

DATE: APRIL 12, 2011

FROM: ENVIRONMENTAL MANAGEMENT DIVISION

SUBJECT: RESOLUTION NO. _____ - FIRST AMENDMENTS TO CALIFORNIA AIR RESOURCES BOARD ADVANCED TECHNOLOGY DEMONSTRATION AGREEMENT NO. 10-2920 FOR THE DIESEL PARTICULATE FILTER SWITCHER LOCOMOTIVE DEMONSTRATION PROJECT AND AGREEMENT NO. 10-2919 WITH JOHNSON MATTHEY, INC.

SUMMARY:

On November 18, 2010, the City of Los Angeles Harbor Department (Harbor Department) entered into Agreement No. 10-2920 (Project Grant Agreement) with the California Air Resources Board (CARB) to partially fund the demonstration of a Tier IV Diesel Particulate Matter (DPM) Retrofit System on a Tier III Genset Switcher Locomotive (Project) to be operated by Union Pacific Railroad. The Harbor Department also entered into Agreement No. 10-2919 (Subrecipient Agreement) with Johnson Matthey, Inc. to fulfill the technical aspects of the Project's scope of work. Amendments to the Project Grant Agreement and the Subrecipient Agreement have been made to accommodate changes to the Project schedule and deliverable deadlines, though the total grant amount remains the same. Staff is recommending the Board of Harbor Commissioners (Board) approve the First Amendment to the Project Grant Agreement and the First Amendment to the Subrecipient Agreement.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve the First Amendment to Agreement No. 10-2920 between the Harbor Department and the California Air Resources Board;
2. Approve the First Amendment to Agreement No. 10-2919 between the Harbor Department and Johnson Matthey, Inc.;
3. Authorize the Executive Director to execute and the Board Secretary to attest to said Amendments for and on behalf of the Board; and
4. Adopt Resolution No. _____.

DATE: APRIL 12, 2011

PAGE 2 OF 4

**SUBJECT: FIRST AMENDMENTS TO ADVANCED TECHNOLOGY
DEMONSTRATION DIESEL PARTICULATE FILTER PROJECT
AGREEMENTS**

DISCUSSION:

Background – In 2007, the California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act (AB 118) was signed into law. AB 118 monies are administered by the California Air Resources Board (CARB) and fund clean vehicle and equipment projects, assess air quality impacts of alternative fuels, and promote workforce training.

On May 28, 2010, the Harbor Department and the Port of Long Beach jointly submitted a proposal to CARB for AB 118 grant funding to demonstrate a Tier IV DPM Retrofit System on a 2,100 horsepower Tier III Genset Switcher Locomotive (Project). The Project partners included Johnson Matthey, Inc. (Johnson Matthey), the technology provider, and Union Pacific Railroad (Union Pacific), which will use the retrofit system on a switcher locomotive operating in the San Pedro Bay Ports. The retrofit is expected to achieve greater than 85% DPM reductions from Tier III levels, achieving the U.S. Environmental Protection Agency's Tier IV requirements for DPM, with additional carbon monoxide and hydrocarbon reductions. On November 18, 2010, the Harbor Department entered into the Project Grant Agreement with CARB to fund the Project. The total cost of the Project is \$692,356, with CARB providing \$346,178 in grant funding or 50% of the total cost. The remaining Project costs will be paid by Johnson Matthey and Union Pacific, with \$20,000 of the grant amount allocated to the Harbor Department for grant administration.

Amendment to Project Grant Agreement – CARB has undergone preliminary testing of a Union Pacific switcher locomotive that was identical to specific tasks contained in the original scope of work for this Project. During the Project kick-off meeting on December 10, 2010, the Harbor Department, Project participants Johnson Matthey and Union Pacific, and CARB reached consensus regarding changes to the Project scope of work. Specifically, the parties agreed to remove the baseline emissions testing and the testing of a single Johnson Matthey DPF system on a Union Pacific switcher with a similar engine configuration to the unit identified for this Project. With the proposed changes, the locomotive switcher will undergo complete installation, at the commencement of the Project term, of all three retrofit systems on three Genset engines for the entire length of the demonstration period. The requested changes will likely result in a reduction in the overall costs to Johnson Matthey and Union Pacific in comparison to the original scope. Nevertheless, CARB has directed that the dollar amount of the grants remain the same.

Appropriate modifications to the Project Grant Agreement and description of its provisions are contained in the AQIP Grant Summary and Authorization Form, Amendment No. 1 (Transmittal 1).

DATE: APRIL 12, 2011

PAGE 3 OF 4

**SUBJECT: FIRST AMENDMENTS TO ADVANCED TECHNOLOGY
DEMONSTRATION DIESEL PARTICULATE FILTER PROJECT
AGREEMENTS**

Amendment to Subrecipient Agreement – As the recipient and the fiduciary party of the grant award from CARB, the Harbor Department entered into the Subrecipient Agreement to distribute funds. Similar changes to the Project scope of work will be reflected in the Subrecipient Agreement Amendment (Transmittal 2). Provided that the Subrecipient Agreement was Board approved in tandem with and is subject to the terms of the Project Grant Agreement, an amendment to the Subrecipient Agreement is also required for subsequent approval.

ENVIRONMENTAL ASSESSMENT:

The proposed action is an Amendment to Agreement Nos. 10-2920 and 10-2919 for the CARB AB 118 grant funding for the Project. As an administrative action, 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) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The First Amendments proposed will alter the Project scope of work and schedule but will not alter reimbursement grant amount as memorialized in the CARB and Johnson Matthey Agreements. Johnson Matthey and Union Pacific will continue to be responsible for the entire \$692,356 Project costs, of which \$326,178 is grant reimbursable. The Harbor Department will continue to serve in the capacity of a pass-through agent for reimbursable grant funds under the Subrecipient Agreement and will not commit any costs under these Agreements. The Harbor Department will also be reimbursed up to \$20,000 for acting as fiduciary agent under the CARB Agreement, and this amount is expected to sufficiently cover the Harbor Department's resources committed as fiduciary agent.

The proposed Amendments change the Project scope of work and schedule and will have no financial impact, as the Harbor Department simply serves as a pass-through agent. The total grant amount remains the same and is on track to begin disbursement before the end of fiscal year 2010/11. To date, payment has not been requested for this Project. It is anticipated that grant reimbursements will be requested and funds will be expended as follows:

FY 2010/11	\$ 121,161
FY 2011/12	\$ 225,017
Total	\$ 346,178

DATE: APRIL 12, 2011

PAGE 4 OF 4

SUBJECT: FIRST AMENDMENTS TO ADVANCED TECHNOLOGY DEMONSTRATION DIESEL PARTICULATE FILTER PROJECT AGREEMENTS

ECONOMIC BENEFITS:

Approval of the proposed Amendments will have no direct job impact in the five county region.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved as to form and legality the proposed First Amendment to Agreement No. 10-2920 between the Harbor Department and CARB; and the First Amendment to Agreement No. 10-2919 between the Harbor Department and Johnson Matthey, Inc.

TRANSMITTALS:

- 1. AQIP Amended Grant Summary and Authorization Form, Amendment No. 1
- 2. First Amendment to Agreement No. 10-2919 with Johnson Matthey, Inc.

FIS Approval: *ef*

CA Approval: *TR*

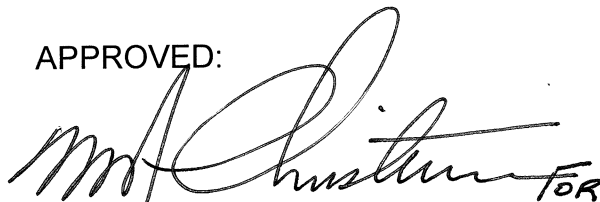


CHRISTOPHER CANNON
Director of Environmental Management



MICHAEL R. CHRISTENSEN
Deputy Executive Director

APPROVED:



GERALDINE KNATZ, Ph.D.
Executive Director

AUTHOR: TUNISIA HARDY
BOARD MEETING: 04/21/2011

FILE: G:_ADMIN_BOARD REPORTS_AIR QUALITY\CARB AQIP\DPF JOHN MATTHEY\PROJECT AMENDMENT\DPF JM 1ST AMENDMENT FINAL.docx

UPDATED: 4/12/2011 2:15 PM LG