



THE PORT
OF LOS ANGELES
Executive Director's
Report to the

Board of Harbor Commissioners

DATE: NOVEMBER 9, 2016

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF A TECHNOLOGY ADVANCEMENT PROGRAM COST SHARE AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND THE PORT OF LONG BEACH TO FUND THE DEVELOPMENT AND DEMONSTRATION OF A NEAR-ZERO EMISSIONS LOCOMOTIVE WITH VERAIL TECHNOLOGIES, INC.

SUMMARY:

Staff requests approval of the Cost Share Agreement between the City of Los Angeles Harbor Department (Harbor Department) and the Port of Long Beach (POLB) to fund a Clean Air Action Plan (CAAP) Technology Advancement Program (TAP) project with VeRail Technologies, Inc. (VeRail) located in Reno, Nevada, to develop and demonstrate a near-zero, natural-gas-powered, emission locomotive (Project). The Project will be specifically designed to meet the current requirements for port railcar switching activities as well as California Air Resources Board (CARB) Tier 4+ locomotive engine emission standards. The recommended funding amount of \$600,000 will be shared equally between the Harbor Department and POLB in a contract to be entered into between POLB and VeRail. The proposed action is to approve a Cost Share Agreement with POLB for a term of three years, under which the Harbor Department will reimburse POLB half of the Project costs in the amount of \$300,000.

RECOMMENDATION:

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

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II, Section 2(f) and Article III, Class 6(2) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve the Cost Share Agreement between the City of Los Angeles Harbor Department and the Port of Long Beach for the reimbursement of \$300,000 for the VeRail Natural Gas Locomotive Project;

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3. 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
4. Adopt Resolution No. _____.

DISCUSSION:

Background/Context - On November 20, 2006, during a joint meeting between the Ports of Los Angeles and Long Beach (Ports) Boards of Harbor Commissioners, the 2006 San Pedro Bay Ports CAAP was adopted. A significant initiative of the CAAP is the TAP, which is the catalyst for identifying, evaluating, and demonstrating new and emerging emissions reduction technologies applicable to the port industry that could be utilized in future updates to the CAAP as new control measures, alternatives to existing measures, or as additional mitigation options for new projects. A CAAP Technology Advancement Program (TAP) Advisory Committee comprised of the United States Environmental Protection Agency (EPA), CARB, and the South Coast Air Quality Management District (AQMD), along with both Ports, meets regularly to review and recommend projects for funding.

The proposed advanced locomotive development and demonstration project received CAAP TAP Advisory Committee approval, and supports the Harbor Department's goals and efforts to advance near-zero and zero emission technologies in order to reduce air pollution from operations occurring in and around the Port of Los Angeles.

VeRail Technologies, Inc. (VeRail) Project Description - The proposed Project, VeRail's Natural Gas Locomotive Project, will develop and demonstrate a 2,100 Horsepower near-zero emission switcher locomotive. This locomotive will combine near-zero emission locomotive engines with on-board high storage capacity compressed natural gas (CNG) fuel storage, alongside backup diesel-fueled gen-sets that would only be used for peak power needs and as a safety backup should the natural gas system malfunction. The project partners are VeRail and Pacific Harbor Line (PHL), the Ports current railcar switching operator. If shown to be successful, this technology could potentially be applied to the larger line-haul locomotives in the future.

The Project will include the design and development of the locomotive, as well as extensive emissions and durability testing, and a one year demonstration to be carried out by PHL. The demonstration will include at least 3,000 hours of operation, as required by CARB for verification that the locomotive achieves the cleanest switcher locomotive engine emission standards, also known as "Tier 4+" standards.

Cost Share - In June 2007, the Harbor Department and the POLB executed the CAAP Master Cost Share Agreement No. 2546 (Transmittal 1) to establish a cost sharing

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arrangement for TAP projects. In accordance with the provisions of this Master Cost Share Agreement, the Cost Share Agreement between the Harbor Department and POLB is being submitted for approval (Transmittal 2).

The total cost of the Project is \$600,000 shared equally by the Harbor Department and POLB. The cost share agreement identifies POLB as the lead port who will contract directly with VeRail. VeRail will submit invoices to POLB based on TAP Project milestones. POLB will subsequently submit invoices to the Harbor Department for reimbursement of one half the amounts paid by POLB to VeRail. The term of the Cost Share Agreement is three years.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the Cost Share Agreement with the POLB for funding of the CAAP TAP project. As an administrative activity and testing/demonstration of a new technology, 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(f) and Article III, Class 6(2) of the City of Los Angeles CEQA Guidelines.

FINANCIAL IMPACT:

The proposed action is to approve the Cost Share Agreement with the POLB for funding of the CAAP TAP project. The total cost for the Project is \$600,000. The Ports will share equally in the costs associated with the Project. As the lead agency, POLB will enter into an agreement with VeRail to implement the Project, and a cost share agreement with the Harbor Department to reimburse POLB for its share of \$300,000. Fiscal Year 2016/17 Funds in the amount of \$150,000 for the Project are available in Account 59965 (Incentives), Center 0330 (Environmental Management Division), Program. Future Fiscal Year funds in the amounts of \$75,000 and \$75,000 will be requested to be budgeted for Fiscal Year 17/18 and Fiscal Year 18/19, respectively, as part of the annual budget adoption process, upon Board approval.

The Harbor Department's financial obligations after the current fiscal year are contingent upon the Board's appropriation of funds. If any subsequent fiscal year funds are not appropriated by the Board for the work required by the Cost Share Agreement, the Cost Share Agreement may be terminated. However, such termination shall not relieve the parties of liability for any obligations previously incurred. Future year funds will be requested to be budgeted through the Harbor Department's annual budgeting process, upon Board approval.

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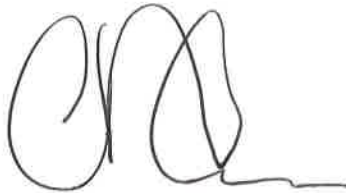
CITY ATTORNEY:

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

TRANSMITTALS:

1. Master Cost Share Agreement with the Port of Long Beach
2. Cost Share Agreement with the Port of Long Beach

FIS Approval: MB (initials)
CA Approval: MB (initials)



CHRISTOPHER CANNON
Director of Environmental Management

Michael DiBernardo
MICHAEL DIBERNARDO
Deputy Executive Director

APPROVED:



FOR
EUGENE D. SEROKA
Executive Director

CC:yo
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