

Administrative Procedure

Revenue Processing for Low Carbon Fuel Standard Program Funds

Purpose: The purpose of this Administrative Procedure is to foster efficiency and accurate documentation as related to the relationship between the District, Tenant Partners, and the Navy for the purposes of the Low Carbon Fuel Standard program, with particular respect to revenue processing.

1. **Procedure Objective:** The objective of this procedure is to create a standardized process for documenting the terms and conditions of LCFS revenue sharing.
2. **Additional Notes/Definitions:** The District has an agreement with Anew Climate RNG (“Anew”) as marketing consultant for LCFS Credits (Clerk Document No. 70710). Revenue from the sale of LCFS Credits generated from a tenant’s leasehold may be shared with a tenant. In such case, the District shall execute a Memorandum of Understanding to document the terms and conditions of LCFS revenue sharing (“LCFS MOU”).
 - a. The District currently has LCFS MOU or IGSA agreements with the following tenants and partners (“LCFS Participants”):

Tenant	SAP Vendor No.
Dole Fresh Fruit	5305114
BAE Systems	5306768
NASSCO	5306368
Austal USA ¹	
SSA Marine	
Naval Base San Diego ²	
Naval Base Coronado Is. ²	
Naval Base Point Loma ²	

¹Austal USA has yet to generate any credits.

²Revenues are retained by the District to complete projects on behalf of the Navy.

3. Department(s) Affected (Stakeholders):

Strategy and Policy, Financial Services, Maritime, Engineering-Construction

4. How to Achieve the Procedure Objective:

Steps for LCFS Revenue Processing

- a. Anew sends a SALES STATEMENT* to Maritime designee (LCFS Analyst). The SALES STATEMENT shall display the quarter period by the months and year, credits sold, value of credits, participant breakdown of credits, expenses, and revenues. VERFIY Finance has received the correct amount of LCFS funds via wire from Anew.

NOTE: LCFS revenue must be accrued each quarter prior to receiving the SALES STATEMENT REQUEST --

On the last business day of each quarter, LCFS Analyst shall provide a Maritime budget administrator the forecasted LCFS revenue itemizing the amounts payable to LCFS Participants and earmarked for District investments at TAMT and B St. Cruise Ship Terminal for quarterly revenue accrual. For example, LCFS revenue accrual for the quarter of JUL-SEP 2022 is due on September 30, 2022.

- b. LCFS Analyst and Policy and Strategy designee approve or reject the SALES STATEMENT. If approved, LCFS Analyst shall prepare an Advice Letter to Finance*, itemizing the amounts for payment to LCFS Participants, earmarked for District investments at TAMT and B St. Cruise Ship Terminal, and funds to be retained for Navy projects. Advice letters should include the following SALES STATEMENT information: gross revenues, REC expenses, broker expenses, Anew fees, net revenues, and remaining credits.

Amounts for revenue distribution will be calculated based on the following:

Cruise net revenues are 100-percent retained by District.

Dole net revenues are retained at a rate of 50-percent by the District.

BAE Systems, NASSCO, and Austral USA net revenues are retained at a rate of 5-percent by the District.

SSA Marine net revenues are 100-percent retained by the District however, these revenues must be utilized for electrification projects located exclusively at Tenth Avenue Marine Terminal.

LCFS Analyst shall track these revenues for said purpose.

Navy gross revenues shall be calculated with 4.25-percent allocated to Anew expense, 81.75-percent for Navy projects, and 14-percent to District Navy project management and port electrification projects.

- c. LCFS Analyst emails the Advice Letter to Director of Finance, and CC's the Vice Presidents and designees of Finance, Maritime, Engineering and Policy and Strategy. The email shall include the Clerk Document No. for the marketing agreement between District and Anew.

- d. Maritime budget administrator assigns Maritime assistant to prepare separate payment request (FV60) for each LCFS Participant with the following information within five (5) business days:

For Dole Fresh Fruit:

- i. Vendor No.: 5305114
- ii. Cost Center: Not needed per Finance
- iii. G/L Account: 200120**
- iv. Due: Immediately
- v. Invoice No.: Use the Clerk Doc. No. of the associated DOLE LCFS MOU: 72880
- vi. Text for Check: Example – *JAN-MAR 2022 SALE OF LCFS CREDITS-TAMT.*
- vii. Text for Line Item: Example – *JAN-MAR 2022 SALE OF LCFS CREDITS-TAMT.*
- viii. SignNow Routing: Attach copy of the associated LCFS MOU, Josefina's payment approval email, Adam's Advice Letter, memo, and a copy of this LCFS SOP.

For BAE Systems:

- i. Vendor No.: 5306768
- ii. Cost Center: Not needed per Finance
- iii. G/L Account: 200120**
- iv. Due: Immediately
- v. Invoice No.: Use the Clerk Doc. No. of the associated BAE LCFS MOU: Need to look up number (expires end of 2025)
- vi. Text for Check: Example – *JAN-MAR 2022 SALE OF LCFS CREDITS-BAE.*
- vii. Text for Line Item: Example – *JAN-MAR 2022 SALE OF LCFS CREDITS-BAE.*
- viii. SignNow Routing: Attach copy of the associated LCFS MOU, Josefina's payment approval email, LCFS Analyst's Advice Letter, memo, and a copy of this LCFS SOP.

For NASSCO:

- i. Vendor No.: 5306368
- ii. Cost Center: Not needed per Finance
- iii. G/L Account: 200120**
- iv. Due: Immediately

- v. Invoice No.: Use the Clerk Doc. No. of the associated NASSCO LCFS MOU: 74578
- vi. Text for Check: Example – *JAN-MAR 2022 SALE OF LCFS CREDITS-NASSCO.*
- vii. Text for Line Item: Example – *JAN-MAR 2022 SALE OF LCFS CREDITS-NASSCO.*
- viii. SignNow Routing: Attach copy of the associated LCFS MOU, Josefina’s payment approval email, LCFS Analyst’s Advice Letter, memo, and a copy of this LCFS SOP.

For AUSTAL:

- i. Vendor No.: XXXXXXXX
- ii. Cost Center: Not needed per Amy Wang, Finance
- iii. G/L Account: 200120**
- iv. Due: Immediately
- v. Invoice No.: Use the Clerk Doc. No. of the associated AUSTAL USA LCFS MOU: 74356
- vi. Text for Check: Example – *JAN-MAR 2022 SALE OF LCFS CREDITS-NASSCO.*
- vii. Text for Line Item: Example – *JAN-MAR 2022 SALE OF LCFS CREDITS-NASSCO.*
- viii. SignNow Routing: Attach copy of the associated LCFS MOU, Josefina’s payment approval email, LCFS Analyst’s Advice Letter, memo, and a copy of this LCFS SOP.

5. **Finance** issues payment checks to LCFS Participants and notifies Maritime (LCFS Analyst, Maritime budget administrator, Maritime staff assistant).

NOTE: Checks to NASSCO, BAE SYSTEMS, and Dole to be picked up by LCFS Analyst for distribution to participants.

6. **United States Navy**

The District will manage all LCFS revenues on behalf of the U.S. Navy. Therefore, no checks shall be issued to the United States Navy.

Finance will split revenues into two accounts for Naval Base San Diego. First account is the **Navy Project Accounts (San Diego, Coronado Island, and Point Loma)**, utilized to fund Navy identified electrical projects on base. The second account is the **Port Split Account (San Diego, Coronado Island, and Point Loma)**, utilized by Engineering to pay for project management of Navy projects. All funds remaining in Port Split Account after completion of

project management function may be used for District identified electrification projects.

Every two weeks, the Engineering team will provide schedule, budget, an outline of long lead items, and the timeline of when those long lead items will be received to the Navy.

7. At the end of each quarter:

- a. Request electrical usage for cruise ship terminals and Tenth Avenue Marine Terminal shore power systems from San Diego Gas & Electric. Send electrical usage to Anew.
- b. Request SSA Marine usage from SSA Marine.
- c. Review Finance's LCFS accounts, crosschecking if amounts match advice letters.
- d. Review Navy sales statements for accuracy and direct Anew to upload statements into Navy online portal.

** Example attached.*

*** This is a liability account and does not affect Maritime's NPE budget.*

8. Criteria:

This procedure is to be used when documenting all revenue.

9. Related Documents:

Board of Port Commissioners' Policy No. regarding the Low Carbon Fuel Standard Program.

Administrative Procedure No. Expenditure Request of Low Carbon Fuel Standard Program Funds – Port Projects

Administrative Procedure No. Expenditure Request of Low Carbon Fuel Standard Program Funds – Navy Projects

10. Document Information:

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APPROVED (Director):

Thomas Maclean
 Program Director, Energy and Policy

Date

APPROVED (CEO, CFO, VP, AVP):

Job Nelson
 Vice President, Strategy and Policy

Date

Example of SALES STATEMENT

anew		Port of San Diego Statement		
Anew RNG, LLC 3200 Southwest Freeway Suite 1310 Houston TX 77027 Phone: 281-207-7200 Fax: 281-207-7211 www.anewclimate.com		Quarter:	Q4'22	
		Statement Date	4/30/2023	
		Statement No.	Q422-2023/04	
		Usage Period 10/01/2023-12/31/2022		
Credit Activity				
	<i>In Period</i>	<i>Reference</i>	<i>Notes</i>	
LCFSs Inventory (No. of LCFSs) Q4'22	77,842			
LCFSs Sold (No. of LCFSs)	10,511			
LCFS Balance YTD (No. of LCFSs) Q4'22	67,331			
Revenue				
	<i>In Period</i>			
Contracted LCFS price	\$ 67.00	<i>average</i>		
Gross LCFS Revenue	\$ 704,237.00			
Expenses				
	<i>In Period</i>			
Direct Third Party Costs Incurred <i>(Reimbursable)</i>	\$185,915.90	<i>[3A]</i>		
Net Revenue Allocation				
	<i>In Period</i>			
Net LCFS Revenue to be allocated	\$ 518,321.10			
	<i>95.75%</i>			
Net LCFS Revenue Split	\$ 496,292.45			
Balance Due in Period	\$ 496,292.45			

Example of ADVICE LETTER TO FINANCE:

To: Michael Arons, Director of Financial Service

CC: Job Nelson, Michael LaFleur, Ernie Medina, Thomas MacLean, Joel Valenzuela, Hope Fulgham, Christine Antoine, Josefina Khalidy, Wendy Fan, Amy Wang, Lindsay Ingles, Jessica Zomisky, Giancarlo Vargas

From: Adam Deaton, Principal, Maritime Business Retention

Date: May 15, 2024

Re: Quarter 4, 2023 LCFS Program Payments and Accounting: Part A

The District retains Anew RNG to sell Low Carbon Fuel Standard (LCFS) Credits generated around San Diego Bay by multiple partners through shore power and electrified equipment.

Anew RNG (EMRE) transferred \$252,104.76 to the District on May 10, 2024.

Gross revenues for this sale were \$451,999.00. Expenses included renewable energy credits (REC), third party broker fees, and Anew's 4.25% fee per agreement. The following table shows expense amounts.

Gross Revenue	\$451,999.00
REC Expense	\$187,172.01
Broker Fees	\$1,532.20
Anew	\$11,190.03
Net Revenue	\$252,104.76

The Air Resources Board has provided guidance that the funds should be used for furthering electrification of transportation. I request the following actions based on the table below:

Accounts	Amount
Port	\$114,170.83
Dole	\$19,970.49
BAE	\$72,559.78
NASSCO	\$45,403.66

- A. Add \$114,170.83 to District's LCFS account,
- B. Issue check to Dole Fresh Fruit, to be picked-up by Maritime, in the amount of \$19,970.49,
- C. Issue check to BAE Systems, to be picked-up by Maritime, in the amount of \$72,559.78,
- D. Issue check to NASSCO, to be picked-up by Maritime, in the amount of \$45,403.66,

There is a remaining balance of 57,523 credits at Navy Base San Diego, 15,916 credits at Navy Base Coronado, 20 credits at a Navy Base Point Loma, and two credits at BAE Systems in fourth quarter 2023. In addition, there are 14,892 credits at Navy Base Coronado and 121 credits at Navy Base Point Loma in third quarter 2023 and there are 14,841 credits at Navy Base Coronado and 5 credits at Navy Base Point Loma in second quarter 2023. Additional advice letter(s) will follow as credits are sold for second, third, and fourth quarter 2023.

Advice Letter cont.

Remaining LCFS Credits by Partner and Quarter

	2023 Q2	2023 Q3	2023 Q4	Total
BAE	0	0	2	2
Navy SD	0	0	57,523	57,523
Navy PL	5	121	20	146
Navy CI	14,841	14,892	15,916	45,649

Breakdown of Partner and District LCFS Revenues and Payments for Q4 2023

Parter	Partner Percentage	Partner Amount	Port Amount	Total
Cruise	100%		\$87,991.74	\$87,991.74
Dole	50%	\$19,970.49	\$19,970.49	\$39,940.98
BAE	95%	\$72,559.77	\$3,818.94	\$76,378.71
NASSCO	95%	\$45,403.66	\$2,389.67	\$47,793.33
Total			\$114,170.83	\$252,104.76

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