



**DATE: OCTOBER 10, 2012**

**FROM: BUSINESS & TRADE DEVELOPMENT**

**SUBJECT: TEMPORARY ORDER NO. \_\_\_\_\_ AND PERMANENT ORDER NO. \_\_\_\_\_ AMENDING THE PORT OF LOS ANGELES TARIFF NO. 4, SECTION SIX "PASSENGER FEES" ITEM 605; SECTION TWELVE "WATER AND ELECTRICITY" ITEM 1210; AND SECTION ONE "DEFINITIONS" ITEM 100**

**SUMMARY:**

Alternative Maritime Power (AMP), or shore power, is an air emission reduction technology that allows ships to be powered by shore supplied electrical power while at berth rather than running their auxiliary diesel engines. The shore side electrical power system, or AMP, at the World Cruise Center (WCC) of the Port of Los Angeles (Port) is capable of handling the very large electrical loads required by cruise ships. The AMP landside infrastructure consumes significant electrical power, whether or not cruise ships are connected to shore supplied electrical power. In addition, the AMP electrical rate for cruise ships approved by the Board of the City of Los Angeles Department of Water and Power (LADWP) includes variable surcharges, a minimum billing amount of \$10,000 per month and an Energy Subsidy Adjustment factor. Staff defines these projected LADWP rate components as AMP System Costs. The proposed Port of Los Angeles Tariff No. 4 (Tariff) amendments would provide a mechanism to recover AMP System Costs by charging each embarking and each disembarking passenger an additional fee of \$0.30 effective January 1, 2013, whether or not they are traveling on a ship that is connected to shore power.

**RECOMMENDATION:**

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

1. Approve the amendment to Port of Los Angeles Tariff No. 4, Items 605, 1210 and 100, subject to the California Association of Port Authorities' review and approval, and authorize the Executive Director to work with California Association of Port Authorities to secure this approval or proceed to take independent action in accordance with California Association of Port Authorities' procedure;
2. Adopt Temporary Order No. \_\_\_\_\_ and Permanent Order No. \_\_\_\_\_ to amend Item 605 of the Port of Los Angeles Tariff No. 4, section six "Passenger Fees"; Item 1210 of the Port of Los Angeles Tariff No. 4, section twelve "Water and Electricity"; and Item 100 of the Port of Los Angeles Tariff No. 4, section one "Definitions";

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3. Direct the Board Secretary to transmit to the City Council for approval the Permanent Order and the Ordinance approving and authorizing the amendments to the Port of Los Angeles Tariff No. 4 pursuant to City Charter 653(a);
4. Authorize the Board Secretary to certify to the adoption of the Temporary Order by the Board and cause the same to be published once in a newspaper, printed and published in the City of Los Angeles, to take effect prior to adoption by Ordinance for a period not-to-exceed 90 days pursuant to Charter Section 653(b) and transmit the Temporary Order to the Chief Wharfinger for implementation and posting to the Port of Los Angeles website, as regulated by the Federal Maritime Commission; and
5. After the effective date of the Ordinance, transmit the Permanent Order and Ordinance to the Chief Wharfinger for implementation and posting to the Port of Los Angeles website, as regulated by the Federal Maritime Commission.

**DISCUSSION:**

Background – AMP, or shore power, is an air emission reduction technology that allows ships to be powered by shore supplied electrical power while at berth rather than running their auxiliary diesel engines. The San Pedro Bay Clean Air Action Plan (CAAP) states that the City of Los Angeles Harbor Department (Harbor Department) will conduct a massive infrastructure improvement program to equip container and cruise terminal berths with AMP infrastructure. Beginning January 1, 2014, the California Air Resources Board (CARB) will mandate container, refrigerated cargo and cruise ships that regularly call at California's major ports to use AMP. AMP infrastructure has been installed at the China Shipping, TraPac, Yusen Terminals Inc. and Evergreen container terminals, as well as at the WCC. All container terminals will have AMP infrastructure by the end of calendar year 2013 in order to comply with the CARB regulations and to meet the CAAP goals.

The Port has been operating AMP at the WCC since February 2011. It is designed to handle the extremely large electrical loads required to keep a cruise ship operating while in port. A cruise ship's peak electrical demand can be between 8 and 13 megawatts, while a typical container ship's peak electrical power demand is only 1 to 2 megawatts.

The two-berth cruise AMP landside infrastructure consumes approximately 30,000 kilowatt hours of electrical power per month even when a ship is not plugged in. This electrical power consumption of the AMP landside infrastructure is reflected in the LADWP billings. The Harbor Department considered de-energizing the AMP landside transformer when no cruise ship would connect during an LADWP billing period. However, the Harbor Department's Electrical Engineering Section recommended against this practice. The practice of energizing and de-energizing of the AMP landside equipment after each cruise ship call would cause unnecessary wear and tear and in a

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de-energized state would result in moisture build-up risking damage to the Harbor Department's \$20 million dollar electrical AMP land infrastructure.

On September 12, 2012, the LADWP Board approved an AMP rate for cruise ships (Transmittal 1) scheduled to be presented for approval by the Los Angeles City Council this month. This AMP rate is designed for cruise ships with a minimum of 7 megawatts of peak electrical power demand. Although the new AMP rate provides cruise lines the electrical rate stability they are looking for, the rate includes variable surcharges, such as an Energy Subsidy Adjustment factor of \$0.46 per kilowatt of peak electrical demand of cruise ships connected to shore power. A minimum billing amount of \$10,000 per month also applies (Transmittal 2).

Staff defines AMP landside infrastructure electrical power consumption, LADWP's AMP rate minimum billings and peak electrical demand charges as AMP System Costs.

Need for Amendment – The LADWP sends invoices for the electrical power consumption at the WCC to the Harbor Department. The Harbor Department in turn invoices cruise lines for the cost of electricity consumed by their cruise ships. A cruise ship's electrical power consumption is recorded both electronically and manually by the Harbor Department's Construction and Maintenance staff.

The Harbor Department has not been able to recover AMP System Costs from cruise lines whose ships connected to shore power because there was no mechanism in place to do so. Staff estimates the AMP System Costs based on the new LADWP cruise AMP electrical rate at approximately \$140,000 annually. This figure was derived using the following factors:

- The LADWP Board approved cruise AMP rate
- Forecasted total AMP calls
- Total forecasted cruise calls

The Harbor Department's AMP land infrastructure improvements are not part of AMP System Costs.

The Harbor Department has been seeking a mechanism to recover AMP System Costs. Cruise lines have been seeking AMP rate stability and a mechanism that separates AMP Systems Costs from energy costs allowing them to recover non-energy costs through an advertised cruise passenger fee.

Need for Approval – Staff is recommending the Board approve Tariff amendments (Transmittal 3), Item 605 of Section Six "Passenger Fees"; Item 1210 of Section Twelve "Water and Electricity"; and Item 100 of Section One "Definitions" that would provide a mechanism to recover AMP System Costs by charging each embarking and each disembarking passenger an additional passenger fee of \$0.30 effective January 1, 2013. Cruise lines whose ships connect to AMP continue investing heavily in ship AMP

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outfitting costs. Similarly, AMP System Costs represent a significant expenditure to the Harbor Department. Staff opined AMP System Costs should be borne by each embarking and each disembarking passenger, whether or not they travel on a ship that is connected to shore power, avoiding cost disparity between cruise lines. If approved, the Harbor Department would collect and estimated \$139,800 for Calendar Year (CY) 2013 on a combined total of 466,000 embarking and disembarking passengers. The revenue collected from the proposed Tariff amendment will offset AMP System Costs as defined which are a part of the LADWP invoices. The AMP System Costs passenger fee would be charged to each embarking and each disembarking passenger, whether or not they are traveling on a ship that is connected to shore power.

Non-permit and permit cruise lines will pay the Harbor Department for the cost of electricity consumed while their ship was connected to shore power. Cruise lines whose ships call at the Port infrequently generally do not have a permit with the Harbor Department.

Cruise lines that have a permit with the Harbor Department will have language included in their permit detailing how the AMP System Costs revenues and the costs of their ships' electricity consumption is reconciled annually (Transmittal 4) against the overall electrical billings received from LADWP.

During CY 2013, the Harbor Department expects 79 AMP cruise ship calls to be made out of a total of 99 cruise ship calls at the WCC. Cruise lines have been notified, that subject to Board approval, an AMP System Costs passenger fee will be assessed as of January 1, 2013.

The Temporary Order (Transmittal 5) is being proposed to allow ample time for the Permanent Order (Transmittal 6) to be approved by the City Council. The Temporary Order, if approved, will expire 90 days after the date it is published or upon execution of the Permanent Order and Ordinance (Transmittal 7) by the City Council, whichever occurs first.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is an amendment to Tariff No. 4, Items 605, 1210 and 100. As an administrative activity and an activity involving the modification of a fee for the use of existing municipal facilities involving negligible or no expansion of use, the Director of Environmental Management has determined that the proposed action is exempt from the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2 (f) and Article III Class 1(31) of the Los Angeles City CEQA Guidelines.

**ECONOMIC BENEFITS:**

This Board action will have no direct employment impacts for the five-county region.

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**FINANCIAL IMPACT:**

If approved, the proposed amendments to Tariff No. 4, Item 605 section six "Passenger Fees"; Item 1210 section twelve "Water and Electricity"; and Item 100 section one "Definitions" would generate approximately \$139,800 of revenue for the Harbor Department which would be used to offset AMP System Costs. The adopted Fiscal Year 2012/2013 revenue budget does not include the anticipated additional revenue from the additional passenger fees.

**CITY ATTORNEY:**

The Office of the City Attorney has approved the proposed Tariff, the proposed Temporary Order, the proposed Permanent Order, and the proposed Ordinance as to form and legality.

**TRANSMITTALS:**

- 1. LADWP AMP Rate Ordinance
- 2. Example of Use of AMP Rate at the Cruise Terminal for CY 2013
- 3. Exhibit A
- 4. Example of AMP System Costs Reconciliation
- 5. Temporary Order
- 6. Permanent Order
- 7. Ordinance

FIS Approval: KJ (initials)  
GA Approval: EFB (initials)

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