



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the

Board of Harbor Commissioners

DATE: FEBRUARY 27, 2019

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - GRANT ACCEPTANCE AND APPROVAL OF A ZERO EMISSION SHORE TO STORE DEMONSTRATION PROJECT GRANT AGREEMENT WITH THE CALIFORNIA AIR RESOURCES BOARD

SUMMARY:

Staff requests that the Board of Harbor Commissioners (Board) accept and approve a California Air Resources Board (CARB) Grant Agreement to fund the proposed Zero-Emission Shore to Store Project (Project) with Equilon Enterprises LLC (d/b/a Shell Oil Products US) (Shell), Kenworth Truck Company (Kenworth), Toyota Motor North America (Toyota), and the Port of Hueneme (POH). The Board is also requested to delegate to the Executive Director to finalize and sign the Grant Agreement with approval as to form and legality by the City Attorney.

On July 12, 2018, the City of Los Angeles Harbor Department (Harbor Department) submitted a grant proposal to CARB under the Zero and Near Zero Emission Freight Facilities (ZANZEFF) grant solicitation. On October 8, 2018, CARB offered the Harbor Department a preliminary grant award in the amount of \$41,122,260 to fund the proposed Project. The grant award will assist in funding the design and production of 10 hydrogen fuel cell (also referred to as hydrogen-electric) drayage trucks manufactured by Kenworth and Toyota, the construction and operation of two heavy-duty hydrogen-fueling stations built and operated by Shell, and the construction of an electrical charging infrastructure system and operation of two yard tractors at POH. These demonstrations will connect with the Harbor Department's ongoing grant projects at the Everport Marine Terminal (Everport) and a separate hydrogen-fueling station that Shell is building to present a comprehensive system of freight movement throughout Southern California. This proposed Project will display the potential of zero emission equipment to support the entirety of the local supply chain, and encourage the development of sustainable movement of goods throughout California. The proposed Project participants (Shell, Kenworth, Toyota, POH and others demonstration partners) will provide matching funds and in-kind contributions totaling \$41,426,612. The Harbor Department will not contribute any additional money to support the proposed Project outside of project administration.

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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) and 15304 Minor Alterations to Land;
2. Accept and approve as to substantial form the Grant Agreement between the City of Los Angeles Harbor Department and the California Air Resources Board under the Fiscal Year 2018/2019 Air Quality Improvement Program and Low Carbon Transportation Greenhouse Gas Reduction Fund Investments Grant Solicitation for the Zero and Near Zero Emission Freight Facilities Demonstration Project;
3. Authorize the Executive Director to make minor revisions to finalize the Grant Agreement with the approval as to form and legality by the Office of the City Attorney;
4. Authorize the Executive Director to execute the Grant Agreement and the Board Secretary to attest to said Grant Agreement with the California Air Resources Board for and on behalf of the Board;
5. Authorize the City of Los Angeles Harbor Department to proceed with the Zero-Emission Shore to Store Demonstration Project approved for funding by the California Air Resources Board; and
6. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – On March 21, 2018, CARB released a grant solicitation to implement and administer 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 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

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for the grant on behalf of the Toyota, Kenworth, Shell, and POH team, who developed the proposed Project (Transmittal 1).

On October 8, 2018, CARB notified the Harbor Department that the proposed Project was selected and had received a preliminary grant award offer in the amount of \$41,122,260 contingent upon the following (Transmittal 2):

- Resolution of California Environmental Quality Act (CEQA) requirements; and,
- Board resolutions committing the proposed Project participants to provide matching funds totaling \$41,426,612

CARB staff has worked with Harbor Department staff for several months to prepare the Grant Agreement (Transmittal 3) which has been approved as to form by the Office of the City Attorney. CARB Staff has advised of a possibility that some minor final changes may be forthcoming. Staff therefore requests the Board approve the Grant Agreement as to substantial form; authorize the Executive Director to make minor revisions to finalize the Grant Agreement with the approval as to form and legality by the Office of the City Attorney; and to execute the final Grant Agreement substantially in the form of the attached Transmittal 3.

Proposed "Shore to Store" Project – The Harbor Department is partnering with world leading Original Equipment Manufacturers, Kenworth, Toyota, and Shell 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 zero emission infrastructure for short, medium and especially long haul drayage. 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 cargo handling at its facility.

Project Summary – The proposed Project will encompass the following three distinct demonstrations:

- Hydrogen Fuel Cell Drayage Trucks – The first demonstration will be the manufacturing and deployment of 10 hydrogen fuel cell on road drayage trucks. Toyota and Kenworth will work together to design, construct, and deploy 10 hydrogen fuel cell drayage trucks. These trucks will be deployed in two phases of five trucks each. The first phase will demonstrate four trucks by Toyota Logistics

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Service, and 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. As a result, three trucks will be operated by international carrier United Parcel Service (UPS) and two trucks by Total Transportation Services Inc. (TTSI) as part of the second phase.

- Hydrogen Fueling Station Infrastructure – The second demonstration will be the construction and operation of two heavy-duty hydrogen fueling stations by Shell. One station will be in Wilmington near the Port, while the other will be located at a major truck stop and fueling center in Ontario, California. These stations, when combined with a third station that Shell is committed to build under a previous California Energy Commission (CEC) grant, will form a robust fueling network to support drayage operations running on hydrogen.
- Zero Emissions Yard Tractors and Infrastructure – 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.

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.

Data collection and analysis to support the entire proposed Project will be conducted by the National Renewable Energy Laboratory (NREL), at the suggestion of Kenworth. The proposed demonstration period will run from July 2019 through January 2021, with each piece of equipment having a minimum of three months of operational data.

Finally, the South Coast Air Quality Management District (SCAQMD) Letters of commitment from all of the aforementioned project partners are attached (Transmittal 4) will contribute \$1,000,000 in additional match funds to support the proposed Project.

Connected Grant Projects – Under this grant, previously funded projects were allowable as in-kind match-share, provided the project be connected to the new effort. The Harbor Department will provide the ongoing clean technology demonstrations at Everport funded by the CEC as its matching contribution, since several of the hydrogen fuel cell trucks will pick up containers from Everport. Similarly, Shell will provide a hydrogen fueling station, also being built with CEC funding at the Port of Long Beach as its part of its matching contribution, since the demonstration's trucks will also fuel at that station.

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Sub-Recipient Grant Agreement(s) – This agreement will require a series of sub-recipient agreements to execute the proposed Project. The Harbor Department plans to contract directly with Kenworth to perform the truck construction and demonstrations, Shell to construct and design the stations, POH to conduct their yard tractor demonstration, and NREL to perform data collection and analysis. Kenworth will be responsible under its sub-recipient agreement for coordinating and subcontracting with Toyota to build the trucks and to secure the demonstrator contracts with local drayage motor carriers specified in the proposed project. The Harbor Department will also contract with SCAQMD to receive their cost share contribution to support the proposed Project. These sub-recipient agreements will incorporate and require compliance with this CARB Grant Agreement. The Project team will work collaboratively to ensure that all conditions and schedules are satisfied in accordance with the CARB Grant Agreement. Staff will request approval at a future Board meeting of the sub-recipient agreements and cost share agreement mentioned above.

ENVIRONMENTAL ASSESSMENT:

The proposed action is to accept and approve a grant agreement with CARB, to fund a demonstration of zero emissions infrastructure and equipment at existing locations where cargo transportation and handling cargo activities are permitted for conventional freight handling equipment. 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 action is administratively 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 restored).

FINANCIAL IMPACT:

Project Budget – The \$41,122,260 grant award and the \$41,426,612 cost share will be spent over a three-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 (Transmittal 4). The Harbor Department will also present the ongoing demonstrations at Everport as in-kind match funding (total value of \$13,999,331), and Shell will contribute a separately committed hydrogen fueling station at the Port of Long Beach (\$12,000,000). The Harbor Department will not commit any additional funding to this proposed Project.

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The table below summarizes the total cost and funding commitments by all participants (Transmittal 5):

Participants	CARB Funds	Match Funds	TOTAL
Kenworth	\$20,430,000	\$1,300,000	\$21,730,000
Toyota	\$0	\$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	\$0	\$545,433	\$545,433
SCE	\$0	\$310,000	\$310,000
UPS	\$0	\$930,000	\$930,000
SCAQMD	\$0	\$1,000,000	\$1,000,000
NREL	\$592,260	\$0	\$592,260
Harbor Department	\$0	*\$13,999,331	\$13,999,331
TOTAL	\$41,122,260	\$41,426,612	\$82,548,872

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

Grant funds will be expended over the following schedule:

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

The Harbor Department will pay invoices received from Kenworth, Shell, POH and NREL only after grant funds are received from CARB. 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 the CARB Grant Agreement as to form and legality. The Office of the City Attorney will also be involved in the future preparation and approval as to form and legality of the Sub-recipient Agreements with Kenworth, Shell, POH, and NREL and the Cost Share Agreement with SCAQMD.

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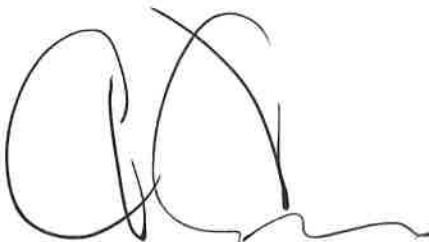
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TRANSMITTALS:

1. Shore to Store Project Proposal Narrative
2. Grant Award Letter dated October 8, 2018
3. Grant Agreement with the California Air Resources Board
4. Project Team Match Funds Letters of Commitment
5. Project Budget and Schedule Breakdown

FIS Approval: *MB*

CA Approval: *JM*



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