



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: NOVEMBER 10, 2010

DIVISION: ENVIRONMENTAL MANAGEMENT DIVISION

SUBJECT: RESOLUTION NO. _____ - FIRST AMENDMENT TO CHINA SHIPPING AMENDED STIPULATED JUDGMENT AIR QUALITY MITIGATION INCENTIVE PROGRAM GRANT AGREEMENT NO. 09-2770 WITH VERSATILE ENERGY POWER SYSTEMS, INC.

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department) awarded Versatile Energy Power Systems, Inc. (Versatile Energy), a Texas Corporation, a grant in the amount of \$531,378 to design and demonstrate an engine retrofit system to reduce nitrogen oxides (NOx) and particulate matter (PM) emissions from harbor craft, such as commercial fishing and excursion vessels and tugboats. Versatile Energy and their subcontractor made adjustments to the project implementation schedule which were approved by the Director of Environmental Management in February 2010, and work has been carried out under the new implementation schedule. This First Amendment establishes a new payment schedule to properly align with the modified implementation schedule, and extends the agreement term from 24 months to 30 months. There is no adjustment to the total amount of the grant award.

RECOMMENDATION:

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

1. Approve the First Amendment to Agreement No. 09-2770 with Versatile Energy Power Systems, Inc. to change the task and payment schedules and extend the Agreement term by six months;
2. Authorize the Executive Director to execute and the Board Secretary to attest to said Amendment for and on behalf of the Board; and
3. Adopt Resolution No. _____.

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SUBJECT: FIRST AMENDMENT TO AGREEMENT NO. 09-2770

DISCUSSION:

Background – On November 20, 2008, Versatile Energy was awarded a research and development grant for \$531,378 under the Harbor Department's 2007-2008 Air Quality Mitigation Incentive Program (AQMIP). The AQMIP and the process for evaluating projects was established in the China Shipping Amended Stipulated Judgment in 2004 in order to identify ongoing projects with the potential to reduce air impacts at the Port of Los Angeles, especially in the San Pedro and Wilmington areas. The Harbor Department released Requests for Projects to award grants under the 2007-2008 AQMIP program cycle on December 27, 2007. In accordance with established process, project submittals were evaluated by a Technical Advisory Committee (TAC) which consisted of representatives from the South Coast Air Quality Management District, the U.S. Environmental Protection Agency (U.S. EPA), and the California Air Resources Board. The TAC recommended projects to the Port Community Advisory Committee (PCAC) which in turn made recommendations to Harbor Department staff for submittal to the Board for approval. Through this process, Versatile Energy was awarded a grant under Agreement No. 09-2770 which authorized them to develop, demonstrate, and test an engine retrofit kit that is expected to achieve an 85% emission reduction of particulate matter (PM) and a 25% emission reduction in oxides of nitrogen (NOx) on harbor craft. Baseline testing will be conducted on a representative marine diesel engine in a laboratory setting. The kit will then be installed on the same laboratory test engine and data will be collected at various loads and speeds. The data collected will be used to modify the retrofit kit as necessary and allow the grantee to work with the U.S. EPA to achieve verification of the kit for marine diesel engines.

The project supports elements of the Board-adopted San Pedro Bay Ports Clean Air Action Plan by continuing to promote clean air initiatives. If successful, the technology can be installed on harbor craft operating within the San Pedro Bay Ports.

In February 2010, the Director of the Environmental Management Division authorized adjustments to the implementation schedule, extending the project completion term from 24 to 30 months. This change affected the payment schedule and contract term which requires amending the Agreement.

First Amendment – The First Amendment to Agreement No. 09-2770 (Transmittal 1) authorizes a new payment schedule to properly align with the modified implementation schedule approved in February 2010, and extends the agreement term from 24 months to 30 months. There is no change to the amount of the grant award.

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SUBJECT: FIRST AMENDMENT TO AGREEMENT NO. 09-2770

ENVIRONMENTAL ASSESSMENT:

The proposed action is an amendment to Agreement No. 09-2770 between the Harbor Department and Versatile Energy. The Amendment updates the implementation and compensation schedules with no change to the overall project operations or funding amount. As an administrative action, 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) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The total grant award for this project is \$531,378. As of February 2010, \$296,000 has been paid and the remaining balance of \$235,378 will be expended as follows:

FY 10/11	\$149,000
FY 11/12	<u>\$ 86,378</u>
TOTAL	\$235,378

Funds in the amount of \$149,000 are available in Account No. 21951, Center No. 7000, Program 000. Funds for future fiscal years will be requested to be budgeted as part of the annual budget adoption process, upon Board approval.

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ECONOMIC BENEFITS:

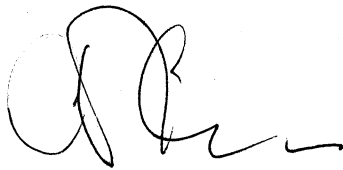
This Amendment will have no direct job impacts for the five county regions since the company of Versatile Energy Power Systems, Inc. is located outside region.

CITY ATTORNEY:

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

TRANSMITTAL:

1. First Amendment to Agreement No. 09-2770



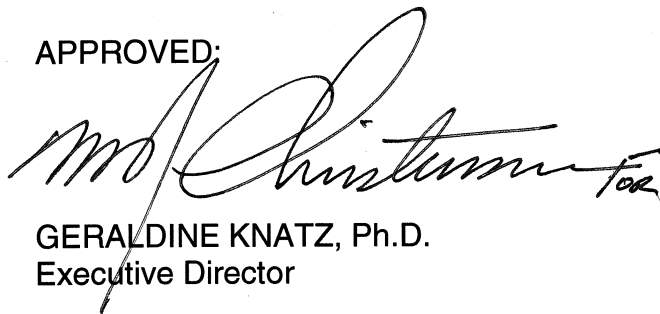
CHRISTOPHER CANNON
Director of Environmental Management

FIS Approval: ef



MICHAEL R. CHRISTENSEN
Deputy Executive Director

APPROVED:



GERALDINE KNATZ, Ph.D.
Executive Director

AUTHOR: Teresa Scognamillo
ADP No.: 030507-513
BOARD MEETING: 11/18/2010

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