



**THE PORT  
OF LOS ANGELES**

Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: NOVEMBER 23, 2020**

**FROM: ENVIRONMENTAL MANAGEMENT**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - TECHNOLOGY ADVANCEMENT PROGRAM GRANT AGREEMENT WITH PASHA HAWAII HOLDINGS LLC, AND COST SHARE AGREEMENT WITH THE PORT OF LONG BEACH FOR A REPOWERED LIQUIFIED NATURAL GAS OCEAN-GOING VESSELS PROJECT**

**SUMMARY:**

Staff requests approval of a Technology Advancement Program (TAP) Grant Agreement with Pasha Hawaii Holdings LLC (Pasha) to fund the repower of an ocean-going vessel (OGV) that will be capable of operating on liquefied natural gas (LNG) fuels (proposed Project). A repower is the replacement of an engine on an existing vessel. Staff also requests to approval of a Cost Share Agreement with the Port of Long Beach (POLB) to share the cost of the proposed Project. Pasha's repowered vessel will call at the ports of Los Angeles and Long Beach (Ports). The Clean Air Action Plan (CAAP) TAP Advisory Committee (AC) has reviewed the proposed Project and recommends providing the requested funding. The total requested TAP funding amount is \$500,000. The City of Los Angeles Harbor Department (Harbor Department) is financially responsible for the \$500,000 under this Board action, of which \$250,000 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 actions are 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 Pasha Hawaii Holdings LLC for the total not-to-exceed amount of \$500,000;
3. Approve the Cost Share Agreement with the Port of Long Beach for the reimbursement of \$250,000 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;

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4. Authorize the Executive Director to execute and the Board Secretary to attest to the Grant Agreement with Pasha, 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 \$12 million has been allocated to TAP projects since the program's inception.

Project Description – The proposed Project will demonstrate the repower of one C9 class vessel steam turbine engine to a dual-fuel engine capable of burning LNG or diesel in its propulsion system. A repower project is a class of equipment upgrades that consists of the replacement of an engine with a cleaner engine. The existing engine of the proposed Project vessel burns heavy fuel oil (HFO) to generate steam and turn a turbine. The repower from steam turbine power to internal combustion LNG technology will facilitate the use of cleaner burning LNG and provide a significant engine efficiency increase. Additionally, the ship will be installed with the on-board ship infrastructure to plug in while at berth. All engines will meet Tier III standards, which are the cleanest OGV engines available today. While the engine can burn HFO when LNG is not available, the propulsion system will be optimized for LNG fueling. Demonstration will include emissions testing and verification.

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

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The proposed Project, if successfully demonstrated, is expected to decrease pollutants emitted from the current steam engines. The emissions of the retrofitted OGV are expected to meet Tier III standards, resulting in low levels of DPM, NOx, SOx, and greenhouse gasses.

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 \$250,000 each.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of a proposed \$500,000 TAP Grant Agreement with Pasha for funding of the CAAP TAP Project and approval of a Cost Share Agreement with POLB for \$250,000, which are administrative activities for an activity involving basic data collection, field testing, and research of City Departments which do not result in serious or major disturbances to an environmental resource. Therefore, the Director of Environmental Management has determined that the proposed actions are 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.

**FINANCIAL IMPACT:**

The total cost of this proposed Project is approximately \$42,000,000, paid by the following funding partners:

Pasha	\$ 41,500,000
Harbor Department	\$ 250,000
Port of Long Beach	\$ 250,000
<b>TOTAL</b>	<b>\$ 42,000,000</b>

The Harbor Department is financially responsible for \$500,000 under this Board action of which \$250,000 will be reimbursed through a cost share with the POLB.

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It is anticipated that funds will be expensed as follows:

Funding Year	Account 59965	Account 11225
FY 2020/21	\$50,000	\$50,000
FY 2021/22	\$200,000	\$200,000

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 agreement with Pasha and the cost share agreements 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 agreements as to form and legality.

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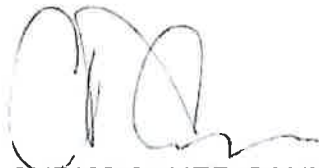
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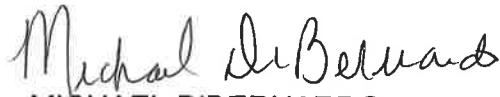
**TRANSMITTALS:**

1. Grant Agreement with Pasha Hawaii Holdings LLC
2. Master Cost Share Agreement No. 2546
3. Cost Share Agreement with the Port of Long Beach

FIS Approval: AVG  
CA Approval: SO



CHRISTOPHER CANNON  
Director of Environmental Management



MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:



*FOR* EUGENE D. SEROKA  
Executive Director

CC/yo  
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