

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6b

ACTION ITEM

Date of Meeting May 1, 2012

DATE: April 24, 2012

TO: Tay Yoshitani, Chief Executive Officer

FROM: Stephanie Jones Stebbins, Director Seaport Environmental & Planning
Janice Gedlund, Air Program Manager

SUBJECT: Amendment 5 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: \$1,050,000

Source of Funds: General Fund

Est. State and Local Taxes: N/A

Est. Jobs Generated: N/A

Total Project Cost: \$5,216,250

ACTION REQUESTED:

Request Commission authorization for the Chief Executive Officer to sign Amendment 5 to Agreement 200900046 with the Puget Sound Clean Air Agency (PSCAA) to transfer \$1,050,000 in funds to support the implementation of the Northwest Ports Clean Air Strategy. Amendment 5 would increase the total amount transferred from the Port to PSCAA since 2009 to \$5,216,250. The current end date, extended in February of 2011, is June 30, 2013.

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 Scrappage 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 improve air quality in the Puget Sound region. The funding for this amendment is included in the 2012 budget as a non-operating expense.

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 Bay and the Puget Sound Airshed. Agreement 200900046, originally for \$2.3 million, which was executed on July 9, 2009, has previously been amended 4 times:

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

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Amendment 2: Increased funding by \$300,000, for a total amount transferred of \$2.6 million. Signed on April 12, 2010.

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

Amendment 4: Increased funding by \$1,160,250, for a total amount transferred of \$4,166,250. Signed on February 23, 2011.

PSCAA may spend the funds as 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 an 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, U.S. Environmental Protection Agency (U.S. EPA), 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 the environment;
- 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 (B.C.) 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.

The Strategy is being updated in 2012 to reflect the changes in emissions shown through the 2011 Puget Sound Maritime Air Emissions Inventory. This inventory is an update to the 2005 Puget Sound Maritime Air Emissions Inventory and is a voluntary public/private partnership through the Puget Sound Maritime Air Forum to provide funding, data, in-kind assistance, technical expertise or a combination thereof.

PROJECT JUSTIFICATION:

Implementation of the Northwest Ports Clean Air Strategy is instrumental in achieving the Port's Century Agenda goal of reducing air pollutant emissions by 50% from 2005 levels. This project seeks to support emission reduction programs for:

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- Ocean-going vessels (OGV); such as the At-Berth Clean Fuels Program
- Heavy-duty drayage trucks; such as the Port's Clean Truck Program
- Cargo handling equipment; such as retrofitting with exhaust filters

FINANCIAL IMPLICATIONS:

Source of Funds

The current request for \$1,050,000 is included in the 2012 Budget as a non-operating expense. Funding for transfers to the PSCAA is provided by the General Fund.

Financial Analysis Summary

CIP Category	Not applicable
Project Type	Environmental
Risk adjusted Discount rate	N/A
Key risk factors	<ul style="list-style-type: none">• Since the grants are unrestricted and the reporting of expenditures is subsequent to disbursement to PSCAA, there is a risk that the funds will not be spent in the way that the Port considers most effective and efficient.• 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.
Project cost for analysis	\$1,050,000
Business Unit (BU)	Seaport
Effect on business performance	The \$1,050,000 will be recorded as a Non-Operating Expense in 2012.
IRR/NPV	N/A

ENVIRONMENTAL BENEFITS:

Puget Sound Clean Air Agency has identified reduction of diesel particulate matter (DPM) emissions as one of its top priorities because of the associated public health and environmental impacts. In 2005, the Port participated in 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 further breakdown of 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%).

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_x), volatile organic compounds (VOCs), and sulfur

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oxides (SO_x), 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 estimated to reduce emissions of sulfur dioxide (SO₂) 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_x). 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_x). The Washington State Department of Ecology recently awarded a grant to the PSCAA for a pilot idle reduction program that is anticipated to reduce both PM, NO_x and SO_x emissions as well as reduce fuel use.

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

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

Fifth 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 14, 2009, the Commission authorized the CEO to enter into Agreement 200900046 with Puget Sound Clean Air Agency for \$2,300,000.

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

On February 1, 2011, the Commission approved Amendment 4 to the PSCAA Agreement, adding \$1,160,250 in funding and extending the termination date to June 30, 2013.