

DATE: NOVEMBER 3, 2015

FROM: ENVIRONMENTAL MANAGEMENT

**SUBJECT: RESOLUTION NO. _____ - APPROVAL OF A TECHNOLOGY
ADVANCEMENT PROGRAM COST SHARE AGREEMENT BETWEEN
THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND THE
PORT OF LONG BEACH TO FUND A DEPARTMENT OF ENERGY
ZERO EMISSION CARGO TRANSPORT PROJECT WITH THE SOUTH
COAST AIR QUALITY MANAGEMENT DISTRICT**

SUMMARY:

The Environmental Management Division recommends the Board of Harbor Commissioners (Board) approve the Cost Share Agreement between the City of Los Angeles Harbor Department (Harbor Department) and the Port of Long Beach (POLB) to fund a Clean Air Action Plan (CAAP) Technology Advancement Program (TAP) project (Cost Share Agreement). TAP funding will be used as co-funding for the United States Department of Energy's (DOE) Zero Emission Cargo Transport Grant Projects administered by the South Coast Air Quality Management District (AQMD) for the development and demonstration of drayage trucks by four technology providers: Center for Transportation and the Environment (CTE), Transportation Power (TransPower), U.S. Hybrid, and Gas Technology Institute (GTI). The recommended TAP funding amount of \$1,133,979 will be shared equally between the Harbor Department and the POLB in a contract to be entered into between POLB and AQMD. The TAP funding will be passed through the AQMD equally to the four technology developers to assist them with co-funding the DOE grant. AQMD will not be compensated for administering the TAP funds. The proposed action is to approve a cost share agreement with the POLB, under which the Harbor Department will reimburse POLB fifty percent of the TAP funding in the not-to-exceed amount of \$566,990 for a term of six years.

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 exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II, Section 2(f) and Article III, Class 6(2) of the Los Angeles City CEQA Guidelines;

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2. Approve the Technology Advancement Program Cost Share Agreement between the City of Los Angeles Harbor Department and the Port of Long Beach for the reimbursement of \$566,990 to the Port of Long Beach for the DOE Zero Emission Cargo Transport Grant Projects;
3. Authorize the Executive Director to execute and Board Secretary to attest to said agreement for and on behalf of the Board of Harbor Commissioners; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background/Context - On November 20, 2006, during a joint meeting between the Ports of Los Angeles and Long Beach (Ports) Boards of Harbor Commissioners, the Final 2006 San Pedro Bay Ports CAAP was adopted. A significant initiative of the CAAP is the TAP, which is the catalyst for identifying, evaluating, and demonstrating new and emerging emissions reduction technologies applicable to the port industry that could be utilized in future updates to the CAAP as new control measures, alternatives to existing measures, or as additional mitigation options for new projects. A CAAP TAP Advisory Committee comprised of the United States Environmental Protection Agency (EPA), the California Air Resources Board (CARB), and the AQMD, along with both Ports, meets regularly to review and recommend projects for funding.

The proposed project supports the Harbor Department's goals and efforts to advance zero emission technologies in order to reduce air pollution from operations occurring in and around the Port of Los Angeles.

Project Description – The proposed TAP project will provide funding for four contractors who were selected by the DOE to develop and demonstrate a total of six trucks as approved under the DOE's Zero Emission Cargo Transport Grant Project (Project). A fifth contractor, International Rectifier (IR), is also a part of the overall Project to provide one truck, for a total of 7 trucks; however, no funds from the TAP will be allocated to this contractor since the development for the truck under this Project is currently funded under a separate TAP grant. The four contractors who will receive TAP funding are: CTE, TransPower, U.S. Hybrid, and GTI. The DOE grant as well as the proposed TAP funds will be managed by the AQMD who will pass the funds through to the contractors. The total project budget is \$19,984,820. The funding partners include the DOE (\$9,725,000), the five technology contractors (\$3,075,841), California Energy Commission (\$2,400,000), AQMD (\$2,400,000), Los Angeles Department of Water and Power (\$1,000,000), and Southern California Gas Company (\$250,000). The recommended funding amount from the Harbor Department and POLB is \$1,133,979 and will be shared equally between both Ports. The funds will be transferred to the

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AQMD in a contract to be entered into and administered by the POLB. The funds will be distributed by the AQMD to the four technology developers.

The TAP Project consists of two components:

- Development and demonstration of five zero emission hydrogen fuel cell range extended electric drayage trucks. Contractors to receive funding: CTE (1 truck), TransPower (2 trucks), and U.S. Hybrid (2 trucks); and
- Development and demonstration of hybrid electric drayage trucks with compressed natural gas range extender. Contractor to receive funding: GTI (1 truck).

Each contractor will be evaluated by the DOE on completion of tasks throughout the grant project.

Cost Share - In June 2007, the Harbor Department and the POLB executed the CAAP Master Cost Share Agreement No. 2546 to establish a cost sharing arrangement for TAP projects. In accordance with the provisions of this Master Cost Share Agreement, the Cost Share Agreement between the Harbor Department and the POLB is being submitted for approval (Transmittal 1).

The total contribution by the Harbor Department and POLB for the Project is \$1,133,979 shared equally. There are four payment milestones planned for each contractor that are distributed over the first four years of the contract and they are dependent on the contractors completing specified tasks. The term of the contract is six years to accommodate any potential shifts in schedule. The Cost Share Agreement identifies POLB as the port which will contract directly with the AQMD which will pass the funds through to the contractors. The AQMD will submit invoices to the POLB based on Project milestones. The POLB will subsequently submit invoices to the Harbor Department for reimbursement of one half the amounts paid by the POLB to the AQMD. The AQMD will not receive any compensation from the Ports for administering this contract.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a cost share agreement with POLB to fund a CAAP TAP Project with the AQMD for zero emission drayage truck technology demonstrations. As an administrative activity related to basic data collection, field testing and research which does not result in serious or major disturbance to an environmental resource, 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) and Article III, Class 6(2) of the Los Angeles City CEQA Guidelines.

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FINANCIAL IMPACT:

The proposed action is to approve the funding for a cost share agreement with the POLB, under which the Harbor Department will reimburse POLB \$566,990 of the \$1,133,979 recommended TAP funding amount. The total cost for the DOE Zero Emission Cargo Transport Grant is \$19,984,820 funded as follows:

Department of Energy	\$ 9,725,000
Original Engine Manufacturers	\$ 3,075,841
California Energy Commission	\$ 2,400,000
Air Quality Management District	\$ 2,400,000
LA Department of Water and Power	\$ 1,000,000
Southern California Gas Company	\$ 250,000
Harbor Department	\$ 566,990
Port of Long Beach	\$ 566,990
TOTAL:	\$ 19,984,821

The total TAP funding by the Harbor Department and POLB for the Project is \$1,133,979, shared equally in the amount of \$566,990. As the lead agency, the POLB will enter into an agreement with AQMD to fund the Project, and enter into this Cost Share Agreement with the Harbor Department to reimburse POLB for its share of \$566,990. Funding for the Project is available in Account 59965 (Incentives), Center 0330 (Environmental Management Division), Program 000 and will be approximately expended as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015/2016	\$141,747
2016/2017	\$141,747
2017/2018	\$141,748
2018/2019	\$141,748
TOTAL:	\$566,990

The Harbor Department's financial obligations after the current fiscal year are contingent upon the Board's appropriation of funds. If any subsequent fiscal year funds are not appropriated by the Board for the work required by the Cost Share Agreement, the Cost Share Agreement shall be terminated. However, such termination shall not relieve the parties of liability for any obligations previously incurred. Future year funds will be requested to be budgeted through the Harbor Department's annual budgeting process, upon Board approval.

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CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the Cost Share Agreement as to form and legality.

TRANSMITTAL:

- 1. Cost Share Agreement with the Port of Long Beach

FIS Approval: *MB* (initials)
 CA Approval: *[Signature]* (initials)

Pa

 CHRISTOPHER CANNON
 Director of Environmental Management

FOR

 MICHAEL Di BERNARDO
 Deputy Executive Director

APPROVED:

FOR
 EUGENE D. SEROKA
 Executive Director

AUTHOR: TERESA PISANO
 BOARD MEETING: 11/10/2015

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