

**FILE NUMBER: 2025-142**

**DATE:** Friday, June 6, 2025

**SUBJECT: Resolution Authorizing a Sole Source Agreement with Watts Marine LLC for The Period of July 1, 2025, to June 30, 2028, To Provide Cruise Ship Shore Power Connection, Commissioning, and Maintenance Services**

**DESCRIPTION: Resolution Authorizing a Sole Source Agreement with Watts Marine LLC for The Period of July 1, 2025, To June 30, 2028, To Provide Cruise Ship Shore Power Connection, Commissioning, And Maintenance Services Supporting the Proprietary Shore Power System at B Street and Broadway Piers, In Compliance with California Air Resources Board At-Berth Regulations, In an Amount Not to Exceed \$3,048,460. Funds For the First Year of This Expenditure Of \$712,264 Are Included in The Proposed FY 2026 Budget. Funds Required for Future Fiscal Years Will Be Budgeted for In the Appropriate Year Subject to Board Approval Upon Adoption of Each Fiscal Year's Budget.**

**EXECUTIVE SUMMARY:**

The San Diego Unified Port District (District) completed installation of shore power facilities at the B Street and Broadway Cruise Ship Terminals in December 2010 and subsequently upgraded in 2022, allowing two cruise vessels to be connected simultaneously. The shore power system is part of the District's commitment to environmental sustainability. The shore power system is also necessary for the District and its cruise customers to comply with the California Air Resources Board (CARB) "at-berth" requirement that cruise lines connect all vessels while in port with few exceptions.

In 2009, the District entered into a sole-source agreement with Cochran Marine LLC (Cochran) for the design, installation, maintenance, and operation of the shore power system. Cochran provided a proprietary software control system for shore power operations and maintenance. The cruise industry considered Cochran's system the only viable option in North America for shore power and advised the District that they would only support the use of the Cochran system due to potential damage to cruise ships from a system malfunction using a less certain technology. The shore power arm of Cochran had a strong reputation and long track record of reliability and safety in the cruise industry. In 2021, Watts Marine LLC bought Cochran's marine shore power division and now owns and operates this former Cochran business and service line. Watts Marine consists of former Cochran professionals. Watts Marine LLC currently holds the proprietary rights to the District's shore power system.

The current agreement with Watts Marine LLC for the operation and maintenance of the system expires on June 30, 2025. A new service agreement will be required to continue the use of the proprietary system as it is configured, and to comply with the at-berth regulation for the next three years, in an amount not to exceed \$3,048,460. This expense is partially recouped via a shorepower connection fee in the District's tariff, at approximately \$3,600 per connection.

Because it is a proprietary system and software, a sole-source agreement is prudent at this time to continue operations as the system is currently designed and configured. The Cochran system is still considered the most reliable system to provide shorepower for vessels in the United States. Other potentially viable shore power providers, based in Europe, would require additional equipment purchase and installation, and a major software and hardware reprogramming.

### **RECOMMENDATION:**

Adopt a resolution authorizing a sole source agreement with Watts Marine LLC for the period of July 1, 2025, to June 30, 2028, to provide cruise ship shore power connection, commissioning, and maintenance services supporting the proprietary shore power system at B Street and Broadway Piers, in compliance with California Air Resources Board At-Berth Regulations, in an amount not to exceed \$3,048,460. Funds for the first year of this expenditure of \$712,644 are included in the proposed FY 2026 Budget. Funds required for future years will be budgeted in the appropriate fiscal year subject to board approval upon adoption of each fiscal year's budget

### **FISCAL IMPACT:**

Funds for the first year of this expenditure of \$712,644 are included in the proposed FY 2026 Budget. Funds required for future fiscal years will be budgeted for in the appropriate year subject to Board approval upon adoption of each fiscal year's budget.

Cash Flow Forecast	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY2028</u>
	\$712,644	\$1,114,342	\$1,221,474

\$3,048,460 total cash requirement.

This expense is partially recouped via a shorepower connection fee in the District's tariff, at approximately \$3,600 per connection.

### **COMPASS STRATEGIC GOALS:**

This agenda item supports the following Strategic Goals.

- A Port that the public understands and trusts.
- A thriving and modern maritime seaport.
- A vibrant waterfront destination where residents and visitors converge.
- A Port with a healthy and sustainable bay and its environment.

Shore power eliminates particulates from the air reducing harmful effects to the environment and surrounding communities. Shore power not only makes the District a trusted neighbor by the community, it is California law. Without shore power cruise ships would not be permitted to berth in San Diego Bay.

## **DISCUSSION:**

The State of California, via the California Air Resources Board (CARB), requires that cruise lines connect to shore power while berthed in California ports. The initial shore power regulation went into effect on January 1, 2014, which required 50-percent of cruise vessel to turn off their auxiliary engines and connect to the power grid. Over the subsequent years the regulation became more stringent, requiring higher percentages of cruise vessels to connect. As of January 1, 2023, with few exceptions, all cruise vessels must connect to shore power. This is part of a state-wide effort to reduce the negative impacts of air emissions in the transportation sector. It is critical that the shore power system function and function well. A single hour of noncompliance could require the payment of \$12,000 into a remediation fund. Over the course of a single cruise day of noncompliance this could equate to \$120,000. Watts Marine has demonstrated its ability to meet this high demand.

Shore power is an electric system, located at a cruise or cargo terminal, which allows a vessel to “plug-in” and use power from the shore-side utility. The system reduces air emissions by allowing vessels to turn off fossil fuel-burning engines and instead draw energy from the power grid.

The Port of San Diego was the second port in California to install a shore power system at its cruise terminal. The system came online in December 2010 and serves both B Street and Broadway Piers. It was designed, built, and installed by Cochran. Cochran, now Watts Marine LLC, is the industry leader in ship-to-shore shore power systems and installed similar systems at the ports of Seattle, San Francisco, Long Beach, New York, and Vancouver, British Columbia.

During the development of the shore power project, District staff consulted with cruise vessel owners and operators regarding multiple shore power systems and vendors. Through this process, staff recognized a strong industry desire that the Cochran system be installed at the District’s cruise facilities, due to Cochran’s positive industry reputation, offering a proprietary system that is widely considered to be the safest and most reliable. Other shore power systems were deemed unreliable and posed a possible risk of damage or major service interruptions for the District and cruise customers to confidently pursue them as viable alternatives. Even today, other potentially viable shore power providers, based in Europe, require additional equipment that the Watt Marine system does not.

In 2009, the District entered into a sole-source agreement with Cochran that covered the design, installation, maintenance, and operation of the system (Attachments A & B). That same year, the Board passed resolution 2009-129 entering into a purchase agreement with Cochran for shore power system equipment and software. The purchase agreement specified that the software that controls the shore power system is proprietary and precludes any company other than Cochran or their direct sub-contractors, from operating the system. A copy of the resolution and purchase agreement is attached (Attachment C & D).

The 2022 sole source agreement with Watts Marine expires on June 30, 2025. A new service agreement will be required to continue the use of the proprietary system as it is

configured and to fulfill agreements the District has made with cruise lines covering vessel calls through 2028. Because it is a proprietary system and software, a sole-source agreement is prudent to continue operations as the system is currently designed and configured. The Cochran system is still considered the most reliable system to provide shorepower for vessels in the United States, with other qualified vendors located in Europe. A change in vendors would require additional equipment purchase and a major software and hardware reprogramming. The proposed sole-source agreement is attached (Attachment E).

Due to the proprietary nature of the installed shore power system, and supporting equipment and software, as well as cruise lines' assertion to install and use only the Cochran system, now provided by Watts Marine LLC, staff recommends that the Board adopt a Resolution authorizing a sole source agreement with Watts Marine LLC, for Shore Power Connection, Commissioning, and Maintenance Services from July 1, 2025, through June 30, 2028, in an amount not to exceed \$3,048,460.

### **General Counsel's Comments:**

The General Counsel's Office reviewed this agenda and approved the proposed agreement as presented to it as to form and legality.

### **Environmental Review:**

The proposed Board action, including without limitation a resolution authorizing a sole source agreement with Watts Marine, LLC for the period of July 1, 2025, to June 30, 2028, to provide cruise ship shore power connection, commissioning, and maintenance services supporting the proprietary shore power system at B Street and Broadway Piers, does not constitute a project under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Section 15378 because there is not a potential to result in a direct or indirect physical change in the environment. Therefore, the proposed Board action is not subject to CEQA and no further action under CEQA is required.

The proposed Board action complies with Sections 21 and 35 of the Port Act, which allow the Board to pass resolutions and to do all acts necessary and convenient for the exercise of its powers. The Port Act was enacted by the California Legislature and is consistent with the Public Trust Doctrine. Consequently, the proposed Board action is consistent with the Public Trust Doctrine.

The proposed Board action does not allow for development, as defined in Section 30106 of the California Coastal Act, or new development, pursuant to Section 1.a. of the District's Coastal Development Permit Regulations. Therefore, issuance of a Coastal Development Permit or an exclusion finding is not required.

### **Diversity, Equity, and Inclusion Program:**

As a single-source agreement, the District's SBE goal setting process was not applicable.

**PREPARED BY:**

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Attachments:

- Attachment A: Service Agreement with Cochran Inc. for B Street and Broadway Piers Shore Power System Maintenance and Support
- Attachment B: Resolution No 2009-136–Authorization to Enter into Service Agreement with Cochran Inc.
- Attachment C: Resolution No 2009-129–Authorization to Enter into Purchase Agreement with Cochran Inc.
- Attachment D: End User License Agreement with Cochran Incorporated for Shore Power Software
- Attachment E: Proposed Sole Source Service Agreement with Watts Marine LLC for Cruise Ship Shore Power Connection, Commissioning, Maintenance and As-Needed Support, Agreement No. 53-2025SN