

0150-12754-0000

**TRANSMITTAL**

TO Eugene D. Seroka, Executive Director Harbor Department	DATE 10/2/2024	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 15	

**RESOLUTION NO. 24-10402 AND PROPOSED FIRST AMENDMENT TO UNITED STATES ENVIRONMENTAL PROTECTION AGENCY DIESEL EMISSION REDUCTION ACT GRANT SUBRECIPIENT AGREEMENT NO. 22-9850 WITH UNION PACIFIC RAILROAD COMPANY TO EXTEND THE TERM BY TWO YEARS FOR A ZERO-EMISSION SWITCHER LOCOMOTIVE DEMONSTRATION PROJECT**

Transmitted for further processing including Council consideration.  
See the City Administrative Officer report attached.

  
MAYOR

(Carolyn Webb de Macias for)

REPORT FROM

**OFFICE OF THE CITY ADMINISTRATIVE OFFICER**

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Date: September 16, 2024

CAO File No. 0150-12754-0000

Council File No.

Council District: 15

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from the Harbor Department dated August 8, 2024; Resolution No. 24-10402 from the Board of Harbor Commissioners adopted at its August 8, 2024 meeting; referred by the Mayor for a report on August 8, 2024

Subject: **RESOLUTION NO. 24-10402 AND PROPOSED FIRST AMENDMENT TO UNITED STATES ENVIRONMENTAL PROTECTION AGENCY DIESEL EMISSION REDUCTION ACT GRANT SUBRECIPIENT AGREEMENT NO. 22-9850 WITH UNION PACIFIC RAILROAD COMPANY TO EXTEND THE TERM BY TWO YEARS FOR A ZERO-EMISSION SWITCHER LOCOMOTIVE DEMONSTRATION PROJECT**

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**RECOMMENDATIONS**

1. Approve Los Angeles Harbor Department (Harbor Department) Resolution No. 24-10402 authorizing the proposed First Amendment to United States Environmental Protection Agency Diesel Emission Reduction Act Grant Subrecipient Agreement No. 22-9850 between the Harbor Department and Union Pacific Railroad Company for a Zero-Emission Switcher Locomotive Demonstration Project, to extend the term by an additional two years, from February 18, 2025 to February 17, 2027 for a total term of five years, to account for delays due to disruptions to the battery supply chain;
2. Adopt the August 8, 2024 Board of Harbor Commissioners findings that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines; and,
3. Authorize the Harbor Department Executive Director, or designee, to execute the proposed Amendment, already approved as to form by the City Attorney, and return the Resolution to the Harbor Department for further processing, including Council consideration.

## SUMMARY

The Los Angeles Board of Harbor Commissioners (Board) requests approval of its August 8, 2024 Resolution No. 24-10402 (Attachment 1) which authorizes the approval of the proposed First Amendment to the United States Environmental Protection Agency (EPA) Diesel Emission Reduction Act Grant Subrecipient Agreement No. 22-9850 with Union Pacific Railroad Company (UP) for a Zero-Emission (ZE) Switcher Locomotive Demonstration (Project).

The proposed no-cost First Amendment (Amendment) will extend the term of the Agreement by two years from February 18, 2025 to February 17, 2027, and incorporate changes to the milestone dates in order to align with Grant Agreement No. 22-9849 with EPA, which funds this Project. A first amendment to Agreement No. 22-9849 to extend its term to September 30, 2026 is being considered under a separate Board Action (Attachment 2). The request to extend the term of both Agreements is due to extended delays in the Project timeline related to disruptions in the battery supply chain. All other terms and conditions of the Agreement remain the same, including overall Project costs and participant commitments.

The proposed Amendment has been approved as to form by the City Attorney. Pursuant to Charter Section 373 and Los Angeles Administrative Code Section 10.5, the Amendment is subject to Council approval because the cumulative contract term exceeds three years. Our Office has reviewed the request and recommends approval.

## BACKGROUND

On March 16, 2021, the Harbor Department submitted a grant application to the EPA for their 2021 Diesel Emission Reduction Act funding opportunity on UP's behalf. UP is developing and demonstrating a new zero emissions switch locomotive, including battery capacity, and the Harbor Department is providing administrative support only. The main goal of the grant is to reduce diesel emissions from fleets operating at or servicing goods movement facilities located in areas designated as having poor air quality, such as the Port of Los Angeles (Port). On August 22, 2021, the EPA awarded the Harbor Department a grant in the amount of \$2,025,000 to fund the Project.

*Zero-Emission Switcher Locomotive Demonstration Project (Project):* The Project will replace one diesel switcher locomotive with a new ZE battery-electric switcher locomotive. A switcher locomotive makes short distance movements of rail cars, sorting cars of inbound cargo trains for subsequent delivery to terminals, and short distance hauling of rail cargo within the Port. The battery-electric switcher locomotive is expected to have a run time of up to 24 hours, depending on charging and utilization rates. The Project has an estimated lifetime emission reduction of 122 tons of nitrogen oxides (NO<sub>x</sub>) and four tons of diesel particulate matter, as well as the added benefit of reducing carbon dioxide (CO<sub>2</sub>) emissions in the South Coast Air Basin. As the grant administrator, the Harbor Department will be responsible for all record keeping and reporting, including actual emission reductions.

*Unforeseen Delays:* UP originally selected General Motors (GM) to provide batteries for the Project, however GM was unable to procure the resources necessary to fabricate the battery and therefore the battery assembly was not completed. This adverse condition materially impaired

GM's ability to deliver the outputs for this component of the Project and they ultimately withdrew from the agreement with UP. In the fourth quarter of calendar year 2023, Wabtec, who is manufacturing the ZE locomotive, along with UP, decided to procure and manufacture the batteries independently rather than perform a secondary search for an external provider. Manufacturing of the equipment is expected to begin in October 2024. The Harbor Department has had regularly scheduled meetings with UP for Project updates to then inform EPA via quarterly reports.

*Project Funding:* The Harbor Department applied for an EPA grant in August, 2021 on behalf of UP and was awarded \$2,025,000 to fund the Project. The total cost of the Project is \$4,500,000, therefore, UP's cost share is \$2,475,000. The Harbor Department will function as the grant administrator and will distribute \$2,020,000 in grant funds to the subrecipient UP only after funds are received from EPA, which is anticipated in Fiscal Year 2026-27. From the total grant award, \$5,000 is to be reserved to offset Harbor Department costs to administer the grant.

*EPA Grant Agreement and Amendment:* On January 13, 2022, the Board approved EPA Grant Agreement No. 22-9849 in the amount of \$2,025,000 with a term from October 1, 2021 through September 30, 2024. For consideration under a separate Board item, a proposed First Amendment will extend the term by two years, from October 1, 2024 through September 30, 2026, and update the Project timeline due to a disruption in the battery supply chain. This is a no-cost term extension of the EPA Grant Agreement.

*EPA Subrecipient Agreement:* On January 13, 2022, through Resolution No. 22-9955, the Board approved EPA Subrecipient Agreement No. 22-9850 with UP for a three-year term, from February 18, 2022 through February 17, 2025 for the Project.

*Current Proposed First Amendment to the EPA Subrecipient Agreement:* The proposed Amendment, approved by the Board on August 8, 2024, extends the term by two years, from February 18, 2025 through February 17, 2027, and aligns the updated milestones and Project timeline with the first amended EPA Grant Agreement No. 22-9849.

Table 1 below summarizes the updated milestones and project timeline for the ZE Switcher Locomotive Project:

<b>Table 1: Union Pacific Railroad Zero-Emission Switcher Locomotive Project Timeline EPA Subrecipient Grant Agreement No. 22-9850 and EPA Grant Agreement No. 22-9849</b>	
<b>Milestones</b>	<b>Schedule</b>
Prepare subawards	December 2021
Kick-off meeting with subrecipient	January 2022
Manufacturer bidding	February 2022 to May 2022
Design	June 2022 to October 2024
Manufacture locomotive and place in service	November 2022 to June 2026
Quarterly meetings and progress reports	End of each quarter
Final report	Within 90 days of project completion
Project completion and final reimbursement	September 2026

## **CITY COMPLIANCE**

*California Environmental Quality Act (CEQA)* – On August 8, 2024, the Board determined that the proposed action of approving the Amendment to extend the term of the Agreement is an administrative activity, therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

The City Attorney has reviewed and approved the proposed Amendment as to form. Pursuant to Charter Section 373 and Los Angeles Administrative Code Section 10.5, Council approval is required because the cumulative contract term exceeds three years. Our Office recommends approval.

## **FISCAL IMPACT STATEMENT**

Approval of the proposed First Amendment to the United States Environmental Protection Agency Diesel Emissions Reduction Act Grant Subrecipient Agreement No. 22-9850 with Union Pacific Railroad Company (UP) will extend the term by two years to fund a Zero-Emission Switcher Locomotive (Project). The Harbor Department is responsible for the administrative management of the Project and is only required to commit staff time and resources, while UP is financially responsible for all other Project costs. Of the \$2,025,000 EPA grant award, \$5,000 is allocated for Harbor Department staff time. As the grant administrator of the Project, the Harbor Department will pass \$2,020,000 to subrecipient UP. The recommendations in this report and proposed actions comply with the Harbor Department's Financial Policies. There is no impact on the City's General Fund.

Attachment 1 – Harbor Department Correspondence dated August 8, 2024; Proposed Resolution No. 24-10402 and Harbor report dated August 8, 2024 and Proposed First Amendment to Agreement No. 22-9850  
Attachment 2 - Proposed First Amendment to EPA Grant Agreement No. 22-9849

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