



DATE: JULY 15, 2020

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF SUBRECIPIENT AGREEMENT WITH SHELL OIL PRODUCTS US FOR THE ZERO EMISSION SHORE TO STORE DEMONSTRATION PROJECT GRANT WITH THE CALIFORNIA AIR RESOURCES BOARD

SUMMARY:

Staff requests approval of the proposed Subrecipient Agreement with Equilon Enterprises LLC dba Shell Oil Products US (Shell) to perform its part of the California Air Resources Board (CARB) grant funded zero emissions "Shore to Store" Demonstration Project (Project). On March 7, 2019, the Board of Harbor Commissioners (Board) accepted a grant award from the California Air Resources Board (CARB) and approved Grant Agreement No. 19-3969 in the amount of \$41,122,260 to administer the Project. Through this Project, the City of Los Angeles Harbor Department (Harbor Department) is partnering with Kenworth Truck Company (Kenworth), the Port of Hueneme (POH), the National Renewable Energy Laboratory (NREL), and Shell to develop and demonstrate on-road hydrogen fuel cell and off-road battery electric zero emissions vehicles, together with supporting fueling infrastructure. On September 5, 2019, the Board approved Subrecipient Agreements with each of the Project partners with the exception of Shell because the Shell agreement was still being negotiated and was only recently finalized. The Harbor Department's responsibility under the proposed Subrecipient Agreement is limited to Project administration and pass-through of grant funds.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

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 Subrecipient Agreement between the City of Los Angeles Harbor Department and Equilon Enterprises LLC dba Shell Oil Products US to perform its portion of the Shore to Store Demonstration Project;

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3. Authorize the Executive Director to execute and the Board Secretary to attest to said Subrecipient Agreement with the California Air Resources Board for and on behalf of the Board; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – On March 7, 2019, the Board accepted a grant award under the Zero and Near Zero Emission Freight Facilities (ZANZEFF) program from CARB in the amount of \$41,122,260 and approved Grant Agreement No. 19-3969 (Exhibit A of the proposed Subrecipient Agreement) to administer the Project. On September 5 2019, the Board approved Subrecipient agreements with Kenworth, POH, and NREL. At the time, staff indicated that the agreement with Shell was still in the negotiation process. The proposed Agreement is now ready for approval, and is the last agreement needed to contractually obligate all project partners to carry out the Project. Following the COVID-19 crisis, a timeline amendment to the main contract is being developed and will be brought to the Board for consideration once ready.

Shore to Store Demonstration 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 will be 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. It will showcase 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 not only Southern California but someday the entire state. Finally, the Project provides an opportunity for the POH to demonstrate zero emissions battery electric yard tractors at its facility 60 miles north of the Los Angeles metropolitan area.

Shell Agreement – Staff is requesting that the Board approve the proposed Subrecipient Agreement with Shell for their role in the Project. Shell will receive \$17,100,000 in grant funding to construct and operate two heavy-duty hydrogen fueling stations. Shell will be responsible for providing \$13,400,000 in match share contributions in costs to construct these two stations, and an additional station being built as part of another project in the Port of Long Beach. The first station will be built near the Port in Wilmington, CA, and the other will be constructed approximately 60 miles from the Port in Ontario, CA adjacent to warehouses that the trucks will be delivering to in the Inland Empire.

This proposed Subrecipient Agreement incorporates and requires compliance with CARB Grant Agreement No. 19-3969. Work under this proposed Subrecipient Agreement will be conducted at various sites, outside of Port property, owned and operated solely by the

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Project partners. The Harbor Department's responsibility under the proposed Subrecipient Agreement is limited to project administration and pass-through of grant funds. Any shortfall in budget allocations or scheduling for completion of tasks under CARB Grant Agreement No. 19-3969 will be the responsibility of the respective partner undertaking that task.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the Subrecipient Agreement with Equilon Enterprises LLC dba Shell to perform its part of the CARB "Shore to Store" 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:

Project Budget – The \$41,122,260 CARB grant award and \$41,426,612 in cost share funds will be spent over a two-year period ending June 2022. This schedule requires an amendment to CARB Grant Agreement No. 19-3969, which is currently in development and will be brought to the Board for approval at a later date. Kenworth, Shell, POH, and NREL will be receiving funding through this grant. Matching funds and in-kind contributions required under this grant will be provided by Kenworth, Shell, Toyota, POH, the truck companies that will demonstrate the vehicles, and the SCAQMD. The Harbor Department will not commit any additional funding to this Project beyond its staff time and resources to act as Project Manager, including ensuring all project deliverables are completed in accordance with the CARB Grant Agreement No. 19-3969.

The table below summarizes the total cost and funding commitments by all participants:

Participants	CARB Funds	Match Funds	TOTAL
Kenworth	\$20,430,000	\$1,300,000	\$21,730,000
Toyota	\$0	\$9,741,848	\$9,741,848
Shell	\$17,100,000	*\$13,400,000	\$30,500,000
POH	\$3,000,000	\$200,000	\$3,200,000
TTSI	\$0	\$545,433	\$545,433
SCE	\$0	\$310,000	\$310,000
UPS	\$0	\$930,000	\$930,000
SCAQMD	\$0	\$1,000,000	\$1,000,000
NREL	\$592,260	\$0	\$592,260
Harbor Department	\$0	*\$13,999,331	\$13,999,331
TOTAL	\$41,122,260	\$41,426,612	\$82,548,872

*These totals include the CEC previously funded grant projects counted as in-kind match share.

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As match funding under Grant Agreement No. 19-3969, the Harbor Department will contribute the ongoing demonstrations at Everport, and Shell will contribute a separately committed hydrogen fueling station at the Port of Long Beach. Each of these projects have been partially funded under separate grants from the California Energy Commission (CEC), and the table below summarizes these projects in-kind contributions included by Shell and the Harbor Department:

CEC Project Title	Grantee	Total Project Value
H2 Freight Project	Shell	\$12,000,000
Everport Advanced Yard Tractor Demonstration	Harbor Department	\$7,237,000
Everport Advanced Cargo Handling Demonstration		\$6,762,331

Grant funds will be expended over the following schedule:

FY2019/2020	\$ 240,083
FY2020/2021	\$39,715,341
FY2021/2022	\$ 1,166,836
TOTAL	\$41,122,260

The Harbor Department will pay invoices received from Kenworth, Shell, and POH only after grant funds are received from CARB. NREL, as a federal government agency, required an advance payment of \$135,000 and will bill on a monthly basis thereafter.

For administrative purposes, CARB grant funds related to the Project will be recorded as non-operating revenues within Account 76084. Kenworth, Shell, POH and NREL invoices would then be subsequently paid via Account 89097, Center 6000, Program 000. Future year funds will be requested to be budgeted through the Harbor Department's annual budgeting process, upon Board approval.

CITY ATTORNEY:

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

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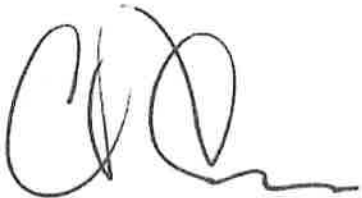
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TRANSMITTALS:

1. Subrecipient Agreement with Equilon Enterprises LLC dba Shell Oil Products US

FIS Approval: 
CA Approval: 



CHRISTOPHER CANNON
Director of Environmental Management


MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

 FOR

EUGENE D. SEROKA
Executive Director

CC/yo
AUTHOR: J. GOLDBERG

FILE: Y:\ADMIN\BOARD REPORTS\AIR QUALITY\GRANTS\CARB - ZANZEFF\SUBRECIPIENT AGREEMENT SHELL\Environmental_CARB ZANZEFF Shell
Subrecipient_Board Report - FINAL.docx
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