

**DATE: AUGUST 28, 2019**

**FROM: ENVIRONMENTAL MANAGEMENT**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - ACCEPTANCE AND APPROVAL OF SUBRECIPIENT AGREEMENTS FOR THE ZERO EMISSION SHORE TO STORE DEMONSTRATION PROJECT GRANT WITH THE CALIFORNIA AIR RESOURCES BOARD**

**SUMMARY:**

Staff requests that the Board of Harbor Commissioners accept and approve Subrecipient Agreements with Kenworth Truck Company (Kenworth), the Port of Hueneme (POH), and National Renewable Energy Laboratory (NREL) to carry out the proposed California Air Resources Board (CARB) zero emissions “Shore to Store” project (Project). On February 21, 2019, CARB executed a grant award to the City of Los Angeles Harbor Department (Harbor Department) in the amount of \$41,122,260 to administer a proposed Project. Through this proposed Project, the Harbor Department would partner with Kenworth, POH, NREL and Equilon Enterprises LLC d/b/a Shell Oil Products US, to develop and demonstrate on-road hydrogen fuel cell and off-road battery electric zero emissions vehicles, together with supporting fueling infrastructure. On March 7, 2019, the Board of Harbor Commissioners (Board) accepted CARB’s grant award and approved Grant Agreement No. 19-3969 for the proposed Project.

**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. Approve the Subrecipient Agreement between the City of Los Angeles Harbor Department and Kenworth Truck Company to perform its portion of the Shore to Store Demonstration Project;
3. Approve the Subrecipient Agreement between the City of Los Angeles Harbor Department and the Port of Hueneme to perform its portion of the Shore to Store Demonstration Project;

**SUBJECT: SHORE TO STORE SUBRECIPIENT AGREEMENTS**

4. Approve the Funds-in Agreement between the City of Los Angeles Harbor Department and National Renewable Energy Laboratory to perform its portion of the Shore to Store Demonstration Project;
5. Authorize the Executive Director to execute and the Board Secretary to attest to said Subrecipient Agreements with the California Air Resources Board for and on behalf of the Board;
  - a. said Subrecipient Agreements with Kenworth Truck Company and with the Port of Hueneme; and
  - b. the Funds-in Agreement with National Renewable Energy Laboratory for and on behalf of the Board; and
6. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background/Context – On March 21, 2018, CARB released a grant solicitation to implement and administer Zero and Near Zero-Emission Freight Facilities (ZANZEFF) Demonstration Projects under the Fiscal Year 17/18 Funding Plan for Clean Transportation Incentives. Approximately \$150,000,000 was initially made available for this solicitation to support bold and transformative emission reduction strategies that can be emulated throughout freight facilities statewide. There was also a 100% funding match requirement that could be fulfilled through cash, in-kind services, equipment purchases, electrical services, and other ongoing grant awarded projects not being funded by the Greenhouse Gas Reduction Fund, with a minimum of 10% being provided as cash match. On July 12, 2018, the Harbor Department applied for the grant as Project Manager on behalf of the Toyota, Kenworth, Shell, and POH team, who developed the proposed Project. On October 8, 2018, CARB offered the Harbor Department a preliminary grant award in the amount of \$41,122,260 to administer the proposed Project, and signed the final Grant Agreement on February 21, 2019. On March 7, 2019, the Board accepted CARB’s grant award and approved Grant Agreement No. 19-3969 (Transmittal 1).

Proposed “Shore to Store” Project – 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 proposed Project focus will be 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 proposed Project is designed to expand into a statewide system serving not only Southern California but someday the entire state. Finally, the proposed Project provides an opportunity for the POH to demonstrate zero emissions

**SUBJECT: SHORE TO STORE SUBRECIPIENT AGREEMENTS**

battery electric cargo yard tractors at its facility 60 miles north of the Los Angeles metropolitan area.

Project Summary – Staff is requesting that the Board approve agreements with each of the following four subrecipients to perform the proposed Project:

- Kenworth – The first demonstration will be the manufacturing and deployment of 10 hydrogen fuel cell on-road drayage trucks. Kenworth and Toyota will work together to design, construct, and deploy the 10 trucks, which will be deployed in two phases of five trucks each. The first phase will demonstrate four trucks by Toyota Logistics Service, including one truck by Port drayage licensed motor carrier Southern Counties Express (SCE). The second phase trucks will be developed incorporating lessons learned from the first deployment. During this phase, three trucks will be operated by international carrier United Parcel Service (UPS) and two trucks by Total Transportation Services Inc. (TTSI). Kenworth will be responsible for all elements of demonstrating the trucks, including all coordination and contracting with Toyota. Under this subcontract, Kenworth will receive \$20,430,000 in grant funding, and be responsible for providing \$11,041,848 in match share contributions (Transmittal 2).
- Port of Hueneme (POH) – The third demonstration will provide support for the POH in conducting their first zero-emission demonstration, installing charging infrastructure and purchasing two electric yard tractors through a Request for Proposals process. Under this subcontract, POH will receive \$3,000,000 in grant funding and be responsible for \$200,000 in match share contributions (Transmittal 3).
- National Renewable Energy Laboratory (NREL) – Data collection and analysis to support the entire proposed Project will be conducted by the NREL. The proposed demonstration period will run from November 2019 through January 2021, with each piece of equipment having a minimum of three months of operational data. These demonstrations will work together to ensure that the trucks provide zero-emission drayage services from the Port to various locations throughout the South Coast Air Basin and up to POH. Under this subcontract, NREL will receive \$592,260 in grant funding (Transmittal 4).

NREL advance payment: NREL is a federal research agency of the U.S. Department of Energy that performs data collection and processing for a variety of entities including government agencies, industry, academia, nonprofits, and small businesses. NREL's operation is based on full cost recovery and does not receive project funding from the federal government. Therefore, NREL is solely funded by advance payment by each client for each project. As such, NREL is required by the federal government to receive advance funding before beginning work as a condition to its delivery of services.

SUBJECT: SHORE TO STORE SUBRECIPIENT AGREEMENTS

The Harbor Department is therefore required to sign NREL's form entitled "Funds-In Agreement," which provides 90 days advance funding for costs to be incurred in the performance of the proposed Project. Upon termination or completion of the project work under this agreement, any excess pre-paid funds shall be refunded by NREL to the Harbor Department. The NREL Funds-in Agreement contains various provisions NREL advised are federal government requirements that vary from the City's standard contract terms. However, attached to the NREL Funds-in Agreement, is a special Appendix D, Additional Contract Terms required by the City of Los Angeles, such as those in the Subrecipient Agreements signed by the other Subrecipients.

***"Funding and Payment.*** *The Sponsor shall provide sufficient funds in advance to reimburse the Contractor for costs to be incurred in performance of the work described in this Agreement, and the Contractor shall have no obligation to perform in the absence of adequate advance funds. If the estimated period of performance exceeds 90 days and the estimated cost exceeds \$25,000, the Sponsor may, with the Contractor's approval, advance funds incrementally. In such a case, the Contractor will initially invoice the Sponsor in an amount sufficient to permit the work to proceed for 90 days and thereafter invoice the Sponsor monthly so as to maintain approximately a 90-day period that is funded in advance. Payment shall be due upon receipt of invoice, directly to the Contractor. Upon termination or completion, the Contractor shall refund any excess funds to the Sponsor."*

The Subrecipient Agreements incorporate and require compliance with the CARB Grant Agreement. Work under these agreements will be conducted at various sites, outside of Port property, owned and operated solely by the project partners. The Harbor Department's responsibility under these agreements 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 Agreement will be the responsibility of the respective partner undertaking that task.

In addition to the above agreements, this project will also require a Subrecipient Agreement with Shell. Shell will as part of this project, receive \$17,100,000 in grant funding to construct and operate two heavy-duty hydrogen fueling stations, and will be responsible for providing \$13,400,000 in match share contributions. Staff will request approval of this separate Subrecipient Agreement at a later board meeting.

The South Coast Air Quality Management District (SCAQMD) will contribute \$1,000,000 in additional match funds to support the proposed Project. SCAQMD's Board has approved the execution of a funding agreement with the Harbor Department (Transmittal 5). Staff will request approval of this agreement at a later board meeting.

## SUBJECT: SHORE TO STORE SUBRECIPIENT AGREEMENTS

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of Subrecipient Agreements between the Harbor Department and Kenworth, Shell, and POH, and a Funds-in Agreement with NREL to execute the proposed Project, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed Project 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:**

**Project Budget** – The \$41,122,260 grant award and the \$41,426,612 cost share will be spent over a two-year period ending April 2021. Kenworth, Shell, POH, and NREL will be receiving funding through this grant. Matching funds and in-kind contributions required under this grant will be provided by Kenworth, Shell, Toyota, POH, the truck companies that will demonstrate the vehicles, and the SCAQMD. 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 CARB Grant Agreement.

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

<b>Participants</b>	<b>CARB Funds</b>	<b>Match Funds</b>	<b>TOTAL</b>
Kenworth	\$20,430,000	\$1,300,000	<b>\$21,730,000</b>
Toyota	\$0	\$9,741,848	<b>\$9,741,848</b>
Shell	\$17,100,000	*\$13,400,000	<b>\$30,500,000</b>
POH	\$3,000,000	\$200,000	<b>\$3,200,000</b>
TTSI	\$0	\$545,433	<b>\$545,433</b>
SCE	\$0	\$310,000	<b>\$310,000</b>
UPS	\$0	\$930,000	<b>\$930,000</b>
SCAQMD	\$0	\$1,000,000	<b>\$1,000,000</b>
NREL	\$592,260	\$0	<b>\$592,260</b>
Harbor Department	\$0	*\$13,999,331	<b>\$13,999,331</b>
<b>TOTAL</b>	<b>\$41,122,260</b>	<b>\$41,426,612</b>	<b>\$82,548,872</b>

\*These totals include the CEC previously funded grant projects counted as in-kind match share.

As match funding under this grant, the Harbor Department will contribute the ongoing demonstrations at Everport, and Shell will contribute a separately committed hydrogen fueling station at the Port of Long Beach. Each of these projects have been partially funded under separate grants from the California Energy Commission

**SUBJECT: SHORE TO STORE SUBRECIPIENT AGREEMENTS**

(CEC), and the table below summarizes these projects in-kind contributions included by Shell and the Harbor Department:

<b>CEC Project Title</b>	<b>Grantee</b>	<b>Total Project Value</b>
H2 Freight Project	Shell	\$12,000,000
Everport Advanced Yard Tractor Demonstration	Harbor Department	\$7,237,000
Everport Advanced Cargo Handling Demonstration		\$6,762,331

Grant funds will be expended over the following schedule:

FY2019/2020	\$26,893,794
<u>FY2020/2021</u>	<u>\$14,228,466</u>
<b>TOTAL</b>	<b>\$41,122,260</b>

The Harbor Department will pay invoices received from Kenworth, Shell, and POH only after grant funds are received from CARB. NREL’s operation is based on full cost recovery and does not receive project funding from the federal government. Therefore, NREL is solely funded by advance payment by each client for each project. As such, NREL is required by the federal government to receive advance funding before beginning work as a condition to its delivery of services. The Harbor Department is therefore required to sign NREL’s form entitled “Funds-In Agreement”, which provides 90 days’ advance funding for costs to be incurred in the performance of the proposed Project. NREL will send periodic invoices thereafter as needed to maintain an approximately 90-day funding at NREL. Upon termination or completion of the project work under the agreement, any excess pre-paid funds shall be refunded by NREL to the Harbor Department.

For administrative purposes, CARB grant funds related to the proposed Project will be recorded as non-operating revenues within Account 76084. Kenworth, Shell, POH and NREL invoices would then be subsequently paid via Account 89097, Center 6000, Program 000. Future year funds will be requested to be budgeted through the Harbor Department’s annual budgeting process, upon Board approval.

**CITY ATTORNEY:**

The Office of the City Attorney has reviewed and approved each of the Subrecipient Agreements, the Funds-in Agreement, and the SCAQMD Funding Agreement as to form and legality.

**DATE: AUGUST 28, 2019**

**PAGE 7 OF 7**

**SUBJECT: SHORE TO STORE SUBRECIPIENT AGREEMENTS**

**TRANSMITTALS:**

1. Grant Agreement No. 19-3639
2. Subrecipient Agreement with Kenworth Truck Company
3. Subrecipient Agreement with the Port of Hueneme
4. Funds-in Agreement with National Renewable Energies Laboratory
5. South Coast Air Quality Management District Board Action

**FIS Approval: \_\_\_\_\_**  
**CA Approval: \_\_\_\_\_**

**CHRISTOPHER CANNON**  
Director of Environmental Management

**MICHAEL DiBERNARDO**  
Deputy Executive Director

**APPROVED:**

**EUGENE D. SEROKA**  
Executive Director

CC/yo  
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