



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JULY 1, 2015

FROM: EXECUTIVE OFFICE

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF AMENDMENT TO AGREEMENT NO. 2608 - MEMORANDUM OF UNDERSTANDING CREATING A PARTNERSHIP TO REDUCE GREENHOUSE GASES BETWEEN THE STATE OF CALIFORNIA, MAYOR OF THE CITY OF LOS ANGELES, AND THE CITY OF LOS ANGELES HARBOR DEPARTMENT

SUMMARY:

Staff recommends the Board of Harbor Commissioners (Board) approve an Amendment to City of Los Angeles Harbor Department (Harbor Department) Agreement No. 2608, "Memorandum of Understanding (MOU) Between the State of California, the Office of the Mayor of the City of Los Angeles, and the City of Los Angeles Harbor Department Creating a Partnership to Reduce Greenhouse Gases and Support the Port of Los Angeles Clean Air Action Plan" (Amendment). The Amendment describes the mechanisms and the adjusted timing for the Harbor Department's installation of 10 megawatts of photovoltaic solar power within the Port of Los Angeles (Port) and the delivery of expanded greenhouse gases inventory reports under the MOU. The cost of installing and maintaining the photovoltaic solar power within the Port and the delivery of the inventory reports are the financial responsibility of the Harbor Department.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve the Amendment to Harbor Department Agreement No. 2608, "Memorandum of Understanding Among the State of California, the Office of the Mayor of the City of Los Angeles, and the City of Los Angeles Harbor Department Creating a Partnership to Reduce Greenhouse Gases and Support the Port of Los Angeles Clean Air Action Plan;"
2. Authorize the Executive Director to execute and the Board Secretary to attest to the Amendment for and on behalf of the Board; and
3. Adopt Resolution No. _____.

DATE: JULY 1, 2015

PAGE 2 OF 5

SUBJECT: AMENDMENT TO AGREEMENT NO. 2608

DISCUSSION:

Background/Context - In December 2007, the TraPac Berths 136-149 Container Terminal (TraPac) Final Environmental Impact Report (EIR) was certified and the project was approved by the Board. During the EIR public comment period, the California Attorney General's office under Jerry Brown (AG) provided comments to the Harbor Department expressing concerns about greenhouse gases (GHG). As a result of these comments, the AG, Mayor of the City of Los Angeles (City), and Harbor Department entered into Harbor Department Agreement No. 2608, a "Memorandum of Understanding... Creating a Partnership to Reduce Greenhouse Gases and Support the Port of Los Angeles (Port or POLA) Clean Air Action Plan" (GHG MOU), in December 2007 (Transmittal 1). Under the GHG MOU, the Harbor Department agreed to (1) perform expanded annual GHG inventory reporting, (2) install 10 megawatts (MW) of photovoltaic (PV) solar power at the Port, or other land owned by the Harbor Department, on a phased schedule by the end of calendar year 2012, and (3) include a discussion of GHG and evaluate and adopt feasible mitigation to reduce GHG in TraPac and future EIRs.

GHG Reporting – In accordance with the GHG MOU, the Harbor Department prepared annual expanded GHG inventory reports for calendar years 2006 through 2010. This special, expanded GHG inventory reporting requires the Harbor Department to hire an outside consultant to prepare the report, as it must track the emissions to and from points of origin and delivery, e.g. tracking ship emissions to and from international ports such as China, tracking train emissions to and from major interstate rail destinations such as Chicago, and tracking trucking emissions to and from major interstate trucking hubs. In November 2011, Harbor Department staff requested that the AG consider an elimination or reduction in frequency of the expanded GHG inventory reporting to every five years. Staff explained the reasons, as the inventory data does not change substantially year to year, the expanded specialized technical work costs the Harbor Department \$75,000 annually in direct/contractor costs, and it is not useful in evaluating GHG emissions associated with the shipping industry because it is not required by the AG (or any other agency) of any other port. The Harbor Department staff offered to instead continue publishing two other annual GHG reports: the Port of Los Angeles Annual Inventory of Air Emissions (which includes GHG) and the GHG Emissions Inventory for Municipally Controlled Sources (reported to The Climate Registry). Both of these reports are independently third-party verified. The AG responded favorably to this request by permitting the Harbor Department to eliminate the expanded GHG reports starting in 2011, pending the AG's determination of long term reporting requirements.

Solar Power Project – In accordance with the GHG MOU, the Harbor Department was to have completed the installation of 10 MW PV solar power within the Port by the end of 2012. The installation was to be accomplished in two phases. Phase One was to be a one MW solar power system (PV Systems) to be installed by the Harbor Department

DATE: JULY 1, 2015

PAGE 3 OF 5

SUBJECT: AMENDMENT TO AGREEMENT NO. 2608

through direct purchase under the Los Angeles Department of Water & Power (LADWP) net energy metering (NEM) program. Phase Two was to install the remaining nine MW through a series of Request for Proposals (RFP) issued to solar power developers who would take advantage of federal, state, and LADWP incentives to design, build, install, maintain, and potentially own PV Systems under a future power purchase agreement (PPA) program.

In October 2010, the Harbor Department completed Phase One of the Solar Power Project, which was the design and construction of a 1.1 MW PV System on the roof of the World Cruise Center at a cost of \$8.8 million. During the implementation of Phase One it became clear that LADWP's PPA program would not be available in time for Phase Two of the Solar Power Project. Without a PPA program, Phase Two would be financially and functionally prohibitive given its projected \$80 million remaining construction cost and the Harbor Department's lack of power demand where the solar power could be generated. At this time, since the PPA was still under development LADWP and the Harbor Department entered into an MOU (LADWP MOU) where LADWP would build PV Systems within the Port at no cost to the Harbor Department to install the remaining nine MW. LADWP installed four PV Systems totaling 0.5 MW with one more planned PV System (0.25 MW) pending the approval of its Letter of Agreement by both the Harbor Department and the LADWP Boards. Although nine MW was planned to be implemented under this MOU it has clearly fallen short of that goal. Several factors contributed to this program not moving as planned, such as challenges selecting suitable sites, permitting difficulties, lack of participation by Port tenants, and lack of LADWP construction resources. Therefore, as of May 2015 a total of 1.6 MW of PV solar power has been installed within the Port by the Harbor Department, its tenants, and LADWP.

Renewed Strategy for Accomplishing the 10 MW PV Solar Power Commitment – For the past few years the Harbor Department, in cooperation with LADWP, has been developing a new strategy to meet the 10 MW PV solar power commitment. This new strategy takes advantage of the recently implemented LADWP feed-in tariff (FiT) program. In March 2014, the Harbor Department submitted 12 applications totaling approximately 12 MW to the FiT program. Over time, all 12 projects have received active priority from LADWP, which allows them to proceed through the FiT program process. In October 2014, the same 12 FiT projects were packaged into an RFP to find a solar power developer who would finance, develop, construct, install, operate, manage, and maintain these 12 PV Systems at no cost to the Harbor Department while providing a share of their compensation from LADWP. The Harbor Department received four proposals, and after review by a selection committee has begun contract negotiations. Harbor Department staff expects to submit to the Board for approval an operating agreement in a separate and future Board action. With this agreement in place, Harbor Department staff expects to deliver the 10 MW PV solar power commitment by the end of 2018.

DATE: JULY 1, 2015

PAGE 4 OF 5

SUBJECT: AMENDMENT TO AGREEMENT NO. 2608

Proposed Amendment to GHG MOU - The Harbor Department has negotiated an Amendment to the GHG MOU with the AG that reaffirms the Harbor Department's commitment to complete the 10 MW Solar Power Project, and would adjust the timelines for (1) the GHG reporting from annual to every five years, and (2) the Harbor Department's performance of the 10 MW Solar Power Project between December 2014 and August 2018 (Transmittal 2). With the new strategy summarized above, involving the use of a solar power developer to install PV Systems under the LADWP FiT program, Harbor Department staff expects to meet the 10 MW PV solar power commitment by the 2018 revised deadline.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an amendment to a memorandum of understanding to create a partnership to reduce greenhouse gases, which adjusts timelines for certain activities under the MOU. 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.

ECONOMIC BENEFITS:

The authorization of this Amendment will have no employment effect.

FINANCIAL IMPACT:

Approval of the proposed Amendment will modify the expanded GHG inventory reporting frequency from once per year to once every five years and will save the Harbor Department approximately \$75,000 per year in direct (staff) and consultant costs, for each of four years that the reporting is not required; or, a savings of approximately \$300,000 over a four-year period. The Amendment also extends the 10 MW Solar Power Project deadline to August 31, 2018. There is not expected to be a financial impact associated with this time extension. Actual proposal of the solar power development operating agreement, with projected costs, will come to the Board under separate future contract approval and are not committed through this approval.

DATE: JULY 1, 2015

PAGE 5 OF 5

SUBJECT: AMENDMENT TO AGREEMENT NO. 2608

CITY ATTORNEY:

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

TRANSMITTALS:

1. Agreement No. 2608 - Memorandum of Understanding dated December 7, 2007
2. Proposed Amendment to Agreement No. 2608

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



MICHAEL DiBERNARDO
Deputy Executive Director
Marketing & Customer Relations



ANTONIO V. GIOIELLO, P.E.
Deputy Executive Director
Development

APPROVED:



FOR EUGENE D. SEROKA
Executive Director

AUTHOR: [CA, EMD & ENG STAFF]