

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No. 8B
Date of Meeting June 7, 2022

DATE: May 25, 2022

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Jason Jordan, Director, Environmental and Planning Services

Project Manager: Hughes Wike, Engineering Project Manager II

SUBJECT: Project authorization increase for work associated with the Terminal 3 & Terminal 4 Shore Power Project

A. ACTION REQUESTED

As referenced in NWSA Resolution No. 2020-02, Exhibit A, Delegation of Authority Master Policy, Paragraph 8.c.iii., states project costs exceeding \$300,000 require approval from Managing Members.

Request project authorization increase in the amount \$3,900,000 for a total authorized amount of \$15,500,000, for work associated with the Terminal 3 & Terminal 4 Shore Power Project, Master Identification No. 201100.01.

B. SYNOPSIS

Following authorization of design finalization and construction funds by the Managing Members on July 7, 2021, the project design was completed and the construction contract was advertised. Based on results from the subsequent bid opening on April 12, 2022, the low bid value was significantly greater than the engineer's estimate. Authorization of additional funds is requested to accommodate this increased construction contract value and allow the project to proceed with implementation.

C. BACKGROUND

Shore Power Program Background:

The NWSA has adopted an update to the Northwest Ports Clean Air Strategy (NWPCAS) which lays out an aspirational vision to phase out emissions from seaport activities by 2050. This expands on the 2017 Greenhouse Gas (GHG) Resolution policy previously adopted by Managing Members that sought to reduce GHG emissions 80% by 2050. Achieving this vision will involve transitioning operations across all sectors to zero emission technologies over time. One notable objective of the 2020 NWPCAS is to install shore power at our major international

container terminals by 2030. Working towards this goal, shore power is being installed at T-5 as part of the ongoing redevelopment project and design work has begun for a shore power system at T-18. The Terminal 3 & Terminal 4 Shore Power Project will bring shore power to our most recently modernized international container terminal in the Tacoma harbor. TOTE has been using shore power at their Tacoma Terminal for their domestic service since 2010.

T3/T4 Shore Power Project Update:

Following authorization of design finalization and construction funds in July 2021, the project design was completed and the construction contract was advertised in February 2022. Bids were opened in April 2022.

The final engineer's construction estimate was \$7,855,650 and a total of four bids were received ranging from \$10,732,805 to \$15,655,122. Based on feedback from the project's design consultant and low-bidding contractor, the primary factors leading to elevated bid values include:

- continued material cost increases due to US inflation;
- wage increases due to labor shortages;
- uncertainty due to global supply chain issues; and
- commodity price increases due to war in Ukraine. Russia is a key global supplier of steel, aluminum, copper, and oil.

The purpose of this additional authorization request is to accommodate the increased construction costs and allow the project to proceed with implementation. Project construction is now anticipated to complete in Q1 2024 due to ongoing global supply chain issues and increasing equipment procurement lead times (e.g., transformers, switchgear assemblies, walk-in enclosures).

D. PROJECT DESCRIPTION AND DETAILS

Project Objectives

Install safe and functional shore power systems at Terminals 3 & 4. Reduce marine shipping emissions and improve air quality by eliminating the need for international container ships to run diesel engines while at berth.

Scope of Project

The overall scope of this project will include:

- Design, specifications, and permitting for public works contracting.
- Project and construction management.
- Installation of major electrical equipment such as transformers, switchgear assemblies, power factor correction components, conduit, and wiring.
- Addition of one new shore power vault on Pier 3 bullrail.
- Wharf modification and trenching work.

- Tacoma Public Utilities equipment upgrades.
- Inspection, testing, and commissioning.

Scope of Work for this Request

This authorization request incorporates actual construction contract bid results received in April 2022. The total authorization amount for this project includes all tasks necessary for completion of the construction stage, including the use of internal and external engineering services, construction, and procurement.

Schedule

Bid Opening (Completed)	April 2022
Contract Award	June 2022
Substantial Completion	January 2024

E. FINANCIAL IMPLICATIONS

Estimated Cost of Project

The total project cost including all stages is estimated at \$15,500,000.

Estimated Cost for This Request

The total estimated cost of construction for this project is \$14,714,000. If the cost of this estimate is anticipated to exceed the authorized amount, additional Commission authorization will be requested.

Estimated Sales Tax

The total estimated sales tax to be paid to local and state governments for this project is \$1,271,301.

Project Cost Details

Phase	This Request	Total Previous Requests	Total Project Cost	Cost to Date	Remaining Cost
Design	\$0	\$786,485	\$786,485	\$675,925	\$110,560
Construction	\$3,900,000	\$10,813,515	\$14,713,515	\$0	\$14,713,515
Total	\$3,900,000	\$11,600,000	\$15,500,000	\$675,925	\$14,824,075

Source of Funds

The current Capital Investment Plan (CIP) allocates \$11,600,000 for this project. The CIP will be updated during the 2023 CIP budget process.

In support of the T3/T4 shore power project, Managing Members accepted a \$1 million grant from the Diesel Emission Reduction Act (DERA) grant fund in November 2019, and a \$1 million grant from the TransAlta Coal Transition Energy Technology Fund in January 2020.

In July 2021, an additional \$1.1 million in grant funds from the Washington State Department of Ecology was accepted by Managing Members. In total \$3.1 million in external funding has been secured to date to support the project. Grant income will be recorded as non-operating revenue at the time reimbursement is requested.

In addition to the funding already secured, staff submitted an application for DERA funding in Q1 of 2021 to further support the project. Unfortunately, this application was not successful. Because the project already received a maximum DERA award in 2019, we believe the project was seen as less competitive than others.

Financial Impact

Project costs will be capitalized and depreciated over an estimated useful life of 20 years. Estimated annual depreciation expense will be \$775,000.

The international container line of business on the General Central Peninsula, which includes Husky Terminal and the North Intermodal Yard (NIM), which is the intermodal yard used by Husky, is budgeted to provide \$22.8 million in cash to the NWSA in 2022. This investment in shore power is not expected to result in an increase in income.

F. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

Alternative 1: Cancel the project. Declining to move forward with this project could result in a loss of \$3.1 million in grant funding for the T3/T4 project. Shore power-related infrastructure established by past Pier 3/Pier 4 reconfiguration projects would remain unused and the environmental benefits of shore power implementation would remain unrealized.

Alternative 2: Proceed with award of the construction contract to the lowest bidder, as planned. Potential reduction of GHGs and diesel particulate matter by greater than 3,000 tons per year and 1 ton per year, respectively.

Alternative 2 is the recommended course.

G. ENVIRONMENTAL IMPACTS/REVIEW

Permitting:

Project work is already covered under the Port's existing programmatic terminal and shoreline area routine maintenance and repair permit, which includes utilities. A SEPA categorical exemption was issued in 2020 and no new environmental permits are anticipated to be needed. A Site Development permit (SDEV21-0278) has been issued by the City of Tacoma and an Electrical permit will be obtained by the project's construction contractor.

Remediation:

Majority of project trenching and excavation will occur within clean fill. Select (new) vaults will extend to depth of existing environmental cap and legacy contamination. In such cases, appropriate controls will be implemented to ensure contaminated material is properly handled and disposed.

Stormwater:

The water quality team will be consulted on any site disturbance that occurs during the project to ensure compliance with all regulations, policies, and procedures.

Air Quality:

The T3/T4 Shore Power Project is a critical component of the NWSA's 10-year plan to install shore power at our major international container terminals, supporting achievement of our GHG Resolution and Northwest Ports Clean Air Strategy goals.

H. ATTACHMENTS TO THIS REQUEST

- Slide presentation.

I. PREVIOUS ACTIONS OR BRIEFINGS

<u>Date</u>	<u>Action</u>	<u>Amount</u>
July 7, 2021	Managing Members authorization to amend Interagency Agreement C1900059, accept grant agreement OTGP-2021-NoSeAI-00039, and proceed with design finalization and construction.	\$11,070,000
March 4, 2021	Managing Members Staff Briefing	-
September 1, 2020	Managing Members Authorization	\$330,000
February 14, 2020	Executive Authorization	\$200,000
January, 2020	Managing Members authorization to accept TransAlta grant	-
November, 2019	Managing Members authorization to accept DERA grant	-
TOTAL		\$11,600,000