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**Title:** RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO AN ENERGY MANAGEMENT PLAN (EMP) CONTRACT WITH SAN DIEGO GAS AND ELECTRIC (SDG&E) FOR A PRELIMINARY FIVE YEAR EMP PURSUANT TO ASSEMBLY BILL 628 TO BE SUBMITTED BY SDG&E WITH THE DISTRICT'S SUPPORT TO THE CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC) FOR APPROVAL, CONTINGENT UPON THE CPUC'S APPROVAL OF AN INTERIM SHORE POWER RATE FOR THE DISTRICT'S CRUISE SHIP TERMINAL

**Sponsors:** Jason Giffen

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**DATE:** August 8, 2017

**SUBJECT:**

**RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO AN ENERGY MANAGEMENT PLAN (EMP) CONTRACT WITH SAN DIEGO GAS AND ELECTRIC (SDG&E) FOR A PRELIMINARY FIVE YEAR EMP PURSUANT TO ASSEMBLY BILL 628 TO BE SUBMITTED BY SDG&E WITH THE DISTRICT'S SUPPORT TO THE CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC) FOR APPROVAL, CONTINGENT UPON THE CPUC'S APPROVAL OF AN INTERIM SHORE POWER RATE FOR THE DISTRICT'S CRUISE SHIP TERMINAL**

**EXECUTIVE SUMMARY:**

In an effort to mitigate the risk of increased energy rates applicable to the District's shore power system, San Diego Gas and Electric (SDG&E) and the District began discussing a cruise-specific electricity rate necessary to remain competitive and retain the local cruise business while meeting environmental requirements as established by the California Air Resources Board (CARB) At-Berth Regulation. The District and SDG&E entered into a Memorandum of Understanding (MOU) in April 2016 that maintained the legacy "Schedule A" rate for a limited period of time as an interim rate, subject to approval by the CPUC, and allowed staff from both organizations to discuss elements of a conceptual Energy Management Plan (EMP). Assembly Bill (AB) 628 authorizes ports and harbor districts to jointly prepare EMPs with electric and gas providers in recognition of the need to reduce energy costs and air pollution in their business operations. AB 628 also recognizes that "[e]nergy utility customers located within the state's port and harbor districts may benefit from the addition of new businesses and the retention of existing businesses through increased energy cost certainty."

The interim rate request was submitted to the CPUC by SDG&E in May 2016 but no action has been taken by the CPUC. A resolution approving the interim rate is on the CPUC agenda for August 10, 2017. As a result, the Board's action authorizing the Executive Director to enter into an EMP Contract with SDG&E is contingent upon CPUC approval of the interim rate.

To protect a priority maritime use and deepwater berth for cruise operations and to promote future economic development and retention at the District, SDG&E proposed the use of an EMP. An EMP could offer a long-term rate proposal for the District's shore power account to prevent rate shock and enable the District to continue operating as an economic engine for the region. The intent of an EMP, in context to the District, is twofold: (1) to meet the future environmental and cost needs while employing innovative proposals to advance long-term Climate Action Plan (CAP) goals; and (2) to implement additional programs focused on reducing the cost of electricity for operations, including the cost of providing shore power service at the cruise ship terminal.

District staff has conducted a comprehensive greenhouse gas (GHG) emissions inventory of calendar year 2016 to assess progress on reaching the CAP's near-term 2020 goal. The results indicate that District-wide emissions reductions calculated during 2016 are on-track to meet the near-term 2020 goal. However, California has set longer-term goals requiring a 40% reduction by 2030 and an 80% reduction by 2050, as required by Senate Bill (SB) 32 and AB 32 respectively. To meet these GHG reduction goals, the District will need to amend the CAP and intensify its GHG reduction strategies and partnerships to meet the long-term goals. As the District pivots toward a 2030 goal, larger scale projects, strategic partnerships, and increased staff resources will need to be directed at emission reduction strategies. SDG&E's proposal for the shore power rate is to transfer the District onto an established rate tariff and discount; that rate tariff is based on the business case demonstrated through an AB 628 filing. A discount from the rate tariff would subsequently require the submission of an application and approval by the California Public Utilities Commission (CPUC). The EMP proposal from SDG&E was identified as one of the mechanisms to leverage the existing Local Government Partnership Program (LGP) focused on energy efficiency opportunities at the District, employ innovative proposals to advance long-term CAP goals, promote economic development, and further stabilize energy rates for the cruise ship terminal, thereby presenting an opportunity to develop long-term business agreements with cruise customers.

The interim rate is set to be heard by the CPUC on August 10, 2017. In the event the CPUC approves the interim rate, SDG&E would submit a five year EMP Contract and preliminary EMP to the CPUC under an AB 628 filing. The District would file supporting testimony shortly after SDG&E files with the CPUC.

### **RECOMMENDATION:**

Adopt a Resolution authorizing the Executive Director to enter into an Energy Management Plan (EMP) contract with San Diego Gas and Electric (SDG&E) for a preliminary five year EMP pursuant to Assembly Bill 628 to be submitted by SDG&E with the District's support to the California Public Utilities Commission (CPUC) for approval, contingent upon the CPUC's approval of an interim shore power rate for the District's cruise ship terminal.

### **FISCAL IMPACT:**

Funds for Climate Action Plan Management are included in the FY 2018 approved expense budget

within the Energy team's cost center. Future years' funds will be included in their corresponding budget year and are subject to Board approval upon adoption of each year's budget. Funds associated with the implementation of the Energy Management Plan are subject to approval by the CPUC.

### **COMPASS STRATEGIC GOALS:**

This agenda item supports the following Strategic Goal(s).

- 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:**

#### **EMP Background**

Due to changes in the rate structure for electricity associated with the use of shore power under the CPUC General Rate Case (GRC) proceedings, Decision D.12-12-004, the CPUC required SDG&E to transition small commercial customers to a "time of use" (TOU) rate which affects the Cruise Ship Terminal. As a result, SDG&E prepared applications in response to the CPUC's GRC Phase 2 modifying the applicability of the small commercial rate to a Schedule TOU-A. The Schedule TOU-A would restrict commercial customers to a demand no greater than 200 kilowatts in two out of 12 consecutive months. Given that the demand for a cruise ship is far greater than 200 kilowatts, the District would no longer qualify for the "Schedule A" rate tariff, and would be transferred to the applicable standard medium/large commercial and industrial rate. SDG&E and the District estimated that the rate increase would result in a 400%-600%, increase in energy costs over legacy rates; creating a significant rate shock in the San Diego cruise market, and putting the cruise industry and the District at significant risk.

To mitigate the risk of increased energy costs, SDG&E and the District began discussing a cruise-specific electricity rate to protect the local cruise business while meeting environmental requirements as established by the California Air Resources Board)<sup>1</sup> under the At-Berth Regulation, first enacted in December 2007. The District and SDG&E entered into a MOU in April 2016 that maintained the legacy "Schedule A" rate for a limited period of time, subject to CPUC approval, and allowed staff from both organizations to discuss elements of a conceptual Energy Management Plan. AB 628 authorizes ports and harbor districts to jointly prepare EMPs with electric and gas providers in recognition of the need to reduce energy costs and air pollution in their business operations. The intent of an EMP, in context to the District, is to meet the future environmental and cost needs while

employing innovative proposals to advance long-term Climate Action Plan goals and implement additional programs focused on reducing the cost of electricity for operations, including the cost of providing shore power service at the cruise ship terminal. The interim rate proposal was submitted to the CPUC in an Advice Letter in May 2016. The CPUC has released a draft resolution, which would approve the interim rate. Although the resolution was on the agenda to be heard on July 13, 2017, the item was held until August 10, 2017. Thus, the District's action here is contingent on CPUC approval of the interim rate at its August 10, 2017 meeting.

In order to protect a priority maritime use and deepwater berth for cruise operations and to promote future economic development and retention at the District, SDG&E proposed the use of an EMP to offer a long-term rate proposal for the District's shore power account to prevent rate shock and enable the District to continue operating as an economic engine for the region. SDG&E's proposal is to transfer the District onto an established rate tariff and discount; that rate tariff is based on the business case demonstrated through the AB 628 filing. A discount from the rate tariff would subsequently require approval by the CPUC. The proposed five year EMP Contract (Attachment A) sets forth the District's and SDG&E's obligations with respect to the implementation of the EMP.

### **Assembly Bill 628**

AB 628, signed into law by Governor Brown on October 11, 2013 (Attachment B), authorizes the District and SDG&E to prepare an EMP to reduce air emissions and promote economic development in the District. Per the legislation, "[e]nergy utility customers located within the state's port and harbor districts may benefit from the addition of new businesses and the retention of existing businesses through increased energy cost certainty." AB 628 further states that "[b]usinesses located within the state's port and harbor districts may benefit through greater stability and certainty in the cost of energy services." SDG&E recognized that AB 628 serves as the best opportunity to partner with the District, tenants, and stakeholders to advance the CAP goals while increasing stability and predictability in the shore power energy rate, thereby presenting an opportunity to develop long-term business agreements with cruise customers.

### **Relationship to Local Government Partnership**

The District and SDG&E have maintained a collaborative relationship through the Local Government Partnership (LGP) program since 2010. The LGP program provides funding for local governments to promote and create energy efficiency, energy conservation, and demand response opportunities aimed at reducing energy use and providing cost savings opportunities. The source of funds is California ratepayer surcharges that are regulated by the CPUC and administered by the local utility.

To build on the success of previous LGP funding cycles, SDG&E and the District entered into a five year LGP Agreement to fund initiatives between January 2016 through December 2020. The agreement allocates \$692,840 annually in reimbursable funds to continue the implementation of energy efficiency programs within the District's jurisdiction. In total, the LGP provides \$3,464,200 for the five year 2016-2020 program cycle. The LGP includes efforts in five main categories: Education and Outreach, District Operations Energy Management, Climate Planning, Green Business Network, and the San Diego Regional Energy Partnership. These reimbursable funds can be used to finance energy efficiency-related measures, such as education and outreach, related administrative costs, and staff training. Equipment or hardware costs for energy retrofits are not eligible.

The proposed EMP would leverage the District's existing LGP to expand and build off-of the energy

efficiency-related measures that are already supported by SDG&E. The EMP proposal includes an Enhanced Partnership Fund that is anticipated to be structured in a similar way to ensure that District staff time is supported to implement the proposed projects included in the EMP. The additional components of the proposed EMP expand beyond the energy efficiency focused scope of the District's LGP Agreement to include clean transportation strategies for both on- and off-road vehicles and equipment, opportunities for clean energy generation projects, and energy storage opportunities, to include projects that the District can pursue both independent of and in partnership with SDG&E.

## **Opportunities Identified by the EMP**

### Stabilization of Cruise Rates and Business

The EMP sets the foundation for the electricity rate stability necessary to maintain the District's cruise business. This outcome is reflected in the CPUC's draft resolution E-4812<sup>2</sup>, which contain the following orders:

1. The request of SDG&E to allow the San Diego Unified Port District ("Port") to remain on its current rate schedule (TOU-A) on an interim basis as requested in Advice Letter (AL) 2896-E.
2. SDG&E shall file an application containing an energy management plan pursuant to AB 628, with a focus on reducing demand load and containing a long-term rate solution for the Port no later than October 1, 2017.

Upon District approval of the EMP, staff will work with SDG&E to file the application with the long-term rate solution for the District's cruise terminals. The EMP proposal components are detailed below.

The cruise business is a longstanding, foundational element in the District's charter and provides significant economic benefits for the San Diego region. The Business Research & Economic Advisor's 2016 Economic Impact Analysis<sup>3</sup> of the San Diego Cruise Section calculated the value of the industry to San Diego, with a home-port call generating nearly \$2 million in economic benefits and each in-transit call generating nearly \$600,000.

The study demonstrated that during calendar year 2015, the District's 77 cruise ship calls produced significant employment, income, and other economic benefits throughout the San Diego metropolitan area. These cruise ships calls generated a total economic impact of \$82 million in final sales. These vessel calls also supported an estimated 652 jobs in the region and nearly \$36 million in earnings. The EMP and price-competitive electrical rate is crucial to keeping the port's cruise business and maintaining the regional economic impact.

### Additional Resources to Support the Climate Action Plan

As documented in the subsequent section outlining the components of the proposed EMP, there is a potential to provide approximately 6,000 MT CO<sub>2</sub>e in reductions from energy efficiency initiatives alone over the next five years. As opportunities for clean generation and advanced technologies are identified, additional GHG reduction opportunities will be monitored and evaluated by District staff. In addition, the EMP proposed Enhanced Partnership funding to offset District costs associated with implementing the proposed plan.

## **EMP Overview and Proposal Components**

The EMP includes both a contract and plan as packaged in Attachment A. The EMP is structured as a living document with a five year planning cycle that provides flexibility to the District to reevaluate needs and progress in alignment with the CAP goals. The EMP, as discussed earlier, would leverage and build on the District’s LGP Agreement to expand funding opportunities beyond energy efficiency. The focus of the EMP project proposals are predominantly aimed at operational improvements and efficiencies associated with the District’s Working Waterfront, although opportunities for future redevelopments will be evaluated over the five years of the proposed EMP. The components of the EMP proposal outlined below include Energy Efficiency, Clean Transportation, Advanced Technologies, Clean Generation, a Shore Power Rate, and the Enhanced Partnership Program.

Energy Efficiency Proposal

By leveraging existing or standard energy efficiency programs offered by SDG&E, and the programmatic funding the District receives annually under the LGP, the EMP Energy Efficiency proposal includes a focus on increased energy efficiency opportunities unique to tenant operations. The Energy Efficiency proposal identifies energy savings opportunities that are not covered under existing energy efficiency rebate and incentive programs. As identified through comprehensive audits offered to the tenants within the District tidelands, SDG&E has identified an opportunity to further reduce energy usage by 19.9 million kilowatt hours (attributable to approximately 6,000 MT CO2e). Coupling standard energy efficiency programs with the proposal for new specialty savings programs, the EMP aims to offset the costs for tenants interested in retrofitting or replacing equipment as summarized in Table 1.

**Table 1. Specialized Measure Energy Savings Opportunities identified in the EMP Energy Efficiency Proposal**

<b>Specialized Measure Energy Savings Opportunities</b>
Install retrofit variable speed drives (VFD) on the rotary screw air compressors
Increase air compressor storage w/ new 1,000-gal capacity tank
Specify high efficiency temporary air compressors
Install VFDs at stand-alone ventilation fans
Upgrade lighting from T-8 to LED (Tube Only Option)
Utilize natural light (solar tubes in roof) for daylight harvesting
Retrofit stringer lighting with LEDs
Install VFDs at the stand-alone ventilation fans and provide controls
Install retrofit VFDs on large portable air compressors
Specify high efficiency temporary air compressors
Specify induction type portable welding machines to replace existing types
Replace sandblast nozzles with worn aperture opening greater than 20%
Convert Chilled Water to variable flow
Implement a Heating Hot Water Reset Strategy
Increase high stage suction pressure set-point
Optimize Control Settings

### Clean Transportation Proposal (SB 350)

Senate Bill (SB) 350, the Clean Energy and Pollution Reduction Act (de León, Chapter 547, Statutes of 2015), was signed into law establishing new clean energy, clean air, and GHG reduction goals for 2030 and beyond, codifying the 40% below 1990 levels, and setting new ambitious targets for energy efficiency, renewable electricity, and authorizes utilities to undertake transportation electrification activities.<sup>4</sup> As an element of the EMP, SDG&E submitted a filing pursuant to SB 350 to the CPUC. SDG&E's filing included a clean transportation proposal for areas located within the District which consisted of the installation of 30 - 40 infrastructure components that support electric vehicle supply equipment (EVSE), load research meters and data loggers to obtain operational data and facilitate growth of Medium Duty/Heavy Duty (MD/HD) Electric Vehicles (EV), and electric forklifts. The filing also included a SDG&E proposal to collect energy consumption, to include vehicle and equipment charging and operational data from load research meters and data loggers respectively for one year. The intent of SDG&E's SB 350 filing, beyond facilitating market growth in the EV market, is to obtain a baseline data set with which to analyze how to optimize Vehicle Grid Integration (VGI) for the MD/HD vehicles and electric forklift markets, and will contribute to load-related research to better understand consumption and charging usage data in order to evaluate energy consumption relative to time and demand. In addition to the EV infrastructure proposed, the research would culminate in a report to the CPUC that may be shared with interested stakeholders, as allowed by privacy rules.

### Advanced Technologies Proposal #1 - Mobile Battery

The Advanced Technologies Proposal #1 is to support the phased integration of a mobile battery storage solution to meet a portion of the projected needs of the cruise ship terminal and other tidelands-wide energy needs. This multi-phased approach includes a proposal for a pilot project, which, if successful, would be followed by an expanded project that could support future shore power requirements at multiple maritime terminals, grid needs, community-related or event energy needs, and future trends in the advancement of battery storage technologies. The concept of a mobile battery storage asset was identified as an opportunity to provide other stackable benefits and value streams, allowing the energy storage system to be transported and deployed at more than one location depending upon need and the available capacity of the storage unit. By providing multiple concurrent benefits, the mobile battery storage proposal would provide an additional energy supply and storage opportunity for the cruise ship terminal and large-scale community events where typically generators are used on-site (therefore reducing criteria pollutants). This mobile storage proposal may also tie into the District's existing solar photovoltaic installation at the B Street Terminal to take advantage of the excess production that occurs during off-peak/non-cruise ship days, thus bundling two advanced technologies in one project.

### Advanced Technologies Proposal #2 - Infrastructure Update

In anticipation of potential District redevelopment projects, SDG&E is forecasting significant electric load growth that may require distribution grid upgrades. In order to determine grid needs and technological advancements to support new development, SDG&E has proposed energy load growth studies at three District locations: Seaport Village, Harbor Island and Tenth Avenue Marine Terminal. The proposed studies would evaluate required upgrades to the distribution grid and the integration of energy storage, solar and other emerging advanced technologies to meet energy requirements. Additional studies would be conducted in collaboration with District staff and tenants to understand the design elements necessary for a smart and efficient distribution grid to systematically meet growing needs. SDG&E proposes conducting a detailed economic and technology viability study for each identified location in support of these efforts.

The Advanced Technologies #2 proposal also aligns with the requirements of AB 2868<sup>56</sup>, Energy Storage. AB 2868 serves as the initial framework for the CPUC to direct regulated electric utilities to develop programs and file applications aimed at the deployment of distributed energy storage systems. In order “to achieve ratepayer benefits, reduce dependence on petroleum, meet air quality standards, and reduce emissions of greenhouse gases,” AB 2868 focuses on deploying programs and investments with the state’s three largest electrical corporations.<sup>7</sup> Guidance on the CPUC program structure for AB 2868 is forthcoming, although §2832.2(d)(2) indicates that “the [CPUC] shall prioritize those programs and investments that provide distributed energy storage systems to public sector and low-income customers.” SDG&E’s proposal recognizes the District as a public-sector customer and cites that the District may qualify for participation in the AB 2868 program. Within the EMP, SDG&E cited that AB 2868 is an appropriate funding mechanism for potential energy storage components and would be treated as a priority by the CPUC to support public sector projects that are otherwise not supported under AB 628 as an authorized ratepayer cost recovery funding mechanism.

It should be noted that the District may independently pursue microgrids separate from those proposed by SDG&E as a cost savings measure and where resiliency and islanding may be necessary to further advance the District as a Strategic Port. If the District does so, the District will document those efforts in future EMPs.

#### Clean Generation Proposal

SDG&E’s Clean Generation Proposal includes an approach to support and develop clean generation at the District by leveraging existing programs and support services offered by SDG&E. A summary of the existing clean generation programs offered by SDG&E are summarized below:

1. EcoChoice. SDG&E established a “green” tariff program in early 2017 which provides customers the ability to contribute to an overall decrease in GHG emissions by increasing the renewable content of energy provided by SDG&E above the current Renewable Portfolio Standard. Under the EcoChoice program, SDG&E’s customers can elect for 50% to 100% of the electricity they use to be from renewable sources. Increased energy usage from renewable sources is paid for with a small premium each month based on the size of the renewable energy subscription. Renewable energy credits associated with the energy usage are retired on the customer’s behalf and can be counted toward CAP or other GHG goals.
2. Integration of planned behind-the-meter solar by the District and tenants. SDG&E proposes working with the District and tenants to implement planned customer-owned solar installations, and provide technical support during the installation. SDG&E’s proposal recognizes that the District is pursuing on-site renewable energy generation opportunities to accelerate the CAP GHG reduction goals, identify cost savings opportunities, and offset increased loads associated with advanced technologies (i.e., EV charging infrastructure, etc.). The EMP requires SDG&E to make full efforts to assist customers with the selection of optimal rate plans in order to maximize solar benefits.
3. Solar as part of Advanced Technologies Proposal #2 - Infrastructure Update. It is anticipated that electric load requirements will increase as a result of planned redevelopment, potentially resulting the need for grid upgrades. To meet these grid needs, SDG&E is proposing the evaluation and potential deployment of advanced technologies. SDG&E proposes continued discussion with District staff and tenants to integrate solar options into this proposal to most efficiently deploy clean technologies. The District may independently pursue microgrids separate from those proposed by SDG&E as a cost savings measure and where resiliency and islanding



may be necessary as part of a Strategic Port initiative. The District will document independent efforts in future EMPs, as deemed necessary.

4. EcoShare. SDG&E proposes leveraging the EcoShare program to deploy distributed solar to benefit the District, its tenants and “communities of concern” around the District that are most affected by emissions. Continued evaluation of the viability of the program will be necessary to better understand the benefits and disadvantages of investing in off-site solar opportunities.

#### Shore Power Rate

An AB 628 shore power rate proposal will be filed with the CPUC as part of its EMP related application. If approved, the electric rate will be:

1. Applicable only to the District’s cruise ship terminal; and
2. Indexed to SDG&E’s class-average electric rate for the Medium/Large Commercial and Industrial (C&I) customer class.

The District’s monthly electric service bill from SDG&E will show charges under the District’s otherwise applicable cost-based rate option (currently Schedule A6-TOU) and a discount or separate credit (showing both dollar amount and percentage). As noted, the rate would need to be approved by the CPUC, and the District will need to support the proposal with prepared expert testimony to be submitted shortly after SDG&E files its application

#### Enhanced Partnership Program

SDG&E is proposing the creation of an Enhanced Partnership Program (EPP) office to support the EMP. The intent of the EPP is to provide oversight, tracking, and reporting on the implementation of the EMP to ensure the goals of AB 628 to reduce GHG emissions and support economic development objectives are met. As such, the EPP proposal seeks incremental funding for the District and SDG&E to provide the resources needed for the five-year term for the first EMP in the amount of \$2,460,985 for the District and \$1,658,348 for SDG&E over the proposed 5 year term for a total of \$4,119,333, subject to the CPUC’s review and approval. This budget includes support for staff time, set-up and operations, consulting services, training/outreach, and other smaller budget categories over the proposed five year term. The first EPP proposal requests the needed resources to support clean transportation, advanced technologies and clean generation proposals included in the EMP that are not otherwise supported in the current LGP Agreement. Continued coordination on the detailed components of the EPP, including specific roles and responsibilities and the framework of the program are to be jointly developed. EPP goals to be addressed include the following:

1. Provide on-going governance framework for EMP activities such as implementation, tracking and reporting;
2. Future EMP planning, application filing and Implementation;
3. Provide a mechanism for inclusion of a broad stakeholder group; and
4. Provide resources to allow the District to work on a broader range of important activities supporting the EMP, beyond the District’s existing energy efficiency focused LGP Agreement, including grant writing.

## **Energy Management Plan - Correlation to the Climate Action Plan**

As presented at the July 2017 Board meeting<sup>8</sup>, District staff has conducted a comprehensive inventory of calendar year 2016 GHG emissions to assess progress on reaching the CAP's near-term 2020 goal. This comprehensive inventory was also conducted to align common work efforts necessary for both the Climate Action Plan and the District's comprehensive Port Master Plan Update (PMPU). The results indicate that District-wide emissions reductions calculated during 2016 are on-track to meet the near-term 2020 goal. The 2016 inventory suggests that through recalibrated models, as well as projects and initiatives conducted by District tenants and the District, there was an overall 9% reduction of CO<sub>2</sub>e attained in 2016, which suggests the District is well on its way towards achieving a 10% reduction goal identified for 2020.

Looking ahead, California has set longer-term goals requiring a 40% reduction by 2030 (as required under Senate Bill 32) and an 80% reduction by 2050 (as required under AB 32). To meet these long-term GHG reduction goals, the District will need to amend the CAP and intensify GHG reduction strategies and partnerships to meet the long-term goals. GHG reduction efforts must continue over the next four years, as the District is anticipating growth in both its existing and new lines of business. As the District pivots toward a 2030 goal, larger scale projects and increased staff resources will need to be directed at emission reduction strategies. As such, the District will need to take advantage of innovative approaches and potential strategic partnerships to meet the 2030 goal. The EMP and proposed Contract with SDG&E represent one of the partnership strategies to meet the District's long-term CAP goals.

### **Next Steps for the EMP**

Subsequent to the Board's action, and if the CPUC's approves an interim electricity rate for the District's cruise ship terminal on August 10, 2017, the Executive Director will enter into an Energy Management Plan contract for a preliminary five year Energy Management Plan (EMP) pursuant to Assembly Bill 628 with San Diego Gas and Electric and jointly submit the EMP in substantial form to the California Public Utilities Commission (CPUC) for consideration and approval. The filing would request the approval and authorization for SDG&E to carry out implementation of the SDG&E-specific activities covered within the EMP proposal. The filing would also request the use of ratepayer funds to expand existing energy efficiency programs and to implement an Enhanced Partnership fund to which the District could be reimbursed for staff time and resources necessary implementing the EMP. It is anticipated at the CPUC approval process would take approximately 12-18 months involving the submittal of supportive testimony. The prerequisite for the filing is to have an application filed with the CPUC no later than October 1, 2017.

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

The General Counsel's Office reviewed and approved the proposed EMP Contract as to form and legality.

### **Environmental Review:**

The proposed board actions to enter into an energy management contract with SDG&E and to

pursue energy management strategies identified in the Preliminary EMP are categorically exempt from the California Environmental Quality Act (CEQA) because the energy management strategies included in the EMP are classes of projects that fall within a categorical exemption pursuant to the CEQA State Guidelines and the District's adopted CEQA Guidelines. Additionally, some of the energy management strategies included in the EMP would not result in a direct or indirect physical change to the environment. The Preliminary EMP is required by Assembly Bill 628 to establish an optimal shore power rate for the District's cruise ship terminal. The Preliminary EMP also includes potential energy management strategies to help accelerate the District's various GHG reduction strategies.

Several of the EMP's energy management strategies, such as studying potential long-term energy load growth on District tidelands for potential infrastructure upgrades and/or micro-grid opportunities, leveraging energy efficiency programs offered by SDG&E, implementing energy management practices to reduce energy consumption and/or replacing existing non-infrastructure equipment (such as retrofitting stringer lighting with LED's, retrofitting Variable Frequency Drives (VFD's) on rotary screw air compressors and stand-alone ventilation fans, and replacing sandblast nozzles) with more energy efficient equipment, do not have the potential to result in a direct or indirect physical change in the environment. However, the EMP also identifies piloting a mobile battery storage device, making minor alterations to buildings (such as installing solar tubes to harvest natural daylight), and siting between 30 - 40 electric vehicle supply equipment installations, which include load research meters and data loggers, to facilitate the growth of electric Medium Duty/Heavy Duty vehicles and electric forklifts over the next five years. The mobile battery pilot proposal, solar tubes and the electric vehicle supply equipment are categorically exempt pursuant to the California Environmental Quality Act (CEQA) Guidelines Sections 15301 (Class 1 - Existing Facilities), because they involve minor alterations to existing structures/facilities and potentially mechanical equipment and no or negligible expansion of an existing use, Section 15303 (Class 3 - New Construction or Conversion of Small Structures) because they would require construction and installation of small structures, new equipment and utilities, as well as are a category of accessory (or appurtenant) structures, Section 15304 (Class 4 - Minor Alterations to Land) because their installation would require only minor alterations to the land through installation and would be sited to avoid removal of healthy trees, and Section 15306 (Class 6 - Information Collection) because the mobile battery storage device and electric vehicle supply equipment will both be used to collect data and information to better understand the operational energy needs of the District and its tenants. Furthermore, the mobile battery pilot proposal and electric vehicle supply equipment are also categorically exempt from the District's *Guidelines for Compliance with CEQA*, Sections 3.a Existing Facilities, 3.c New Construction or Conversion of Small Structures, 3.d Minor Alterations to Land, and 3.f Information Collection for the same reasons noted above.

The proposed action complies with Section 87 of the Port Act (a)(4), which allows for the construction, reconstruction, repair, and maintenance of power, water and gas pipelines, and all other transportation and utility facilities or betterments incidental, necessary, or convenient for the promotion and accommodation of any of the uses set forth in this section. 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 does not allow for "development" as defined in Section 30106 of the California Coastal Act, or "new development" pursuant to Section 1.a. of the District's Coastal Development Permit (CDP) Regulations. As implementation of the EMP is conducted, Coastal Act permitting will be required. Therefore, issuance of a CDP or exclusion is not required for the proposed board action.

## Equal Opportunity Program:

Not Applicable to Presentation.

## **PREPARED BY:**

Renée Yarmy  
Program Manager, Energy

Philip Gibbons  
Program Manager, Energy

Stephen Shafer  
Program Manager, Government and Civic Relations

### Attachment(s):

Attachment A: Energy Management Plan Contract / Exhibit A - Preliminary Energy Management Plan

Attachment B: Assembly Bill 628

California Air Resources Board, Airborne Toxic Control Measure for Auxiliary Diesel Engines Operated on Ocean-Going Vessels At-Berth in a California Port, available online at: <https://www.arb.ca.gov/ports/shorepower/finalregulation.pdf>.

<sup>2</sup> CPUC, Draft Resolution E-4812 for consideration on July 13, 2017, available online at: <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M189/K019/189019828.PDF>.

<sup>3</sup> Business Research & Economic Advisors, Economic Impact Analysis of The San Diego Cruise Sector 2015, June 2016, available online at

<https://www.portofsandiego.org/commercial-fisheries/documents/about-port-of-san-diego-documents/strategic-plan/8037-economic-impact-analysis-2015/file.html>.

<sup>4</sup> SB-350 Clean Energy and Pollution Reduction Act of 2015 -

[https://leginfo.ca.gov/faces/billNavClient.xhtml?bill\\_id=201520160SB350%20](https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB350%20)

<sup>5</sup> Public Utilities Code §2832.2 *et. seq.* AB 2868 An act to add Sections 2838.2 and 2838.3 to the Public Utilities Code, relating to energy. [https://leginfo.ca.gov/faces/billNavClient.xhtml?bill\\_id=201520160AB2868](https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201520160AB2868)

<sup>6</sup> CPUC Rulemaking 15-03-011, *Section 4.2 - Implementation Process*.

<sup>7</sup> Public Utilities Code §2832.2(b)

<sup>8</sup> Agenda Item 2017-0299 - July 11, 2017 Board Meeting

<https://portofsandiego.legistar.com/LegislationDetail.aspx?ID=3097610&GUID=5ED1CF18-D249-4062-911A-004094C4B6A3>