

DATE: FEBRUARY 4, 2025

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - ACCEPTANCE AND APPROVAL OF A SUBAWARD AGREEMENT WITH ARCHES H2 LLC PURSUANT TO THE UNITED STATES DEPARTMENT OF ENERGY REGIONAL CLEAN HYDROGEN HUBS GRANT PROGRAM

SUMMARY:

Staff requests acceptance and approval of a Subaward Agreement with the Alliance for Renewable Clean Hydrogen Energy Systems, also known as ARCHES H2 LLC (ARCHES) awarded to the City of Los Angeles Harbor Department (Harbor Department) pursuant to Cooperative Agreement No. DE-CD0000041 between ARCHES and the United States Department of Energy's (DOE) Office of Clean Energy Demonstrations. ARCHES was formed as a statewide public-private partnership built on California's long-standing Hydrogen and renewable energy leadership to serve as the applicant and organizer for a statewide Hydrogen hub. The statewide organization is led by the California Governor's Office of Business and Economic Development (GO-Biz) and the University of California Office of the President alongside other state agencies, the legislature, local governments and trade unions.

Approval of the Subaward Agreement will authorize the Harbor Department to implement the first phase of a hydrogen equipment deployment project under the ARCHES Hub Grant Program (Harbor Department's Project or Project). The Harbor Department's Project includes a total value of \$300 million including \$150 million in grant funds and \$150 million in matching funds for a multi-phased deployment of hydrogen fuel cell powered cargo handling equipment and on road trucks.

Phase 1 of the Project obligates the Harbor Department to coordinate with tenant partners to fully detail the Project, which will include identifying specific equipment to be procured, sourcing of hydrogen providers and fueling solutions from the ARCHES Marketplace and aligning other Project details as needed. The Subaward Agreement also obligates the Harbor Department to meet ARCHES-required community engagement efforts and to participate and provide information to ARCHES as part of the broader statewide Hydrogen Hub program. Phase 1 will require the Harbor Department to contribute an estimated \$1,149,372 in Harbor Department staff time, consultant support to develop and finalize the full Project and funding through a Public Access Investment Plan project in Wilmington that will align with the Phase 1 Community Benefits Plan to be identified in the future. No funding from ARCHES or the DOE is committed during the first phase of the Subaward Agreement.

DATE: FEBRUARY 4, 2025

PAGE 2 OF 6

SUBJECT: SUBAWARD AGREEMENT WITH ARCHES H2 LLC FOR US DOE REGIONAL CLEAN HYDROGEN HUBS GRANT PROGRAM

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 administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Accept and approve the Subaward Agreement between the City of Los Angeles Harbor Department and ARCHES H2 LLC for Phase 1 of the Harbor Department's Hydrogen Hub Project with a term starting July 17, 2024 and ending on March 31, 2026;
3. Authorize the Executive Director to execute and the Board Secretary to attest to said Subaward Agreement for and on behalf of the Board; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – The Infrastructure Investment and Jobs Act (IIJA) of 2021 allocated \$8 billion in funding to the DOE to create and carry out a Regional Clean Hydrogen Hubs Grant Program to develop and deploy large-scale infrastructure projects. Each Regional applicant for the DOE funding was required to present a holistic regional hydrogen hub application showcasing the potential of hydrogen to support the decarbonization of hard-to-abate industry sectors and prioritize use cases for eliminating greenhouse gas emissions. Regional hydrogen hubs are expected to produce, store, distribute, and utilize hydrogen in one coordinated effort. GO-Biz was tasked by Governor Newsom to lead a single application on behalf of the state of California.

To manage the DOE application effort, GO-Biz established ARCHES as a public-private partnership to develop and implement the California Hydrogen Hub Proposal and serve as the lead DOE applicant. In late 2022, ARCHES collected project submissions from across California from both public and private entities to submit one regional hydrogen hub application. The Harbor Department, having prior experience with heavy-duty hydrogen fuel cell equipment demonstration projects, submitted a proposal to deploy approximately 100 units of hydrogen fuel cell zero emission cargo handling equipment as well as provide support for fueling solutions at one or more terminals. Specific project details will be developed with participating tenant partners under the first phase of the Project.

DATE: FEBRUARY 4, 2025

PAGE 3 OF 6

SUBJECT: SUBAWARD AGREEMENT WITH ARCHES H2 LLC FOR US DOE REGIONAL CLEAN HYDROGEN HUBS GRANT PROGRAM

The Harbor Department's Project requested \$150 million in DOE funding and offered \$150 million in matching funds from the Harbor Department or its partners over the Project's four phases.

Funding Award – ARCHES submitted an application to the DOE for California's statewide Hydrogen Hub on April 7, 2023, which included the Harbor Department's proposed Project. The DOE selected California's Hydrogen Hub for a \$1.2 billion award in October 2023. ARCHES and the DOE signed their cooperative agreement for the California Hydrogen Hub on July 17, 2024. After the cooperative agreement was awarded, ARCHES began working with project partners to negotiate final Subaward Agreements for each partner's respective project. Although some California Hydrogen Hub projects are subject to confidentiality agreements between ARCHES and certain subrecipient entities, a publicly available copy of the DOE technical application is available on the ARCHES website¹.

Subaward Agreement – On October 4, 2024, ARCHES sent the Subaward Agreement to the Harbor Department. The Subaward Agreement includes specific terms and conditions required by ARCHES and the DOE (Transmittal 1). The Harbor Department will be responsible for administering the overall Project, coordinating with potential tenant partners, submitting all Phase 1 required documentation to ARCHES and the DOE, and negotiating details for the Project's Phase 2. The proposed Subaward Agreement does not provide details for future phases two through four. Implementation of future phases will require amendments to the Subaward Agreement, which will be brought to the Board for approval as each phase is ready to move forward.

Phase 1 Scope - The Regional Clean Hydrogen Hub program requires every project to follow a phased implementation approach. Phase 1 starts with planning efforts related to each project, including infrastructure design, budgeting, and permitting. For the Harbor Department's Project Phase 1, activities will focus on preliminary planning to support future hydrogen fuel cell terminal equipment deployments and develop and implement a Community Benefits Plan. During Phase 1, the Harbor Department will coordinate with terminal operators, confirm a final list of participating terminals, outline their expected projects, establish subcontracts for each major component of the full Project, and prepare for future equipment procurement, especially those requiring significant lead time. Phase 1 of the Project will also identify hydrogen providers and fueling solutions from the ARCHES Marketplace. Phase 1 requires estimated funding expenditures of \$1,149,372 from the Harbor Department and will receive no funding from ARCHES or the DOE. These funding expenditures include estimated staff time and consultant support for direct project work in Phase 1 and incorporates expenses encumbered separately by the Harbor Department for work to develop and deploy hydrogen fuel cell equipment or support community benefits efforts related to the ARCHES project. Cost share from participating terminals will also be considered as

¹ [ARCHES-Technical-Volume-Redacted.pdf](#)

DATE: FEBRUARY 4, 2025

PAGE 4 OF 6

SUBJECT: SUBAWARD AGREEMENT WITH ARCHES H2 LLC FOR US DOE REGIONAL CLEAN HYDROGEN HUBS GRANT PROGRAM

contributing to this total commitment. Future DOE funding and match funding amounts will vary based on the progress made in each prior Project phase and detailed in subsequent amendments to this agreement to approve future phases, including reassessing expenditures of past matching funds.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a Subaward Agreement between the City of Los Angeles Harbor Department and ARCHES H2 LLC for Phase 1 of the Harbor Department's Project, which is an administrative activity. The subsequent phases and individual projects implemented with the use of funding will be subject to separate environmental review by the lead agency with jurisdiction over the project, as necessary, and will be completed prior to final approval of the project(s). Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The total cost for the Harbor Department's Project will be determined and finalized under Phase 1 of the Project. Acceptance of this Subaward Agreement commits the Harbor Department to contribute a total of \$1,149,372 in Phase 1 funding to the Project in the form of staff time, consultant work to develop the final Project scope and future phase details and investment in a Public Access Investment Plan project in Wilmington. This includes potential investments into hydrogen development efforts at the Port complex to be identified in Phase 1, partner commitments from participating terminals, or funding contributed towards programs that will benefit the community, as well as a community benefit project funded under the Public Access Investment Plan that aligns and complies with the Phase 1 Community Benefit Plan. No funding from ARCHES or the DOE is being committed during the first phase of the Subaward Agreement.

The specific funding request of this action is \$149,372 in estimated staff and consultant funding, broken down as follows:

Fiscal Year	Staff Time	Consultant Work	Total
2024-25	\$40,000	\$20,000	\$60,000
2025-26	\$59,372	\$30,000	\$89,372
TOTAL	\$99,372	\$50,000	\$149,372

Fiscal Year (FY) 2024-25 funding in the amount of \$20,000 is available within Account No. 541100 (Environment Assessment Services), Division No. 42010 (Environment Management), and funding in the amount of \$40,000 will be absorbed in regular salaries

DATE: FEBRUARY 4, 2025

PAGE 5 OF 6

SUBJECT: SUBAWARD AGREEMENT WITH ARCHES H2 LLC FOR US DOE REGIONAL CLEAN HYDROGEN HUBS GRANT PROGRAM

and benefits. FY 2025-26 funding in the amount of \$89,372 will be requested as part of the annual budget process, subject to board approval.

The additional \$1,000,000 in Phase 1 expenses will be funded through Harbor Department investment in a Public Access Investment Plan (PAIP) project that will be constructed in Fiscal Year 25/26 and will be considered separately by the Board through the Fiscal Year 25/26 budget process. This project will comply with the requirements of the Phase 1 Community Benefit Plan. Staff currently expects this community benefit project element will be funded within the Wilmington Waterfront-Avalon Pedestrian Bridge and Promenade Gateway Project, an existing PAIP project, with budget expenditures within the Phase 1 grant contract period. No commitments for future phases are being made under this action.

CITY ATTORNEY:

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

DATE: FEBRUARY 4, 2025

PAGE 6 OF 6

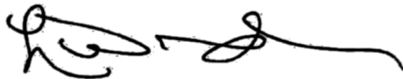
SUBJECT: SUBAWARD AGREEMENT WITH ARCHES H2 LLC FOR US DOE
REGIONAL CLEAN HYDROGEN HUBS GRANT PROGRAM

TRANSMITTALS:

1. Subaward Agreement with ARCHES H2 LLC

FIS Approval: JS (initials)

CA Approval: SO (initials)



LISA WUNDER
Acting Director of Environmental Management

Michael DiBernardo

MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

Erica M. Calhoun for

EUGENE D. SEROKA
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LW:TP:JG
Author: J. Goldberg

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