

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4d
Date of Meeting June 24, 2014

DATE: June 3, 2014
TO: Tay Yoshitani, Chief Executive Officer
FROM: Janice Gedlund, Seaport Air Quality Program Manager
SUBJECT: US Environmental Protection Agency Diesel Emission Reduction Grant for Clean Truck Program

Amount of This Request:	\$1,608,000	Source of Funds:	US Environmental Protection Agency Diesel Emission Reduction Act Grant and Seaport General Fund
Est. Total Project Cost:	\$6,335,000		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to increase the authorized amount for the Clean Truck Program truck scrapping project by \$1,608,000 for a revised total of \$6,335,000. Of the additional \$1,608,000, the United States Environmental Protection Agency (USEPA) Diesel Emission Reduction Act (DERA) Grant will provide \$1,200,000 and the Port will contribute \$408,000.

SYNOPSIS

The Port applied for and has been offered a \$1,200,000 DERA grant from the USEPA to augment the previously authorized Clean Truck Program Seaport Scrappage and Replacement for Air in Puget Sound (ScRAPs 2) incentive project to replace or upgrade older polluting drayage trucks that serve Port of Seattle marine terminals. This request adds \$1,608,000 to the previous authorization (\$1,200,000 in USEPA funds and \$408,000 in Port funds). The DERA grant will pay 100% of the ScRAPs 2 incentives, and the Port will incur administrative expenses to process and issue the incentives. The DERA grant will enable the Port to provide financial incentives to at least 40 trucks, in addition to the previous estimate of 180 or more trucks planned to be replaced or upgraded via the previously authorized grant-funded project, for a total of at least 220 trucks. The DERA grant will provide 50% of the purchase price, up to \$30,000 per truck maximum, for at least 40 replacement trucks having a 2010 or newer engine.

The \$1,608,000 total of this request does not include the third party (truck owner) contributions toward the purchase of replacement trucks. The DERA grant considers the third party contribution paid by individual truck owners to cover the balance of the purchase price (estimated at \$50,000 per truck for 40 trucks for total of \$2,000,000) as the grant match. This

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match does not flow through the Port and is therefore not included in the total project cost. Project administrative costs are borne by the Port and are not considered as grant match.

BACKGROUND

The Port Commission adopted the Northwest Ports Clean Air Strategy on January 22, 2008. One of the strategy's key objectives is to reduce marine-related diesel emissions, including those from drayage trucks serving marine terminals. The strategy established and achieved a 2010 goal of having all trucks entering container terminals to have 1994 model-year engines or newer, because this engine year produced substantially less pollution than older trucks. One tool that was used successfully to attain this goal was a financial incentive program for truck owners. The Port partnered with the Puget Sound Clean Air Agency to implement the Scrapage and Retrofits for Air in Puget Sound (ScRAPS) program. ScRAPS provided \$5,000 or blue book value—whichever was higher—to the owner in exchange for scrapping a truck. The program ran from 2009 to early 2011 and removed 280 pre-1994 trucks. The Port invested \$1.6 million in the program.

Per the strategy, the next phase of the Clean Truck Program will require trucks to meet the 2007 model year engine emission standards or equivalent by January 1, 2018. Model year 2007 engines are ten times cleaner than pre-2007 engines.

Port staff estimates that there are about 1,000 trucks calling frequently (200 time/year) at container terminals. About 10% of these frequently calling trucks are already equipped with model year 2007 engines or newer. With normal fleet turnover, it is expected that this percentage will increase somewhat over the next four years. However, extensive outreach to the trucking community indicates that financial and other assistance is necessary for some truck owners to meet the Port's environmental requirements.

On June 25, 2013 the Commission authorized the Port to proceed with a \$4,202,000 drayage truck replacement project utilizing a \$3,535,000 Congestion Mitigation and Air Quality (CMAQ) grant, administered by Washington State Department of Transportation with and USDOT funding and \$667,000 of Port funding. This amount provides resources to offer 160 truck incentives at \$20,000/truck.

On December 10, 2013 the Commission authorized an additional \$525,000 for the project to provide incentives for 20 additional trucks. Of the \$525,000, \$500,000 is from a State of Washington Department of Ecology Clean Diesel Grant of \$500,000, and Port match of \$25,000.

PROJECT JUSTIFICATION AND DETAILS

Authorization of this request will leverage the Port's dollars with over \$4.7 million in federal grant funds and \$500,000 in state grant funds to augment the Port's second ScRAPS program. Prior funding allows for financial incentives to upgrade or replace 180 or more trucks (160 to be funded by the CMAQ grant and 20 by the state grant) serving the Port's marine container terminals. The DERA grant will provide funding for an additional 40 trucks. Having newer trucks serving our terminals will reduce air emissions and help implement our clean air strategy.

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Project Objectives

- Supplement the currently funded Clean Truck Program's truck scrapping project to add incentives to replace 40 additional older, polluting trucks serving Port marine terminals with trucks meeting model year 2010 emission standards or equivalent by September 30, 2015. This is in addition to previous funding approval to upgrade 180 trucks to 2007 or newer engines.
- Utilize grant funding and Port funding in the most economical manner.
- Complete project in compliance with federal grant guidelines, on time and within budget.

Scope of Work

The original scope of work approved previously by the Commission included incentivizing truck scrapping and replacement, or installing EPA-certified emission reduction retrofits, to render trucks equivalent to the emission standards of a 2007 model-year truck, for at least 180 trucks (160 funded trucks by the CMAQ grant and 20 trucks by the state grant) serving Port of Seattle marine terminals. This request adds the DERA grant that will add 40 truck incentives of up to \$30,000 each for replacement of trucks having a 2010 or newer engine. To accomplish this, the Port will amend its interlocal agreement with Puget Sound Clean Air Agency that is staffing the program resource center for the trucking community, to process the additional DERA grant related applications for participation in the truck incentive program, and issue the additional incentives. The Port will also amend its contract with a third party to audit the truck-scrapping program to ensure that the DERA grant obligations are met.

Schedule

	Start	Finish
Program design & contracting	June 2014	July 2014
Program implementation (offer & issue incentives)	August 2014	October 2015
Closeout	November 2015	December 2015

FINANCIAL IMPLICATIONS

The following budget and authorization summary is for upgrading 180 trucks (Project U00079) (160 trucks funded by the CMAQ grant, 20 funded by the Ecology grant), and 40 trucks (Project U00134) funded by the DERA grant.

Budget/Authorization Summary

	Capital	Expense	Total Project
Previous Authorizations (U00079)	\$0	\$4,727,000	\$4,727,000
Current request for authorization (U00134) inclusive of \$216,000 previously approved by Seaport Managing Director	\$0	\$1,608,000	\$1,608,000
Total Authorizations, including this request	\$0	\$6,335,000	\$6,335,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$0	\$6,335,000	\$6,335,000

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Project cost breakdown

Grant	Project	Total Cost	Eligible Grant	Port Match	Ineligible Costs	Total Port Costs
CMAQ	Puget Sound Regional Clean Truck Program	\$4,202,000	\$3,535,000	\$552,000	\$115,000	\$667,000
Ecology Clean Diesel	Puget Sound Regional Clean Truck Program	\$525,000	\$500,000	\$0	\$25,000	\$25,000
DERA (this request)	Puget Sound Regional Clean Truck Program	\$1,608,000*	\$1,200,000	\$0*	\$408,000*	\$408,000
TOTAL		\$6,335,000	\$5,235,000	\$552,000	\$548,000	\$1,100,000

*The DERA grant considers the third party contribution paid by individual truck owners to cover the balance of the purchase price (estimated at \$50,000 per truck for 40 trucks for total of \$2,000,000) as a grant match. This match does not flow through the Port and is therefore not included in the total project cost. Project administrative costs are borne by the Port and are not considered as grant match.

Budget Status and Source of Funds

The project funds relating to the CMAQ and the Ecology Clean Diesel grants were included in the Port's 2014 Operating Budget and in the 2015 forecast used to develop the Plan of Finance. The 2014 budget includes \$3,117,000,000 in non-operating funds to support the Clean Truck component of the Northwest Ports Clean Air Initiatives.

The DERA grant pays 100% of the truck replacement incentives, for a total of \$1,200,000. The DERA grant does not pay for administration of the incentives, such as contracted services or Port labor so the Port will incur project administration costs. The project funds relating to the DERA grant were not included in the 2014 Budget Operating Budget, but due to timing delays related to the other two grants, the amounts included in the 2014 Budget are expected to cover all 2014 spending. Another source of funds may include reimbursement from truck scrapping/recycling, which is estimated to be \$80,000.

The remaining balance of the Port investment will be requested in the Seaport 2015 budget. All costs to be covered by the Port will be funded out of the Seaport Division's Non-Operating General Fund.

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Financial Analysis and Summary

CIP Category	N/A
Project Type	Environmental – Non Operating Expense
Risk adjusted discount rate	N/A
Key risk factors	<ul style="list-style-type: none">• insufficient number of truck owners apply for incentives• potential cost overruns due to project complexity or unidentified additional changes needed
Project cost for analysis	N/A
Business Unit (BU)	Seaport
Effect on business performance	The grant proceeds are reported as non-operating grant revenue and the related project cost are reported as non-operating expense in 2014 and 2015.
IRR/NPV	N/A

Lifecycle Cost and Savings

STRATEGIES AND OBJECTIVES

This project aligns with the following Port strategic objectives:

- The Century Agenda strategy to be the greenest and most energy-efficient port in North America, and associated objective to reduce air pollutant emissions by 50% from 2005 levels. Model year 2007 engines emit ten times less particulate matter than 1994-2006 engines.
- The Century Agenda strategy to position the Puget Sound region as a premier international logistics hub. Newer trucks will be cleaner, safer and more reliable.
- The project supports the Port-wide strategy to manage our finances responsibly. This project leverages Port dollars with federal and state grant monies.

TRIPLE BOTTOM LINE

Economic Development

The Seaport business plan notes that environmental stewardship provides a business advantage. Implementing another truck scrapping program will help the Port meet the goals of the Northwest Ports Clean Air Strategy, which is incorporated into the Seaport's Green Gateway Strategy. Newer trucks will be cleaner, safer and more reliable.

Environmental Responsibility

The purpose of this project is to replace older trucks with models that produce ten times less pollution. Old trucks that are replaced will be required to be scrapped so that they cannot be used elsewhere. The scrapping process maximizes reuse of materials.

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Community Benefits

The project helps to clean the environment and protect public health by reducing diesel exhaust emissions from 220 older trucks and assists truck owners and operators who are Port business partners to upgrade their trucks to newer models that will enable them to continue working when restrictions on pre-2007 engine trucks go into effect. Many of the local trucking companies that will benefit are small businesses. Many of the independent owners and operators are immigrants with limited English language proficiency and lower incomes. The public health benefit of the avoided particulate emissions from all 220 trucks is valued at approximately \$3.6 million per year (based on USEPA's Diesel Emission Quantifier Health Benefits Methodology).

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Do not expand the project to offer a clean truck ScRAPs 2 incentive program to 40 additional trucks. Without an incentive program it will be difficult for some truck owners/operators to stay in business when the requirement for 2007 model year engines takes effect. This is not the recommended alternative.

Alternative 2) – Offer clean truck ScRAPs 2 incentives to 40 additional trucks using only Port funds. This would require significantly more Port dollars. This is not the recommended alternative.

Alternative 3) – Accept the DERA grant and augment the existing clean truck ScRAPs 2 incentive to provide incentives to an additional 40 trucks. By leveraging Port funds with this grant, more trucks can be upgraded to meet the Port's business and environmental objectives.

This is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

- USEPA notice of funding award
- Port of Seattle DERA grant application

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- December 10, 2013 – the Commission authorized executing an agreement with the State of Washington Department of Ecology to accept a Clean Diesel grant for the ScRAPs 2 project and to increase the project budget with grant and Port funds.
- December 10, 2013 – the Commission adopted the 2013 Northwest Ports Clean Air Strategy.
- December 3, 2013 – the Commission was briefed on the final Northwest Ports Clean Air Strategy 2013 Update.
- June 25, 2013 – the Commission was briefed on the draft 2013 Northwest Ports Clean Air Strategy.
- June 25, 2013 – the Commission authorized executing an agreement with the Washington State Department of Transportation to accept a Congestion Mitigation Air Quality grant

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and to proceed with the grant-funded project to provide incentives for replacing or upgrading 160 or more drayage trucks to meet 2007 emission standards.

- December 4, 2012 – the Commission was briefed on the results of the 2011 Puget Sound Maritime Air Emissions Inventory and options for accelerating the NWPCAS truck goals.
- May 1, 2012 – the Commission authorized to sign agreement 20090046 Amendment 5 with the Puget Sound Clean Air Agency to transfer \$1,050,000 in funds to support the implementation of the Northwest Ports Clean Air Strategy. Amendment 5 increased the total amount transferred from the Port to PSCAA since 2009 to \$5,216,250.
- February 7, 2012 – the Commission was briefed on the Northwest Ports Clean Air Strategy and on the Port’s current air quality program effort, and draft recommendations on options for accelerating Seaport Clean Air Strategy goals.
- July 12, 2011 – the Commission was briefed on the Northwest Ports Clean Air Strategy 2010 Implementation Report and interim report on Accelerating Clean Air Goals.
- February 1, 2011 – the Commission authorized to sign agreement 20090046 Amendment 4 with the Puget Sound Clean Air Agency to transfer \$1,160,250 in funds to support the implementation of the Northwest Ports Clean Air Strategy, and to extend the end date from June 30, 2011, to June 30, 2013. Amendment 4 increased the total amount transferred from the Port to PSCAA since 2009 to \$4,166,250.
- January 4, 2011 – the Commission adopted the “Motion to Accelerate Seaport Clean Air Goals to 2015.”
- December 7, 2010 – the Commission was briefed on the Northwest Ports Clean Air Strategy Implementation Status.
- November 9, 2010 – the Commission authorized to increase the amount of the At-Berth Clean Fuels Vessel Incentive Program by \$110,250, for a total 2010 annual program budget of \$951,750, to cover participation by the projected number of qualifying vessel visits for the remainder of the year.
- June 8, 2010 – the Commission authorized to supplement the value of the At-Berth Clean Fuels Vessel Incentive Program by \$541,500, for a total 2010 annual program budget of \$841,500. Within the \$541,500, \$135,000 represents funds that were originally approved in 2009, but were not used until 2010.
- January 12, 2010 – the Commission was briefed on the Seaport’s Air Quality Program.
- August 25, 2009 – the Commission received a Clean Air Update.
- August 25, 2009 – the Commission authorized a revised Customer Support Package lease amendment with Total Terminals Inc.; and authorized the Port to purchase energy efficient light fixtures and related equipment for T-46, for an amount not to exceed \$680,000.
- June 23, 2009 – the Commission received a briefing on the Northwest Ports Clean Air Strategy 2008 Implementation Report.

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- April 14, 2009 – the Commission authorized an agreement with Puget Sound Clean Air Agency, to transfer \$2.3 million (\$1.15 million in 2009 and \$1.15 million in 2010) from the Port's operating budget to support the implementation of the Northwest Ports Clean Air Strategy.
- April 14, 2009 – the Commission authorized the execution of lease agreements with Total Terminals Inc. for Terminal 46, SSAT (Seattle) for Terminal 25/30, SSA Terminals for Terminal 18, and Eagle Marine for Terminal 5, to incorporate the Customer Support Package and the Ports Clean Air Program into those leases.
- March 31, 2009 – the Commission was briefed on the customer support package and the Clean Air Program.
- February 10, 2009 – the Commission held a policy roundtable discussion of the Clean Air Program.
- December 2, 2008 – the Commission authorized a transfer of \$500,000 to the Puget Sound Clean Air Agency for the At-Berth Clean Fuels Vessel Incentive Program.
- November 11, 2008 – the Commission was briefed on the Port's Clean Truck Program.
- September 2, 2008 – the Commission was briefed on the Port's Clean Truck Program for drayage operations at West Coast Seaports.
- July 8, 2008 – the Commission was briefed on the Port's Clean Truck Program.
- April 1, 2008 – the Commission and the public were briefed on the Northwest Ports Clean Air Strategy implementation.
- January 22, 2008 – the Commission adopted the Northwest Ports Clean Air Strategy.
- December 6, 2007 – the Commission was briefed on the revised draft of the Northwest Ports Clean Air Strategy.
- August 28, 2007 – the Commission adopted Resolution No. 3585, endorsing the U.S. Proposal to the International Maritime Organization seeking more stringent air emissions standards for ocean going vessels.
- April 10, 2007 – the Commission was briefed on the Puget Sound Maritime Air Emissions Inventory Project.
- March 27, 2007 – the Commission authorized the amendment of the existing contract for the Air Emission Inventory in the amount of \$25,000, and to receive and spend supplemental funding for the Puget Sound Maritime Air Emissions Inventory Project.
- February 16, 2007 – the Commission passed a series of environmental motions that required, in part, that staff present an air quality action plan for Commission approval.
- April 26, 2005 – the Commission authorized joint development of the Puget Sound Maritime Air Emissions Inventory and \$500,000 for support and implementation of the project.

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- February 9, 2005 – the Commission adopted Resolution No. 3534, expressing its commitment to Maritime Air Quality.