

# Staff Report 44

## **TRUSTEE:**

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San Diego Unified Port District

## **PROPOSED ACTION:**

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The San Diego Unified Port District (Port) requests that the Commission make the determinations and findings under Public Resources Code section 6702, subdivision (b) for an Intergovernmental Support Agreement that allows the Navy Region Southwest (Navy) to participate in California's Low Carbon Fuel Standard (LCFS) market and allows the Port to register, generate, and sell the credits from Navy shore power to provide Naval Bases San Diego, Point Loma, and Coronado (the Naval Bases) with energy and utility improvements. The Port also requests that the Commission approve expending funds generated from the LCFS market on projects located on the Naval Bases adjacent to the Port's statutorily granted public trust lands.

## **BACKGROUND:**

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The LCFS is designed to decrease the carbon intensity of California's transportation fuel pool and provide an increasing range of low-carbon and renewable fuel alternatives, which reduce petroleum dependency and achieve air quality benefits. Under the LCFS, the California Air Resources Board calculates a "carbon intensity" score for diesel and gasoline fuels and establishes a carbon intensity benchmark. Transportation fuel providers must stay below the carbon intensity benchmark, which lowers over time, by using less carbon-intensive fuels or purchasing credits.

Using fuels whose carbon intensity is under the benchmark generates credits, and using fuels that exceed the benchmark creates deficits. Credits can also be generated by emissions-reducing projects, like carbon capture and sequestration projects, and operating zero emission vehicle infrastructure. When an entity

generates credits, it can use those credits itself or sell them on a credit market. Proceeds from credit sales can only be used for electrification projects serving the same sectors in which the credits were generated. For example, revenue from credits generated from electric vehicle charging stations could be used to incentivize public electric vehicle charging or to install additional charging infrastructure.

The California Air Resources Board identified the LCFS as an early action measure to reduce greenhouse gas emissions that cause climate change. The LCFS is a key part of a comprehensive set of programs in California to reduce greenhouse gas emissions and other smog-forming and toxic pollutants by improving vehicle technology, reducing fuel consumption, and increasing transportation mobility options.

When docked, ships can either connect to shore electric cables or use onboard fossil fuel-based engines and generators. Providers of electric shore power can generate LCFS credits, which represent the difference between the carbon intensity of the electricity versus the carbon intensity of the fossil fuel.

The Navy could generate LCFS credits while ships are plugged into shore power at its Naval Bases. But under federal law, the Navy could not use the proceeds from LCFS credit sales for electrification projects at the Naval Bases as required by LCFS regulations.

The Port and Navy signed an Intergovernmental Support Agreement on September 20, 2022, which formed a first-of-its-kind partnership that gives the Navy access to California's LCFS credit program at Naval Base San Diego by designating the Port as its LCFS credit manager. In October 2022, the Commission approved this agreement between the Port and the Navy for Naval Base San Diego ([Item 60, October 25, 2022](#)).

## **DESCRIPTION:**

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The Port requests that the Commission approve a modified Intergovernmental Support Agreement that includes Naval Bases Point Loma and Coronado. Other than the addition of the two naval bases, the Agreement terms are the same as those approved by the Commission in 2022.

The LCFS program allows the designation of a third party to manage and collect LCFS credits. The Port has agreements already in place with lessees in which it

accepts responsibility for generating and selling credits in exchange for a portion of the revenue from credit sales. Under the Intergovernmental Support Agreement, the Navy designated the Port to generate its LCFS credits for Naval Bases San Diego, Point Loma, and Coronado. The Port will register the Naval Bases' electric shore power infrastructure in the LCFS program, monitor and report on its use, collect LCFS credits generated by the use, and sell those credits on the market.

The Port will use 81.75 percent of the proceeds from the Navy credit sales for electrification projects at the Naval Bases, which are adjacent to Port property and outside of the Port's granted lands. The Port will procure and manage the projects under its existing authority, using standard competitive procurement procedures.

The projects at the Naval Bases will modernize, build out, and expand electrical infrastructure. This will increase shore power capacity to meet expected growth, expand car charging, and install electrical resilience systems.

The Port will retain the remaining 18.25 percent to pay its administrative costs in administering the LCFS credit generation and undertaking the Naval Base electrification projects. These remaining funds will also help to pay for the Port's own electrification projects.

Commission approval is required for the Port to expend funds for projects on property outside of its legislatively granted lands. The Port requests that the Commission authorize its expenditures on Naval Bases San Diego, Point Loma, and Coronado pursuant to the Intergovernmental Support Agreement.

## **STAFF ANALYSIS AND RECOMMENDATION:**

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### **AUTHORITY:**

Public Resources Code sections 6005, 6009, 6009.1, 6216, 6301, 6701, and 6702; Harbors & Navigation Code, Appendix 1, § 30.5; California Code of Regulations, title 2, section 2802.

### **PUBLIC TRUST AND STATE'S BEST INTERESTS ANALYSIS**

The Port's legislative grant is codified as the San Diego Unified Port District Act, Harbors & Navigation Code, Appendix 1, section 1 *et seq* (The Port Act). The Legislature created the Port to provide a holistic approach to waterfront planning in the San Diego Bay (Port Act, § 2). Section 4 of the Act provides that the Port is charged with "management of the harbor of San Diego upon the tidelands and

lands lying under the inland navigable waters of San Diego Bay, and for the promotion of commerce, navigation, fisheries, and recreation thereon" and to "protect, preserve, and enhance [.. .] the natural resources of the bay, including plant and animal life." (Port Act, section 4.) Section 87 of the Act states that a purpose of the grant is "For the establishment, improvement, and conduct of a harbor" (subdivision (a)(1)).

The partnership created by the Intergovernmental Services Agreement will allow the Navy and the Port to fund electrification projects that are designed to remove harmful particulates from the air and reduce greenhouse gas emissions and are intended to reduce the health and environmental impacts on nearby communities. Electrification projects will also help accommodate increased ship use. Increased electrification will benefit future facility development, including nearby shipyards that are critical to the state and regional economy.

The Agreement aligns with the Port's [Maritime Clean Air Strategy](#), a policy document to help the Port identify projects and initiatives to improve health through cleaner air while supporting efficient and modern maritime operations. The Maritime Clean Air Strategy recognizes that neighboring communities continue to suffer a disproportionate burden of environmental impacts, including air pollution, and more needs to be done to reduce these impacts. The Maritime Clean Air Strategy is the Port's strategy to reduce those burdens by, among other things, transitioning cargo fleets and equipment to zero-emission alternatives, doubling shore power for cruise ships, and adding shore power or an alternative technology to reduce ocean-going emissions at berth at the National City Marine Terminal. As an example, based on the Port's modeling inputs for 2030, the operational improvements could reduce 30-year maximum cancer risks by nearly 50 percent for the communities of National City, Barrio Logan, and Coronado.

Electrification projects at the Naval Bases, funded through LCFS credit sales, will address environmental impacts disproportionately burdening neighboring communities. The Port can use the portion of the credit sales it retains to implement ongoing and future Maritime Clean Air Strategy projects.

Like all Port trust revenue, the proceeds from LCFS credit sales will be deposited in an appropriate fund and can only be used for statewide purposes authorized by the Port Act. The California Air Resources Board's regulations and guidance require that proceeds from LCFS credit sales be used for electrification projects and other uses that further program purposes. For these reasons, staff recommend that the

Commission find that the Intergovernmental Services Agreement is consistent with the Port's granting statute.

***SAN DIEGO UNIFIED PORT DISTRICT ACT SECTION 30.5***

Section 30.5 of the San Diego Unified Port District Act requires that before the Port makes an expenditure of over \$1 million on property adjacent to, but outside of, its granted lands, the expenditure must be approved by the Commission. When reviewing the expenditure, Section 30.5 requires the Commission to consider the factors listed in Public Resources Code section 6702.

***PUBLIC RESOURCES CODE SECTION 6702***

When the Commission approves a trustee's agreement under Public Resources Code sections 6701 and 6702, termination or modification of the trustee's legislative grant does not affect the rights of the other parties to that agreement.

To approve an agreement, Section 6702 subdivision (b) requires the Commission to find:

1. That such lease, contract, or other instrument is in accordance with the terms of the grant or grants under which title to the tide or submerged lands in question is held.
2. That the proceeds of such lease, contract, or other instrument shall be deposited in an appropriate fund expendable only for statewide purposes authorized by a legislative grant.
3. That such lease, contract, or other instrument is in the best interests of the State.

The Commission also has regulations (California Code of Regulations, title 2, section 2802) that establish the criteria it will consider when determining, in the context of Public Resources Code section 6702 subdivision (b), whether an agreement is in the best interests of the state. The criteria are that the project is consistent with the Commission's policies and practices; that the project is economically viable, necessary, and desirable; that it is appropriate for developmental mix; that the project is conducive to public access; that it is consistent with environmental protection; and that the project is otherwise in the best interests of the State.

Taking the above into account, staff recommends that the Commission find that the Agreement is in the best interests of the state, consistent with the findings in both Public Resources Code section 6702 (b)(1)-(3) and section 2802 of Title 2 of the

California Code of Regulations, and that the expenditures of trust revenue on property adjacent to, but outside of, the Port's tidelands is consistent with Section 30.5 of the Port Act.

**CONCLUSION:**

Staff recommend that the Commission make the findings required by Public Resources Code section 6702 subdivision (b)(1)-(3) and approve the Interagency Support Agreement consistent with the underlying statutes and regulations. Staff also recommends that the Commission approve off-site expenditures for electrification projects on Naval Bases San Diego, Point Loma, and Coronado pursuant to that Agreement.

**OTHER PERTINENT INFORMATION:**

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1. This action is consistent with the “Meeting Evolving Public Trust Needs” and “Committing to Collaborative Leadership” Strategy Strategic Focus Areas of the Commission’s Strategic Plan.
2. Approval of an agreement under Public Resources Code 6702, subdivision (b) and approval of related off-site expenditures is not a project as defined by the California Environmental Quality Act because it is an administrative action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, sections 15060, subdivision (c)(3), and 15378, subdivision (b)(5).

**EXHIBITS:**

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- A. Intergovernmental Support Agreement
- B. Request from the Port

## **RECOMMENDED ACTION:**

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It is recommended that the Commission:

### **AUTHORIZATION:**

1. Find, under Public Resources Code section 6702, subdivision (b)(1), that the Intergovernmental Support Agreement between the San Diego Unified Port District and Navy Region Southwest, including the Port's expenditures on Naval Bases San Diego, Point Loma, and Coronado, pursuant to that agreement, is in accordance with the Port's legislative granting statutes.
2. Find, under Public Resources Code section 6702, subdivision (b)(2), that all proceeds related to the Intergovernmental Support Agreement between the San Diego Unified Port District and Navy Region Southwest, including the Port's expenditures on Naval Bases San Diego, Point Loma, and Coronado, pursuant to that agreement, shall be deposited into an appropriate fund expendable only for statewide purposes authorized by the Port's legislative grant.
3. Find that the Intergovernmental Support Agreement between the San Diego Unified Port District and Navy Region Southwest, including the Port's expenditures on Naval Bases San Diego, Point Loma, and Coronado, pursuant to that agreement, is in the best interests of the state under Public Resources Code section 6702, subdivision (b)(3) and California Code of Regulations, title 2, section 2802.
4. Approve, under Public Resources Code sections 6701 and 6702, the Intergovernmental Support Agreement between the San Diego Unified Port District and Navy Region Southwest.
5. Approve, under San Diego Unified Port District Act section 30.5, the proposed off-tidelands expenditures by the San Diego Unified Port District at Naval Bases San Diego, Point Loma, and Coronado, for electrification projects pursuant to the Intergovernmental Support Agreement between the San Diego Unified Port District and Navy Region Southwest.

**Exhibit A**

## INTERGOVERNMENTAL SUPPORT AGREEMENT

BETWEEN

NAVY REGION SOUTHWEST  
750 PACIFIC HIGHWAY  
SAN DIEGO, CALIFORNIA 92132

AND

PORT OF SAN DIEGO  
3165 PACIFIC HIGHWAY  
SAN DIEGO, CALIFORNIA 92101

FOR

REALIZING BENEFITS RELATED TO LOW CARBON FUEL STANDARD PROGRAM  
PARTICIPATION

**[IGSA NUMBER = N00242-23-IGSA-0001]**

This is an Intergovernmental Support Agreement (IGSA) between the Department of the Navy (DON), as represented by and through the Assistant Secretary of the Navy [Energy, Installations & Environment], Navy Region Southwest [NRSW], and the San Diego Unified Port District (also known as the Port of San Diego [PSD]), a local government entity created by the legislature of the State of California. When referred to collectively, the DON and PSD are referred to as the “Parties.”

1. **Background:** The Parties enter this IGSA to allow PSD to provide services to Naval Base San Diego (NBSD), Naval Base Coronado (NBC) and Naval Base Point Loma (NBPL) in order to allow those installations to accept incentives in the form of goods and services from PSD. Collectively, NBSD, NBC, and NBPL are referred to as the “Installations.” PSD will register to generate credits under the California Air Resources Board’s (CARB’s) Low Carbon Fuel Standard (LCFS) program based on Navy vessels’ use of shore power in port at the Installations that meets the requirements of the LCFS regulation. PSD will sell the credits generated based on Navy vessel electricity usage data at the Installations, and use a portion of the proceeds from the sale of the credits to provide the Installations with energy and utility infrastructure improvements. PSD will retain a specified portion of the revenues generated by the sale of credits as compensation for services provided.

The LCFS program is an incentive program established by CARB that allows the owners of ocean-going vessels to earn LCFS program credits for using power from the electric grid (shore power) rather than electricity generated onboard while in port. PSD will use data generated by fueling supply equipment (FSE), to obtain credits, which can be sold to other entities, and use those proceeds to improve and expand energy and utility infrastructure (hereinafter “installation infrastructure projects”). PSD currently provides this service to other owners of FSE that operate in San Diego.

2. **Authorities:** This IGSA is entered into by the DON pursuant to 10 U.S.C. § 2679 and 10 U.S.C. § 2913(c), and by PSD pursuant to California Harbors & Navigation Code,



Appendix 1, i.e., §§ 30, 30.5, 35, 87.

- 2.1. On December 10, 2019, No. 110, following a full and open competitive solicitation utilizing a Request for Proposal (RFP) initiated in June 2019, PSD awarded a contract to Blue Source, LLC, since renamed Anew EV, LLC (Blue Source/Anew and any successor selected by PSD referred to herein as Broker) which includes LCFS. PSD staff have affirmed the costs included in the contract are fair and reasonable.
- 2.2. Pursuant to California Code of Regulations (CCR), Title 17 § 95483(c)(5)(B), the PSD may act as the Navy's designated generator of credits. The specific regulatory governing language is below:

*“...the owner of the FSE may elect not to be the credit generator and instead designate another entity to be the credit generator if the two entities agree by written contract that:*

- 1. The owner of the FSE will not generate credits and will instead provide the electricity data to the designated entity for LCFS reporting pursuant to sections 95483.2(b)(8), 95491 and 95491.1.*
- 2. The designated entity accepts all LCFS responsibilities as the fuel reporting entity and credit generator.”*

3. Purpose: This IGSA is made by and between the Parties to provide the Installations with installation-support services from PSD in the form of installation energy and utility infrastructure improvements and other projects, to provide more waterfront electrification and reduce air emissions. PSD will generate and realize value from LCFS credits based on activities at the Installations. The purpose of this IGSA is to outline the roles and responsibilities of the Parties, identify the services to be furnished by PSD, the agreed upon rates for services provided by PSD to be funded with proceeds from credits sales and the appropriate liability and dispute procedures. This IGSA supersedes the previously executed IGSA between the Parties on 20 September 2022, and the Memorandum of Understanding executed on 26 April 2023.

#### 4. RESPONSIBILITIES OF THE PARTIES

##### 4.1. Navy Region Southwest agrees to:

- 4.1.1. As owner of certain FSE, and as provided in 17 CCR § 95483(c)(5)(B), elect not to be the credit generator and instead designates PSD to be the credit generator of such credits for such FSE at each of the Installations.
- 4.1.2. Assist PSD in its efforts to provide infrastructure improvements to the Installations.
- 4.1.3. Report quarterly to PSD and Broker its energy usage from the FSE relative to each of the Installations individually. Data shall be provided in a format subject to use and disclosure restrictions contained in this IGSA pursuant to 17 CCR §§ 95483.2(b)(8), 95491, and 95491.1 .

- 4.1.4. Utilize reports provided by PSD to provide command updates on credits and revenue generated by each Installation to include percentage breakdown per rates agreed to in Attachment (1).
- 4.1.5. In collaboration with each of the Installations, work with PSD to identify and prioritize installation infrastructure projects consistent with CARB requirements.
- 4.1.6. In collaboration with each of the Installations, identify personnel who will coordinate with PSD to ensure infrastructure projects will meet the needs of each Installation.
- 4.1.7. Subject to national security and base requirements, provide base access to PSD personnel and PSD contractors. The Commanding Officer of each of the Installations may issue appropriate installation or facility access credentials consistent with local security requirements using Government authoritative databases for vetting purposes, as prescribed in DoD Manual 5200.08, Volume 3, *Physical Security Program: Access to DoD Installations*.
- 4.1.8. Develop conceptual scope requirements and Basis of Design for requested installation infrastructure projects and provide to PSD.
- 4.1.9. Provide written approval to PSD to accept the design product at completion in accordance with Attachment (2).
- 4.1.10. Provide Initial Project list by Installation as Attachment (3), (4), and (5). Collaboratively, NRSW and each Installation, with PSD, will provide updates to project list according to priority or estimated costs.
- 4.1.11. Timely review, at a minimum, each deliverable highlighted in Attachment (2) during the design development stages.
- 4.1.12. Review post-design construction submittals.
- 4.1.13. Review and comment on PSD contractor's Accident Prevention Plans (and corresponding Activity Hazard Analysis, critical lift plans, crane certificate of compliance-entry, etc.). Monitor and notify PSD of failures of PSD contractors' adherence to plans and contract requirements as well as provide higher-level notification for stop-work orders and/or mishap reporting.
- 4.1.14. Prior to approving any particular installation infrastructure project, complete analyses and obtain approvals required under the National Environmental Policy Act (NEPA) and other laws that the current OPNAV M-5090.1 associates with NEPA.
- 4.1.15. Accept final installation infrastructure projects that satisfy requirements in 4.1.7, approved designs, federal codes, regulations, and other requirements of this IGSA.

4.2. Port of San Diego agrees to:

- 4.2.1. Accept all LCFS responsibilities as the fuel reporting entity and credit generator for such credits.
- 4.2.2. Assess the total FSE available for shore power and other eligible uses by documenting their physical location and unique identifiers for each Installation.
- 4.2.3. Register each FSE with the CARB under the PSD's Low Carbon Fuel Standard Reporting Tool and Credit Bank and Transfer System account. PSD's Broker will upload records and generate credits, pursuant to sections 95483.2(b)(8), 95491, and 95491.1 of CCR, Title 17.
- 4.2.4. Safeguard all Installation FSE data. The data provided to PSD may not be sold, transferred, or in any way made available to any other party, except to demonstrate eligibility and to receive benefits under the LCFS program.
- 4.2.5. Manage the administration of the program, including reporting and supervision of the Broker and any other third-party contractors performing activities under this IGSA.
- 4.2.6. Ensure that any contracts for the provision of the services under this IGSA are awarded on a competitive basis.
- 4.2.7. Separately account for each Installation's LCFS credits generated based on the specific Installation's FSE data. Separately account for each Installation's funds received from the sale of credits generated based on the specific Installation's FSE data.
- 4.2.8. Provide NRSW with an itemized report of quarterly credit revenue broken down by Installation.
- 4.2.9. Provide in-kind installation infrastructure projects for the Installations. PSD will fund the projects using revenue generated by PSD from the sale of credits earned using FSE data provided. PSD will manage procurement for the Installations' approved projects under PSD's authority and utilizing the PSD's standard competitive procedures.
- 4.2.10. Provide construction project management (CPM) to finalize project scopes, budgets, and timelines, and to prepare bid specifications for requests for proposals (RFPs). CPM will be responsible for overseeing the project planning and construction of identified projects with close coordination from NRSW and the specific Installation to ensure proper delivery of desired scope outcomes within approved timelines and budgets.
- 4.2.11. Ensure that any installation infrastructure project provided to the specific Installation meets applicable federal standards and criteria, including

design in accordance with DoD Unified Facilities Criteria (UFC) 1-200-01 (DoD Building Code – General Building Requirements) and the latest versions of the technical criteria (FC, UFC, engineering/architectural codes, technical instructions, etc.) located on the Whole Building Design Guide (WBDG).

- 4.2.12. Manage and respond to all NRSW, NAVFAC SW and the relevant Installation's review comments and resolve to the maximum extent possible.
- 4.2.13. Provide contractors' Accident Prevent Plans and Activity Hazard Analysis to the Installations.
- 4.2.14. On completion of any deliverable, provide all appropriate and necessary operating/maintenance manuals, design deliverables, record drawings and associated training for operations and maintenance personnel to the specific Installation.
- 4.2.15. Provide, at a minimum, 21 working days for NRSW, NAVFAC SW, and the Installations to formally review each deliverable and milestone highlighted in Attachment (2).
- 4.2.16. Provide construction management oversight to work with the NRSW/NAVFAC SW team responsible for the field oversight of in-kind installation infrastructure projects funded by the LCFS credit proceeds.
- 4.2.17. Provide construction inspection services on the contractor's delivery of plans and specifications to ensure the quality of the work, timeliness of the completion of the project, and compliance with regulatory requirements appropriate on a federal facility.
- 4.2.18. Certify contracts are executed in furtherance of this IGSA in a fair and reasonable manner. Specifically, PSD will provide Quality Assurance and oversight on the performance of the contractors, based on timely return on credit proceeds realization.
- 4.2.19. Certify completion of installation infrastructure projects with concurrence from NAVFAC SW and the specific Installation.
- 4.2.20. Submit all requested base access information for PSD personnel—including its contracted personnel—in accordance with base access requirements. All vehicles and personnel entering a military installation are subject to search. Prohibited items include, but are not limited to: skateboards, scooters, bicycles, glass containers, pets, alcohol, illicit/nonprescription drugs, narcotics, fireworks, firearms, and other types of weapons.

4.3. Both Parties agree to:

- 4.3.1. Cooperate to ensure mutual goals are met and issues are promptly resolved.

- 4.3.2. Promptly notify the other party of any concerns and communicate openly and transparently to ensure any concerns or issues are promptly addressed to avoid impeding performance under this IGSA.
    - 4.3.3. Develop and participate in project review meetings with PSD, NRSW and the Installation to evaluate scope, schedule, and cost, as well as to address design approvals, change orders, cost increases, construction contractor issues, and other issues affecting a project. These meetings will occur on a regular basis at no less than once per quarter.
    - 4.3.4. Facilitate community outreach, ensuring the appropriate message and stakeholders are identified and adequately engaged in the process. The DON and PSD will identify goals prior to engaging in community outreach to ensure needed feedback is obtained.
    - 4.3.5. Work cooperatively to resolve disputes to the extent feasible before initiating the termination process.
5. Public Disclosure: Except as otherwise provided herein, to the extent permitted by the laws governing each Party, the Parties shall protect personal and proprietary information and shall maintain the confidentiality of other exchanged information when requested to do so by the providing Party.
  - 5.1. The Parties will comply with public requests for information related to this IGSA pursuant to the Freedom of Information Act, 5 U.S.C. § 552, and PSD will comply with the California Public Records Act, California Government Code § 6250 et seq. (“PRA”). For the purposes of this paragraph, FSE or other data derived from the Installation in the custody of PSD should not be considered to be information owned or controlled by PSD; all data provided to PSD is provided exclusively for the purpose of participation in the CARB LCFS program and is not available to PSD for any other purpose. Pursuant to 10 U.S.C. § 130e, certain information provided by the DON may be excluded from public disclosure notwithstanding conflicting state law requiring its release.
  - 5.2. If PSD receives a request for information about this IGSA made under the PRA, PSD will notify in writing NRSW Points of Contact (POCs) in this IGSA. If NRSW receives a request for information about this IGSA under FOIA, NRSW will notify in writing PSD POCs in this IGSA.
6. Relationship of the Parties: In the exercise of their respective rights, powers, and obligations under this IGSA, each Party acts in an independent capacity, and neither is to be considered the officer, agent, or employee of the other. Each Party is responsible for all costs of its personnel and contractors, including pay and benefits, support, and travel. Neither Party shall provide, without the prior written consent of the other Party, any contractor or employee with a release that waives or purports to waive any right a Party may have to seek relief or redress against that contractor or employee.
7. GENERAL PROVISIONS

7.1. Administration. This IGSA shall be mutually administered by the Parties. The IGSA Parties will identify personnel in their organizations to coordinate and manage the provision of services provided by PSD under this IGSA.

7.2. Points of Contact. The POCs will be used by the Parties to communicate in the implementation of this IGSA. Each Party may change its POC and will provide e-mail notice to all POCs when a POC is changed.

7.2.1. For NRSW:

7.2.1.1. Jim Mugg, NBSD Deputy Public Works Officer  
2730 McKean St, Building 121  
San Diego, California 92136-5294  
james.p.mugg.civ@us.navy.mil  
619-556-1319  
*name and contact information subject to change*

7.2.1.2. Janice Torres, NBSD Utilities Branch Head  
2730 McKean St, Building 121  
San Diego, California 92136-5294  
janice.a.torres2.civ@us.navy.mil  
619-556-2314  
*name and contact information subject to change*

7.2.1.3. Sarah Koppel , NBC Deputy Public Works Officer  
NAS North Island, Bldg 3  
San Diego, CA 92135  
sarah.a.koppel.civ@us.navy.mil  
619-545-1111  
*name and contact information subject to change*

7.2.1.4. Charles Rich, NBC Utilities Branch Head  
NAS North Island, Bldg 3  
San Diego, CA 92135  
charles.a.rich.civ@us.navy.mil  
619-767-7738  
*name and contact information subject to change*

7.2.1.5. James Sanfedele, NBPL Deputy Public Works Officer  
4635 Pacific Highway, Building 1  
San Diego, California 92110  
james.v.sanfedele.civ@us.navy.mil  
619-524-8501  
*name and contact information subject to change*

7.2.1.6. Michael Prowant, NBPL Utilities Branch Head  
4635 Pacific Highway, Building 1  
San Diego, California 92110  
michael.a.prowant.civ@us.navy.mil  
619-823-6412

*name and contact information subject to change*

7.2.1.7. CDR Kristen Whitehouse, CEC USN, NRSW Assistant  
Regional Engineer  
750 Pacific Highway, Rm 1515  
San Diego, California 92132  
kristin.b.whitehouse.mil@s.navy.mil  
619-705-5450

*name and contact information subject to change*

7.2.2. For Port of San Diego

7.2.2.1. Adam Deaton,, Maritime, San Diego Unified Port District  
3165 Pacific Highway  
San Diego, California 92101

*name and contact information subject to change*

7.2.3. Correspondence. All correspondence to be sent and notices given pursuant to this IGSA will be addressed as follows:

7.2.3.1. ATTN: Regional Commander, Navy Region Southwest  
750 Pacific Highway  
San Diego, California 92132

7.2.3.2. Adam Deaton, Maritime, San Diego Unified Port District  
3165 Pacific Highway  
San Diego, California 92101

*name and contact information subject to change*

7.2.4. Records. The Parties shall follow established cost principles and procedures in determining allowable costs and payments under this IGSA and shall maintain books, records, documents, or other evidence pertaining to costs and expenses under this IGSA for a minimum of three years after the expiration of the IGSA. To the extent permitted under applicable laws and regulations, the Parties shall each allow the other to inspect such books, records, documents, or other evidence pertaining to costs and expenses under this IGSA. Each Party shall maintain records of each purchase order and all payments made in accordance with its governing record retention rules.

## 8. FINANCIAL DETAILS

8.1. Cost. The cost under this IGSA is to be eighteen-and-one-quarter percent (18.25%) of the net revenue from sale of LCFS credits generated from each Installation's FSE energy data, as outlined in Attachment (1). To maximize revenue generated from sale of LCFS credits, PSD may authorize Broker to advance funds for purchase of Renewable Energy Certificates (REC) and be reimbursed for the cost it advanced for such RECs when credits are subsequently sold. The term "net revenue" shall mean the proceeds remaining after such reimbursement. The U.S. Government is not obligated to PSD or Broker for any loss of advanced funds except through revenue from credits

actually sold.

- 8.2. The remaining eighty-one-and-three-quarters percent (81.75%) of net revenue generated by each sale of LCFS credits from \_\_\_\_\_ energy usage shall be used by PSD for the planning, design, and construction (including construction inspection services required for Navy acceptance) of the Installation's prioritized installation infrastructure projects in accordance with CARB regulations and applicable law.
- 8.3. PSD shall be liable for and seek reimbursement from PSD's Design contractor for expenses due to design omissions and/or errors to include increased costs of construction, construction rework, re-design, miscellaneous charges, or other liabilities which are the fault of or as the result of work performed or negligent conduct by or on behalf of PSD's Design contractor. Under all circumstances, said expenses, costs, charges or liabilities shall be the responsibility of PSD from their share of the LCFS credits.
- 8.4. Obligation of Funds. Nothing in this agreement shall be construed in any way to be an obligation of funds by the DON or the Department of Defense or in any other manner to be an obligation of funds from the United States Treasury. No provision in this IGSA shall be interpreted to require obligation or payment of funds in violation of the Anti-Deficiency Act, 31 U.S.C. §1341.
- 8.5. No Limitation. Nothing in this IGSA shall limit or prohibit the ability of either Party from contracting with other persons or entities for the provision of the same or similar services.
- 8.6. Billing and Payment. The cost of this IGSA is a deduction in the net revenue generated by each sale of the LCFS credits from each Installation's FSE energy data as outlined in Attachment (1). PSD/Broker will provide NRSW with an itemized report of quarterly credit revenue that separately identifies cost by both PSD and Broker for each Installation.
- 8.7. Taxes. Pursuant to Office of Management and Budget Guidance, 2 CFR § 200.470, taxes that PSD is legally required to pay are allowable, except for self-assessed taxes that disproportionately affect Federal programs or changes in tax policies that disproportionately affect Federal programs. NRSW will not reimburse PSD for any taxes in which the legal incidence of the tax falls on NRSW. Direct and indirect cost reconciliation will be performed annually in accordance with 2 CFR Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards.
9. Term of IGSA. The Parties enter into this IGSA for a term not to exceed 10 years. This IGSA automatically terminates after 10 years from the effective date. A new IGSA may be executed for subsequent periods not to exceed 10 years, subject to satisfaction of applicable legal requirements.
10. Modification of IGSA. This IGSA may be modified by written agreement of the Parties, which must be duly signed by their authorized representatives.
11. Suspension of IGSA. The United States reserves the right to suspend performance of



the Agreement in event of emergencies, mobilizations, national security reasons, or for other reasons outside the control of the United States. The terms of the IGSA shall continue during suspension as to the sale of LCFS credits generated prior to suspension, and the retention by PSD of its percentage of such funds, and the use of the remaining percentage of such funds for Installation Projects.

12. TERMINATION

12.1. Process. This IGSA may be terminated unilaterally by either Party for its convenience, or mutually, upon 30 calendar days written notice to the POCs designated in this IGSA. However, the terms of the IGSA shall survive termination of the IGSA as to the sale of LCFS credits generated prior to termination, and the retention by PSD of its percentage of such funds. Unspent funds from the portion of proceeds not retained by PSD shall be first used to complete any installation infrastructure projects underway, and pay any construction contract termination costs and other capital project termination costs, and the remainder shall be provided to the United States.

13. APPLICABLE LAW

13.1. The Parties shall comply with all applicable Federal, State, and local laws, Federal executive orders, and Federal rules and regulations applicable to their performance under this IGSA. If any federal statute expressly prescribes policies or requirements that differ from the terms and conditions of this IGSA, the provisions of the applicable federal statute shall govern. If there is a conflict between Federal law and State law or any local laws, Federal law will control.

13.2. This IGSA is not governed by standard federal acquisition contracting methods of competitive bidding as delineated in the Federal Acquisition Regulation (FAR) and its supplements.

14. DISPUTES

14.1. If the Parties cannot agree on interpreting or applying a material term of this IGSA, the Parties agree to engage in an effort to reach mutual agreement in the proper interpretation of this IGSA, including amendment or termination of this IGSA, as necessary, or by escalating the dispute within their respective organizations. The Parties will establish an executive escalation process to address concerns from either entity related to expeditious responses. The Parties agree to negotiate in good faith.

14.2. As a condition precedent to a Party bringing any action for breach of this IGSA, that Party must first notify the other Party in writing of the nature of the purported breach and seek in good faith to resolve the dispute through negotiation. If the Parties cannot resolve the dispute through negotiation, they may agree to a mutually acceptable method of non-binding alternative dispute resolution with a qualified third party acceptable to the Parties. Each Party must pay an equal share of any costs incurred by use of a neutral third party.

- 14.3. If any third-party dispute or litigation relates to, or potentially affects, a Party's ability to perform under this IGSA, the Parties agree to promptly notify each other of such dispute or litigation. The existence of such a dispute or litigation shall not excuse the Parties from performance pursuant to this IGSA.
- 14.4. If any dispute between the Parties arising out of this IGSA requires consideration of the law, the rights and obligations of the Parties shall be interpreted and determined according to the substantive and procedural laws of the United States of America.
15. Liability. PSD agrees to defend and shall hold and save DON free and harmless from all damages, claims, and suits of any nature that arise from or are incidental to this IGSA, except for damages due to the fault or negligence of the United States, NRSW, or their employees, contractors, or agents. Nothing in this IGSA is intended, or may be construed, to create any rights, confer any benefits, or relieve any liability, of any kind whatsoever, in any third person not a party to this IGSA.
16. Cooperation of Parties. The Parties recognize that it is essential to cooperate fully concerning the handling of information and provision of services contemplated by this IGSA. In connection with this IGSA, the Parties therefore agree to provide any data, information, and documentation reasonably necessary for the other Party to perform its responsibilities under the terms of this IGSA. Data shall be provided in format subject to use and disclosure restrictions contained in this IGSA.
17. Review for Legal Adequacy. Each Party to this IGSA acknowledges and agrees that this IGSA has been reviewed by each Party's respective legal counsel for legal adequacy.
18. Waiver. No waiver of the breach of any of the covenants, terms, restrictions, or conditions of this IGSA by either Party shall be construed to be a waiver of any succeeding breach of the same or other covenants, terms, restrictions, or conditions of this IGSA. No delay or omission of either Party in exercising any right, power, or remedy, provided in the event of default, shall be construed as a waiver, or acquiescence to the default, or be construed as a waiver of a variation of any of the terms of this IGSA.
19. Severability. If any term or portion of this IGSA is held to be invalid, illegal, void, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions of this IGSA shall continue in full force and effect.
20. Signature in Counterparts. This IGSA, or any amendments or documents entered pursuant to it, may be executed in counterparts by each of the Parties. For purposes of enforcement, true copies of signatures shall be deemed to be original signatures.
21. Entire IGSA. It is understood and agreed that this IGSA, to include Attachment (1) incorporated here by reference, constitutes the entire IGSA between the Parties. In the event of an inconsistency between the provisions of this IGSA and Attachment (1), the terms of this IGSA shall control.

- Attachment (2): PSD Major Procurement Milestones and Design Deliverables
- Attachment (3): Initial In-Kind Project List for NBSD from LCFS Credit Sale
- Attachment (4): Initial In-Kind Project List for NBC from LCFS Credit Sale
- Attachment (5): Initial In-Kind Project List for NBPL from LCFS Credit Sale

22. Effective Date. This IGSA takes effect on the day after the last Party signs.

Commander, Navy Region Southwest

San Diego Unified Port District

\_\_\_\_\_  
 RDML Brad Rosen  
 DATE: \_\_\_\_\_

\_\_\_\_\_  
 DATE: \_\_\_\_\_

APPROVED AS TO FORM  
AND LEGALITY:

\_\_\_\_\_  
 General Counsel

DATE: \_\_\_\_\_

Assistant Secretary of the Navy (Energy, Installations and Environment)

\_\_\_\_\_  
 Meredith Berger

DATE: \_\_\_\_\_

ATTACHMENT (1): TERM SHEET WITH PORT OF SAN DIEGO: AGREED UPON RATES

Process for generation of revenue and distribution of proceeds:

- PSD’s Broker will sell credits generated from each Installation’s FSE. To maximize revenue generated from the sale of LCFS credits, PSD may authorize Broker to advance funds for the purchase of Renewable Energy Certificates (RECs). This advance does not permit the Broker to recover any losses from such advances/sales beyond the value of credits sold.
- When revenue is generated from the sale of credits, PSD may authorize Broker to reimburse itself for funds advanced for the purchase of RECs. Remaining revenue shall be considered “Net Revenue.”
- In accordance with Sections 8.1 and 8.2 of the IGSA:
  - An amount equal to eighteen-and-one-quarter percent (18.25%) of the net revenue is for PSD to use to compensate Broker in accordance with LCFS regulations and as payment for PSD’s services rendered under this IGSA.
  - The remaining eighty-one-and-three-quarters percent (81.75%) of the net revenue shall be held by PSD and used by PSD for the planning, design and construction of each installation’s installation infrastructure projects to provide more waterfront electrification and reduce air emissions in accordance with CARB regulations and by applicable law.

As an illustrative example only, the following chart demonstrates the financial terms set forth above:

- NRSW Navy vessel electricity usage data supports generation of 10,000 credits with a value of \$800,000.
- Broker advances \$277,230 to purchase RECs which increase the number of credits to 15,422, with a value of \$1,233,760 and sells such credits.
- From the \$1,233,760 proceeds, Broker reimburses itself the \$277,230 for the advance, leaving net revenue of \$956,530.
- PSD’s 18.25% is \$174,567, from which it allows Broker to retain its commission pursuant to PSD/Broker agreement.
- Broker distributes remaining net revenue to PSD.
  - Remainder of PSD’s 18.25% is used in its discretion as payment for PSD’s services rendered under this IGSA, .
  - PSD retains 81.75% of net revenue, \$781,963, to be spent for the design and construction of the specific installation infrastructure projects.

## ATTACHMENT (2): PSD Major Procurement Milestones and Design Deliverables

The following are the major procurement milestones and design deliverables for typical PSD projects like the infrastructure installation projects addressed in this IGSA (PSD and the DON will coordinate and cooperate at each of these milestones, and, as needed, between such milestones, to effectuate the purposes of this IGSA):

1. Basis of Design (from 4.1.7) – provided by the DON for project scoping to provide to design consultant. DON to provide all the applicable UFCs pertaining to the project and access to DoD specifications. Basis of Design includes but is not limited to relevant federal government contract (Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement) clauses, provisions, construction contract specifications, prohibited source restrictions, general and administrative requirements, and installation requirements, as well as other DoD-accepted construction technical codes and specifications and NBSD installation instructions.
2. 60% Design Submittal – DON to provide written comments.
3. 100% (pre-final) Design Submittal – DON to provide written comments.
4. DON signoff if all comments from step 3, above, are addressed after 100% revisions.
5. Final plans signed off by PSD and submitted to PSD Procurement.
6. PSD Procurement compiles contract documents.
7. PSD advertises Project on Planetbids.
8. PSD holds pre-bid conference (as well as process for requests for information) to address contractors' questions.
9. PSD opens bids, validates, and selects lowest responsive bidder.
10. PSD Board of Port Commissioners awards to contractor.
11. PSD Procurement reviews contractor's insurance, bonds, etc. submitted by contractor.
12. PSD issues Notice to Proceed with construction.
13. Final Acceptance from DON per 4.1.14 of this IGSA.



## Exhibit B

February 19, 2025

California State Lands Commission  
100 Howe Avenue, Suite 100 South  
Sacramento, CA 95825

Re: Request for Commission Approval of Capital Expenditures in Accordance with San Diego Unified Port District Act, Section 30.5, for Electrification Projects at United States Naval Bases Coronado and Point Loma to Benefit Commerce, Navigation and Environmental Stewardship, Funded by Navy's Low Carbon Fuel Standard Credits

Honorable California State Lands Commissioners:

The San Diego Unified Port District (Port) requests approval of the California State Lands Commission (Commission) for capital expenditures for electrification projects on United States Naval Bases Coronado and Point Loma in accordance with San Diego Unified Port District Act (Port Act). This request is an expansion of the Commission approval previously granted on October 25, 2022, for expenditures on United States Navy Base San Diego. Similar to the approved Naval Base San Diego projects, these additional projects will be funded by the sale of California Low Carbon Fuel Standard (LCFS) credits generated from Naval Bases Coronado and Point Loma and sold by the Port in accordance with an Intergovernmental Support Agreement (IGSA) executed between the Port and the U.S Navy after Commission approval (Attachment A). These Navy projects will support electrification on the bases, thereby reducing air emissions in and around the Port and its local Portside communities, as well as the state. In addition, funds generated from the sale of LCFS credits under the IGSA will cover the costs of Port staff and also provide millions of dollars for electrification projects directly on Port tidelands, helping the Port achieve its Maritime Clean Air Strategy goals of "health equity for all" by reducing air pollution from Port-related activities, reducing impacts on the Portside communities, and continuing to promote commerce and navigation for the benefit of the entire state.

The new IGSA and the additional Navy and Port electrification projects represent an expansion of the first-of-its-kind partnership that helps reduce air emission and improve air quality on and around San Diego Bay. It supports the state LCFS program, provides electrification projects to support the Navy and reduce air emission from activities at Naval Bases Coronado and Point Loma as well as provide funds for Port electrification projects on Port-owned land. The Port's participation is consistent with the Port Act, serves statewide interests, and promotes commerce and navigation while also improving air quality by reducing emissions.

Over the 10-year terms of the new IGSA, in addition to original benefits of the previous approval for Naval Base San Diego, the Port will now also generate LCFS credits from the Navy's existing electrification at Naval Bases Coronado and Point Loma, and sell the

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Re: Request for Commission Approval of Capital Expenditures in Accordance with San Diego Unified Port District Act, Section 30.5, for Electrification Projects at United States Naval Bases Coronado and Point Loma to Benefit Commerce, Navigation and Environmental Stewardship, Funded by Navy's Low Carbon Fuel Standard Credits

credits on the LCFS market to generate funds. The state's LCFS regulations require that funds from the sale of LCFS credits can only be used for further electrification projects. In accordance with the IGSA, 81.75% of the funds will be used by the Port to perform electrification projects on Naval Bases Coronado and Point Loma, and 18.25% percent will be retained by the Port to fully cover its costs and provide millions of dollars for Port electrification projects directly on Port tidelands. The Port is requesting Commission approval for the capital expenditure on the Naval Bases Coronado and Point Loma electrification projects funded by the Navy LCFS credits in accordance with the IGSA, and state LCFS regulations.

The requested capital expenditures meet the criteria set forth in Port Act, Section 30.5(a) and (d).

- (1) Under the new IGSA, all Navy projects on Naval Bases Coronado and Point Loma will occur on land adjacent to the Port-owned tidelands and submerged lands.



Orange and Blues are Port Tidelands and Submerged Lands

- (2) As explained above, under the IGSA, the Navy's LCFS credits used to fund these Port-adjacent project expenditures are generated from electricity used at Naval Bases Coronado and Point Loma and the Navy electrification projects to be performed by the District must be located on Naval Bases Coronado and Point Loma. Therefore, adequate areas for these Navy electrification activities do not exist within Port Tidelands. On May 14, 2024, by Resolution No. 2024-046, the

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Re: Request for Commission Approval of Capital Expenditures in Accordance with San Diego Unified Port District Act, Section 30.5, for Electrification Projects at United States Naval Bases Coronado and Point Loma to Benefit Commerce, Navigation and Environmental Stewardship, Funded by Navy's Low Carbon Fuel Standard Credits

Port's Board of Port Commissioners authorized the Port's CEO to execute the new IGSA with the Navy conditioned on approval by the State Lands Commission.

- (3) The Port-adjacent capital expenditure on Naval Bases Coronado and Point Loma electrification projects directly promotes commerce, navigation, and environmental stewardship in line with the Port's purposes set forth in Port Act, Section 87. The Naval Bases Coronado and Point Loma projects performed by the Port and completely funded by the sale of Navy LCFS credits support electrification on Naval Bases Coronado and Point Loma which helps reduce air emissions in the Port and Portside communities, and the entire state. Furthermore, under the IGSA, the Port will retain millions of dollars to be used on Port-owned land to further the Port's electrification goals, including the Port's Maritime Clean Air Strategy goal of "health equity for all" by reducing air pollution from Port-related activities, reducing impacts on the Portside communities, and continuing to promote commerce and navigation.

Furthermore, all of the requested capital expenditures on Naval Bases Coronado and Point Loma meets the criteria for Commission approval set forth in California Public Resources Code, Section 6701, et seq.

- (1) As described above, the requested expenditures are in accordance with the Port Act, including Sections 30.5 and 87. Not only will the Navy electrification projects performed by the Port using LCFS credit proceeds promote Navy-related commerce and navigation and reduce air emission, under the new IGSA, the Port will retain millions of dollars to be used on Port-owned land to further the Port's electrification goals, including the Port's Maritime Clean Air Strategy goal of "health equity for all" by reducing air  
navigation.
- (2) In accordance with the IGSA, the proceeds from the sale of Navy LCFS credits shall be paid to the Port and held by the Port solely for the purposes and uses under the IGSA – 87.75% to be used by the Port for electrification projects on Navy property and the remaining 18.25% to pay the Port's cost and be spent on Port electrification projects. Like all Port revenue, the proceeds from the sale of LCFS credits in accordance with the IGSA shall be held in the Port's general revenue fund which can only be used for approved Port purposes in accordance with the Port Act – which are statewide purposes authorized by the Port Act.



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Re: Request for Commission Approval of Capital Expenditures in Accordance with San Diego Unified Port District Act, Section 30.5, for Electrification Projects at United States Naval Bases Coronado and Point Loma to Benefit Commerce, Navigation and Environmental Stewardship, Funded by Navy's Low Carbon Fuel Standard Credits

- (3) The capital expenditure Navy electrification projects in accordance with the IGSA are in the best interests of the state. The Navy electrification projects will reduce air emission benefiting the Port and Portside communities as well as the entire state. The remaining funds will cover Port costs and be used for Port electrification projects which further the statewide interest of reducing air emissions, while continuing to promote commerce and navigation. Further, the state's LCFS program benefits from including the LCFS credits generated from existing Navy electrification and the future Navy and Port electrification projects to be performed using the funds from the sale of LCFS credits.

Therefore, in accordance with the Port Act, Section 30.5, and California Public Resources Code, Section 6701, et seq., the Port requests the Commission approve the capital expenditure by the Port on Port-adjacent electrification projects on Naval Bases Coronado and Point Loma, funded by the sale of Navy LCFS credits by the Port in accordance with the IGSA. The Port requests the Commission make such approval at its first-available meeting.

Respectfully submitted,



Scott Chadwick  
President/CEO

Attachment