

July 6, 2016

SUBMITTED ELECTRONICALLY VIA WEBSITE

RE: SAN DIEGO UNIFIED PORT DISTRICT COMMENTS ON SUSTAINABLE FREIGHT ACTION PLAN

Thank you for the opportunity to comment on the Draft Sustainable Freight Action Plan (Draft Plan).

The San Diego Unified Port District (District) is California's fourth largest of 11 commercial seaports, and is the state's largest bulk and breakbulk port. The Port of San Diego is also classified as a "medium-sized port," behind the container ports of Los Angeles, Long Beach and Oakland. The District's maritime operations contribute approximately 19,000 jobs and \$1.6 billion in economic activity annually to our region. The nation's ports – including California's ports - operate as part of an interdependent system, with small, medium and large ports all playing a role in goods movement. The integrity of that system, and the transportation system as a whole, is dependent on the viability of ports of all sizes and types.

The District is proud of our leadership role in reducing transportation-related impacts, and increasing sustainability on the tidelands of San Diego Bay. The District's Board of Port Commissioners adopted a Climate Action Plan in 2013 with the goal of reducing greenhouse gas emissions from a 2006 baseline by 10 percent by 2020. Roughly 57 percent of the greenhouse gas reductions expected by 2020 will come from transportation and land use sources. A portion of the transportation emissions are the result of maritime-related activities including the movement of goods and services through ocean-going vessels, harbor craft, cargo handling equipment, trucks, and locomotives. These sources are challenging to control given the current state of technology and the ability for vehicles and vessels to travel beyond the port's operational boundaries as well as outside of California.

The District was recently awarded a \$10Million Transportation Investment Generating Economic Recovery (TIGER) grant from the U.S. Department of Transportation in order to make necessary investments to modernize infrastructure at one of our two cargo terminals. We were successful in securing grant funds due in part to our sustainability efforts, our commitment to reducing air quality impacts within the freight sector, and the project's ability to increase efficiency and freight system capacity within the terminal's existing footprint. It is in this spirit that we applaud the State's efforts to develop an integrated and holistic view of California's transportation system with regards to both sustainability and efficiency.

However, there are some areas of the draft plan that we believe are due additional consideration.

Appendix B, Freight Targets, System Efficiency and Economic Growth

The Draft Plan includes three targets: system efficiency, a transition to zero emission technology, and economic growth. The following section includes comments for each of the three targets.

Efficiency: While we acknowledge the State's attempts to represent a highly complicated and nuanced "system of systems" with a single measure, it appears in so doing, that the State has redefined efficiency. Generally, efficiency is measured as the ratio of work done to energy supplied. In the Draft Plan, efficiency has been redefined as GDP per Carbon dioxide emissions equivalent. GDP measures economic output, not efficiency of a system. Using this formula, increases in cargo volume will result in an apparent increase in efficiency; however, the actual movement of goods from origin to destination may not be accomplished in less time or with less handling. If this is the only measure applied to goods movement in the State, California be unique in assessing increases in freight efficiency based on an environmental equation. We strongly believe that this does not accurately represent the efficiency of goods movement in California nor improve the competitiveness of freight movement in the State. As another option, we suggest that there may not be a single formula capable of accurately representing the efficiency of the complicated "system of systems." For that reason, we suggest the State work closely with stakeholders, federal transportation colleagues and metropolitan planning organizations, in order to develop a suite of measures that will more accurately reflect efficiencies within modes, sustainability efforts, and opportunities to reduce congestion. The goal of a 25% increase in efficiency by 2030 is laudable. The District is interested in contributing to the success of this effort, including identifying ways to improve freight system efficiency, if measured appropriately.

Technology: The goal of increasing the number of zero emission vehicles and equipment to 100,000 vehicles deployed by 2030 is respectable, but we question the State's ability to deliver with available resources. To date, just over \$8B has been spent, through multiple programs, to deliver 90 transportation projects and more than 13,000 clean trucks and other equipment projects. Using this same cost per vehicle delivered, getting to 100,000 will require an additional \$60 Billion in investments.

Economic Growth: This target is a less defined than the other two, and is the only one of the three that does not include any metrics. Without a specific target to measure against, the draft plan appears to weigh the other two targets more heavily than this one. We believe this is contrary to the intent of the Governor's order, which, in addition to environmental goals, aims to increase the competitiveness of freight movement in California. The District requests that the Air Resources Board allocate funds from its research budget in order to develop an appropriate economic metric and cost-benefit analysis in the final plan. The District further requests that the State expand the role that industry plays in developing the final version of the Plan and its implementation, including clarifying industry's role in achieving success.

Finally, we request that the final Plan include discussion about how these three measures relate to each other and reflect the full intent of the Governor's order.

Freight Funding

We agree with the Draft Plan's assessment that "prioritization of ongoing public funding will be a fundamental step" to advance the goals outlined in the plan. We also agree that, where ever possible, the State should build upon successful models and work already completed. The Proposition 1B/Trade Corridor Improvement Fund (TCIP) programs are good examples of this. The District would appreciate additional clarity in the final plan as to the intended process for managing multiple sources of public funds.

We also strongly believe that opportunities to utilize technology to increase sustainability in the freight sector should be preceded by infrastructure projects that meet market need. Infrastructure must come before technology; investing technology in inefficient and obsolete infrastructure does not efficiently advance the goals of the state and is not an effective use of public funds.

The District, and other freight facilities in California, has worked closely with our Metropolitan Planning Organization, as well as CALTRANS, and the US Department of Transportation, to identify high-priority projects that serve the freight needs in our region, as evidence by our recent success in securing a TIGER Grant from U.S. DOT. We request that these efforts be built upon when the State considers projects for funding. In addition, we strongly encourage consideration of small and medium facilities, as well as appropriate funding thresholds and time of use criteria in order to qualify small and medium projects, whenever funding is available. We believe that investment in small and medium freight facilities can expand system capacity and capability, while reducing emissions by replacing aging infrastructure at facilities that serve specialty cargo or lack the container volumes of California's large ports.

Appendix C, Technology and Electrification

The Draft Plan places a significant emphasis on zero and near-zero emission technology, including reference to zero and near-zero vehicles and equipment and renewable fuels in the plan's vision statement as well as a goal to deploy 100,000 units by 2030.

The District recognizes that significant investments in cleaner freight technologies will need to occur to achieve greenhouse gas and air pollutant reductions. Since most zero and near-zero emissions vehicles and equipment utilized in port operations are not commercially available and are quite expensive, the District strongly encourages further incentives to offset the costs of these technologies. Developing operator confidence is perhaps most important as businesses are not likely to transition to zero and near-zero emissions vehicles and equipment until they have proven in the field. Therefore, the District supports the actions in the Draft Plan aimed at further demonstration projects to test and evaluate vehicles and equipment to meet the needs and demand of the freight industry.

While the goal of integrating zero and near-zero emissions vehicles and equipment into freight applications is forward thinking, much more research and development is needed to ensure that the new technologies will provide the level of reliability and productivity as current equipment. As previously stated, without a long-term track record of performance, these technologies may serve as a deterrent for operators wishing to make investments in their fleets in the near future. As such, the District recommends that the Draft Plan provide a strategy and incentives for businesses to make near-term decisions to purchase the cleanest technology available. Moreover, a schedule indicating the

milestones regarding the deployment of zero and near-zero emissions vehicles and equipment and related infrastructure would be helpful for business planning purposes and to prevent stranded assets. Additionally, a formal analysis of the projected costs of zero and near-zero emissions vehicles and equipment over the next 15 to 20 years may also assist businesses with their fleet planning goals.

With increasing focus on zero emission electric vehicles in the freight industry, in addition to the likely expansion of shore power requirements, the electrical capacity for local utilities to support demand is uncertain. We encourage the Public Utilities Commission and ARB to coordinate efforts and conduct analysis to ascertain how electrification will increase electrical demand and the costs of energy. Integrating renewable energy and battery storage into freight and port operations may help alleviate the energy demand on the local utility grid. Further analysis and funding is necessary to plan for and develop the infrastructure capable of disconnecting from the macrogrid and reliably supporting increased electrical demand.

Given the need for more research and development, the District is not supportive of regulations requiring the use of zero and near-zero emissions vehicles and equipment that are not commercially available at this time. As these technologies become more reliable and decrease in cost, a phased approach consisting of requirements can be instituted. It is also important to note, that regulatory mechanisms imposed upon the freight industry may have unbalanced repercussions among ports throughout the state. Small and medium ports may be at a competitive disadvantage if the cost of using new technology is prohibitive to conducting business.

The District offers additional specific comment on the following actions presented in Appendix C, State Agency Actions:

- Action 3; A and B: Further planning for charging infrastructure and energy needs; We suggest electric charging infrastructure be evaluated along with regional efforts to identify truck staging and rest areas. The District is supportive of increasing the utilization of electric equipment at freight facilities. In collaboration with our tenants and customers, we are exploring opportunities to site charging infrastructure at freight facilities to support off-road equipment deployed at our terminals. We request the State's support in maintaining as much flexibility as possible in identifying appropriate locations for infrastructure at many, diverse locations throughout the supply chain.

In addition, we endorse efforts to more closely coordinate land use planning activities when both freight facilities and other constituencies are likely to be impacted, while acknowledging that opportunities to site new, large-scale freight facilities in California are exceedingly rare, while their economic impact benefits can be substantial. In areas where freight facilities existed before visitor-serving and residential land uses, we request assistance in developing state policy and identifying and siting appropriate transitional uses that provide buffer for both constituencies.

- Action 3; D: Freight Data Collection and Modeling Tool Development, Action 6; A: Competitiveness Data Development, and Action 7; A: Truck Trip Planning, Coordination and Management Improvements: We concur that there is a need for additional data collection,

route designation, and technology utilization to manage freight flows. However stakeholders lack agreement as to the best sources, uses, and benefits to data collection. Similar efforts are also underway at the federal level. We encourage collaboration and coordination with colleagues at U.S. Department of Transportation, the U.S. Department of Commerce, and at regional Metropolitan Planning Organizations, to develop a single data set (where possible) for consistency in order to evaluate success. Wherever possible, we request that the State build on work that has already been completed in this area.

- Action 3; E and F: Highway Freight Network Design, Planning, Maintenance and Operations Improvements: We request that CALTRANS' work to adapt the current asset management of our State's key highway assets to include critical freight connectors. San Diego's two cargo terminals, shipyards, and the Navy are all served by a single, 5-mile segment of arterial road, Harbor Drive. Points along this corridor operate at level of service F during evening peak hour. Accurate representation of the multi-modal uses of this critical corridor, as well as inclusion on the State's critical asset list, will serve to highlight necessary investment needs to serve freight in California. Utilizing technology to manage traffic flows and protect users can reduce congestion and increase safety.
- Action 4; A and K: Investments in advanced vehicles and equipment technology demonstrations: Since most zero and near-zero emissions vehicles and equipment utilized in port operations are not commercially available and are quite expensive, the District strongly encourages further incentives to offset the costs of these technologies. Developing operator confidence is perhaps most important as businesses are not likely to transition to zero and near-zero emissions vehicles and equipment until they have proven utility and longevity in the field. Therefore, the District supports the actions aimed at further demonstration projects to test and evaluate vehicles and equipment to meet the needs and demand of the freight industry. However, previous solicitations have included requirements that excluded small and medium ports, stakeholders and other facilities from participation. For this reason, we strongly encourage program participation thresholds be appropriate to encourage participation at ports and freight facilities of all sizes.
- Action 4; G: Oceangoing Vessel Standards and Incentives: The Air Resources Board has stated their intention to amend the requirements of the At-Berth Regulation to include additional vessel types and smaller fleets. Retrofitting existing ships for shore-side power—particularly for smaller fleets and inducement vessels—may be cost prohibitive. In the case of inducement calls, strict regulations may serve to dis-incentivize vessel calls in California, resulting in significant negative economic impacts to small and medium ports. The District is actively seeking opportunities to turn periodic inducement vessel calls into long-term partnerships with liner service; we are concerned that expansion of this regulation will hamper our ability to develop new maritime cargo business. In these instances, an alternative technology (emissions capture and control system) may be more feasible. Currently, two emissions capture and control systems have been approved by ARB as an alternative to shore-side power in compliance with the regulation. Neither of the emissions capture and control systems currently reduce greenhouse gas emissions. The District encourages further investment and pilot projects

to demonstrate technologies that reduce greenhouse gas emissions from ships at berth. In addition, consistent with the Governor's Executive Order, we request that ARB and GOBIZ work collaboratively to conduct the required economic analysis prior to expanding any regulation.

- Action 4; K: Opportunities to Coordinate with the Department of Defense: The District serves as one of 17 commercial seaports with a US Department of Defense Strategic Port designation. Under this agreement, the District is required to provide access to our two cargo terminals for military uses with 48 hours' notice. Between 2007 and 2010, the District handled 15 major military cargo movements that generated \$93 Million of local contracting activity and supported 2000 jobs. We respectfully request that opportunities to coordinate with DOD include the freight facilities that are considered critical extensions of military assets, and that priority be given to any infrastructure investments that serve both commercial users and military users of the freight network.

Appendix E, Discussion concepts for future action

We noted with interest item A in this appendix, "Inland Marine Corridors," commonly referred to in the industry as "Marine Highways" (for domestic services) and "Short Sea" (for international coastwise services). Marine Highways have long been studied and recommended as an opportunity to facilitate a mode shift for certain types of cargo, from trucks to barge or small vessel for coast-wise transit. While there has been limited success in this area, there have also been notable failures, including the MH-580 that was noted in the Draft Plan and is now suspended. Despite this, there continues to be support for the marine highways concept. We suggest additional study be given to build upon existing work and identify policy proposals and state-level actions that can increase the viability of marine highway and short-sea services.

We look forward to reviewing the final plan when it is released. We welcome the opportunity to work collaboratively with our colleagues at the State to identify, and implement, projects and actions that benefit the state in terms of sustainability, efficiency and economic growth. The District shares the State's goals; our maritime business and Climate Action Plan are aligned in representing our commitment to efficiency, competitiveness and sustainability. Our relationship with state agencies, including the California Energy Commission, has resulted in initiating planning for projects that will further reduce our carbon footprint. We look forward to advancing our collaboration as we jointly seek new ways to achieve our mutual goals.

Regards,


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Port of San Diego