

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

**COMMISSION AGENDA**

<b>Item No.</b>	6b
<b>Date of Meeting</b>	June 8, 2010

**DATE:** May 12, 2010

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** Michael Lufkin, Sr. Environmental Strategy Manager, Aviation Environmental  
Elizabeth Leavitt, Director, Aviation Planning and Environmental

**SUBJECT:** Agreement with The Boeing Company, Alaska Airlines, the Port of Portland,  
Spokane International Airport and Washington State University on Sustainable  
Aviation Biofuels in the Pacific Northwest.

**Amount of This Request:** Up to but not to exceed \$50,000

**Source of Funds:** Airport Development Fund

**ACTION REQUESTED:**

Request the Port Commission to A) Determine that the competitive solicitation process is not appropriate or cost effective for the consultant selection process to be conducted under the multi-party Agreement between the Port of Seattle and The Boeing Company, Alaska Airlines, the Port of Portland, Spokane International Airport and Washington State University to assess the environmental and economic sustainability of aviation biofuels, and is therefore exempt from the competitive solicitation requirements of Chapter 53.19 RCW; and B) Delegate authority to the Chief Executive Officer to enter into the multi-party Agreement with the partners previously listed (that will result in expenditures) in a form substantially as attached in Exhibit A. Funding associated with this authorization will not exceed \$50,000.

**SYNOPSIS:**

When produced sustainably, biofuels for jet aircraft can have a significant benefit for airlines and the region's environment. Sustainable aviation biofuels offer the prospect of lower lifecycle carbon emissions and can be important contributors to economic development in the region - from the growers who produce the biomass, to processors who convert the biomass to fuel, to the airports that make the fuel available, and finally to the operators that use the fuel.

The Port of Seattle (Port), The Boeing Company, Alaska Airlines, the Port of Portland, Spokane International Airport and Washington State University wish to enter into an Agreement under which they will convene a group of regional aviation and biofuels stakeholders to conduct a comprehensive assessment of the environmental and economic sustainability of aviation biofuels and their supply chain in the Pacific Northwest. Under this Agreement, the parties will engage a consultant to facilitate the stakeholder process and prepare a report containing findings and recommendations from the comprehensive regional assessment. Alaska Airlines will execute and administer the contract with the consultant; however, the consultant's costs will be shared by all of the parties to the Agreement. The Agreement defines the responsibilities of the parties as

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they pertain to this cooperative effort, specifically including a framework for sharing the costs of engaging the consultant. Selection of the consultant to carry out this assessment would be exempt from the competitive selection process required by RCW 53.19 based on the Commission's determination.

### **BACKGROUND:**

Aviation contributes approximately 2-3% of global anthropogenic greenhouse gas emissions. While new aircraft technology, fuel conservation and improved airspace management offer the most near-term low carbon opportunities for reducing greenhouse gas emissions, these advances alone are likely insufficient to offset future emissions as the air travel industry grows. Sustainable aviation biofuels offer a significant opportunity for further reducing aviation greenhouse gas emissions.

While technology has already been developed that converts bio-derived materials into fuels that meet or exceed traditional Jet-A standards, challenges continue to exist around the commercial viability and environmental sustainability of bio-derived fuels. In the Pacific Northwest, clarity is lacking on candidate biomass feedstocks, process technologies, and delivery systems that could develop in the region. The results of this project will provide valuable information to airports, aviation and biofuel stakeholders, policy makers and others on the opportunities and challenges associated with the development and use of aviation biofuels in the region, with an emphasis on sustainability principles and practices.

### **PROJECT DESCRIPTION/SCOPE OF WORK:**

The proposed Agreement with Boeing, Alaska Airlines, the Port of Portland and Washington State University establishes a framework for conducting a comprehensive regional assessment of the environmental and economic sustainability of aviation biofuels and their supply chain in the Pacific Northwest. Under the Agreement, the parties would invite a group of regional aviation and biofuel stakeholders to participate on a voluntary basis in the comprehensive regional assessment. The parties would engage a consultant to facilitate the stakeholder process and prepare a report containing findings and recommendations and supporting information from the comprehensive regional assessment.

### **Comprehensive Regional Assessment**

During the project, the stakeholder group will identify likely scenarios/pathways for the commercial delivery of aviation biofuels in the Northwest including feedstock production, process technologies, and delivery. The stakeholders will then model the economic and environmental sustainability of the various scenarios and pathways. The project will focus on those feedstocks that the stakeholder group identifies as most likely to result in sustainable production of aviation fuels and that can be grown and processed at commercial scale in the Pacific Northwest states of Washington, Oregon, Idaho and Montana. Candidate feedstocks include, but are not limited to, camelina, poplar, woodwaste, and algae.

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Results from the comprehensive assessment will be documented in a public report. The report will document the environmental and economic modeling produced through the stakeholder process, and will also identify supportive actions that could be pursued by public agencies, research and academic institutions, businesses and nonprofit organizations to stimulate the development of a sustainable aviation fuels industry in the Pacific Northwest.

### **Shared Costs of Consultant**

The proposed Agreement authorizes the parties to engage a consultant to facilitate the stakeholder process and prepare a public report. Under the Agreement, Alaska Airlines would serve as the project manager and in that capacity negotiate, execute and administer the contract with the consultant. The Port of Seattle will not sign the consultant contract.

The cost of the consultant's services would be paid by funds contributed by (1) the parties to the Agreement, and (2) other aviation and biofuels stakeholders invited to participate in the project. Under the Agreement, participating parties would pay their designated contribution to the project into an escrow account. Alaska Airlines would use the funds in the escrow account to pay for the consultant's services. Prior to engaging the consultant, the parties to the Agreement will prepare a detailed Scope of Work (SOW). Alaska Airlines, in consultation with the other parties to the Agreement, will ensure that the SOW is performed within the available project budget. The Port of Seattle's total contribution to the project would not exceed \$50,000 and could be less depending on the number of additional stakeholders that participate in the project. The Agreement establishes that Alaska Airline's contract with the consultant shall not exceed two hundred thousand dollars (\$200,000).

### **EXEMPTION OF CONSULTANT CONTRACT FROM COMPETITIVE SOLICITATION (RCW 53.19.020):**

As described above, the Agreement would allow the Port to contribute funds to engage a consultant for the above-described work. Although Alaska Airlines is the entity responsible for executing the contract with the consultant, the use of Port funds potentially renders the consultant contract subject to Chapter 53.19 RCW. Chapter 53.19 RCW requires "open competition for all personal service contracts entered into by port districts unless specifically exempted under this Chapter [53.19]." Unless the consultant contract under the Agreement falls under one of the five exemptions in RCW 53.19.020, the contract would be subject to "competitive solicitation" – defined as "a documented formal process providing an equal and open opportunity to qualified parties and culminating in a selection based on criteria, in which criteria other than price may be the primary basis for consideration."

RCW 53.19.020 lists five exemptions from competitive solicitation. The fifth exemption is for "[o]ther specific contracts or classes or groups of contracts exempted from the competitive solicitation process by the commission when it has been determined that a competitive solicitation process is not appropriate or cost-effective." RCW 53.19.020(5).

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For the consultant contract to fall under the exemption in RCW 53.19.020(5), the Commission must make a reasoned determination that the competitive solicitation process would not be appropriate or cost effective to obtain the services that the consultant would provide under the multi-party Agreement.

Aviation Environmental requests that the Commission consider the following circumstances in determining whether to exempt the proposed Agreement from the competitive solicitation requirements of Chapter 53.19 RCW:

- The total cost of the work of the consultant will be approximately \$200,000, but the Port's contribution will be no more than \$50,000. Because other stakeholders will be contributing the remaining funds, the Port is not in a position to dictate the procurement process. The Port is not signing on managing the contract.
- The project requires engagement of a consultant to facilitate communications with aviation and biofuels stakeholders, conduct/access scientific and business research related to biofuels supply chains, feedstock processing technologies, life-cycle carbon analysis, biodiversity and ecosystem functions, and produce a public report. The nature of this work requires the consultant to have not only the appropriate skill-set but also relationships with appropriate stakeholders. This has narrowed the pool of consultants who would be qualified and appropriate for the project, and agreeable to all the parties funding the project.
- It is critical for stakeholders to have the report published by December 2010 because of the rapid pace at which the aviation biofuels industry is developing. A competitive solicitation process would delay the beginning of the project and add to its cost. The initial delay would then delay the publication of the report.

### **STRATEGIC OBJECTIVES:**

This Agreement supports the Port's strategy to "Exhibit Environmental Stewardship through our Actions" by facilitating an environmental sustainability assessment of aviation biofuels produced in the Pacific Northwest. The assessment will provide the Port with valuable information related to the environmental benefits and infrastructure needs of aviation biofuels utilized at Sea-Tac Airport. Airlines are important customers/business partners of the Airport, and the Port has a vital business interest in the growth of the aviation industry and in helping the industry continuously improve its environmental performance. Developed correctly, the production and distribution of aviation biofuels has the potential to significantly reduce aviation's carbon emissions while preserving and enhancing the industry's opportunities for future growth.

### **FINANCIAL IMPLICATIONS:**

#### **Budget/Authorization Summary**

This Agreement authorizes the Port's Chief Executive Officer to contribute up to \$50,000 for the shared costs of engaging a consultant to facilitate a stakeholder process and produce a report that

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explores the barriers, opportunities and options for achieving the development and commercialization of sustainable aviation fuels in the Pacific Northwest.

### **Source of Funds**

This project was not specifically budgeted in the 2010 operating budget. An Airport-wide contingency budget was budgeted and approved by the Commission to accommodate unforeseen items like this request. There will be no change to the 2010 budget due to this request. The funding source for the project is the Airport Development Fund. The costs will be charged to the Airfield cost center and recovered from the airlines through landing fees.

### **ECONOMIC IMPACTS:**

There is no direct economic impact related to this Agreement. However, the development and commercialization of regionally produced sustainable aviation fuels has significant economic implications to the airport, the aviation industry and the region. The aviation industry has identified the development and commercialization of sustainable biofuels as a critical element of its long-term strategy to reduce greenhouse gas emissions. A sustainable and significant supply of fuel that can be utilized in current and future fleets is critical to the growth of the aviation industry in the region. Likewise, the development of a regional aviation biofuel production center in the Pacific Northwest has significant positive economic implications for the agricultural community in the region.

### **ENVIRONMENTAL SUSTAINABILITY AND COMMUNITY BENEFITS:**

The assessment will provide the Port, its aviation customers and business partners, and the citizens of King County with not only valuable information on the environmental benefits and impacts of aviation biofuel production, but also jump-start the development of a sustainable aviation biofuels industry in the Pacific Northwest. Biofuels produced and dispensed locally will also aid the airport in meeting our strategic goals of emission reduction, and strategic partnerships with our business partners to reduce emissions.

### **TRIPLE BOTTOM LINE SUMMARY:**

This Agreement will provide a financially responsible way for the Port to assess the sustainability, specifically including the environmental impacts and benefits, of regionally produced aviation biofuels. This Agreement also allows the Port to work cooperatively with major business partners, government organizations, regional academic intuitions, and other aviation stakeholders on an issue of significant importance to the future growth and sustainability of the aviation industry.

### **PROJECT SCHEDULE:**

The parties to the Agreement anticipate initiating the project in June 2010 and concluding it with the publication of the report in December 2010. The Agreement will terminate thirty (30) days after the final report has been issued by the consultant.

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### **ALTERNATIVES CONSIDERED/RECOMMENDED ACTION:**

- 1) Do Not Participate in the Agreement. Without the participation of the Port, it is unlikely that the other parties will move forward with the Agreement and the comprehensive regional assessment. This could potentially delay or adversely impact the development and commercialization of a sustainable aviation biofuels industry in the region.
  
- 2) Exempt the consultant selection process from the competitive solicitation requirements of RCW 53.19 and authorize the Chief Executive Officer to execute the Agreement with The Boeing Company, Alaska Airlines, the Port of Portland, and Washington State University as described in this memorandum. This option provides an effective means for the Port to work collaboratively with other regional aviation stakeholders to examine the environmental and economic sustainability of aviation biofuels and their supply chain in the Pacific Northwest. This is the recommended alternative.

### **DOCUMENTS ASSOCIATED WITH THIS REQUEST:**

Exhibit A – Draft Agreement between the Port of Seattle, Boeing, Alaska Airlines, the Port of Portland, Spokane International Airport and Washington State University with exhibits.

### **PREVIOUS COMMISSION REVIEW/ACTION:**

None