

**DATE:** June 12, 2018

**SUBJECT:**

**..Title**

**ACTIONS RELATED TO THE RESILIENCY IN TERMINAL OPERATIONS PROJECT AT TENTH AVENUE MARINE TERMINAL**

- A) **RESOLUTION AUTHORIZING ACCEPTANCE OF GRANT FUNDS IN THE AMOUNT OF \$4,985,272 FROM THE CALIFORNIA ENERGY COMMISSION (CEC) TO PARTIALLY FUND THE PORT OF SAN DIEGO – RESILIENCY IN TERMINAL OPERATIONS PROJECT LOCATED AT TENTH AVENUE MARINE TERMINAL (TAMT) TO DEMONSTRATE BUSINESS CASE FOR ADVANCED MICROGRIDS IN SUPPORT OF CALIFORNIA’S ENERGY AND GREENHOUSE GAS POLICIES PROGRAM; AUTHORIZING STAFF TO ENTER INTO A GRANT AGREEMENT WITH CEC WHICH INCLUDES INDEMNITY PROVISIONS; AND ALLOCATING MATCH IN THE AMOUNT OF \$4,427,973. DISTRICT MATCH FUNDS INCLUDE PLANNED MAJOR MAINTENANCE, EQUIPMENT OUTLAY AND STAFF COSTS. FUNDS REQUIRED FOR FUTURE YEARS WILL BE BUDGETED IN THE APPROPRIATE FISCAL YEAR, SUBJECT TO BOARD APPROVAL UPON ADOPTION OF EACH ANNUAL BUDGET.**
- B) **RESOLUTION APPROVING AN AMENDMENT TO THE FY 2019-2023 FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM (CIP) TO ADD THE MICROGRID INFRASTRUCTURE AT TAMT PROJECT AND INCREASE THE CIP APPROPRIATION BY \$5,400,000, WITH \$4,505,275 TO BE REIMBURSED BY THE CEC, AND THE REMAINING \$894,725 TO BE FUNDED FROM THE DISTRICT’S OPERATIONAL EXPENSES AS CAPITAL LABOR.**

**..Body**

**EXECUTIVE SUMMARY:**

This agenda item represents the third step in finalizing the California Energy Commission’s (CEC) Microgrid grant-funded Resiliency in Terminal Operations Project at the Tenth Avenue Marine Terminal (TAMT).

The District was notified on February 20, 2018, that its application to the CEC was recommended for funding in the amount of \$4,985,272, to partially fund the installation of a microgrid at TAMT with a total anticipated cost of \$9,615,208. Since that time, the Board has adopted the Second Addendum to the TAMT Final EIR in accordance with the California Environmental Quality Act (CEQA), and directed staff to increase the FY 2019 Capital Improvement Program (CIP) by \$4.85M, of which \$4.5M is for the CIP project Microgrid Infrastructure at TAMT, and \$350,000 is for associated capital labor. This final action will authorize acceptance the CEC grant funding; authorize staff to enter into an agreement with the CEC which includes indemnity provisions; and allocate match funds.

This agenda item will add the Microgrid Infrastructure components to the FY 2019-2023 CIP with a total project budget of \$5,400,000. The budget will have two components, \$4,505,275 from the CEC grant for external costs and \$894,725 from the District's operational expenses for capital labor. The capital labor funds will be budgeted annually based on planned fiscal year expenditures. The FY 2019 planned capital labor expenditures of \$350,000 were included in the annual budget.

### **RECOMMENDATION:**

#### **..Recommendation**

Adopt a Resolution accepting grant funds in the amount of \$4,985,272 from the CEC; authorize staff to enter into a grant agreement with the CEC which includes indemnity provisions; and allocating match funds in the amount of \$4,427,973.

Adopt a resolution approving an amendment to the FY 2019-2023 five-year CIP to add the Microgrid Infrastructure at TAMT project and increase the CIP appropriation by \$5,400,000, with \$4,505,275 to be reimbursed by the CEC, and the remaining \$894,725 to be funded from the District's operational expenses as capital labor.

#### **..Body**

### **FISCAL IMPACT:**

The District's budget team presented the preliminary budget to the Board on May 8, 2018 and requested direction from the Board to include changes to the FY 2019 budget in anticipation of final award. The Board directed staff to increase the FY 2019 CIP by \$4.85M, of which \$4.5M is for the CIP project Microgrid Infrastructure at TAMT, and \$350,000 is for associated capital labor. There is no additional fiscal impact.

### **COMPASS STRATEGIC GOALS:**

This agenda item supports the following Strategic Goals:

- A Port that the public understands and trusts.
- A thriving and modern maritime seaport.
- A Port with a healthy and sustainable bay and its environment.
- A Port with an innovative and motivated workforce.
- A financially sustainable Port that drives job creation and regional economic vitality.

### **DISCUSSION:**

#### **Background**

In November 2017, the District submitted an application for the California Energy Commission's (CEC) grant-funded Business Case Demonstration for Advanced Microgrids program. The program aims to advance California's energy and greenhouse gas (GHG) policies in four key areas:

- Electrification: Improve air quality and reduce GHG emissions.
- Resiliency: Demonstrate a reliable, resilient and safe system.

- **Technological Advancement:** Provide technological advancement and breakthroughs to achieve the state's statutory energy goals.
- **Replicability:** Develop a model that can be utilized in other locations.

The District's project will develop a new, permanent, renewable microgrid at the Tenth Avenue Marine Terminal (TAMT). The project will incorporate renewable energy generation with solar photovoltaic (PV) panels, battery energy storage, efficiency improvements, and a centralized microgrid controller. Together, this technology will allow portions of the terminal to remain operational when disconnected from the electrical grid for a period of time.

A minimum match of 20% of the total project cost was required. The District's application requested that the CEC fund through reimbursement \$4,985,272 of a total project cost of \$9,615,208. The District's proposal included a match of \$4,629,936 - 48% of the total project cost, and is comprised of budgeted expenses, staff time, and a contribution from project partner University of California San Diego (UCSD). The District's portion of the match funding will come from expenses related to a warehouse roof replacement, staff labor, energy efficiency retrofits, equipment costs, and a power purchase agreement for solar PV energy over the duration of the grant agreement. The elements of the District's match are expenses that were identified as planned in current and future budgets, and therefore no additional cash outlay would be required.

The power purchase agreement for solar PV energy combined with battery storage and energy efficiency improvements will reduce energy expenses that the District incurs as an operational expense and is expected to save approximately 60% annually over current utility expenses. Additional project benefits include additional cost savings through demand response and peak shaving of District energy loads resulting in reduced electric utility expenses, and increased energy security and resiliency. The microgrid will also provide back-up power to District operated facilities, including security infrastructure, site lighting, administrative facilities, and the existing jet fuel storage system.

The CEC issued an initial Notice of Proposed Award (NOPA) for this solicitation on January 19, and a subsequent NOPA on February 20. The District's project was included in the funding allowance in the CEC's second NOPA. Since the award announcement, District staff has been working closely with the CEC to finalize project's scope of work and the grant terms and conditions. The Final Grant Agreement reflects these efforts, included as Attachments A and C.

### **Recent Board Action**

The Board recently undertook two actions that advanced this project prior to acceptance of the grant agreement: approval of the second addendum to the Final Environmental Impact Report (EIR) for the TAMT Redevelopment Plan and Initial Rail Component Project, and authorization of changes to the preliminary budget in the final budget to be adopted on June 12, 2018, that reflects the addition of \$4.85M to the CIP.

The Renewable Microgrid implements a mitigation requirement identified in the TAMT Final EIR. The TAMT Final EIR requires renewable energy projects to be incorporated

within the TAMT or within areas adjacent to the District's jurisdiction, or the purchase of GHG offsets from California Air Resources Board (CARB) approved registry or a locally approved equivalent program to achieve an annual reduction, pursuant to Mitigation Measure GHG-6. The installation of a Renewable Microgrid at TAMT is estimated to result in a reduction of 361 MTCO<sub>2e</sub> annually, which would fulfill approximately 2% of the TAMT's Redevelopment Plan's Final EIR requirement for the 2035 buildout year. Although implementing a renewable energy project at TAMT was contemplated at the time the Final EIR was certified, the specific design details of the proposed Renewable Microgrid were not known. Now that the construction and operational details are known, the District has confirmed that the Renewable Microgrid does not involve new or significant effects.

The CEC requested that the Renewable Microgrid's CEQA documentation be completed prior to finalizing the grant agreement. The Board adopted the Second Addendum to the TAMT Final EIR in accordance with the CEQA and its implementing guidelines (CEQA Guidelines) in April. The resolution adopting the Second Addendum to the TAMT Final EIR is attached as Attachment E.

The District's budget team presented the preliminary budget to the Board on May 8, 2018, one day prior to when the CEC Commissioners made the award final at their Business Meeting on May 9, 2018. Staff acknowledged the award as a part of the District's preliminary budget staff report at the May 8 Board of Port Commissioner's meeting, and requested direction from the Board to include changes to the FY 2019 budget in anticipation of final award. The Board directed staff to increase the CIP by \$4.85M, of which \$4.5M is for the CIP project Microgrid Infrastructure at TAMT, and \$350,000 is for associated capital labor.

### **California Energy Commission Action**

The CEC Commissioners adopted the CEC staff's funding recommendation at the Commission's May 9, 2018 business meeting. Formalizing the CEC staff recommendation with an award was a necessary precursor to the Board of Port Commissioners accepting the grant funding and authorizing District staff to enter in to the grant agreement.

### **Next Steps**

As set forth above, this agenda item represents the third step in finalizing the CEC Microgrid grant, and begins implementation of the Resiliency in Terminal Operations Project at TAMT.

District staff has been working closely with CEC staff to finalize the project scope of work and the terms and conditions of the proposed grant agreement. The agreement cover page, standard terms and conditions, and scope of work are attached (Attachments A, B and C). The Resolution (Attachment B) authorizes the acceptance of grant funds in the amount of \$4,985,272 from the CEC, allocates match funds in the amount of \$4,427,973, and authorizes staff to enter into a grant agreement with the

CEC which includes indemnity provisions. A one-page estimated project budget allocation is attached for reference (Attachment D).

The portion of the CEC Microgrid grant to construct the battery storage system will be new infrastructure for the District and will therefore be considered a CIP project. The Board may consider this out-of-cycle request as an opportunity to receive grant funds pursuant to BPC Policy No. 120.

This agenda item would add the Microgrid Infrastructure at TAMT to the FY 2019-2023 CIP with a total project budget of \$5,400,000. The budget will have two components, \$4,505,275 from the CEC grant for external costs and \$894,725 from the District's operational expenses for capital labor. The capital labor funds will be budgeted annually based on planned fiscal year expenditures. The FY 2019 planned capital labor expenditures of \$350,000 were included in the annual budget. This will increase the overall CIP budget \$5,400,000.

Should the Board adopt the proposed resolutions, staff will add the project to the CIP and proceed with a joint District/ CEC project kick-off meeting scheduled for late June.

#### **General Counsel's Comments:**

The Office of the General Counsel reviewed this agenda and approved the proposed grant agreement as to form and legality.

#### **Environmental Review:**

The proposed Board action would authorize staff to enter into an agreement with the CEC to accept \$4,985,272 million of grant funds for the demonstration of business case for advanced microgrids in support of California's Energy and GHG policies program. The microgrid was adequately covered in the Second Addendum to the FEIR (SCH No. 2015-031046; ODC Document No. 68288) and resolution approving installation of a renewable microgrid at TAMT, contingent on grant funding, that was prepared and certified by the District on April 10, 2018 by the Board adopting Resolution Nos. 2018-061 and 2018-062, respectively. The FEIR for the TAMT Redevelopment Plan and Demolition and Initial Rail Component Project (SCH No. 2015-031046), incorporated herein by reference, prepared and certified by the District on December 13, 2016 by the Board adopting Resolution No. 2016-199.

The proposed project is not a separate "project" for CEQA purposes but is a subsequent discretionary approval related to a previously approved project. (CEQA Guidelines § 15378(c); *Van de Kamps Coalition v. Board of Trustees of Los Angeles Comm. College Dist.* (2012) 206 Cal.App.4th 1036.) Additionally, pursuant to CEQA Guidelines Sections 15162 and 15163, and based on the review of the entire record, including without limitation, the EIR, the District finds and recommends that the approval of accepting the CEC grant funds does not require further environmental review as: 1) no substantial changes are proposed to the project and no substantial changes have occurred that require major revisions to the FEIR due to the involvement of new significant environmental effects or an increase in severity of previously identified

significant effects; and 2) no new information of substantial importance has come to light that (a) shows the Project will have one or more significant effects not discussed in the FEIR, (b) identifies significant impacts would not be more severe than those analyzed in the FEIR, (c) shows that mitigation measures or alternatives are now feasible that were identified as infeasible and those mitigation measures or alternatives would reduce significant impacts, and (d) no changes to mitigation measures or alternatives have been identified or are required. Because none of these factors have been triggered and the adoption of accepting the CEC grant funds, the District has the discretion to require no further analysis or environmental documentation (CEQA Guidelines §15162(b)). Pursuant to CEQA Guidelines §15162(b), the District finds and recommends that no further analysis or environmental documentation is necessary. Accordingly, the proposed Board action is merely a step in furtherance of the original project for which environmental review was performed and no supplemental or subsequent CEQA has been triggered, and no further environmental review is required.

In addition, the proposed Board action complies with Section 87(a)(1) of the Port Act, which allows for the establishment, improvement, and conduct of a harbor, and for the construction, reconstruction, repair, maintenance, and operation of wharves, docks, piers, slips, quays, and all other works, buildings, facilities, utilities, structures, and appliances incidental, necessary, or convenient, for the promotion and accommodation of commerce and navigation. The Port Act was enacted by the California Legislature and is consistent with the Public Trust Doctrine. Consequently, the proposed Board action is consistent with the Public Trust Doctrine.

Finally, the proposed Board action is considered “excluded development” pursuant to Sections 8.a. (Existing Facilities), 8.b (Replacement or Reconstruction) and/or 8.c (New Construction or Conversion of Small Structures) of the District’s Coastal Development Permit (CDP) Regulations because it involves minor alterations involving negligible expansion of the existing use and will have substantially the same purpose and capacity as the existing facilities; therefore, issuance of a CDP is not required.

### **Equal Opportunity Program:**

Not applicable.

### **PREPARED BY:**

Aimee Heim  
Manager, Policy and Grants, Government & Civic Relations

### **Attachment(s):**

Attachment A:	CEC Grant Agreement Cover Page
Attachment B:	EPIC Standard Terms and Conditions
Attachment C:	CEC Microgrid Scope of Work
Attachment D:	Microgrid Budget Overview
Attachment E:	Resolution 2018-061, TAMT EIR Addendum