition 1B - Goods Movement Emission Reduction Program for the installation of AMP at ten berths. 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 California Environmental Quality Act (CEQA) in accordance with Article III, Class 1(6) of the Los Angeles City Guidelines.

FINANCIAL IMPACT:

Acceptance of the Prop 1B grant commits the Harbor Department to install AMP equipment and infrastructure at ten berths to allow ships to shut down their auxiliary engines and plug into grid-based electricity. The total infrastructure costs of $68.6 million will be paid through Harbor Department Capital Improvement Funds. The Harbor Department will be reimbursed $23.7 million from the grant upon successful demonstration of plugging in a ship to grid-based electricity. Reimbursements will occur in Fiscal Year 13/14.

Relating to the remaining costs of $44.9 million, the Harbor Department usually recovers investments through revenues generated by charges negotiated with the terminal operator. As revenues are a function of rates and cargo volumes, the installation of AMP does not directly contribute to the greater efficiency of cargo volume generation. However, because AMP is a requirement under California state law, the costs must be expended. It may be possible to recover the AMP investment through rent adjustments, however, whether that is possible will depend on discussions with individual operators for which AMP will be installed.

The cost and reimbursement for each berth is as follows:

Berth	121	126	212	216	227	401	402	403	404	405	**Total**
Total Berth Cost	$7.5M	$7.5M	$5.8M	$5.8M	$7.0M	$7.0M	$7.0M	$7.0M	$7.0M	$7.0M	**$68.6M**
Prop 1B	$2.5M	$2.5M	$2.5M	$2.5M	$2.5M	$2.45M	$2.45M	$2.45M	$1.9M	$1.9M	**$23.7M**
Remaining Cost	$5.0M	$5.0M	$3.3M	$3.3M	$4.5M	$4.55	$4.55	$4.55	$5.1M	$5.1M	**$44.9M**

ECONOMIC BENEFITS:

Approval of the proposed Agreement will have no employment impact. However, spending on AMP installations and infrastructure associated with this Agreement will support 556 direct one-year equivalent jobs for the five-county region.

SUBJECT: PORT OF LOS ANGELES PROPOSITION 1B GRANT ACCEPTANCE

CITY ATTORNEY:

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

TRANSMITTAL:

1. SCAQMD Agreement

FIS Approval: BR (initials)
CA Approval: CRB (initials)

FOR CHRISTOPHER CANNON
Director of Environmental Management

MICHAEL R. CHRISTENSEN
Deputy Executive Director

APPROVED:

FOR

GERALDINE KNATZ, Ph.D.
Executive Director

AUTHOR: CARTER ATKINS
BOARD MEETING: 01/05/12

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