

Proposition 1B: Goods Movement Emission Reduction Program

Supplemental Procedures for Ships at Berth and Cargo Handling Equipment Projects

FY2008-09 Funds (Year 2)

INTRODUCTION

The Proposition 1B: Goods Movement Emission Reduction Program (Program) is subject to statutory timeframes that limit the maximum time for local agencies to obligate Program funds through execution of contracts with equipment owners, and to liquidate (expend) those funds on completed projects. Grant funds not obligated or liquidated within the statutory timeframes revert back to the legislatively-controlled account and must be reappropriated to the Air Resources Board (ARB or Board) in a future State budget before they can be used.

To reduce the potential for reversion, ARB established shorter timelines for local agency action to allow for redirection (if needed) of grant funds prior to the statutory deadlines – except for the ships at berth source category. Grants to install grid-based power for ships at berth can have an extended period for completion because of the complexity of these construction projects. With over \$80 million in Fiscal Year (FY) 2008-09 funds allocated for lengthy ships at berth projects, the Board directed ARB staff in Resolution 10-27 to provide local agencies with supplemental procedures to ensure these projects will be completed on time or the funds will be redirected to other grants to achieve the expected emission reductions.

These procedures are designed to maximize the opportunity for success in completing grid-based power projects with Program funding, but provide sufficient time for reallocation to other types of projects if the ships at berth projects are not likely to be finished on schedule.

March 2011 revisions to these procedures address the ports' requests for further flexibility in meeting the performance standards for grid-based shore power, without diminishing the cost-effectiveness. The fundamental elements are:

- Requirements to expedite the solicitation/application process while ensuring that all eligible applicants are aware of the grants and the conditions.
- A fair process for evaluating and ranking competing projects for funding.
- Clear conditions in the contract between the applicant and the local agency to complete key milestones on schedule or risk reduction of the grant amount.

August 2012 revisions to these procedures address the ports' request to allow additional flexibility by providing a method to demonstrate grid-based shore power projects are operational by the project completion deadline if a ship capable of plugging in was not available.

Proposition 1B: Goods Movement Emission Reduction Program

February 2013 revisions to these procedures incorporate the January 2013 updates to the Program Guidelines including the ability of seaports to receive reimbursement of up to 80% of eligible costs prior to final completion.

These Supplemental Procedures apply to all projects that utilize FY2008-09 ~~or later~~ Program monies for the ships at berth and cargo handling equipment funding category, and are additive to the requirements of the Proposition 1B: Goods Movement Emission Reduction Program Guidelines for Implementation (Guidelines). All of these supplemental procedures apply for projects to install grid-based shore power for ships at berth. Portions of these supplemental procedures that also apply to cargo handling equipment projects are clearly noted and marked with a “+”.

I. EQUIPMENT PROJECT SOLICITATION REQUIREMENTS

Equipment project solicitations shall, at a minimum, meet the following requirements:

A. Outreach Notification ⁺(also applies to cargo handling equipment projects)

The local agency is required to provide written notice of the solicitation to all seaports and intermodal rail yards within the trade corridor seeking applications for ships at berth and cargo handling equipment projects.

These notifications shall include direct communication via letter or e-mail to a person with executive level authority and must be received by all eligible ports and rail yards no less than 30 calendar days before the solicitation closing date. Posting of solicitation information on the local agency’s website does not meet this requirement.

The local agency shall submit documentation to ARB verifying the outreach notification requirements have been met no later than 10 working days after the solicitation has been closed. If the documentation is not submitted or fails to demonstrate the outreach requirements have been met, ARB may direct the local agency to conduct additional outreach and extend the closing date of the solicitation period.

B. Solicitation Process ⁺(also applies to cargo handling equipment projects)

Local agencies shall offer only one solicitation where ships at berth and cargo handling equipment projects will compete for available funds. If the solicitation is undersubscribed, any remaining funds will qualify as recaptured funds to be allocated to other projects according to the provisions of the Guidelines.

C. Clarification of Eligibility ⁺(also applies to cargo handling equipment projects)

Solicitation materials shall include the following language to highlight equipment project eligibility, consistent with the Guidelines.

Proposition 1B: Goods Movement Emission Reduction Program

- For the purposes of this Program, a berth is a mooring designed to accommodate loading or unloading of one ship at a time.
- Each project will compete with other ships at berth and cargo handling equipment projects under the competitive ranking and selection process outlined in the Guidelines.
- Any ships at berth or cargo handling equipment project that is listed as a mitigation measure as part of a final, certified California Environmental Quality Act (CEQA) or National Environmental Policy Act (NEPA) document is not eligible for funding.

1. Match Funding Requirements

- As outlined in Chapter VI.D.5 of the Guidelines, project applications must list proposed sources of match funds from other State, local, federal or private sources that will be used to supplement grant funding.
- Prior to execution of the equipment project contract, equipment owners must identify the specific source(s) of the match funds and certify that those funds are available to complete the entire project since this Prop. 1B Program only provides partial reimbursement ~~only after the project is complete and demonstrated to be operational~~. This certification can be satisfied by a written statement from the equipment owner's Board or Chief Executive Officer for any match funds to be provided by the equipment owner and, if applicable, must also include written commitment(s) that document the availability of any outside source(s) of funding. Local agencies may require the certification at the time of application, or may obtain the signed written certification after application submittal but before execution of any contract obligating Program funds.

2. Activities that may Affect Eligibility for Grid-Based Shore Power Projects

At its own risk, the equipment owner may elect to proceed with certain preliminary activities prior to the execution of the equipment project contract without assurance of Program funding or priority for such funding.

- Activities that **may begin** prior to the execution of the equipment project contract include the following planning, procurement and infrastructure upgrade activities:
 - Design.
 - Engineering.
 - Execution of design, procurement and/or installation contracts for any element of the project (equipment owner may proceed with contracts at its own risk with no assurance of Program funding).
 - Ordering of any materials or equipment.
 - Installation of industrial station, substation(s), switchgear or other materials and equipment designed to increase the electrical power capacity available to the port for use at one or more berths (hereafter called "power upgrade

Proposition 1B: Goods Movement Emission Reduction Program

project”). This work is typically an upgrade or addition to the existing 34kV or 12kV system and may also serve berths that are not funded under the Program.

- Site preparation, grading, paving, excavation and trenching designed to accommodate materials, equipment or site access directly related to the power upgrade project work.
- Activities related to ineligible project costs, including: environmental review, legal work, acquisition of permits and licenses, and shipside modifications.
- Activities that **may not begin** prior to the execution of the equipment project contract include the following installation activities:
 - Installation of materials, equipment pads, substation(s), transformer(s), switchgear or other equipment not directly related to the power upgrade project work.
 - Installation of transmission lines, equipment or related work that connect the power upgrade project to a substation, transformer, vault, cable reel or other “downstream” device for a berth that will be funded by the Program. This work typically includes 34kV or 12kV transmission lines that run from the power upgrade project equipment to 6.6 kV step-down voltage equipment and beyond.
 - Site preparation, grading, paving, excavation or trenching not directly related to the power upgrade project work.
 - Installation of vaults, plugs, cabling and cable reels designed to facilitate ship connections to the electricity grid.
- As clarification of the Guidelines, a prorated share of the charges to purchase and install special facilities or equipment associated with the power upgrade project are eligible for reimbursement. For example, if the power upgrade project is designed to serve five ship berths, plus electric equipment at the terminal, the Program eligible costs for a specific berth shall be based on the prorated share of power to be used at that berth as a portion of the total new power. Costs to operate or maintain special facilities or equipment are ineligible for reimbursement. For an expanded listing of eligible and ineligible costs, refer to Appendix C in the Guidelines.

D. Additional Solicitation Requirements

Solicitation materials shall also include the following:

1. Project Schedule

- A statement by the local agency outlining the expected contract execution timeframe.
- A requirement that equipment project applicants provide a project schedule for each berth with project milestone completion date(s), including the key milestone dates marked with a double asterisk (**), as listed below.

Proposition 1B: Goods Movement Emission Reduction Program

- A statement instructing applicants to base the project schedule in the application upon credible estimates, with the opportunity to update the schedule prior to execution of the equipment project contract.
- A statement indicating the local agency may allow the equipment owner to modify the approved project schedule and associated milestone completion dates (listed in the original contract) on or before an agreed upon deadline date listed in the executed equipment project contract, if applicable. This provision is intended to allow equipment owners an opportunity to update the project schedule listed in the original contract after initiating key purchase orders and/or construction contracts. Any changes to the project schedule after initial contract execution must support timely completion and receive prior approval from the local agency and ARB. The revised, approved project milestone completion dates must be included in a fully executed amendment to the original equipment project contract.
- A clarification stating that if more than one milestone completion date applies for separate activities within a particular category, applicants should provide additional breakdowns. For example, if a transformer and cable reel are both identified to have a procurement lead time over 1 month, they must be itemized separately within the project schedule.
- A requirement to provide project milestone completion dates including:
 - Preliminary design.
 - Environmental clearance (if applicable). **
 - Final design.
 - Equipment ordering (with delivery dates consistent with timely completion of project milestones).
 - Receipt of delivery date confirmations from manufacturers (with dates consistent with timely completion of project milestones).
 - Equipment delivery (for all equipment with lead times over 1 month). **
 - Power upgrade project (as defined above).
 - Execution of purchase orders and/or construction contract(s). **
 - Permits.
 - Start construction (material and equipment installation). **
 - Finish construction (material and equipment installation).
 - Commissioning/testing.
 - Demonstration of a fully operational system (with ship plugged-in).

For activities that have already been completed, provide the completion date(s) and note them as “actual.” The local agency may allow modification of the project milestone descriptions while maintaining the intended scope.

Proposition 1B: Goods Movement Emission Reduction Program

2. Funding Information

- A statement that Program funds will be disbursed to the equipment owner only after the project is demonstrated to the local agency inspector to be fully operational and powering a ship docked at the berth prior to the project completion date. Program funds will not be provided for financing or progress payments.
- A statement that all grant funds will be forfeited for any non-grid-based power project that is not fully operational by December 31, 2011 unless the grant funds will fund a berth project that serves only ships not subject to one or more of the emissions control provisions listed within The California Code of Regulations (CCR), Title 17, Chapter 1, Subchapter 7.5, Section 93118.3 Airborne Toxic Control Measure for Auxiliary Diesel Engines Operated on Ocean-Going Vessels At-Berth in a California Port (hereafter CCR Section 93118.3) over the duration of the contract.
- A statement that all grant funds will be forfeited for any grid-based ships at berth or ship emissions capture and control system-project that is not fully operational by December 31, 2013 unless the grant funds will fund a berth project that serves only ships not subject to CCR Section 93118.3 over the duration of the contract.
- A statement that the project specifications (see Appendix C-4G-13 of the January 2013 Guidelines) identify progressively lower funding amounts for later completion dates. If projects are delayed beyond the completion date projected in the original application, the project may still be eligible for a lower funding amount as shown in Table 1 below.

Table 1 – Program Funding Amounts and Completion Dates per Berth		
Completion Date in Application	Maximum Funding for On Time Completion	Maximum Funding for Completion Delayed to Next Year
By December 31, 2011	Lower of \$3.5 million or 50% of eligible costs	Lower of \$3.0 million or 50% of eligible costs
By December 31, 2012	Lower of \$3.0 million or 50% of eligible costs	Lower of \$2.5 million or 50% of eligible costs
By December 31, 2013	Lower of \$2.5 million or 50% of eligible costs	Funding Forfeited (unless deadline extended according to section II)

- A statement that the equipment owner shall return Program funds to the local agency for non-performance if the percentage of ship visits connected to grid-based shore power at the funded berth starting in 2014 does not meet the Required Usage Levels identified in the Guidelines.

II. POST-2013 EXTENSION FOR GRID-BASED SHORE POWER PROJECTS

- The December 31, 2013 deadline for grid-based shore power project completion and demonstration of operability at a berth may be extended up to one year at the request of the equipment owner if: (1) the local agency and ARB staff agree that such an extension is necessary and could not have reasonably been avoided despite the best efforts of the equipment owner; and (2) the equipment owner agrees to accept a 10% reduction in the Program funding for that berth. This added flexibility may be used only within the Program and does not modify any of the existing requirements of CCR Section 93118.3.
- The 10 percent reduction in Program funding is based on loss of the extra air quality benefits for up to one year of the 10-year project life under the grant contract. The funding reduction will not be pro-rated for a partial year and the project life will not be extended.
- An equipment owner considering such an extension should submit a preliminary written extension request concurrently to the local agency and ARB staff no later than October 31, 2013, and a final written request together with any required documentation no later than January 31, 2014. After consultation with the equipment owner, the local agency and ARB staff shall approve or deny a final extension request and inform the equipment owner in writing by March 31, 2014. If the equipment owner confirms a need for the extension earlier, the requests should be submitted earlier.
- If an extension request is submitted and approved, ARB staff will amend the grant agreement with the local agency to provide the maximum time allowed by statute for the local agency to reallocate and expend the unused 10% of grant funds on other projects, consistent with the Guidelines.

III. EQUIPMENT PROJECT APPLICATION REVIEW REQUIREMENTS

In addition to the requirements of the Guidelines, equipment project application reviews for the ships at berth and cargo equipment funding category shall, at a minimum, meet the following requirements:

A. Application Review ⁺(also applies to cargo handling equipment projects)

Equipment project applicants (e.g., seaports, railroads, terminal operators, and other entities) are prohibited from participating in the application review, evaluation, and competitive ranking process.

B. Summary Data of Preliminary Demand ⁺ (also applies to cargo handling equipment projects)

Proposition 1B: Goods Movement Emission Reduction Program

The local agency shall provide ARB with summary data describing the preliminary demand for project funds within 15 working days after the solicitation period is closed. This summary data shall list each applicant, type of project, amount requested, and estimated project completion date.

C. Site Pre-inspection

The local agency shall perform a site pre-inspection no more than 30 calendar days prior to contract execution to verify no work has started that would cause one or more berths to become ineligible for Program funds. The site pre-inspection shall include photographic evidence of likely or known locations where Project funded materials and equipment will be installed for each berth. The site pre-inspection shall also include photographic evidence of reimbursable material and equipment that have already been installed or are currently onsite awaiting installation. Photographs shall be retained by the local agency in the project files and made available to ARB upon request.

D. Ranking of Alternate or Backup Projects Identified by Equipment Owners

If an equipment owner requests that certain ships at berth or cargo handling equipment projects identified on the application as alternate or backup projects be considered for funding only if the total demand for Program funds is less than the available funds, the local agency shall evaluate and rank all of the primary projects (without the alternate or backup projects), and sign contracts to fund eligible primary projects. If these primary projects in total do not require the full Program funding available to the local agency, the local agency shall evaluate and rank all of the alternative or backup projects together as a second group and fund those projects according to the provisions of the Guidelines.

IV. DETERMINING COMPLIANCE WITH THE REQUIRED USAGE LEVELS FOR GRID-BASED POWER

This section expands the description of the performance requirements in the Guidelines specific to grid-based power projects and provides additional flexibility for equipment owners.

A. Averaging Period

- Satisfactory performance with the Required Usage Levels shall be calculated by taking the number of ship visits connected to grid-based shore power at the berth as a percentage of the “Total Ship Visits” to that berth over a multiple-year averaging period, considering any options specified in the contract pursuant to section IV.B. or section IV.C. below. The Guidelines establish the averaging periods and Required Usage Levels shown below:
 - 2012-2013: 50 percent of the (total) ship visits (if applicable)
 - 2014-2016: 60 percent of the (total) ship visits
 - 2017-2019: 80 percent of the (total) ship visits
 - 2020-the end of the equipment project contract: 90% of the (total) ship visits

Proposition 1B: Goods Movement Emission Reduction Program

B. Total Ship Visits

- The equipment owner shall select either of the Performance Options described below. The local agency may require the equipment owner to make this selection on the application or provide it in writing to the local agency prior to requesting ARB approval of a competitively ranked list. The equipment project contract shall specify the option selected.
 - **Performance Option 1:** Total Ship Visits equals the number of visits to the berth by all U.S. or foreign-flagged container vessels, passenger vessels, and refrigerated cargo vessels. Any project competing for funding under this option shall also meet or exceed a Program cost-effectiveness of 0.15 pounds per State dollar, as determined using the Project Benefits Calculator. The total ship visits shall exclude the number of ship visits from vessels that did not plug into grid-based power AND met one the following criteria:
 - The vessel was part of a fleet complying with CCR Section 93118.3 under the “Equivalent Emissions Reduction Option.”
 - The vessel was prevented from plugging into grid-based power for the duration of the visit due to a qualifying “emergency event” as defined in CCR Section 93118.3.
 - **Performance Option 2:** Total Ship Visits equals the number of visits to the berth by all U.S. or foreign-flagged vessels, regardless of vessel type. The total ship visits shall exclude the number of ship visits from vessels that did not plug into grid-based power AND met one the following criteria:
 - The vessel was part of a fleet complying with CCR Section 93118.3 under the “Equivalent Emissions Reduction Option.”
 - The vessel was prevented from plugging into grid-based power for the duration of the visit due to a qualifying “emergency event” as defined in CCR Section 93118.3.

C. Optional Berth Averaging and Banking Provisions

- The equipment owner may elect to use the optional averaging and/or banking provisions described below, upon written notification to the local agency prior to the local agency’s request for ARB approval of a competitively ranked list and contract execution. The equipment project contract shall identify any optional averaging and/or banking provisions that apply to each berth, including all other eligible berths that would be grouped together under (a) below for purposes of determining compliance with the Required Usage Levels. This added flexibility may be used only within the Program and does not modify any of the existing requirements of CCR Section 93118.3.
- (a) Averaging ship visits over multiple berths at the same terminal. The equipment owner may average the ship visits to all Program-funded berths at the same terminal and apply those combined visits toward the Required Usage Levels for those funded berths, within the averaging period.

Proposition 1B: Goods Movement Emission Reduction Program

- (b) Banking ship visits. For a Program-funded berth with a completion date between January 1, 2013 and December 31, 2013 specified in the equipment project contract, the equipment owner may report and bank eligible ship visits at that berth using grid-based power prior to January 1, 2014 and apply those visits towards the Required Usage Levels for that berth in 2014 or a later year.

D. Reporting

- To support the expanded flexibility for equipment owners, those owners shall provide annual reports on total ship visits that list both included and excluded vessel visits, ship visits using shorepower at each Program-funded berth, and any banked visits, for each calendar year in a format and on a schedule to be provided by ARB and the local agency. ARB will assist the local agency in determining compliance with the Required Usage Levels, including application of performance options, averaging, and banking.

V. EQUIPMENT PROJECT CONTRACT REQUIREMENTS

In addition to the requirements for equipment project contracts as listed in the Guidelines, the contract between the local agency and equipment owner shall include the following procedures and requirements:

A. Certification

The contract must include certification statements signed by the equipment owner as follows:

- A statement verifying that installation or construction activities prohibited prior to contract execution have not started at any of the berths included in the equipment project contract.
- A statement agreeing to actively cooperate with the local agency, ARB, or their designees during any ongoing evaluation or audit of the project site, schedule or records. This cooperation includes, but is not limited to, providing contact information and open access (if requested) to communicate directly with key project personnel, contractors, subcontractors, public utilities and material or equipment suppliers.

B. Small Business Outreach

The contract must include a provision obligating the equipment owner to design and implement a targeted outreach program to encourage small businesses to participate in the construction, alteration, demolition, repair, or improvement of equipment project infrastructure funded by the Program. This requirement originates from State law and more information is included in the Guidelines, Chapter IV.A.2.d.

Proposition 1B: Goods Movement Emission Reduction Program

C. Tracking and Non-Performance

1. Tracking

- **Project Schedule**
The contract must include the latest, updated project milestone completion dates, including the key milestones in section D.1. marked with a double asterisk (**).
- **Periodic Updates to Project Schedule**
The contract must include a provision obligating the equipment owner to provide periodic updates to the project schedule. Schedule updates shall be provided at least quarterly as defined by the local agency. Schedule updates shall include, but are not limited to, the following:
 - Actual start and finish dates for any applicable activities.
 - Estimated completion dates for any activities that are in progress.
 - Estimated start and finish dates for any activities that have not started.
 - Actual or estimated start and finish dates for any additional activities known to the equipment owner that may jeopardize on-time project completion.
- **Development of a Schedule Recovery Plan**
The contract must include the following provisions related to the use of a schedule recovery plan to be submitted by the equipment owner:
 - The equipment owner must submit a schedule recovery plan to the local agency within 15 working days if one of the following occurs:
 - One or more berths fail to meet a key milestone date listed in the equipment project contract.
 - The equipment owner or the local agency becomes aware of a change that will cause one or more berths to miss the original project completion date(s) listed in the contract.
 - A schedule recovery plan for each affected berth must include the following:
 - A narrative description of the cause(s) of adverse schedule impacts, including a list of all schedule activities and milestone dates affected.
 - A narrative description of schedule recovery actions that have been and/or will be implemented to minimize or eliminate future schedule impacts.
 - An updated, comprehensive project schedule with milestone dates that support timely project completion.
 - The schedule recovery plan must be reviewed and approved by the local agency, and provided to ARB. If the updated project completion date would delay the year of completion, the schedule recovery plan must also be approved by ARB staff. To maintain eligibility for the Program funds, the project must be on schedule or operating under an approved schedule recovery plan.
 - If the equipment owner fails to meet the commitments in the approved schedule recovery plan, the local agency may immediately terminate the

Proposition 1B: Goods Movement Emission Reduction Program

commitment to fund the affected berth(s) or terminate the contract in its entirety (as applicable).

2. Non-Performance (in addition to the provisions specified in the Guidelines)

- The contract must include a statement that Program funds outlined in the contract will be forfeited for any ships at berth project that is not complete and demonstrated to be operational by December 31, 2013, unless the equipment owner has obtained an approved Post-2013 Extension from the local agency and ARB staff according to the provisions of section II.
- The contract must include a statement that a project may be considered complete and operational, for purposes of determining the funding level, if a successful system test is completed by December 31, 2013. System testing procedures must be approved by ARB.
- The contract must include a provision that allows the local agency, with approval from ARB, the ability to modify or terminate the contract and forfeit the Program funds for one or more berths if the equipment owner demonstrates non-performance or fails to meet a key (**) milestone date listed in the contract and fails to provide an approved schedule recovery plan.
- If applicable, the contract must include a provision that allows the equipment owner the ability to update the project schedule and associated milestone completion dates after contract execution and on or before an explicit, mutually agreeable deadline date. The revised, approved project milestone completion dates provided by the equipment owner must support timely completion, receive prior approval from the local agency and ARB, and be included in a fully executed amendment to the original equipment project contract.
- Recovered Funds. The contract must include a statement that the equipment owner shall return a portion of the Program funds for non-performance to the local agency if the percentage of ship visits connected to grid-based shore power at the funded berth starting in 2014 does not meet the Required Usage Levels identified in the Guidelines or the annual hours of usage for a ship emissions capture and control system does not meet the performance standard in the Guidelines. The local agency will use the method described below to determine the amount of any funds recovered for non-performance. The local agency shall notify the equipment owner in writing of any funds that must be returned after data becomes available each year from annual reports submitted by the equipment owner, compliance reports submitted by shippers to ARB, and other sources. The equipment owner must return these funds within 60 days. Any recovered funds received by the local agency qualify as recaptured funds to be allocated to other projects according to the provisions of the Guidelines.

Proposition 1B: Goods Movement Emission Reduction Program

- Calculation of Funds Recovered for Non-Performance

Note: this calculation method is directly related to the use of Program funding to achieve “extra” reductions from ships at berth projects (i.e., reductions that are greater than the reductions required by ARB’s Ships at Berth Regulation). Typically, for grid-based shore power, the percent of vessel visits using shore power at Program-funded berths must be 10% above the regulatory requirement for the same year. The method essentially equates that 10% percent per year over the 10-year project life to 100% of the Program funding.

Funds Recovered for Grid-Based Shore Power Projects. If the percentage of ship visits using grid-based shore power at the berth does not meet or exceed the Required Usage Levels, the funds recovered for non-performance shall equal 1% of Program funds for each 1% that the performance falls below the required levels, times the number of years included in the averaging period. The recovered funds shall be capped at a maximum of 10% per year per berth. For example, if a berth records 58 ship visits using grid-based shore power from 2014-2016, out of 100 Total Ship Visits over the three-year period, the percent of ship visits is 58%. Since this is 2% below the required 60%, the recovered funds are 2 (percent) times 3 (years) or 6% of Program funds. If the equipment owner received total Program funds of \$2,500,000 for that berth, the funds recovered for non-performance for 2014-2016 would be \$150,000.

If the equipment project contract provides for use of the optional averaging across multiple Program-funded berths at the same terminal, the ship visits using grid-based shore power and the total ship visits across all of those berths over the averaging period will be combined to calculate an overall percent usage (similar to the 58% in the example above). The amount of funds recovered for non-performance will be based on the amount below the Required Usage Level and the number of years as described above, times the number of berths included. The resulting percentage of Program funds is then multiplied times the total Program funds for all berths included in the average.

Funds Recovered for Other Ships at Berth Projects. The local agency in consultation with ARB will use a method parallel to that described above for grid-based shore power projects to determine the amount of any funds recovered for non-performance due to annual hours of usage below the levels in the Guidelines for other types of ships at berth projects.

D. Costs, Expenditures, and Disbursement

1. Costs

- The contract must include a cost breakdown summary that provides an initial estimate of eligible costs anticipated for the project. If a single contract includes multiple berths, a separate cost breakdown summary must be provided for each berth. Items listed in each cost breakdown summary should be specific for the

Proposition 1B: Goods Movement Emission Reduction Program

applicable berth. Eligible project costs that are applicable to multiple berths (e.g., a power upgrade project) must be prorated among all eligible and ineligible berths and other equipment served by that upgrade project. The equipment owner must provide calculations supporting the proration. A representative example of a cost breakdown summary includes the following items (as applicable):

- Design and Engineering.
- Electrical service connection.
- Power upgrade project (prorated by berth if applicable).
- Breakers and secondary breakers.
- High-voltage cables.
- Power control equipment, switchgear and/or step down transformer.
- Power connection vaults and outlets.
- Cable reels, cables, and connectors to connect at the vessel.
- Control cable and equipment.
- Other costs not listed above (as applicable).

The local agency may allow modification of the cost breakdown descriptions while maintaining the intended scope.

2. Expenditures

- The contract must specify detailed invoicing procedures that conform to the Guidelines (see Chapter IV.B.2.c) and the local agency's procedures.
- The contract must include a statement that all invoices and backup material from the equipment owner, vendors, contractors, subcontractors, etc. used to establish eligible costs should identify the berth project, the work performed, and include a summary of project costs and quantities in the following categories:
 - Labor costs (including total labor man-hours expended).
 - Material costs.
 - Equipment costs.
 - Other category costs (as applicable).

3. Disbursement

- The contract must include a statement that Program funds will be disbursed to the equipment owner only after the project meets the reimbursement requirements (seaports only) or is demonstrated to the local agency inspector to be fully operational and powering a ship docked at the berth. For non-seaport equipment owners, there will be no financing or progress payments.
- For grid-based power projects with a seaport equipment owner, the contract must include a statement that up to 80% of eligible costs will be reimbursed, subject to the following requirements:
 1. Equipment owner has expended all non-Program match funding and is in compliance with the equipment project contract.

Proposition 1B: Goods Movement Emission Reduction Program

2. A minimum of 20% of the project funds will be held in retention until the post-inspection is completed and the project is demonstrated to the local agency inspector to be fully operational and powering a ship docked at the berth.

For seaport equipment owners of less than 10 berths, include a statement that if the equipment owner experiences difficulty meeting the above reimbursement conditions, ARB will work closely and cooperatively with the equipment owner and local agency to develop alternate requirements that facilitate project completion and maintain robust accountability. The seaport equipment owner shall submit a reimbursement proposal to be approved by the local agency and ARB.