

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

**COMMISSION AGENDA**

**Item No.** 6b  
**Date of Meeting** February 1, 2011

**DATE:** January 24, 2011  
**TO:** Tay Yoshitani, Chief Executive Officer  
**FROM:** Stephanie Jones Stebbins, Director, Seaport Environmental and Planning  
Sarah Flagg, Seaport Air Quality Program Manager  
**SUBJECT:** Amendment 4 of Agreement 200900046 between the Port of Seattle and the Puget Sound Clean Air Agency relating to the Northwest Ports Clean Air Strategy

**Amount of This Request:** \$1,160,250

**Source of Funds:** General Fund

**Est. State and Local Taxes:** N/A

**Est. Jobs Generated:** 1 FTE

**Total Project Cost:** \$4,166,250

**ACTION REQUESTED:**

Request Commission authorization for the Chief Executive Officer to sign Agreement 200900046 Amendment 4 with the Puget Sound Clean Air Agency (“PSCAA”) 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 would increase the total amount transferred from the Port to PSCAA since 2009 to \$4,166,250.

**SYNOPSIS:**

The Port of Seattle and PSCAA have a long history of collaborative partnerships to quantify, understand, and reduce emissions from Port-related operations. Examples of these partnerships include the 2005 Puget Sound Maritime Air Emissions Inventory, the Northwest Ports Clean Air Strategy, the At-Berth Clean Fuels Vessel Incentive Program, the Scrapage and Retrofits for Air in Puget Sound (ScRAPs) program, and numerous projects to retrofit and replace cargo-handling equipment at the container terminals. This request builds on this successful collaboration to reduce emissions from Port operations and protect public health in the Puget Sound region.

This amendment seeks to increase the amount of funding the Port intends to make via a series of unrestricted grants to the PSCAA so it can advance its efforts to improve air quality in Elliott

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Bay and the Puget Sound Airshed. Agreement 200900046, which was executed on July 9, 2009, has previously been amended 3 times:

Amendment 1: Changed the agreement end date from June 30, 2010, to June 30, 2011. Signed on December 7, 2009.

Amendment 2: Increased funding by \$300,000, for a total amount transferred of \$2.6 million. Signed on April 12, 2009.

Amendment 3: Increased funding by \$406,000, for a total amount transferred of \$3.006 million. Signed on August 25, 2010.

PSCAA may spend the funds when and where it deems necessary. The Port will continue to receive quarterly reports from PSCAA on how the funds are spent. Port staff will also request that PSCAA report to the Commission on annual basis on its use of the funds and the impact of its projects on reducing emissions from Port operations and improving air quality throughout the region.

### **BACKGROUND:**

On January 22, 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 is expected to result in emission reductions to further improve air quality throughout the region.

The Strategy has three primary emissions reduction objectives:

- Reduce maritime and Port-related air quality impacts on human health, the environment and the economy;
- Reduce contribution to climate change through co-benefits associated with reducing air quality impacts; and
- Help the Georgia Basin-Puget Sound region continue to meet air quality standards and objectives.

The Strategy builds on the significant efforts the Ports of Seattle, Tacoma and Vancouver, BC have invested in emission reductions and establishes common short-term (2010) and long-term (2015) performance measures for further reducing emissions from cargo-handling equipment, rail, harbor vessels, ocean-going vessels, and trucks.

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### **FINANCIAL IMPLICATIONS:**

#### **Source of Funds**

On November 9, 2010, the Commission approved the transfer of \$110,250 from the Port to PSCAA in support of the At-Berth Clean Fuels Vessel Incentive Program. If the amendment is approved, the \$110,250 will be paid out in 1<sup>st</sup> quarter 2011 for participating vessel visits during 4<sup>th</sup> quarter 2010. Additionally, the Commission approved the 2011 Seaport Budget, which included \$1,050,000 in Non-Operating Expense for funding to the PSCAA. Funding for transfers to the PSCAA is provided by the General Fund.

#### **Financial Analysis Summary**

<b>CIP Category</b>	Not applicable
<b>Project Type</b>	Environmental
<b>Risk adjusted Discount rate</b>	N/A
<b>Key risk factors</b>	<ul style="list-style-type: none"><li>• Since the grants are unrestricted and the reporting of expenditures is subsequent to disbursement, there is a risk that the funds are not spent in way that the Port might consider most effective and efficient.</li><li>• There is a risk that the proposed uses do not reduce emissions to the extent expected. This risk is mitigated by the expertise and past successes of the Port and PSCAA in understanding and reducing emissions.</li></ul>
<b>Project cost for analysis</b>	\$1,160,250
<b>Business Unit (BU)</b>	Containers
<b>Effect on business performance</b>	Of the total amount to be funded, \$110,250 was recorded as a Non-Operating Expense in 2010 and the remaining amount, \$1,050,000, will be recorded as a Non-Operating Expense in 2011.
<b>IRR/NPV</b>	N/A

### **ENVIRONMENTAL BENEFITS:**

Puget Sound Clean Air Agency has identified reduction of diesel particulate matter (DPM) emissions as one of their top priorities because of the associated public health and environmental impacts. In 2005, the Port conducted the Puget Sound Maritime Air Emissions Inventory (EI), which located and quantified DPM from maritime sources in the greater Puget Sound region. Based on the results of the EI, in 2005 Port operations accounted for 9% of all of the DPM emitted in the four county Puget Sound Clean Air Agency region (the relative contributions to that 9% included ocean-going vessel hotelling: 44%; cargo-handling equipment: 32%; rail: 12%; ocean-going vessel maneuvering: 9%; trucks: 3%; fleet vehicles <1%; and harbor vessels <1%).

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The expected environmental benefits of implementation of the Northwest Ports Clean Air Strategy performance measures for ocean-going vessels, cargo-handling equipment, and trucks is a reduction in air pollutants of DPM, oxides of nitrogen (NO<sub>x</sub>), volatile organic compounds (VOCs), and sulfur oxides (SO<sub>x</sub>), as well as a reduction in fuel consumption and emissions of greenhouse gases (GHGs).

Ocean-Going Vessels: The At-Berth Clean Fuels Vessel Incentive Program (ABC Program) incentivizes the use of lower-sulfur marine fuels, not to exceed 0.5% sulfur content, in auxiliary engine operations while at a Port of Seattle berth. Switching from high-sulfur marine fuels (~2.7% sulfur) to lower-sulfur marine fuels (not to exceed 0.5% sulfur) is expected to reduce emissions of sulfur dioxide (SO<sub>2</sub>) by 95% and particulate matter (PM) by 60%.

Cargo-Handling Equipment: Exhaust retrofits installed on cargo-handling equipment reduce emissions of particulate matter (PM) and oxides of nitrogen (NO<sub>x</sub>). Switching from off-road diesel fuel (500 parts per million sulfur [ppm]) to ultra-low sulfur diesel fuel (15 ppm) reduces emissions of sulfur oxides (SO<sub>x</sub>).

Trucks: A truck that meets 1994 U.S. EPA particulate matter (PM) emission standards is 6 to 2.5 times cleaner than a truck built before 1994. Similarly, a truck that meets 2007 U.S. EPA PM standards is 10 times cleaner than a truck built between 1994 and 2006, and 5 to 60 times cleaner than a truck built before 1994.

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

Fourth Amended Agreement Between the Port of Seattle and the Puget Sound Clean Air Agency to Reduce Diesel Emissions.

### **PREVIOUS COMMISSION ACTIONS:**

On 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.

On January 22, 2008, the Commission adopted the Northwest Ports Clean Air Strategy.

On April 4, 2009, the Commission approved the CEO to enter into Agreement 200900046 with Puget Sound Clean Air Agency.

On June 8, 2010, the Commission approved an additional \$406,000 to be transferred from the Port's 2010 Budget to PSCAA, in support of the At-Berth Clean Fuels Vessel Incentive Program

On November 9, 2010, the Commission approved an additional \$110,250 to be transferred from the Port to PSCAA, in support of the At-Berth Clean Fuels Vessel Incentive Program

On January 4, 2011, the Commission adopted the Motion to Accelerate Seaport Clean Air Goals to 2015 as an aspirational goal.