

DRAFT**RESOLUTION 20xx-xxx****RESOLUTION AUTHORIZING THE CHIEF
EXECUTIVE OFFICER TO EXECUTE A LOCAL
GOVERNMENT SERVICE AGREEMENT BETWEEN
THE DISTRICT AND THE DEPARTMENT OF THE
NAVY**

WHEREAS, the San Diego Unified Port District (District) is a public corporation created by the Legislature in 1962 pursuant to Harbors and Navigation Code Appendix 1, (Port Act); and

WHEREAS, the Board of Port Commissioners (BPC) adopted BPC Policy No. 110 to establish a policy governing the processing and administration of public projects, consulting and service agreements, grant funded projects and supplies, materials, and equipment purchases; and

WHEREAS, California established the Low Carbon Fuel Standard (LCFS) in 2012 and placed it under the direction of the California Air Resources Board (CARB); and

WHEREAS, the LCFS is a cap-and-trade-like program where the producers of fossil fuels must either increase the use of plant-based carbon (e.g., ethanol and soy bean oil) or buy credits to meet the requirement; and

WHEREAS, credits are created when vehicles, vessels and CARB-approved equipment use electricity instead of fossil fuels; and

WHEREAS, the credit represents the difference between the carbon intensity of the electricity versus the carbon intensity of the fossil fuel; and

WHEREAS, algorithms developed by CARB determine the number of credits created based on the alternative energy and equipment used; and

WHEREAS, CARB included shore power as an eligible resource starting January 1, 2019, and the program expires in 2030; and

WHEREAS, the District was the first port in California to join the Low Carbon Fuel Standard (LCFS) program in April 2019; and

WHEREAS, since that time, in addition to successfully monetizing the District's own credits, the District has partnered with multiple tenants to utilize the District's existing contract with Anew at a relatively low cost; and

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WHEREAS, the proposed agreement with the Navy is considered a pilot program because it is new to the Department of the Navy, and it differs from the contract with the tenants; and

WHEREAS, instead of providing the Navy a direct payment, the District will be responsible for developing and managing LCFS-qualified projects at Navy Base San Diego; and

WHEREAS, the District will pay for the projects directly from the Navy's share of the LCFS funds; and

WHEREAS, the District will also pay from its own share of Navy generated LCFS revenues for District personnel who will manage the project construction; and

WHEREAS, the differing nature and large LCFS qualified electrical volume of the proposed Navy agreement compared to the existing tenant LCFS agreements, allowed District to negotiate changes to the agreement with Anew which will result in substantial cost savings for the District and its partners; and

WHEREAS, these new benefits and the proposed term of the Navy agreement requires extending Anew's agreement to be in parallel to the Navy's agreement; and

WHEREAS, the agreement with the US Navy will significantly increase the District's revenue from the Low Carbon Fuel Standard program; and

WHEREAS, precise income projections are not available given the fluctuating price of the credits but the overall number of credits the District will generate for sale will increase roughly by a factor of three, potentially more, and per guidance from the California Air Resources Board the funds will be spent on further electrification projects, which will benefit the communities near the working waterfront.

NOW, THEREFORE, BE IT RESOLVED by the Board of Port Commissioners of the San Diego Unified Port District, as follows:

That the Executive Director or his designated representative is hereby authorized and directed on behalf of the San Diego Unified Port District to execute a local government service agreement between the District and the Department of the Navy.

APPROVED AS TO FORM AND LEGALITY:
GENERAL COUNSEL

By: Assistant/Deputy

PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 13th day of September 2022, by the following vote: