



**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. _____ - APPROVAL OF A GRANT AGREEMENT WITH SEASIDE TRANSPORTATION SERVICES, LLC. UNDER THE PORT OF LOS ANGELES AIR QUALITY MITIGATION INCENTIVE PROGRAM FOR THE RETROFIT OF RUBBER-TIRED GANTRY CRANES

SUMMARY:

In December 2007, the Board of Harbor Commissioners (Board) awarded an Air Quality Mitigation Improvement Program (AQMIP) Grant in the not-to-exceed amount of \$875,000 to Seaside Transportation Services, LLC. (STS), located on Terminal Island, California. The grant was to be used to retrofit 14 rubber-tired gantry cranes (RTGs) with California Air Resources Board (CARB) Level III verified diesel particulate filters (DPFs). At the time, the technology for Level III DPFs was still new and had not yet received CARB verification. As a result, usage of the grant for retrofitting RTGs was put on hold until the DPF technology could be verified at Level III by CARB. In the meantime, in 2011, STS requested that the money be reallocated into two new grants, one for \$350,000 to retrofit 14 top picks with emission control technologies (they are cheaper to retrofit than RTGs), and another in the amount of \$525,000 to still retrofit 11 of the original 14 RTGs that were planned for retrofit when the Level III technology is finalized. As a result, the Board terminated the original grant, and approved a \$350,000 grant to retrofit 14 top picks in June 2011, with the understanding that staff would return to request a separate \$525,000 grant for the RTGs.

While the Level III DPF technology continues to be optimized, and CARB verification testing is still pending, STS has now requested that the \$525,000 grant be used right away to retrofit the 11 RTGs with CARB-verified Level II DPFs that can be upgraded to Level III performance. This will allow STS to adjust the DPFs to meet the higher level as soon as the technology is finalized and verification is completed, thereby providing emissions reductions right away instead of waiting for final Level III verification. Staff recommends the Board allow STS to retrofit the RTGs with the available Level II DPFs and withhold 25 percent, or \$131,250 until the RTGs can be modified to Level III or better emissions reductions.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve the three-year Air Quality Mitigation Improvement Program Grant Agreement between the City of Los Angeles Harbor Department and Seaside Transportation Services, LLC., in the not-to-exceed amount of \$525,000 for 11 RTG retrofits;

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2. Authorize the Executive Director to execute and the Board Secretary to attest to said Agreement for and on behalf of the Board; and
3. Adopt Resolution No. _____.

DISCUSSION:

AQMIP Background - In accordance with the 2004 Amended Stipulated Judgment (ASJ) between the Natural Resources Defense Council et al. and the City of Los Angeles (City), the City of Los Angeles Harbor Department (Harbor Department) established the AQMIP and committed over \$30 million to pay for air quality mitigation projects. These projects would either (1) reduce DPM and oxides of nitrogen (NOx) emissions from Port of Los Angeles (Port) operations in the communities of San Pedro and Wilmington, or (2) develop emission reducing technologies that may be applied throughout the San Pedro Bay. Although the AQMIP preceded the San Pedro Bay Ports Clean Air Action Plan (CAAP), the projects funded support the emission reduction goals of the CAAP.

Project Information - In December 2007, STS was awarded a grant under the AQMIP in an amount not-to-exceed \$875,000 to retrofit 14 RTGs with CARB-verified Level III DPFs. On August 11, 2008, the Harbor Department entered into Agreement No. 2662 with STS to fund the project; however, STS has been unable to implement the project because the DPF has not achieved emission reductions that qualify for Level III CARB verification.

In June 2011, the Board terminated Agreement No. 2662 and approved Agreement No. 11-2988 with STS which allocated \$350,000 of the unspent grant funds to retrofit 14 top picks with CARB-verified Level II emission control technologies. The retrofitting has been completed, and the 14 retrofitted top picks are estimated to reduce DPM emissions by 0.70 tons per year, resulting in a greater emissions benefit than the original project which was estimated to reduce DPM emissions by .57 tons per year. In June 2011, the Board also agreed to allow the remaining grant funds of \$525,000 to be used to retrofit RTGs with Level III DPFs when the technology is verified.

A Level III DPF reduces diesel DPM greater than or equal to 85 percent, and a Level II DPF reduces diesel DPM greater than or equal to 50 percent. CARB verification testing in August 2011 showed the DPF intended for the RTGs achieved a DPM reduction of 81 percent. Although this is enough to easily comply with Level II emission reduction requirements, it did not reach the 85 percent threshold for Level III. Software modifications have been made to the DPF which is expected to result in DPM reductions of 85 percent or more. The DPF is again in the verification process, which is expected to take another year or more.

STS has now requested that they be allowed to retrofit the RTGs with the CARB-verified Level II DPF, and if and when the DPF achieves Level III verification, they will adjust the DPFs to meet the higher level. This modification will allow STS to complete the retrofits and achieve emissions reductions right away rather than wait another year or more. The \$525,000 will be sufficient to complete 11 RTG retrofits. Staff recommends that the Board

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approve a three-year grant agreement in the not-to-exceed amount of \$525,000 (Transmittal 1) with STS to retrofit the RTGs with the available DPFs and withhold payment of 25 percent of the \$525,000, or \$131,250 until the RTGs are modified to Level III or better emissions reductions.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the AQMIP Grant Agreement with STS for the retrofit of 11 RTGs with CARB-verified Level II DPF. As an activity involving the addition of environmental protection devices for use in conjunction with existing mechanical equipment, the Director of Environmental Management has determined that the proposed action is exempt from the California Environmental Quality Act (CEQA) in accordance with Article III, Class 1(6) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

Approval of the proposed Agreement will support 4 one-year equivalent jobs for the five-county region.

FINANCIAL IMPACT:

The original grant to retrofit 14 RTG's with STS was approved by the Board in December 2007 for \$875,000. Due to technology verification delays, the Board terminated the grant in June 2011 and awarded STS Agreement No. 11-2988 in the amount of \$350,000 to retrofit 14 top picks with emission control technologies. This Board item requests approval to enter into a new agreement with STS for \$525,000, the balance of the \$875,000 original grant. The proposed grant balance of \$525,000 will be used to retrofit 11 RTG's with CARB-verified, Level II DPFs upon agreement approval, and then retrofit them to Level III when the technology is verified by CARB. Under the Agreement terms, the Harbor Department will withhold 25 percent of the grant (\$131,250) until the RTGs are upgraded to a Level III DPF or better emission reductions.

The grant is funded under the China Shipping Air Quality Mitigation Incentive Fund. Funds are available in Account 21951, Center 7000, Program 000 and will be expended as follows:

FY 12/13	\$ 393,250
FY 13/14	\$ 0
FY 14/15	\$ 131,750
Total	\$ 525,000

It is anticipated that the upgrade to Level III DPF will occur during the 2014/15 fiscal year. STS will be responsible for on-going operating and maintenance costs associated with this project.

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CITY ATTORNEY:

The City Attorney has reviewed and approved this Agreement as to form and legality.

TRANSMITTAL:

1. Proposed Agreement between the Harbor Department and Seaside Transportation Services, LLC.

FIS Approval: ef (initials)

CA Approval: TR (initials)



CHRISTOPHER CANNON
Director of Environmental Management



MICHAEL R. CHRISTENSEN
Deputy Executive Director

APPROVED:



GERALDINE KNATZ, Ph.D.
Executive Director

AUTHOR: TERESA GIOIELLO PISANO
BOARD MEETING: 6/7/12

FILE: G:\ADMIN\BOARD REPORTS\AIR QUALITY\CHINA SHIPPING ASJ COMPLIANCE\QMIP\SEASIDE TRANSPORTATION SERVICES\STS 2ND PHASE - RETROFIT OF 11 RTGs\ENV_STS - FINAL.docx

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