

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
STAFF BRIEFING

Item No.	10A
Date of Meeting	February 7, 2023

DATE: January 25, 2023

TO: Managing Members

FROM: John Wolfe, CEO
Project Manager: Emma Del Vento, Capital Program Leader, Port of Seattle

SUBJECT: Terminal 5 Modernization Program Quarterly Update Q4 2022

A. SYNOPSIS

Regular Q4 2022 Terminal 5 Modernization Program Update.

B. BACKGROUND

In April 2019, The Northwest Seaport Alliance (NWSA) entered a long-term lease for the redevelopment of Terminal 5 in the North Harbor to create a modern international container terminal for ultra-large container ships. Once the Terminal 5 Modernization Program is completed, the facility will have the capability to handle the largest vessels currently calling the West Coast, allowing the NWSA to compete for the super post-Panamax vessels, increasing current container volumes, supporting economic development and both creating and securing current jobs in the region for the next thirty years and likely beyond.

C. SYNOPSIS QUARTERLY PROGRAM UPDATE TERMINAL 5 MODERNIZATION

Scope and Recent Updates

Berth Modernization: There have been no scope changes to the Berth Modernization since the last briefing. A pending dispute with the contractor, the volatile supply chain and escalation environment have increased the risk profile of the project; however, the total program current budget, inclusive of management reserve, remains sufficient at this time. Permit modifications to in-water work were approved in December after many months of coordination. These include: 24 hour/day dredging through February 15, 2023; and opportunity to install cathodic protection, cut piles, and install fenders through July 2023. The permit modifications give the Contractor schedule flexibility to execute and complete the in-water tasks this year.

Phase 1 (North Berth): Ongoing conversations with Pilots and operators on least depth continue. Remaining high spots will be dredged and cathodic protection installed in the current, 2022/23, dredge window. The first shore power plug has been rescheduled for late January/early February 2023.

Phase 2 (South Berth): Work is progressing on time to meet scheduled crane arrival in October 2023.

Permit Conditions: Construction of the final elements is planned to start in mid 2023.

Lease Obligations: NWSA's Lease Obligations are in progress per agreements with the Tenant. The projects approved by the proposed third lease amendment: South Berth paving, Transtainer Runs, Container Yard Expansion, and New Gate, are currently on hold, with the exception of some preliminary work, pending execution of the Third Amendment to the Lease.

Budget

Program Budget of \$340,000,000 was approved in April 2019. \$50,000,000 was added in July 2021 for a total Program budget of \$390,000,000. Per Managing Member action on December 21, 2021, \$2,500,000 was approved for the purchase and installation of 8 scales and for the south reefer restoration project as part of the partial settlement agreement. This increased the total Program budget to \$392,500,000. In August 2022, \$61,500,000 was added to the Program for the Third Lease Amendment, bringing the Program to a total of \$454,000,000.

Through September 30, 2022, the spent to date amounts of \$273,360,605 are on track with forecast estimate at completion and progress.

The current total program authorization of \$454M is sufficient to cover all project costs.

Risk

Recent Stochastic Analysis and Risk Register updates indicate the program has an 85% probability of being sufficient with a value of \$449.1M and a 100% probability of being sufficient with a value of \$465.4M.

Schedule

Phase 2 (South Berth) construction project is currently behind the contract schedule date of December 31, 2022. Likely completion is September 2023, in time for the delivery of the South Berth cranes. Dredging is on track to be completed per permit and contract obligations before March 2023.

Stormwater Phase 1 will be operational in Q1 2023. Stormwater Phase 2 is forecast to be operational in Q1 2024.

Permit Conditions will be complete in early 2024.

Phase II Lease Obligation project schedules are at high schedule risk with the exception of the South Marine Building which is on track for November 2023 substantial completion. Delayed projects include: North Reefer Infrastructure, South Berth Paving, Container Yard Expansion, and adjacent projects (Intermodal Yard Rail Improvements). These have a low probability of completion before the start of South Berth Operations and/or per the Lease agreements.

Safety

Orion Marine Contractors (T5 Berth Modernization General Contractor) meets POS requirements with Health and Safety Plan and Site-Specific Safety plans. There have been no recordable incidents this quarter for almost 20,000 hours worked.

D. PROJECT PROGRESS AND SCHEDULE

Berth Modernization Project:

- South Berth: Activities are behind schedule due to concrete strike and the additional scope of the pile repair. However, the current schedule is on time for the crane delivery planned for October 2023.
- Seattle City Light (SCL) on site work is complete, received pre-final invoice in Q4 2022 and anticipate final invoice in Q3 2023.

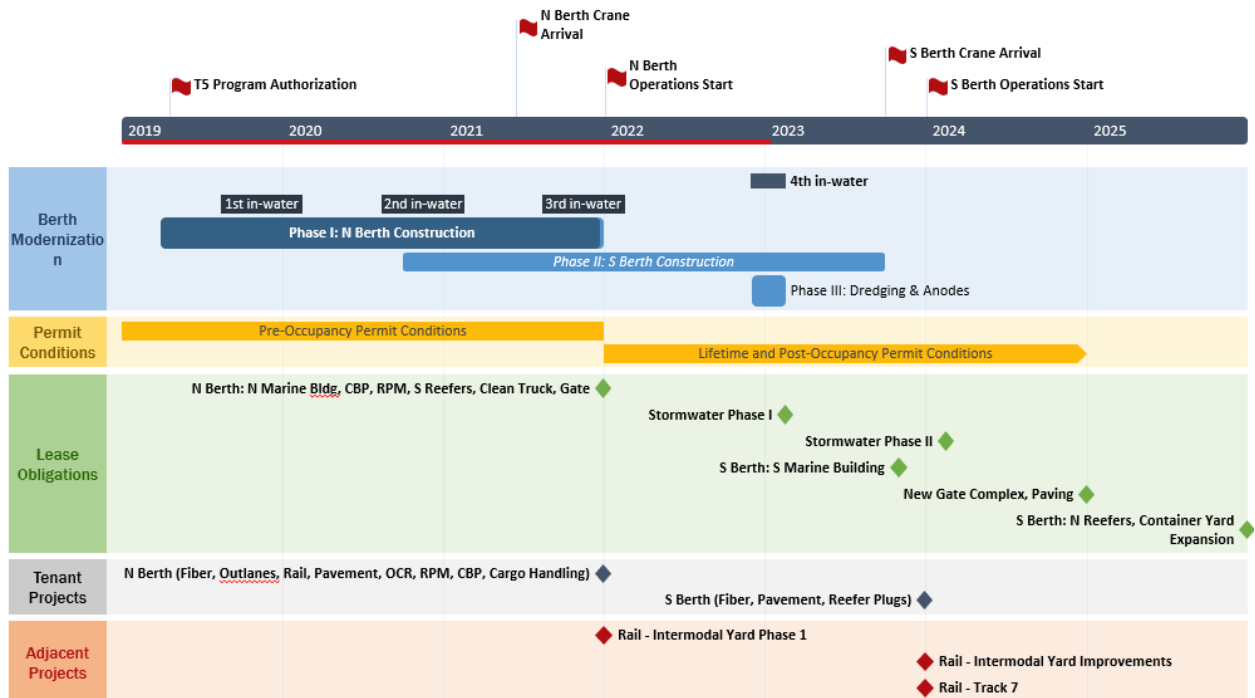
Major milestones for Permit Conditions and Lease Obligations through Q4 2022 include:

- Quiet Zone – design complete; City to advertise in Q1 2023 (delayed by a quarter)
- Stormwater Treatment – Phase 1 construction completion in Q1 2023 (delayed by a quarter); Phase 2 started construction.
- S Marine Building – Bids came in under the engineer estimate and notice of intent to award was issued.
- North Reefer Infrastructure –Tenant design underway with some schedule delays.
- New Gate – 90% Design received permitting review comments.
- South Paving - Visual inspection was completed and start of design is pending lease agreement.
- Transtainer Runs - Currently in permitting review, reimbursement to tenant for work is pending lease agreement.
- Container Yard Expansion – Currently in planning stage, next steps are pending lease agreement.

Schedule

The T5 Berth Modernization construction project is currently behind schedule to complete South Berth by the original schedule date of December 31, 2022. The current likely date of South Berth completion has not been negotiated and is estimated to be in September 2023.

The most significant element of risk to the Phase 2 delivery schedule is execution of the lease for the upland projects.



E. BUDGET (to December 31, 2022)

Budget numbers are updated through December 31, 2022. Numbers including overhead are posted the 10th of every month, except at year-end when they are posted January 21.

- Program forecast currently exceeds the overall budget if all risks hit the Program at the high end. A number of factors including supply chain issues, overall escalation, and a pending dispute with the contractor have increased the risk profile of the program; however, the current program budget remains sufficient at this time.
- Construction is 92% spent and 86% complete (discrepancy is due to early material purchase).
- Management Reserve
 - \$298,000 was moved back to Management Reserve following the final accounting of the Radiation Portal Monitoring and Customs and Border Protection Project.

The budget table below shows the budget breakdown for each project, or grouping of similar scopes (reefers, gate, permit conditions).

Total project cost projections are showing some variance in relation to the authorizations.

The T5 Berth project will likely overrun the project budget and the remaining Phase 1 Management Reserve. The wide estimate accuracy range on the large lease obligation projects still in early phases of design/estimating (Reefers, Gate, Paving, Container Yard Expansion) drives continued uncertainty on project costs.

However, the current total program authorization of \$454M is greater than the P-85, sufficient to cover all project costs.

P-85: \$396.2M P-100: \$403.9M	Original Authorized Project Cost	Current Authorized Project Cost	This Request	Total Project Cost	Cost to Date	Remaining Cost
T5 Berth + Design + SCL	\$ 276,000,000	\$ 274,800,000	\$ -	\$ 280,131,136	\$ 236,350,493	\$ 43,780,643
T5 Permit + Tribes	\$ 14,000,000	\$ 14,000,000	\$ -	\$ 14,000,000	\$ 6,595,803	\$ 7,404,197
T5 Stormwater Treatment	\$ 30,000,000	\$ 32,000,000	\$ -	\$ 31,000,000	\$ 20,046,709	\$ 10,953,291
T5 Management Reserve/Risk	\$ 20,000,000	\$ 25,804,000	\$ -	\$ 2,852,864	\$ -	\$ 2,852,864
T5 Clean Truck (CLOSED)	\$ -	\$ 55,000	\$ -	\$ 55,000	\$ 55,000	\$ -
T5 Marine Buildings	\$ -	\$ 11,200,000	\$ -	\$ 11,200,000	\$ 5,096,293	\$ 6,103,707
T5 RPM + CBP	\$ -	\$ 396,000	\$ -	\$ 396,000	\$ 396,000	\$ -
T5 Reefers	\$ -	\$ 19,180,000	\$ -	\$ 24,300,000	\$ 1,610,980	\$ 22,689,020
T5 Gate Complex	\$ -	\$ 13,000,000	\$ -	\$ 26,500,000	\$ 2,300,674	\$ 24,199,326
T5 Operational	\$ -	\$ 1,360,000	\$ -	\$ 1,360,000	\$ 791,485	\$ 568,515
T5 MARAD Grant Admin	\$ -	\$ 705,000	\$ -	\$ 705,000	\$ 116,868	\$ 588,132
Total	\$ 340,000,000	\$ 392,500,000	\$ -	\$ 392,500,000	\$ 273,360,305	\$ 119,139,695
LEASE AMENDMENT						
P-85: \$52.9M; P-100: \$61.5M						
N Reefer Expansion - Demarc	\$ 15,200,000	\$ 15,200,000	\$ -	\$ 15,200,000	\$ -	\$ 15,200,000
Phase II South Paving	\$ 15,000,000	\$ 15,000,000	\$ -	\$ 15,000,000	\$ 18,708	\$ 14,981,292
Phase II Container Yard	\$ 11,800,000	\$ 11,800,000	\$ -	\$ 11,800,000	\$ -	\$ 11,800,000
Phase II Transtainer runs	\$ 6,000,000	\$ 6,000,000	\$ -	\$ 6,000,000	\$ 10,406	\$ 5,989,594
Phase II Mgmt Reserve	\$ 13,500,000	\$ 13,500,000	\$ -	\$ 13,500,000	\$ -	\$ 13,500,000
Total	\$ 61,500,000	\$ 61,500,000	\$ -	\$ 61,500,000	\$ 29,114	\$ 61,470,886
Previously Authorized			\$ 52,500,000			
Revised Total Authorization			\$ 454,000,000			
MARAD 2020 PIDP Grant - NWSA			\$ 7,481,133			
WA Ecology - Stormwater			\$ 5,000,000			
WA Commerce - Shorepower			\$ 4,268,000			
WA Commerce - Reefers			\$ 4,316,500			
MARAD 2022 PIDP Grant			\$ 17,035,900			
National Highway Freight Prog			\$ 1,513,750			
Authorization - Grants			\$ 414,384,717			
T5 ERL (POS Only)	\$ -	\$ -	\$ 1,100,000	\$ 1,100,000	\$ -	\$ 1,100,000

F. CONTINGENCY AND RISK

The contingency and risk section provides the Managing Members early visibility to emerging issues and associated costs in T5 Modernization Program implementation.

Stochastic Analysis and Risk Register (is being updated quarterly in 2023)

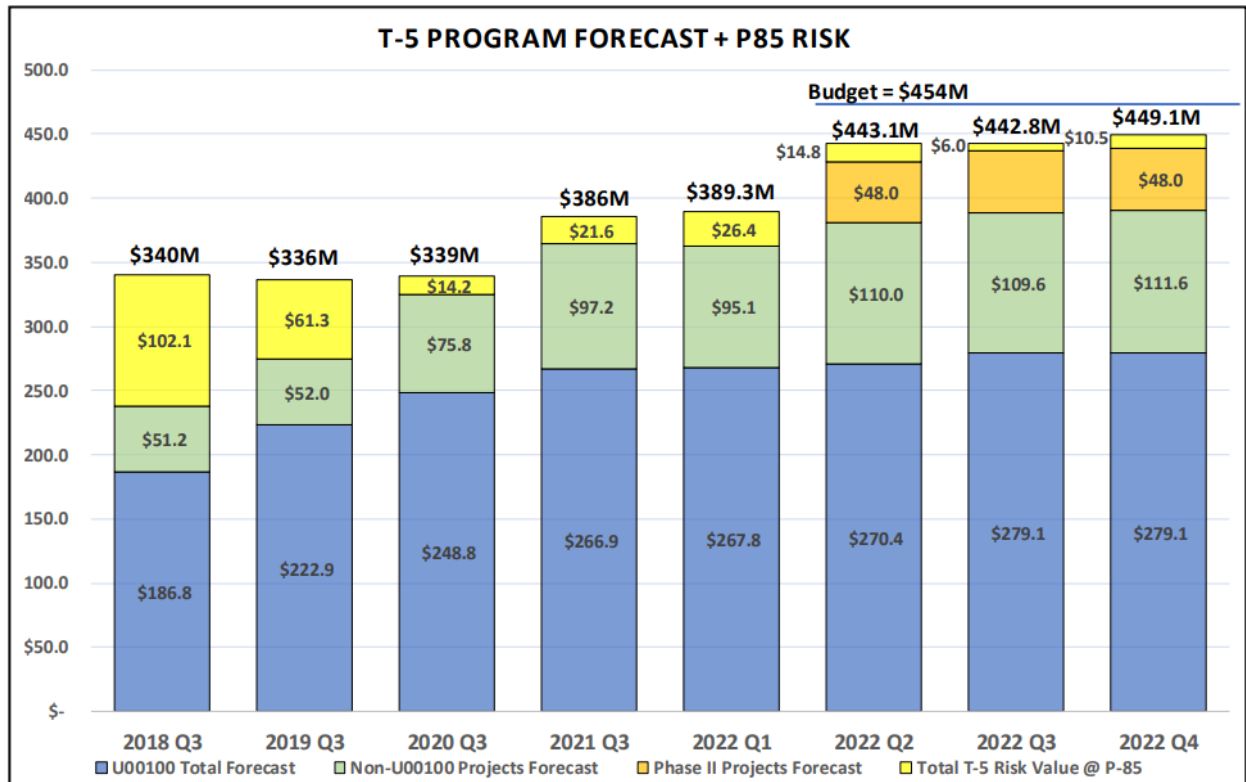
T5 key staff meet quarterly with the T5 Program risk consultant to model variables around future T5 risk and update the risk register. Risks are identified by likelihood and impact to generate a score and are modelled into the forecast budget along with the actuals to date.

The largest risks to the program are the: reefer infrastructure, new gate complex, and a dispute with the contractor regarding the toe wall and project delays.

Recent Stochastic Analysis and Risk Register updates from January 2023 indicate:

- The program currently has a P-85 value (85% probability of being sufficient) of \$449.1M

The current expected cost of the program is \$414.4M (Authorization value \$454M minus grant funding \$39.6M).



Emerging and Continuing risks:

- North Berth toe wall and entitlement
- Time impact for change order work cost uncertainty
- Paving Bid item overruns
- South Berth time impact analysis (TIA) and legal costs
- High Voltage Distribution (N Reefer Power infrastructure cost uncertainty)
- New Gate cost uncertainty
- Rail Quiet Zone cost escalation

G. OPPORTUNITIES

The opportunities section provides a status update on the T5 grant agreements. Net grant funding to date for the T5 program totals: \$39,615,283. Reimbursements are on track with forecast milestones. Below are the current grants and the awarded amounts.

MARAD PIDP Grant 2020- NWSA	\$7,481,133
WA Ecology - Stormwater	\$5,000,000
WA Commerce - Shorepower	\$4,268,000
WA Commerce - Reefers	\$4,316,500
MARAD PIDP Grant 2022	\$17,035,900
National Highway Freight Program	\$1,513,750

H. COMMUNITY OUTREACH

Future meetings will be scheduled for Spring 2023

I. Q1 2023 LOOK AHEAD

- North and South Berth: Dredging Completion
- Phase 1 Stormwater: Substantial Completion
- South Marine Building: Construction Start
- North Reefers: 60% Design
- New Gate: 100% Design
- Transtainer Runs: Tenant reimbursement on hold until lease execution
- Container Yard Expansion: On hold until lease execution
- South Berth Paving: On hold until lease execution

J. PREVIOUS ACTIONS OR BRIEFINGS

Date	Action	Amount
November 01, 2022	T5 Modernization – Program Update	\$0
August 2, 2022	T5 Modernization – Program Update; Third Lease Amendment	\$61,500,000
May 2, 2022	T5 Modernization – Program Update	\$0
February 1, 2022	T5 Modernization – Program Update	\$0
December 21, 2021	Terminal 5 Partial Settlement Agreement with SSAT	\$2,500,000
November 2, 2021	T5 Modernization – Program Update; Acceptance of T5 MARAD 2020 PIDP Grant Agreement; and POS only vote for ERL funding for T5 uplands soil disposal (\$700,000)	\$0
September 8, 2021	Terminal 5 ILA for Shore Power Grant with Department of Commerce	\$0
July 7, 2021	T5 Program Update, Increased Authorization and N Reefer Construction Authorization	\$50,000,000
June 1, 2021	First Amendment to T5 Lease authorization by MMs	\$0
April 6, 2021	Quiet Zone MOU	\$0
March 2, 2021	T5 Modernization - Program Update	\$0
February 2, 2021	Approval for Construction of RPM, S Reefers, Clean Truck	\$0
October 6, 2020	T5 Modernization - Program Update	\$0
September 1, 2020	T5 Modernization - Tribal Agreement Update	\$0
August 4, 2020	T5 Marine Building - Approval to advertise for North Building construction only	\$0
July 2, 2020	T5 Marine Building - Authorization to advertise for North and South Buildings construction request	\$0
July 2, 2020	T5 Modernization - Program Update	\$0
April 7, 2020	T5 Modernization - Program Update	\$0
January 14, 2020	T5 Modernization - Program Update	\$0
October 1, 2019	T5 Modernization - Program Update	\$0
August 6, 2019	T5 Modernization - Program Update	\$0
June 4, 2019	T5 Program Update	\$0

T5 Quarterly Update Q4 2022
January 24, 2023
Page 8 of 8

May 20, 2019	Program Authorization for Construction of Berth Modernization Prog	\$0
April 2, 2019	Additional Program Funding and Authorization to Fund T5 Modernization Program	\$314,150,000
February 26, 2019	Authorization to advertise for construction	\$0
February 5, 2019	Pre-authorization Program Briefing	\$0
November 13, 2018	Motion to prepare construction documents for authorization to advertise	\$0
August 1, 2017	Railroad quiet zone funding, tribal payments, and Agreements	\$5,650,000
October 4, 2016	Additional Funding, Seattle City Light Agreement, and Project Labor Agreement	\$8,200,000
June 7, 2016	DEIS Briefing	\$0
November 4, 2015	Additional SEPA and Design Funding	\$2,000,000
October 13, 2015	Test Pile Bids Exceeded Engineer's Estimate	\$0
July 14, 2015	Additional Design Authorization	\$5,000,000
June 3, 2014	Initial Design Authorization	\$4,700,000
May 13, 2014	T5 Berth Modernization Briefing	\$0
March 12, 2014	Additional Pre-Design Authorization	\$150,000
October 27, 2013	Initial Pre-Design Authorization	\$150,000
TOTAL		\$454,000,000