

BOARD MEETING DATE: October 5, 2018

AGENDA NO. 6

PROPOSAL: Amend Agreements and Transfer Funds to Develop and Demonstrate Zero Emission Capable Drayage Trucks

SYNOPSIS: In March 2016, the Board recognized CARB Greenhouse Gas (GHG) Reduction Fund revenue, including administrative and program funds to demonstrate zero emission capable drayage trucks. Contracts with our partners have been executed and projects commenced, but some costs have exceeded the original estimates because of fleet location changes and installation of data loggers. Additionally, payments to contractors have been delayed due to CARB's reimbursement process. This action is to amend agreements using up to \$234,000 of SCAQMD's recognized administrative funds from the GHG Reduction Projects Special Revenue Fund (67) to cover the higher project costs and transfer funds to another participating air district, contingent upon execution of an amended CARB revenue agreement. These actions are to also authorize redistribution of project funds amongst the participating original equipment manufacturers, on an as-needed basis and contingent upon CARB approval if necessary, and transfer up to \$5,000,000 as a temporary advance of funds from the Clean Fuels Program Fund (31) to the GHG Reduction Projects Special Revenue Fund (67).

COMMITTEE: Technology, September 21, 2018; Recommended for Approval

RECOMMENDED ACTIONS:

1. Amend the following contracts to develop and demonstrate zero emission capable drayage trucks using \$184,000 from SCAQMD's recognized administrative funds from CARB in the GHG Reduction Projects Special Revenue Fund (67), contingent upon execution of an amended revenue agreement with CARB, as follows:
 - a. Add up to \$108,000 to BYD Motors for the development and demonstration of up to 25 Class 8 battery electric drayage trucks;
 - b. Add up to \$76,000 to Peterbilt Motors for the development and demonstration of up to 12 Class 8 battery electric drayage trucks.

2. Amend an agreement with San Joaquin Valley Air Pollution Control District to reallocate up to \$50,000 from SCAQMD's recognized administrative funds from CARB in the GHG Reduction Projects Special Revenue Fund (67).
3. Authorize the Executive Officer to redistribute project funds amongst the four participating original equipment manufacturers--BYD Motors, Kenworth Truck Company, Peterbilt Motors and Volvo Technology of America, on an as-needed basis to meet project goals, contingent upon CARB approval if necessary.
4. Transfer up to \$5,000,000 as a temporary advance of funds from the Clean Fuels Program Fund (31) to the GHG Reduction Projects Special Revenue Fund (67).

Wayne Natri
Executive Officer

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Background

In March 2016, the Board recognized CARB Greenhouse Gas (GHG) Reduction Fund revenue, including administrative and program funds to demonstrate zero emission capable drayage trucks. These funds were awarded based on a proposal submitted by staff in response to CARB's solicitation under the Low Carbon Transportation Greenhouse Gas Reduction Fund (GGRF) Investments. The project is to develop a portfolio of most commercially promising zero and near-zero emission drayage truck technologies for statewide demonstrations, across a variety of drayage applications in and around the Ports of Long Beach, Los Angeles, Oakland, Stockton and San Diego, in collaboration with four other air districts: Bay Area AQMD, Sacramento Metropolitan AQMD, San Joaquin Valley APCD and San Diego APCD. Each partnering air district is committing staffing and/or cost-share for this groundbreaking initiative to support rapid commercialization of zero emission cargo transport technologies.

The project is being implemented in conjunction with four original equipment manufacturers (OEMs) – BYD Motors, Kenworth Truck Company, Peterbilt Motors and Volvo Technology of America. Agreements with our partner air districts and the four OEMs have been executed and the projects have commenced. Some fleet location changes have resulted in higher costs for EV infrastructure and data collection for baseline vehicles have required installation of data loggers. Additionally, San Joaquin Valley APCD has requested a small portion of the administrative funds awarded to SCAQMD from CARB be reallocated to them. Lastly, payments to the four OEMs under contract with SCAQMD have been delayed due to CARB's reimbursement process.

Proposal

Staff proposes to use a portion of SCAQMD's recognized administrative funds from CARB to cover some of the higher project costs incurred by two of the four OEMs and has discussed this option with CARB. This action is to amend the following contracts to develop and demonstrate zero emission capable drayage trucks using up to \$184,000 from the GHG Reduction Projects Special Revenue Fund (67), contingent upon execution of an amended CARB revenue agreement, as follows:

1. BYD Motors: add up to \$108,000 for additional EV infrastructure costs and data loggers for baseline diesel trucks as well as to harmonize language in the BYD contract with CARB's revenue agreement with SCAQMD.
2. Peterbilt Motors: add up to \$76,000 for additional EV infrastructure costs and data loggers for baseline diesel trucks.

To provide flexibility for staff to implement this project, this action is to also authorize the Executive Officer to redistribute project funds amongst the four participating OEMs, on an as-needed basis to meet project goals.

Furthermore, this action is to amend the agreement with San Joaquin Valley APCD to reallocate up to \$50,000 from SCAQMD's recognized administrative funds from CARB to cover administrative costs being incurred by San Joaquin. By funding administrative costs for San Joaquin Valley APCD, it ensures project implementation and collaboration with project partners are carried out successfully. And finally, facilitating advanced payments to the four participating OEMs, while awaiting reimbursement from CARB, will enable SCAQMD to meet its contractual obligation of payment of invoices within 30 days. This action is to transfer up to \$5,000,000 as a temporary advance of funds from Clean Fuels Program Fund (31) to GHG Reduction Projects Special Revenue Fund (67).

Benefits to SCAQMD

Projects to support development and demonstration of various electric container transport technologies are included in the *Technology Advancement Office Clean Fuels Program 2018 Plan Update* under the categories of "Electric/Hybrid Technologies & Infrastructure." This project is to develop and demonstrate zero emission capable drayage truck technologies for goods movement operations. Successful demonstration of such projects will contribute to the attainment of clean air standards in the South Coast Air Basin by eliminating PM and NOx emissions from replaced diesel drayage trucks.

Resource Impacts

The additional funds for the OEM contracts will not exceed \$184,000 and the funds for San Joaquin Valley APCD will not exceed \$50,000 from the GHG Reduction Projects Special Revenue Fund (67). The temporary advance of funds from the Clean Fuels

Program Fund (31) to the GHG Reduction Projects Special Revenue Fund (67) to provide cash flow given CARB's reimbursement requirements will not exceed \$5,000,000. Any unspent funds will be returned to the Clean Fuels Program Fund (31) upon project completion.

Sufficient funds are available from the Clean Fuels Fund (31), established as a special revenue fund resulting from the state-mandated Clean Fuels Program. The Clean Fuels Program, under Health and Safety Code Sections 40448.5 and 40512 and Vehicle Code Section 9250.11, establishes mechanisms to collect revenues from mobile sources to support projects to increase the utilization of clean fuels, including the development of the necessary advanced enabling technologies. Funds collected from motor vehicles are restricted, by statute, to be used for projects and program activities related to mobile sources that support the objectives of the Clean Fuels Program.