

DATE: NOVEMBER 8, 2022

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - TECHNOLOGY ADVANCEMENT PROGRAM GRANT AGREEMENT WITH TOYOTA TSUSHO AMERICA, INC., AND COST SHARE AGREEMENT WITH THE PORT OF LONG BEACH FOR A REPOWERED HYDROGEN TOP HANDLER AND MOBILE HYDROGEN REFUELER PROJECT

SUMMARY:

Staff requests approval of a Technology Advancement Program (TAP) Grant Agreement with Toyota Tsusho America, Inc., (Toyota Tsusho) to fund the repower of a top handler to a hydrogen fuel cell (HFC) system and the construction and demonstration of a mobile hydrogen refueler. A repower is the replacement of an engine or power system on an existing vehicle, in this case a top handler.

Staff also requests approval of a Cost Share Agreement with the Port of Long Beach (POLB) to share the cost of the proposed Repowered Hydrogen Top Handler and Mobile Hydrogen Refueler Project (Project). The Project will be demonstrated at Fenix Marine Services (FMS). The Clean Air Action Plan (CAAP) TAP Advisory Committee (AC) has reviewed the proposed Project and recommends providing the requested funding amount of \$860,000. The City of Los Angeles Harbor Department (Harbor Department) is financially responsible for the \$860,000 under this Board action, of which \$430,000 will be reimbursed by POLB through the Cost Share Agreement.

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 and categorically 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;
2. Approve the Technology Advancement Program Grant Agreement with Toyota Tsusho America, Inc. for the total not-to-exceed amount of \$860,000;

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3. Approve the Cost Share Agreement with the Port of Long Beach for the reimbursement of \$430,000 from the Port of Long Beach to the City of Los Angeles Harbor Department, as established by the Clean Air Action Plan Master Cost Sharing Agreement No. 2546;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the Grant Agreement with Toyota Tsusho America, Inc., for and on behalf of the Board;
5. Authorize the Executive Director to execute and the Board Secretary to attest to the Cost Share Agreement with the Port of Long Beach, for and on behalf of the Board; and
6. Adopt Resolution No. _____.

DISCUSSION:

Project Background/Context – The 2006 San Pedro Bay Ports CAAP was adopted by both Boards of Harbor Commissioners of Los Angeles and Long Beach on November 20, 2006 and was subsequently updated in 2010 and 2017. A significant initiative of the CAAP is the TAP, which provides grants to help accelerate the availability of new strategies into the port market that will ultimately result in significant reductions of Diesel Particulate Matter (DPM), Oxides of Nitrogen (NOx), Oxides of Sulfur (SOx), and other pollutants.

The TAP is a joint Ports initiative that provides grant funding on a cost share basis. The TAP is funded by the Harbor Department and the POLB with each allocating up to \$1.5 million annually to the program, which is leveraged with funding from other parties. The TAP AC, comprised of representatives from the U.S. Environmental Protection Agency, California Air Resources Board, the South Coast Air Quality Management District, and the California Energy Commission, evaluates and recommends projects for funding. To date, nearly \$13 million has been allocated to TAP projects since the program's inception.

Project Description – The proposed Project will demonstrate the repower of one diesel top handler engine and power system to a HFC powered electric system. A repower project is a class of equipment upgrades that consists of the replacement of an engine with a cleaner or improved engine. Aside from the test of the repowered zero-emission top handler, the project team will also build and deploy a uniquely designed mobile hydrogen refueler. The refueler is designed to mirror the current diesel "wet-fueling" operational model that most terminals use. Should the test prove operationally feasible, this piece of equipment could be a key piece to enabling major container terminals to transition to fully zero emission models.

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The primary contractor is Toyota Tsusho, a business development company associated with Toyota Motors North America. Toyota Tsusho will subcontract with several other project team members to perform the tasks for this Grant Agreement. US Hybrid will perform the repower of the top handler and support its operation during demonstration. One H2, Inc. will construct and operate the mobile refueler. Fenix Marine Services will donate the original top handler and operate the repowered model during the demonstration.

The TAP AC received and evaluated Toyota Tsusho's project proposal, assessed the technological merit of the proposed technology, and has recommended it for TAP funding.

Mutual Waiver of Consequential Damages – During contract negotiations, Toyota Tsusho requested the addition of a Mutual Waiver of Consequential Damages (Section 10.B). Staff reviewed the request and have determined that there is a low risk of the Harbor Department incurring damages that could be recouped from Toyota Tsusho under this project's scope and schedule, and thus have incorporated the requested language.

Cost Share – In June 2007, the Harbor Department and the POLB executed the CAAP Master Cost Sharing Agreement No. 2546 to establish an arrangement for sharing costs of all agreed upon CAAP expenditures (Transmittal 2). In accordance with the provisions of the Master Cost Sharing Agreement No. 2546, a supplemental Cost Share Agreement between the Harbor Department and the POLB is being submitted for approval (Transmittal 3). This Cost Share Agreement identifies the Harbor Department as the contracting port and establishes that the costs associated with the proposed Project will be shared by the Harbor Department and the POLB in the amount of \$430,000 each.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a TAP Grant Agreement with Toyota Tsusho to fund the repower of a top handler to an HFC system and the construction and demonstration of a mobile hydrogen refueler and approval of a Cost Share Agreement with POLB to share the cost of the proposed Project, which is an administrative activity and an activity involving basic data collection, field testing, and research. Therefore, the Director of Environmental Management has determined that the proposed action is administratively and categorically exempt from the requirements of 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 total cost of this proposed Project is \$4,996,045, which will be paid by the following funding partners:

Toyota Tsusho	\$ 2,822,568
US Hybrid	\$ 276,477
Fenix Marine Services	\$ 887,000
OneH2	\$ 150,000
Harbor Department	\$ 430,000
Port of Long Beach	\$ 430,000
TOTAL	\$ 4,996,045

Approval of the proposed TAP Grant Agreement and the proposed Cost Share Agreement will authorize funding in the amount of \$860,000 of which \$430,000 will be reimbursed through the Cost Share Agreement with the POLB.

It is anticipated that funds will be expensed as follows:

Funding Year	Account 59965	Account 11225	Total
FY 2022/23	\$ 415,000	\$ 415,000	\$ 830,000
FY 2023/24	\$ 15,000	\$ 15,000	\$ 30,000
Total	\$ 430,000	\$ 430,000	\$ 860,000

Funds in the current fiscal year are available in Account 59965 (Customer Environmental Subsidies), Center 0330 (Environmental Management), Program 000 (Base Budget), and Account 11225 (Reimbursable Costs – Environmental Projects), Center 7000 (Liability), Program 000 (Base Budget). The outstanding balance within Account 11225 will be subsequently amortized as reimbursements from POLB are received.

The Harbor Department’s financial obligation after the current year is contingent upon the Board’s appropriation of funds. If any subsequent fiscal year funds are not appropriated by the Board, the Grant Agreement with Toyota Tsusho, and the Cost Share Agreement with the POLB will be terminated. However, such termination shall not relieve the parties of liability for any obligations previously incurred. Future year funds will be requested through the Harbor Department’s annual budget adoption process, subject to Board approval.

CITY ATTORNEY:

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

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TRANSMITTALS:

1. Grant Agreement with Toyota Tsusho America, Inc.
2. Master Cost Share Agreement No. 2546
3. Cost Share Agreement with the Port of Long Beach

FIS Approval: JS
CA Approval: SO


CHRISTOPHER CANNON
Director of Environmental Management

Michael DiBernardo
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Deputy Executive Director

APPROVED:


EUGENE D. SEROKA
Executive Director

CC/yo
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