

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**  
**ACTION ITEM**

**Item No.** 4e  
**Date of Meeting** June 24, 2014

**DATE:** May 29, 2014  
**TO:** Tay Yoshitani, Chief Executive Officer  
**FROM:** Janice Gedlund, Seaport Air Quality Program Manager  
**SUBJECT:** Interlocal Agreement No. 2015007-0 between Port of Seattle and the Puget Sound Clean Air Agency relating to the Northwest Ports Clean Air Strategy

**Amount of This Request:** \$269,000  
**Est. Total Project Cost:** \$269,000  
**Source of Funds:** Seaport General Fund

**ACTION REQUESTED**

Request Commission authorization for the Chief Executive Officer to (1) enter into an agreement with Puget Sound Clean Air Agency (“Agency”) to complete the “Feasibility Analysis for Upgrading Drayage Truck Engines” (“Feasibility Analysis”) and (2) to expend \$269,000 to complete the Feasibility Analysis.

**SYNOPSIS**

The Port of Seattle and the Agency have a long history of collaborative partnerships to quantify, understand, and reduce air emissions from Port-related operations. Examples of these partnerships include the 2005 and 2011 Puget Sound Maritime Air Emissions Inventories, the Northwest Ports Clean Air Strategy, the At-Berth Clean Fuels Vessel Incentive Program, numerous projects to retrofit and replace cargo-handling equipment at the port’s container terminals, and the first and second Scrappage and Replacement for Air in Puget Sound (ScRAPs) drayage truck upgrade programs.

Several of these air quality projects were implemented via an interlocal agreement with the Agency (Agreement No. 20090046-8) which was executed in 2009 and expires June 30, 2014. Under the current agreement, the Agency has expended approximately \$4,467,000 of the total authorized amount of \$5,216,250 from 2009 to date. The only remaining work that the Agency is performing on the Port’s behalf is to complete the Feasibility Analysis, including a pilot project, to convert diesel-powered drayage trucks to run on compressed natural gas. The proposed interlocal agreement will replace the 5 year-old Interlocal Agreement No. 20090046-8 with the Agency that expires on June 30, 2014. The new interlocal agreement would allow the Agency to complete the on-going Feasibility Analysis no later than June 31, 2015. This work started in 2012 and is expected to be completed in early 2015. The original estimated costs to complete the work was \$357,000 under the original interlocal agreement, and \$87,000 have been

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expended under that agreement, leaving an estimated balance of \$269,000 as the not-to-exceed value of the proposed new interlocal agreement. No new funding is associated with this request.

### **BACKGROUND**

In January 2008, the Port of Seattle Commission adopted the Northwest Ports Clean Air Strategy (“Strategy”), a voluntary and collaborative effort of the Ports of Seattle, Tacoma and Vancouver (B.C.) to reduce maritime and Port-related emissions that affect air quality and climate change in the Pacific Northwest. Developed in close collaboration with the Puget Sound Clean Air Agency, Washington Department of Ecology, US Environmental Protection Agency, and Environment Canada with input from stakeholders, customers and citizens, the Strategy has resulted in emission reductions to improve air quality throughout the region. On December 10, 2013, the Port of Seattle Commission adopted an update to the Strategy. The updated Strategy established additional reduction goals for diesel particulate matter and greenhouse gases; revised 2015 performance targets; and established 2020 performance targets for ocean-going vessels, cargo-handling equipment, trucks, locomotives, harbor vessels and port administration. The updated Strategy also included a commitment to conduct pilot and demonstration projects to advance emission-reduction technologies and practices.

### **PROJECT JUSTIFICATION AND DETAILS**

A new interlocal agreement is necessary to complete work that is underway, since the current agreement was executed in 2009 and can no longer be extended. This request will not require any additional funding. Additionally, authorization will help the Port implement the truck targets and pilot testing commitments of the Northwest Ports Clean Air Strategy.

#### ***Project Objectives***

- Complete the feasibility analysis for upgrading drayage truck engines that is already underway.
- Support the Port’s Clean Truck Program, by analyzing a new technology that may ultimately offer a cost-effective alternative to replacing older diesel-powered trucks with newer diesel-powered trucks.
- Fulfill the Port’s annual commitment to participate in pilot projects per the Northwest Ports Clean Air Strategy.

#### ***Scope of Work***

- Execute new interlocal agreement with Agency.
- Agency to complete feasibility analysis for upgrading drayage truck engines; including overseeing contractor completion of compressed natural gas conversion kit, emission testing of kit, pilot testing of converted engines in 4 drayage trucks operating at the Port for 4-6 months, providing quarterly status reports and preparation of a final report.

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### ***Schedule***

Under prior agreement with the Port, the Agency solicited proposals from qualified vendors to pilot alternatively fueled retrofits to diesel-powered drayage trucks. The Agency entered into contract with Omnitek Engineering Inc. on September 30, 2013. Completion of a compressed natural gas conversion kit and emission testing is scheduled for July 2014. Demonstration of trucks is scheduled for August 2014 – January 2015. A final report is expected in February 2015.

### **FINANCIAL IMPLICATIONS**

<b><i>Budget/Authorization Summary</i></b>	<b>Capital</b>	<b>Expense</b>	<b>Total Project</b>
Original Budget	\$0	\$269,000	\$269,000
Previous Authorizations	\$0	\$0	\$0
Current request for authorization	\$0	\$269,000	\$269,000
Total Authorizations, including this request	\$0	\$269,000	\$269,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$0	\$269,000	\$269,000

### ***Budget Status and Source of Funds***

Funds to implement the proposed interlocal agreement with Puget Sound Clean Air Agency were included in the Port's 2014 Non-Operating Budget. The specific project referenced was included in the budget in the amount of \$275,000 for 2014.

The ILA and related projects will be funded by the Seaport General Fund.

### ***Financial Analysis and Summary***

<b>CIP Category</b>	N/A
<b>Project Type</b>	Environmental – Non Operating Expense
<b>Risk adjusted discount rate</b>	N/A
<b>Key risk factors</b>	Project schedule could be delayed due project complexity
<b>Project cost for analysis</b>	N/A
<b>Business Unit (BU)</b>	Containers
<b>Effect on business performance</b>	The ILA related project cost will be reported as non-operating expense in 2014 and 2015.
<b>IRR/NPV</b>	N/A

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### ***Lifecycle Cost and Savings***

Authorizing the new interlocal agreement will allow the pilot project to be completed. Completion of the project does not obligate the Port to expend any additional funds or incur any additional expenses. .

## **STRATEGIES AND OBJECTIVES**

Authorization of the new interlocal agreement 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 and greenhouse gases.
- The Century Agenda strategy to position the Puget Sound region as a premier international logistics hub. Implementation may lead to a greener supply chain for goods movement.

## **TRIPLE BOTTOM LINE**

### ***Economic Development***

By executing the new interlocal agreement, a pilot project with the potential to reduce air emissions will be completed. The project may have a positive net economic benefit by promoting cleaner technologies, “green” job opportunities, and energy efficiency. If the project is successful it may result in a lower-cost alternative for drayage truck drivers to meet the Strategy target for cleaner trucks, and may provide a more profitable business for drayage truck owners.

### ***Environmental Responsibility***

The primary purpose of executing the new interlocal agreement is to complete a pilot project that helps implement the Northwest Ports Clean Air Strategy, which will ultimately protect public health and the environment.

### ***Community Benefits***

By executing the new interlocal agreement, the pilot project will demonstrate the feasibility of alternatively fueled vehicles that would reduce diesel emissions that pose a health risk to the community.

## **ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1)** – No action – do not enter into a new interlocal agreement with the Agency. In this case, the pilot project would not be completed; the Port would not fulfill previously made commitments to the Agency or to the community regarding implementing the Northwest Ports Clean Air Strategy. This is not the recommended alternative.

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**Alternative 2)** – Authorize the new interlocal agreement per staff recommendation. No additional funds are needed to complete the pilot project as originally envisioned and approved by the Port. **This is the recommended alternative.**

## **ATTACHMENTS TO THIS REQUEST**

- Draft Interlocal Agreement No. 2015007-0

## **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- December 10, 2013 – the Commission adopted the Northwest Ports Clean Air Strategy 2013 Update.
- December 3, 2013 – the Commission was briefed on the Northwest Ports Clean Air Strategy 2013 Update.
- June 25, 2013 – the Commission was briefed on the draft 2013 update to the Northwest Ports Clean Air Strategy.
- 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.

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- 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.
- 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.

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