

DATE: MARCH 23, 2021

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - FIRST AMENDMENT TO AGREEMENT NO. 19-3639 WITH THE CALIFORNIA AIR RESOURCES BOARD FOR THE ZERO EMISSION SHORE TO STORE DEMONSTRATION PROJECT

SUMMARY:

Staff requests Board of Harbor Commissioners(Board) approval of the First Amendment to the California Air Resources Board (CARB) Grant Agreement No. 19-3639 to fund the zero emissions "Shore to Store" Demonstration project (Project). The First Amendment updates the project schedule and milestones to account for the impacts of the COVID-19 pandemic delaying the project timeline. All other terms and conditions remain the same, including the overall project costs and participant commitments.

On March 7, 2019, the Board accepted a grant award from CARB and approved Grant Agreement No. 19-3639 in the amount of \$41,122,260 to administer the Project. Through this Project, the Harbor Department is partnering with Kenworth Truck Company (Kenworth), the Port of Hueneme (POH), the National Renewable Energy Laboratory (NREL), and Shell Oil Products, US (Shell) to develop and demonstrate on-road hydrogen fuel cell and off-road battery electric zero emissions vehicles, including the necessary fueling infrastructure. The Harbor Department will not commit any additional funding to this proposed Project beyond its staff time and resources to act as Project Manager, including ensuring all project deliverables are completed in accordance with the modified timelines in CARB Grant Agreement No. 19-3639.

RECOMMENDATION:

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

1. Find that the Director of Environmental Management has determined that the proposed action is statutorily and categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under State CEQA Guidelines Sections 15268 (Ministerial); 15301 (Existing Facilities), 15303(d) (New Construction or Conversion of Small Structures), and 15304 (Minor Alterations to Land);

SUBJECT: FUNDING AGREEMENT WITH SCAQMD

2. Approve the First Amendment to Agreement No. 19-3639 between the City of Los Angeles Harbor Department and the California Air Resources Board to extend the term and update the schedule and project milestones for the Shore to Store Demonstration Project;
3. Authorize the Executive Director to execute and the Board Secretary to attest to said Amendment with the California Air Resources Board for and on behalf of the Board; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – On March 7, 2019, the Board accepted a grant award from CARB in the amount of \$41,122,260 and approved Grant Agreement No. 19-3639 (Transmittal 1) to develop and demonstrate equipment the Project. On September 5, 2019, the Board approved Subrecipient Agreements with Kenworth, POH, and NREL. On July 23, 2020, the Board approved a Subrecipient Agreement with Shell. Finally, on April 1, 2021, the Board will consider a funding agreement with the South Coast Air Quality Management District (SCAQMD) to receive \$1,000,000 to support the construction of the first five zero emission hydrogen fuel cell trucks manufactured by Kenworth.

“Shore to Store” Project Summary – The Harbor Department is partnering with world-leading original equipment manufacturers, Kenworth, Shell, and Toyota Motor North America (Toyota) to establish a new forward-looking zero-emissions framework for future goods movement throughout Southern California and beyond. The Project focus is on providing critical regional hydrogen fueling infrastructure for short, medium, and especially long-haul drayage provided by 10 zero emission hydrogen fuel cell drayage trucks. It will showcase a complete zero emission supply chain from the time that a ship arrives at the Port of Los Angeles (Port) until it reaches its final storefront destination. Additionally, the Project is designed to expand into a statewide system serving not only Southern California but someday the entire state. Finally, the Project provides an opportunity for the POH to demonstrate zero emissions battery electric yard tractors at its facility 60 miles north of the Los Angeles metropolitan area.

Amendment – The overall project schedule has been impacted due to the COVID-19 crisis, so a timeline amendment to the main contract is required. The First Amendment incorporates new contract language from CARB that has been developed since the original agreement was executed, extends the project timeline to March 30, 2023, and adjusts the internal project milestones to accurately reflect the impacts to the project over the past year (Transmittal 2).

Harbor Department Responsibilities – The Harbor Department’s responsibility under this agreement is limited to project administration and pass-through of grant funds. Any shortfall in budget allocations or schedule timings on task items under the CARB Grant

SUBJECT: FUNDING AGREEMENT WITH SCAQMD

Agreement will be the responsibility of the respective partner undertaking that task.

The remaining work under this agreement will be conducted at various sites, outside of Port property, owned and operated solely by the project partners. This work was contracted under the previously approved Subrecipient Agreements.

ENVIRONMENTAL ASSESSMENT:

The proposed action is to approve the First Amendment to the CARB Grant Agreement No. 19-3639 to fund the zero emissions “Shore to Store” Demonstration Project, which updates the dates of the project schedule and milestones, without changes to Project tasks. The installation and use of zero emissions equipment at such locations involve minor alterations to facilities and land (trenching); therefore, the Director of Environmental Management has determined that the proposed Project is statutorily and categorically exempt from the requirements of CEQA in accordance with State CEQA Guidelines Sections 15268 (ministerial); 15301 (minor alteration of existing public facilities and equipment with no expansion of an existing use), 15303(d) (installation of small new equipment and utility extensions to serve such equipment), and 15304 (minor alterations to land - minor trenching and backfilling where surface is restored).

FINANCIAL IMPACT:

Approval of the proposed Amendment will update the Project schedule and milestones to account for the impacts of the COVID-19 pandemic. The \$41,122,260 grant award will be spent over a three-year period ending June 2023. Matching funds and in-kind contributions required under CARB Grant Agreement No. 19-3639 will be provided by Kenworth, Shell, Toyota, POH, the truck companies that will demonstrate the vehicles, and the SCAQMD.

The table below summarizes the total cost and funding commitments by all participants:

Participants	CARB Funds	Match Funds	Total
Kenworth	\$20,430,000	\$1,300,000	\$21,730,000
Toyota		\$9,741,848	\$9,741,848
Shell	\$17,100,000	\$13,400,000	\$30,500,000
POH	\$3,000,000	\$200,000	\$3,200,000
TTSI		\$545,433	\$545,433
SCE		\$310,000	\$310,000
UPS		\$930,000	\$930,000
SCAQMD		\$1,000,000	\$1,000,000
NREL	\$592,260		\$592,260
Harbor Department *		\$13,999,331	\$13,999,331
Total	\$41,122,260	\$41,426,612	\$82,548,872

* Harbor Department matching funds include the CEC previously funded grant projects counted as in-kind match share.

DATE: MARCH 23, 2021

PAGE 4 OF 5

SUBJECT: FUNDING AGREEMENT WITH SCAQMD

It is anticipated the funds from the grant will be requested from CARB as follows:

Fiscal Year 2020/21	\$37,623,794
Fiscal Year 2021/22	\$3,398,466
Fiscal Year 2022/23	\$100,000
Total	\$41,122,260

The Harbor Department will not commit any additional funding to the Project beyond its staff time and resources to act as Project Manager, including ensuring all project deliverables are completed in accordance with CARB Grant Agreement No. 19-3639.

CITY ATTORNEY:

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

DATE: MARCH 23, 2021

PAGE 5 OF 5

SUBJECT: FUNDING AGREEMENT WITH SCAQMD

TRANSMITTALS:

1. First Amendment to Agreement No. 19-3639 with the California Air Resources Board
2. Project Schedule and Milestones

FIS Approval: *MB*
CA Approval: *JS*



CHRISTOPHER CANNON
Director of Environmental Management

Michael DiBernardo

MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

Marla Bleavins For

EUGENE D. SEROKA
Executive Director

CC/yo
AUTHOR: J. GOLDBERG

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