



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MAY 30, 2012

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - SECOND 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 (Union Pacific). The Harbor Department also entered into Agreement No. 10-2919 (Subrecipient Agreement) with Johnson Matthey, Inc. (Johnson Matthey), located in Malvern, Pennsylvania, to fulfill the technical aspects of the Project's scope of work. Due to delays in durability and emissions testing, a Second Amendment to the Project Grant Agreement and the Subrecipient Agreement is necessary to allow completion of the Project. The scope of work and the total grant amount remain the same. Staff is recommending the Board of Harbor Commissioners (Board) approve the Second Amendment to the Project Grant Agreement and the Second Amendment to the Subrecipient Agreement extending the original one-year terms by an additional year.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve the Second Amendment to Agreement No. 10-2920 between the Harbor Department and the California Air Resources Board extending the contract term to June 30, 2013;
2. Approve the Second Amendment to Agreement No. 10-2919 between the Harbor Department and Johnson Matthey, Inc. extending the contract term to June 30, 2013;
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: MAY 30, 2012

PAGE 2 OF 4

**SUBJECT: SECOND AMENDMENTS TO CARB AND JOHNSON MATTHEY, INC.
FOR A DPF SWITCHER LOCOMOTIVE DEMONSTRATION PROJECT**

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 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 Air Quality Improvement Program (AQIP) grant funding for the Project. The Project partners included Johnson Matthey, the technology provider, and 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 (EPA) 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.

First Amendment to Project Grant Agreement - In April 2011, the Board approved the first amendment to modify the Project scope of work. Project participants Johnson Matthey, Union Pacific and CARB reached early consensus regarding changes to the original Project scope of work during the December 10, 2010 Project kick-off meeting. Specifically, the parties agreed to remove the baseline emissions testing and proceed with complete installation of all three retrofit systems on three Genset engines for the entire demonstration period.

Second Amendment to Project Grant Agreement - The requirements of the CARB demonstration include operational hour milestones to test the durability of the Johnson Matthey DPF retrofit on a switcher locomotive duty cycle. The switcher unit successfully accrued the first 1,500 engine run hour milestone, and subsequent emissions testing, prior to the end of the Project term (June 30, 2012). Throughout the demonstration period, the Union Pacific switcher locomotive, UPY2755, experienced a number of mechanical failures resulting in periods of service downtime, which significantly delayed the overall Project schedule. The mechanical failures experienced during the demonstration have been deemed unrelated to the installation and independent of the use of the Johnson Matthey DPF retrofit by Union Pacific mechanical staff.

CARB has approved an extension to the original one-year Project term to fulfill the remaining milestones under the AQIP grant. Specifically, the parties agreed to allow another fiscal year to continue in-use service of the test unit to meet the total 3,000 hour objective, plus a second round of emissions testing and development of a final report to summarize results. The requested changes will allow completion of the existing Project scope and will result in reimbursement of the balance of the CARB grant. To date, \$121,161 of the total grant amount has been expended, leaving a balance of \$225,017.

DATE: MAY 30, 2012

PAGE 3 OF 4

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Appropriate modifications to the Project Grant Agreement and description of its provisions are contained in the AQIP Grant Summary and Authorization Form, Second Amendment (Transmittal 1).

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 term will be reflected in the Subrecipient Agreement Second Amendment (Transmittal 2) since 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.

ENVIRONMENTAL ASSESSMENT:

The proposed action is a Second Amendment to Agreement Nos. 10-2920 and 10-2919 with CARB and Johnson Matthey for CARB AB 118 grant funding for the Project to extend the term of the Agreements by one year. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

In November 2010, the Board approved Agreement No. 10-2920 with CARB receiving grant funds in the amount of \$346,178. At the same time, the Harbor Department entered into Agreement No. 10-2919 with Johnson Matthey, Inc. to fulfill the technical aspects of the Project's scope of work. The total Project cost is \$692,356 and is funded by CARB, Johnson Matthey, and Union Pacific.

Both the Project Grant Agreement and Subrecipient Agreement are due to expire on June 30, 2012. Mechanical failures have delayed the completion of the Project. CARB has approved extending the grant by one year. Therefore, this Board item requests approval of a one-year contract extension for both agreements to June 30, 2013.

The total grant from CARB is for \$346,178. To-date, \$121,161 has been received and passed through to Johnson Matthey for implementing the Project. The grant balance of \$225,017 will be requested from CARB within the next year and distributed to Johnson Matthey upon completion of Project milestones.

ECONOMIC BENEFITS:

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

DATE: MAY 30, 2012

PAGE 4 OF 4

SUBJECT: SECOND AMENDMENTS TO CARB AND JOHNSON MATTHEY, INC.
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CITY ATTORNEY:

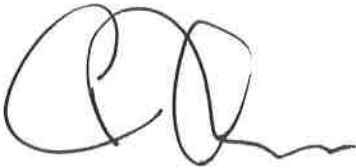
The Office of the City Attorney has reviewed and approved the amendments as to form and legality.

TRANSMITTALS:

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

FIS Approval: ef (initials)

CA Approval: TM (initials)



CHRISTOPHER CANNON
Director of Environmental Management



MICHAEL R. CHRISTENSEN
Deputy Executive Director

APPROVED:



GERALDINE KNATZ, Ph.D.
Executive Director

AUTHOR: TUNISIA HARDY
BOARD MEETING: 06/07/12

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