

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4d
Date of Meeting November 11, 2014

DATE: November 3, 2014
TO: Theodore J. Fick, Chief Executive Officer
FROM: Michael Ehl, Director, Airport Operations
Wayne Grotheer, Director, Aviation Project Management Group
SUBJECT: 2015 Fuel System Modifications (CIP #C800692)

| | | | |
|------------------------------------|-------------|-------------------------|---|
| Amount of This Request: | \$188,000 | Source of Funds: | Airport Development Fund and Future Revenue Bonds |
| Est. Total Project Cost: | \$2,069,000 | | |
| Est. State and Local Taxes: | \$138,000 | | |

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to 1) design and prepare construction documents for the 2015 Fuel System Modifications project at Seattle-Tacoma International Airport (Airport) in the amount of \$188,000 for this project. The total estimated project cost is \$2,069,000.

SYNOPSIS

This 2015 Fuel Systems Modifications project will add or modify fuel pits as needed to support aircraft gate operations. The use of the hydrant fueling system to fuel aircraft, rather than fueling by truck, improves safety, reduces air pollutant emissions and improves efficiency by reducing fueling time. The project aligns with the Port's Century Agenda's strategic objectives to advance this region as a leading tourism destination and business gateway as well as to be the greenest and most efficient port in North America. This project is included in the 2015 – 2019 capital budget and plan of finance.

BACKGROUND

Current airline activity growth is pushing gate operations to its capacity requiring the activation of previously dormant gates, revised aircraft parking layouts, and improved flexibility, maximizing the range of plane types accommodated at individual gates. To enable continued hydrant fueling of aircraft, we must modify and install new fuel pits to fulfill requests for aircraft gates from airlines. This project will modify the fuel system so that fuel pits are properly located at the gates for the use of hydrant fueling.

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Airport staff has identified the need for new fuel pits at Gates A4 and B6. During design, the need for other fuel system modifications at other locations may be identified. Potential modifications have already been identified at Concourse A and the South Satellite.

PROJECT JUSTIFICATION AND DETAILS

This project is necessary to meet the Aviation Division's goals of ensuring safe and secure operations, avoiding increased air pollutant emissions from fuel trucks, and anticipating and meeting the needs of airlines in support of activity growth. The Port of Seattle and airlines made a decision in the past to install a hydrant fueling system and discontinue truck fueling whenever possible in order to improve safety and reduce emissions on the airfield. Hydrant fueling also reduces the fueling time as well as the amount of traffic on the already crowded ramp area.

It is anticipated that the design will be accomplished with in-house staff.

Project Objectives

As airline activity continues to grow, this project will improve utilization of gates while remaining constant with using hydrant fueling over truck fueling whenever possible. Project objectives are as follows:

- The installation of a new fuel pit at Gate B6
- The installation of a new fuel pit at Gate A4
- The completion of any additional fuel system modifications confirmed necessary before the design is complete.

Scope of Work

The scope of work is fuel system modifications to support aircraft gate operations. The work includes installation of a new fuel pit at Gate B6 to accommodate revise aircraft parking layout on Concourse B, installation of a new fuel pit to improve gate flexibility at Gate A4, and fuel system modifications or additions at other locations that are identified as being needed during the design phase. Due to the dynamic nature of the airline industry and aircraft gate operations, fuel system modifications that may be needed in 2015 are not fully known. However, potential need for modifications has already been identified at Concourse A and the South Satellite. Fuel system modification is a specialized type of work and the inclusion of as much work into a single contract results in cost effectiveness.

Schedule

| | | |
|--------------------|----------|------|
| Begin Design | November | 2014 |
| Bid Authorization | March | 2015 |
| Begin Construction | August | 2015 |
| Project Completion | October | 2015 |

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FINANCIAL IMPLICATIONS

| <i>Budget/Authorization Summary</i> | Capital | Expense | Total Project |
|--|----------------|----------------|----------------------|
| Original Budget | \$1,100,000 | \$0 | \$1,100,000 |
| Budget increase | \$969,000 | | \$969,000 |
| Revised budget | \$2,069,000 | | \$2,069,000 |
| Previous Authorizations | \$0 | \$0 | \$0 |
| Current request for authorization | \$188,000 | \$0 | \$188,000 |
| Total Authorizations, including this request | \$188,000 | \$0 | \$188,000 |
| Remaining budget to be authorized | \$1,881,000 | \$0 | \$1,881,000 |
| Total Estimated Project Cost | \$2,069,000 | \$0 | \$2,069,000 |

| <i>Project Cost Breakdown</i> | This Request | Total Project |
|--------------------------------------|---------------------|----------------------|
| Design Phase | \$188,000 | \$289,000 |
| Construction Phase | \$0 | \$1,642,000 |
| State & Local Taxes (estimated) | \$0 | \$138,000 |
| Total | \$188,000 | \$2,069,000 |

Budget Status and Source of Funds

This project, C800692, was included in the 2015 – 2019 capital budget and plan of finance with a budget of \$1,100,000. The budget increase will allow flexibility to address additional fuel system modifications. The budget increase will be transferred from the Aeronautical Allowance CIP (C800404) resulting in no net change to the Airport's capital program. The funding sources will include the Airport Development Fund and future revenue bonds. The Port plans to issue bonds in 2015 to fund multiple projects.

Financial Analysis and Summary

| | |
|---------------------------------------|--------------------------------------|
| CIP Category | New/Enhancement |
| Project Type | Renewal/Replacement |
| Risk adjusted discount rate | N/A |
| Key risk factors | N/A |
| Project cost for analysis | \$2,069,000 |
| Business Unit (BU) | Apron Area Cost Center |
| Effect on business performance | NOI after depreciation will increase |
| IRR/NPV | N/A |
| CPE Impact | \$.01 by 2016 |

Lifecycle Cost and Savings

The fuel system at Seattle-Tacoma International Airport is leased to and maintained by SEATAC Fuels, LLC, an airline consortium. The Port intends to negotiate an amendment to the lease to add these new fuel pits to the lease. If successful, the consortium would pay for the operating and maintenance costs of these new pits and would pay additional rent to the Port equivalent to

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the annual amortization of the capital costs. Thus, under such a lease amendment, there would be no impact to passenger airline CPE.

STRATEGIES AND OBJECTIVES

The 2015 Fuel System Modifications project supports the Port's Century Agenda's strategic objectives to advance this region as a leading tourism destination and business gateway as well as to be the greenest and most efficient port in North America. This project also supports the Aviation Division's strategic goals of operating a world-class international airport, providing an extraordinary customer service, and being a model of environmental innovation for the region and industry.

TRIPLE BOTTOM LINE

Economic Development

The project creates short-term construction jobs, allows the Airport's business partners to expand and streamline their operations, and maximizes gate utilization for future expansion of air service at the Airport.

Environmental Responsibility

This project reduces vehicle emissions at the Airport by facilitating fueling from the fuel system and reducing the number of fueling trucks driving on the airfield.

Community Benefits

This project supports safer working conditions on the airfield by minimizing traffic on the Airport roadways and around aircraft.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) Do nothing. Continue truck fueling at Gate B6 and do not accommodate 767's at Gate A4 to keep truck fueling at a minimum. Truck fueling has been approved as an interim solution but is not the preferred long-term method. Truck fueling takes up valuable space on the apron with large trucks and increases traffic on the ramp. This is not the recommended alternative.

Alternative 2) Install fuel pits that work with the new aircraft parking realignments at Gate B6 and that improve gate flexibility to accommodate 767's at Gate A4. Also accommodate additional fuel system modifications that are confirmed necessary before design is complete. Anticipated fuel pit work on Concourse A and South Satellite has been identified but the scope is not limited to those areas. Hydrant fueling is the safest and least environmentally detrimental option for fueling aircraft. Fueling from pits adds space on the ramp by removing large refueling trucks, reduces traffic on the ramp and also provides for potentially reduced turnaround times compared to truck fueling. **This is the recommended alternative.**

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ATTACHMENTS TO THIS REQUEST

- Attachment A: Confirmed New Fuel Pit Locations

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- N/A