

MINUTES
MANAGING MEMBER REGULAR MEETING AND SPECIAL PORT OF SEATTLE PORT OF TACOMA JOINT
MEETING
Tuesday, September 1, 2020
Remote video/teleconference

SEATTLE COMMISSIONERS PRESENT:

Stephanie Bowman
Ryan Calkins
Sam Cho
Fred Felleman
Peter Steinbrueck

TACOMA COMMISSIONERS PRESENT:

Kristin Ang
Deanna Keller
John McCarthy
Dick Marzano
Don Meyer

OTHERS PRESENT:

John Wolfe, CEO
Kurt Beckett, Deputy CEO
Don Esterbrook, Deputy CEO
Dana Henderson, NWSA General Legal Counsel
Tong Zhu, Chief Commercial and Strategy Officer
Eric Johnson, Port of Tacoma Executive Director
Carolyn Lake, Port of Tacoma General Legal Counsel
Jason Jordan, Director Environmental Programs
Sandra Kilroy, Director Maritime Environmental and Sustainability, POS
Brett Ozolin, Engineering Project Manager II
Stan Ryter, Engineering Project Manager II
Tom Bellerud, Director Business Development
Hughes Wike, Engineering Project Manager II
Mike Campagnaro, Director Alliance Real Estate
Eric Johnson, Executive Director Port of Tacoma
Steve Nicholas, Senior Manager Air Quality and Sustainability
Alex Adams, Senior Environmental Program Manager, POS
Andre Elmaleh, Sr. Business Development
David Morrison, Dir. Finance and Treasury
Erin Galeno, Chief Financial and Administrative Officer
Dustin Stoker, COO
Emma Del Vento, Capital Program Leader POS
Dakota Chamberlain, Chief Facilities Development Officer
Leilani Berinobis, Executive Assistant
Juliet Campbell, Clerk

9:45 A.M. – EXECUTIVE SESSION:

CALL TO ORDER and RECESS TO EXECUTIVE SESSION: Commissioner McCarthy called the meeting to order at 9:45 a.m. and immediately recessed for a Managing Member executive session pursuant to RCW 42.30.110(1)(i)(iii). The executive session lasted one hour and 15 minutes. No votes or actions were taken.

11:30 A.M. - PUBLIC SESSION:

- 1. RETURN TO ORDER AND PLEDGE OF ALLEGIANCE:** The meeting reconvened at 11:30 a.m. and the Pledge of Allegiance was recited.
- 2. CHIEF EXECUTIVE OFFICER'S REPORT:** CEO Wolfe summarized the day's agenda. He highlighted domestic shipping partner TOTE's 45th anniversary and noted their significance to Washington state's economy and well as their environmental leadership.

3. **CONSENT AGENDA:**

It was moved and seconded to approve consent agenda items 3A and 3B consisting of the minutes of the August 4, 2020 Managing Member meeting and the payment of checks 707268 through 707355, and wire transfers in the total amount of \$17,708,386.89 during the period of July 25, 2020 through August 21, 2020.

The motion passed unanimously. *(Commissioner Bowman was not present for the vote)*

It was then moved and seconded to approve dual vote of the NWSA and Port of Tacoma to authorize the NWSA CEO and the Port of Tacoma Executive Director, or their delegates, to amend existing interlocal agreements between their respective entities, and the Vancouver Fraser Port Authority, for the Northwest Ports Clean Air Strategy Update project, increasing the commitment of each of each entity by CAN \$8,876.67 (approximately US \$7000.00)

The motion passed unanimously for the NWSA and the Port of Tacoma.

4. **PUBLIC COMMENT:** None.

5. **ACTIONS:**

A. 2020-2021 Vessel Service Agreements

Presenters: Tong Zhu, Commercial and Strategy Officer; Andre Elmaleh, Sr. Manager Business Development

It was moved and seconded 1). Enter into Vessel Service Agreements with customers World Logistics Services (WLS) and "K" Line Ro-Ro from October 1, 2020 through September 30, 2021 and 2). Enter into the 12th Amendment to Vessel Service Agreement with Wallenius Wilhelmsen Logistics (WWL).

The motion passed unanimously.

Discussion included:

- Breakbulk is a core element of the NWSA business portfolio. Volumes are down due to the global pandemic. Volume for the NWSA's top three breakbulk customers are down 53%, 56%, and 87% respectively. Construction equipment and agriculture equipment cargo is down 33% and 78% respectively. Vessel Service Agreements (VSAs) are necessary to compete as business demand is down, there is less supply for which to compete.
- Staff explained that service agreements negotiated discounts from the public tariff. VSAs are typically negotiated after the PMA/ILWU rates and assessments are updated. However, this year the PMA may issue a supplemental assessment, so the VSAs contained a provision for an increase in rates should this occur. Key terms were described as well as the financials.
- Exclusivity applies to ports within the Puget Sound. There is a provision that, with NWSA permission the customers can go through another gateway, such as if they have cargo that cannot move through the NWSA gateway.
- Depreciation was not included in the financials. Staff explained that EB1 is a Port of Tacoma Homeport asset. Commissioner Meyer stressed that he wants a full picture regardless of which organization's books carries the asset.
- The request is for authorization for only those where negotiations are completed and reflect a 2.8% increase across the board for VSA customers and consistent with the tariff increase.

B. Blair Terminal Fender System Upgrades

Presenters: Tong Zhu, Andre Elmaleh and Brett Ozolin

It was moved and seconded to grant project authorization in the amount of \$802,400, for a total authorized amount of \$905,000, for the Blair Terminal Fender System Upgrades, Master Identification No. 201104.01

The motion passed unanimously.

Discussion included:

- Blair Terminal is one of the most used terminals in both the North and South Harbors. It averages 85-100 vessel calls per year. Approximately 80,000 cars discharged from Blair Terminal. The fender system is a timber wale and fender pile system, not designed for Ro-Ro vessels.
- Inspections and preliminary design have shown that 13 fender piles and 260 feet of wale need to be replaced.
- In addition to a routine inspection, the system has been inspected specifically for repairs. Staff has a high level of confidence that there will not be surprises and this request is inclusive of all necessary work.
- Costs on this project have been able to be kept low as there has been opportunity to streamline due to existing designs and documentation from Terminal 7.

C. Terminal 3 (T3) and Terminal 4 (T4) Shore Power Project

Presenters: Don Esterbrook, Tom Bellerud, Hughes Wike

It was moved and seconded to grant project design authorization in the amount of \$330,000 for a total authorized amount of \$530,000 for the Terminal 3 and Terminal 4 Shore Power Project, Master Identification No. 201100.01.

The motion passed unanimously.

Discussion included:

- A history of the overall redevelopment of the General Central Peninsula was presented.
- This project will further enhance this facility by ensuring it is shore power capable. Staff acknowledged that currently there is no lease language in the Husky Terminal agreement that would require the ocean carriers to utilize shore power. In fact none of the international terminal operators have this lease obligation. Staff is working with the terminal operators and ocean carrier customers. Based on feedback so far, and the economics of plugging in versus burning fuel support shore power, staff is confident there will be full cooperation.
- Staff noted that the NWSA has set significant goals to reduce air pollutant and greenhouse gas (GHG) emissions, citing the Northwest Ports Clean Air Strategy work, and the NWSA 2017 GHG Resolution and the role of shore power in meeting the related targets. Shore power will reduce marine shipping emissions and improve air quality by eliminating the need for international container ships that are shore power capable to run diesel engines while at berth.
- The scope of work was presented as was the schedule. Staff is actively working on preliminary design. If authorized for the full design, the team is on track to complete design in February 2021. The project completion schedule of Q4 2022 represents the deadline required by grant funding. Staff will know more about the actual completion date design work progresses but stated the Q4 2022 completion date is achievable.
- Financial, permitting and benefits were also presented.
- Commissioner Bowman stated that as leases are renegotiated, shore power use will be a requirement. Thanked staff for leveraging TransAlta and DERA funds to bring costs down.
- Commissioner Meyer thanked Husky and customers that call the terminal. He described the General Central Peninsula as the crown jewel in the Tacoma Harbor and is pleased the project is going forward. He also stated that he wants all terminals, not just international terminals to be held the air quality standards.
- Commissioner Steinbrueck agreed that this is the environmentally responsible thing to do. He noted that this is a significant investment and the lease terms with operators do not in many cases expire for decades. The NWSA cannot compel the carriers to hook up and that the NWSA bears the cost. Staff stated that shore power use is becoming the standard up and down the West coast. It is already required in Southern California and all the major China ports require it. The MTOs and ocean carriers all know that shore power hook up requirements are coming.
- Commissioner Felleman raised the issue of disparity in cost between the shore power installation at T3/T4 versus Terminal 5 (T5) in the North Harbor. Staff will be reaching out to the T5 project manager to find out more, however the fact that there is a tremendous amount of existing infrastructure at T3/T4 may have something to do with it. Commissioner Felleman also noted that the ferry service will be bringing shore power to

Terminal 48, right next to Terminal 46, and perhaps the NWSA should look at how to leverage that during that construction. Lastly commissioner Felleman commented on mandates noting that cheap electric rates may not be as much of an incentive as previously thought because gas is so cheap.

- Commissioner Keller asked about the security of the construction site. Staff responded that the area is within a TWIC secured facility and has a higher level of security than a typical construction site.
- Commissioner Calkins stated that the NWSA needs to shift from a mentality of seeing the addition of installing shore power as a competitive disadvantage to one in which it is necessary in order to compete against peer West Coast Ports. He relayed information regarding Maersk's commitment to carbon 0 by 2050 which means by 2030 there will need to be net 0 ships plying the seas in order to get their fleet to net 0 by 2050. A port without shore power won't be able to receive those vessels. Maersk is one, if not the world's largest fleets.
- Commissioner Ang asked staff to provide information regarding the percentage of ships already connecting to shore power in other regions and where those other areas are using shore power is it by incentivizing or by legislation. Staff informed that of the vessels calling at Husky, roughly half are shore power capable (staff noted this is slightly dated information). In Southern California and China shore power required. Canada uses incentives for ocean carriers to use shore power. Staff emphasized that the need for shore power at terminals is coming and it is most important that facilities in the NWSA gateway are ready.
- Commissioner McCarthy noted that when the lease agreement on T3/T4, this amount was not included in the calculation of IRR. The fortunate thing is that this project is an attractive one for grant funding. He hopes that more grants will be secured to pay for this project stating that the existing agreements themselves won't pay for these additions. He noted that Tacoma Public Utilities provide good rates, but they do have excess capacity and he believes there are more opportunities to work with them.
- Shore power is factored into the IRR on the \$340 million T5 modernization program.

D. Second Amendment to the Lease Termination Agreement Between the Port of Seattle and Eagle Marine Services, Ltd. (EMS) and its parent company American President Lines, Ltd. (APL).

Presenters: Mike Campagnaro

It was moved and seconded to authorize the Northwest Seaport Alliance Chief Executive Officer or his delegate to execute a Conditional Second Amendment to the Terminal Lease Agreement with Eagle Marine Services, LTD and its parent company American President Lines, LTD to reduce APL's annual \$9 million payment to \$4.5 million and defer late fee charges until December 31, 2020 provided that if the parties are not able to reach agreement on terms and conditions of a Third Amendment to the Lease Termination Agreement by December 31, 2020, the proposed Conditional Second Amendment will become null and void and the \$4.5 million balance will become due along with the accumulated late payment interest. The motion was orally modified during the presentation. The modifications are:

- The \$4.5 million annual payment for 2020 is now due by September 7, 2020.
- The 12% late payment interest will be applied to the \$4.5 million partial payment and is accruing as of August 1, 2020 and will continue to accrue until such time that the NWSA receives payment the \$4.5 million partial payment.
- Payment of the late payment interest is deferred until December 1, 2020, instead of December 31, 2020.

The motion passed unanimously.

Discussion included:

- Staff provided a background of the Lease Termination Agreement. As part of the termination agreement EMS entered into a sublease agreement at Terminal 18 (T18) to handle the vessel calls and cargo volumes required by the volume guarantee. The termination agreement includes a \$9 million dollar payment for 10 years starting in 2014 through 2023. Previous action by the Managing Members addressed certain outstanding amounts under the agreement and increased cargo volumes guarantees, amending the agreement. Since then, staff has been in further negotiations with APL/CMA CHM to further increase and extend their volume commitment.
- The terms and financial implications of a proposed second amendment to the termination agreement were presented. The conditional second amendment would reduce the annual payment of \$9 million for 2020 to \$4.5

million and the late payment interest charge would be deferred until the end of 2020. A third amendment to the agreement would address expanded volume commitments. If the terms of a third agreement cannot be made, this second proposed amendment would be null and void and the \$4.5 million payment balance will become due along with all accumulated interest charges.

- It was noted that originally, under the proposed conditional second amendment, the reduced payment of \$4.5 million was to be due August 30, 2020. Payment was not made. Though payment has not been made, staff informed the Managing Members that they have received assurances this morning that payment was forthcoming. Staff is now recommending the following changes to the proposed Conditional Second Amendment:
 - The due date of the outstanding \$4.5 million 2020 payment should be extended to September 7, 2020 and the 12% late payment interest should be applied to the outstanding amount.
 - The late payment interest charge should be deferred until December 1, 2020 instead of December 31, 2020.

E. DUAL ACTION NWSA/Port of Tacoma: First Amendment to the Management Services Interlocal Agreement between the NWSA and the Port of Tacoma.

Presenters: John Wolfe, Eric Johnson and Erin Galeno

It was moved and seconded that (1) the Managing Members of the Northwest Seaport Alliance and the Port of Tacoma Commission authorize by dual action vote the proposed First Amendment to the Management Services Interlocal Agreement between the NWSA and the Port of Tacoma, and (2) that the Managing Members waive first reading and adopt at this first reading Resolution 2020-04, amending Resolution 2018-03, to reflect the updated Management Structure

The motion passed unanimously for the NWSA and the Port of Tacoma.

Discussion included:

- Commissioners Meyer and McCarthy both thanked John Wolfe and Eric Johnson for working together through this transition to reach this new structure and sorting out the roles of NWSA and Port of Tacoma staff.

F. DUAL ACTION NWSA/Port of Seattle: Terminal 5 Letter of Agreement Amendment with the Muckleshoot Indian Tribe.

Presenter: Kurt Beckett

It was moved and seconded to approve the First Amended Letter of Agreement between the Muckleshoot Indian Tribe and the Northwest Seaport Alliance and the Port of Seattle for Terminal 5 Cargo Wharf Rehabilitation, Berth Deepening, and Improvement Projects.

The motion passed unanimously for the NWSA and the Port of Seattle.

Discussion included:

- The 2017 agreements reflected that construction would take place from the south berth to the north berth. The NWSA provided notice per the agreements, that the order would be reversed due to some in-water site conditions, commercial considerations and COVID 19. Now, instead of being in the south, activity is still in the north. Next year the T5 program will require a full in water work period from February 15 – August 15, 2021 to complete the major construction of the south berth
- Staff provided a background of the original agreements. The US Army Corps of Engineers (USACE) authorization of in-water construction actions for T5 cargo wharf rehabilitation require approval for participating federal agencies. In addition, an essential federal requirement includes avoiding and minimizing potential negative effects on tribal treating fishing access, requiring consultation and resolution of potential project conflicts with federally recognized tribes. Due to the potential of three years of extensive in-water construction activity, T5 projects included site-specific treaty fishing access negotiations.
- The proposed amendment would allow a third full in-water work window and associated tribal fishing impact compensation for the 2021-2022 season and further clarifies 2020 construction and fishing activities. The 2017

agreement has a three-year term with two full in-water construction periods. The amendment creates a four-year term and adds a third full in-water construction period. The additional compensation is \$520,000 for each of the two tribes. Revisions to the proposed amendment received from the tribe following the fishing commission meeting on Monday, essentially agrees to provide access for a fourth season if needed, with additional compensation using the underlying agreement framework. An additional conversation is needed with the Muckleshoot Tribe related to a scenario for a partial fourth season.

6. BRIEFING:

A. Northwest Ports Clean Air Strategy (NWPCAS) Update

Presenters: Jason Jordan, Steve Nicholas and Alex Adams

Discussion included:

- The NWPCAS is a voluntary collaboration among four Pacific Northwest port authorities (NWSA, Port of Tacoma, Port of Seattle and Vancouver-Fraser) to reduce air and climate pollution from seaport activities, including ocean-going vessels, cargo-handling equipment, and trucks. The NWPCAS was first adopted in 2007 and updated in 2013 and is being updated again in 2020.
- The Managing Members were briefed on progress to date. Staff will be pivoting to drafting the strategy and developing more detailed implementations for each of the individual port entities.
- Draft implementation plans and key policy issues for the NWSA and next steps were presented.
- Commissioner Steinbrueck was interested in what the plan says about liquified natural gas (LNG) as a transition fuel. Staff responded that the NWPCAS seeks to be agnostic about fuel type taking the position that that type of detail should be left to the individual implementation plans. It was noted by staff that LNG is not a fuel that will get the parties to their vision. It provides significant air quality benefits but arguable climate benefits and still produces GHG emissions.
- Commissioner Felleman noted the need to have the infrastructure and political climate to make it possible for the opportunities presented to be taken advantage of. He noted low carbon fuel standard and that unless alternative fuels are available at a competitive basis, this very relatively cost effective fuel improvement won't be available to us. Regarding uncertainty of the cost efficacy of full electrification of drayage or otherwise, he noted that unless there is infrastructure in place to take advantage of it, the point is moot. He commented that he is really encouraged by the efforts made toward electrification of the waterfront. He emphasized Tier 0 cargo handling equipment at the ports needs to go away.
- Commissioner Calkins expressed that he thinks the NWSA needs to accelerate its goal of zero emissions by 2050 stating all indicators show that climate change is happening faster than anticipated even two years ago. He stated these are things that demand urgency. He noted the initial reaction to CAFE standards and how they were ultimately met and surpassed. He recommended moving the 2050 goal date to 2040.
- Commissioner Ang thanked all for the work and being responsive to the environmental coalition that has come to the NWSA to engage it in this effort. She noted the health disparities map presented and expressed her hope that that environmental justice issues are addressed in the individual implementation plans. She also emphasized that much of the reason previous NWPCAS goals were met earlier than anticipated had to do with issues outside of NWSA actions such as US Environmental Protection Agency emission standards for ocean going vessels. Implementation plans should include advocacy on related legislative matters.
- Commissioner McCarthy noted that this is a regional issue. He noted in a Seattle Times article that King County's plan is to reduce GHG emission by 50% by 2030 and 80% by 2050. He also noted that King County government asserts they are responsible less than 2% of emissions. Individual goals need to be considered in light of what is going on in the region and efforts need to be unified. He favors reassessing every five years.
- Commissioner Meyer highlighted the need for balancing in light of limited financial resources. Water quality is a top priority.
- Commissioner Felleman noted the disconnect with what science tells us what must be done and what is physically possible frustrates all. He stated the ports need to have infrastructure and incentives in place to allow for the expediting of those efforts toward the environmental goals. He stated it is absolutely wrong thinking to consider not investing, for example, the \$100 thousand for shore power at T18 because it is too expensive in

the short term. He said the NWSA and ports should be designing and building all the infrastructure possible to get in front of the curve so when the technology is it can be taken advantage of and the carriers/MTOs should have no excuse not to use it.

7. GENERAL BUSINESS

- A. 2021 Budget Financial Targets Discussion – *Postponed. Discussion took place regarding strategy for agenda order.*
- B. CEO Announcements, Events, Recognitions
- C. Commissioner Comments
Commissioner Keller. Recognize leadership of the through these unchartered times.
Commissioner Felleman. Agreed with Commissioner Keller's comments.

8. ADJOURNMENT: The meeting ended at 2:52 PM



John McCarthy, Co-Chair
The Northwest Seaport Alliance



Peter Steinbrueck, Co-Chair
The Northwest Seaport Alliance

ATTEST:



Sam Cho, Co-Secretary
The Northwest Seaport Alliance



Don Meyer, Co-Secretary
The Northwest Seaport Alliance



Juliet Campbell, Clerk
The Northwest Seaport Alliance