

Study Session



Milwaukie City Council



COUNCIL STUDY SESSION

AGENDA

Ledding Library Community Room, 10660 SE 21st Ave Street & Zoom Video Conference (www.milwaukieoregon.gov)

OCTOBER 11, 2022

Council will hold this meeting in-person and through video conference. The public may attend the meeting at the library or by joining the Zoom webinar. The meeting will be recorded and broadcast later.

To participate in this meeting by phone dial **1-253-215-8782** and enter Webinar ID **837 5111 0754** and Passcode: **107967**. To raise hand by phone dial *9.

Written comments may be submitted by email to <u>ocr@milwaukieoregon.gov</u>. Council may take limited verbal comments. For Zoom webinar login information visit https://www.milwaukieoregon.gov/citycouncil/city-council-study-session-134.

Note: agenda item times are estimates and are subject to change.

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Climate Goal Update – Green Tariff (5:15 p.m.)
 Staff: Peter Passarelli, Public Works Director

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3. Adjourn (6:15 p.m.)

Meeting Accessibility Services and Americans with Disabilities Act (ADA) Notice

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Executive Sessions

The City Council may meet in executive session pursuant to Oregon Revised Statute (ORS) 192.660(2); all discussions are confidential; news media representatives may attend but may not disclose any information discussed. Final decisions and actions may not be taken in executive sessions.



COUNCIL STUDY SESSION

MINUTES

Ledding Library Community Room, 10660 SE 21st Ave Street & Zoom Video Conference (www.milwaukieoregon.gov)

Council Present: Councilors Adam Khosroabadi, Lisa Batey, Desi Nicodemus, Council President Kathy Hyzy,

and Mayor Mark Gamba

Staff Present: Nicole Madigan, Deputy City Recorder

Ann Ober, City Manager

Natalie Rogers, Climate and Natural Resources

Manager

Courtney Wilson, Urban Forrester

Mayor Gamba called the meeting to order at 5:15 p.m.

Council President Hyzy announced that it was National Coming Out Day, shared personal experiences, and encouraged community members to celebrate and feel comfortable in who they are.

1. Climate Goal Update - Green Tariff

Rogers provided an overview on how electrical grids work and how electricity products such as unbundled renewable energy certificates (REC) are purchased. **Councilor Batey** and **Rogers** discussed how electrons are produced in the state of Oregon versus procurement of unbundled RECs.

Rogers explained the difference in producing and using a bundled REC. **Mayor Gamba, Rogers,** and **Councilor Khosroabadi** discussed what it means for those who buy unbundled REC certificates and whether customers understand that the clean energy they are buying is not what is being produced to power their homes and businesses but offsetting how the electrons are being produced.

Rogers noted that Portland General Electric (PGE) does not offer a bundled REC product for residential and small business customers which is why city staff have been working on the green tariff product. **Rogers** reminded Council of the net zero electricity by 2030 goal and what type of energy production the city was considering as clean. **Councilor Batey** asked if the law prohibits the sale of RECs from offshore wind farms. **Rogers** was unaware of any prohibited sales on private investments such as offshore wind farms.

Rogers advised staff had calculated community energy usage and there is a large gap to close for the city to reach the net zero goal, but new state legislative changes were coming that may reduce the gap.

Mayor Gamba and **Rogers** discussed the calculations, and that the production gap could be larger as unbundled RECs were included in the calculations.

Rogers presented goals the city's potential green tariff goals. Council President Hyzy and Rogers discussed electron loss over transmission lines, the benefits of investing in more transmission between the United States east and west coasts, and energy storage. Rogers presented a goal that the product would include automatic enrollment for all community members with a call-in option to opt out. Hyzy and Rogers discussed the benefits of the opt out method versus an opt in. Rogers presented additional goals for the product that included low-income rate programs and cost saving features.

Rogers presented a timeline of the city's history with the green tariff product program that included the 2021 Oregon House Bill (HB) 2475 for energy affordability. Mayor

Gamba asked if an income level had been established and **Rogers** responded that the Oregon Public Utility Commission (PUC) was still working on the program but believed that PGE had rolled out its own program that would address those at 60% of median income. **Rogers** presented the last of the tariff's timeline that included a survey PGE conducted in 2021, and the most recent steps that had occurred in 2022 which included partnering with PGE to work on passing legislation.

Mayor Gamba, Rogers, and **Council President Hyzy** discussed frustrations with the pace at which the program was moving and the possibility of the city branching off and partnering with the City of Beaverton to move quicker on a green tariff product.

Rogers presented the next steps for the tariff program that included a community workgroup hosted by the PUC. **Mayor Gamba** asked when the PUC would meet, and **Rogers** replied the PUC was checking with participants to meet in fall of 2022/winter 2023 and that Rogers would be taking the lead in the meeting by talking to other communities about the steps Milwaukie had already taken. **Council President Hyzy** stated the importance of including discussions around a low-income product.

Rogers mentioned that PGE would submit a draft of the tariff to the city, but staff had questions that need to be answered first. **Mayor Gamba** and **Rogers** commented on build timing. **Rogers** reviewed additional questions that need to be answered and circled back to Council President Hyzy's comment on considerations needed to be taken regarding a low-income option.

Rogers explained that once PGE submits the tariff to the PUC the city would likely submit a letter supporting the concept but that would not lock the city into agreeing to use the product. Next the PUC would review the tariff and then PGE and the city would begin to build Milwaukie's specific tariff product program and negotiate the agreement. The tariff then goes to the PUC to approve. **Mayor Gamba** and **Rogers** discussed how long the PUC's review process should take. **Rogers** stated the that the city would likely sign a participation agreement and Council would issue a resolution or ordinance. The final step would be for utility customers to enroll in the program with an option to opt out.

The group discussed if the focus of the tariff product should be on affordability, when and how to begin community outreach and engagement, and at what level Council would like to be involved with submitting the tariff to the PUC.

Mayor Gamba noted disparities on billing amounts versus income levels. The group discussed low-income homeowner and renter weatherization programs that reduce billing costs, how the city could increase outreach to notify customers of the available programs, and how those in need of services could be auto enrolled into services. **Councilor Nicodemus** asked how the city could keep landlords from pricing out their renters after taking advantage of energy upgrade programs. **Rogers** advised that most programs available to renters were temporary weatherization improvements that would be minimal to the value of the home or go with the renter.

Councilor Batey asked for an update on the home energy score (HES) program. **Rogers** reported that the HES program was self-sufficient and ongoing.

Mayor Gamba adjourned the meeting at 6:35 p.m.

Respectfully submitted,

Nicole Madigan, Deputy City Recorder

SS 1. 10/11/2022 OCR USE ONLY

COUNCIL STAFF REPORT

To: Mayor and City Council Date Written: Sept 28, 2022

Ann Ober, City Manager

Reviewed: Peter Passarelli, Public Works Director

From: Natalie Rogers, Climate & Natural Resource Manager

Subject: PGE Community Tariff Update

ACTION REQUESTED

Council is asked to receive an update on the Portland General Electric (PGE) community 'green' tariff.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

March 3, 2020: Council received an update on the Climate Action Plan (CAP) implementation with a focus on the 2030 energy goal, PGE programs, and energy product opportunities.

May 12, 2020: Council received an informational presentation on a potentially carbon-free electricity product being explored by PGE.

<u>August 11, 2020</u>: Council received an update on carbon-free electricity product development from PGE.

<u>December 8, 2020</u>: Council received an update on the CAP and provided direction for future energy discussions.

<u>December 15, 2020</u>: Council adopted a resolution authorizing a memorandum of understanding (MOU) between PGE and the city to address climate and resiliency goals.

March 9, 2021: Council received an update on the Climate Collaborative Campaign, 2021 legislation, and the PGE community green tariff product including survey results.

<u>June 8, 2021</u>: Council received an update on the Home Energy Score program, 2021 legislation, and the private tree code development.

October 12, 2021: Council received an update on the PGE green tariff, developing tree code, and the Climate Collaborative Campaign for 2021

<u>August 9, 2022:</u> Council received an update on the PGE green tariff, greenhouse gas inventory, CAP and urban forest programming.

ANALYSIS

The city's <u>CAP</u> and <u>climate emergency declaration</u> call for carbon-free electricity by 2030, zero-emissions from fossil fuels by 2035, and community carbon neutrality by 2045. Even with the current regulatory efforts to decarbonize the electrical mix, there is still a <u>gap to close in order to reach the 2030 goal</u>. Staff continues to collaborate with PGE and regional stakeholders to close this gap through community outreach and engagement and development of new residential and small commercial renewable energy products.

Community Green Tariff Update

Staff are continuing to meet with PGE to develop the community green tariff product. PGE and Milwaukie staff are discussing program components to incorporate into a tariff proposal for the Oregon Public Utility Commission (PUC) which defines the program structure and supply. These discussions are occurring with other jurisdictions in PGE territory with climate and/or energy goals. Many program details for the tariff remain undefined at this time, which will impact the timeline of development and approval through the PUC.

Tariff Concept, Goal Alignment, and Development History

Passage of legislation in Utah on community renewable aggregation (Utah House Bill (HB) 411) showcased an electric utility product model that makes renewable energy more affordable. In community renewable aggregation, jurisdictions aggregate load through opt-out programs to bulk purchase new utility scale renewable generation projects at a lower premium to rate payers. The passage of Utah's HB411 inspired Milwaukie city staff to begin discussions in 2019 with PGE on the feasibility of a similar product for jurisdictions in their territory. Milwaukie and PGE worked together to develop an initial community tariff product design. This new community product would be a carbon-free electricity product designed specifically to aid in the achievement of Milwaukie's climate goals. With guidance from City Council to ensure goal alignment, the product design is intended to result in the construction of new energy generation facilities at lower, more affordable rates to Milwaukie customers compared to existing renewable products. An opt-out participation model would allow for higher participation and bulk purchasing abilities, decreasing participation rates for the individual customer while subsidizing costs for low-income community members.

After numerous discussions on design details, PGE recommended drafting legislation for the 2021 session to provide guidance to PGE in tariff design and PUC review and approval. Milwaukie supported this effort and assisted in revisions and advocated for the tariff language in a variety of bills. One of these bills, <u>HB2021</u> passed in the 2021 legislative session and included community tariff language as well as new decarbonization requirements for investor owned utilities like PGE. The bill also limited customer participation in the tariff product to residential and small commercial customers due to concerns from direct access power providers. Most significantly, HB2021 set mandates that by 2040 PGE and Pacific Power must provide 100% carbon-free energy in their base electricity product to the entire grid. While progressive, this deadline 10 community is Milwaukie's goal of 2030. vears past <u>HB2475</u> also passed in the 2020 legislative session, allowing the PUC to explore new base rate structures for low-income community members and directing the agency to fund qualified organizations' participation in regulatory proceedings to represent low income and environmental justice communities. This bill will have a positive impact on low-income participants in communities with or without a tariff product.

After legislation passed, discussions on tariff design slowed. This slowing was explained by a variety of reasons, including concurrent work being done by PGE and PUC staff to develop and meet HB2021 and HB 2475 requirements. During this time, Milwaukie staff discussed the community tariff concept with regional jurisdictions and worked to collaborate and answer questions from peers. In 2022, PGE staff restarted discussions with jurisdictions individually and as a group. These meetings have generally been overview meetings for the benefit of jurisdictions

new to the conversation, and have not addressed the gaps and questions identified in initial design discussions between Milwaukie and PGE back in 2019/2020.

PGE staff did perform a survey of Milwaukie PGE residential customers (n=380) in fall 2020 on customer interest and appetite for a community tariff program and costs (Attachment 1). Similar surveys were conducted for Portland (n=1677), Multnomah County (n=1549) and Beaverton (n=1186). The majority of surveyed community members from all jurisdictions showed support for their community's decarbonization goals, and indicated interest in a new renewable product, particularly one that is affordable and could potentially showcase community projects.

In recent coordination meetings, PGE and city staff are exploring potential outreach strategies and requirements related to the tariff. A few local municipalities including Milwaukie have tentatively agreed to align and cocreate outreach efforts for consistency and workload benefits.

Pending Product Elements

There are key administrative, development and legal questions and product components that have yet to be answered or solidified that could have significant impacts on Milwaukie participation:

- Rate setting: While discussions through the years have resulted in a range of estimated rate premiums from \$0.004 to \$0.006 per kilowatt hour (approximately \$3.00 to \$4.60 a month for the average Milwaukie residential customer account), a final rate determination has not been set. Each rate estimates presented so far include a cost value for risk, which needs further clarification on cost justification.
- Lower income customer participation: With HB2475, utilities can extend low-income assistance to a wider range of household incomes, and the PUC can adjust base rate costs for low-income customers. The community tariff product is being designed so it complements this work and avoids additional costs to low-income customers. The PUC is still in development of the new low-income assistance program, and as a result PGE initiated their own supplemental program for customer participation. It is unknown how these programs will integrate administratively and how transition would occur with PUC-led programming.
- Facility ownership and future credits: As pooling of community funds lead to the construction of new generation facilities, a question of ownership of power and/or renewable energy certificates (RECs) arises, particularly as the grid continues to decarbonize to reach 100% carbon-free by 2040. With greater renewable portfolio standard requirements in the coming years, PGE will likely be looking to add additional resources to supplement their supply and meet mandated timelines. There is a potential that power from community tariff-funded generation assets could be used to meet this demand and as Milwaukie produces more renewable power than it needs to close the emissions gap to reach the 2030 goal. Milwaukie rate payers could potentially see rate credits as early adopters and investors in renewable technology. The legality, administrative ability, and support of this element is undetermined at this time.
- **Timeline of Development:** As the development of the product and resulting construction timeline gets pushed out, the cost and benefits of the product change. PGE staff have presented high-level timelines of milestones, but work remaining for key deliverables could affect the timing of these milestones and resulting product price.

Next Steps:

PGE and City staff are continuing to discuss next steps for tariff development and approval through the PUC. PGE staff are drafting tariff language to bring to the PUC which will be a general program and product overview. Council could choose to draft a letter of support for the tariff with the understanding that support in the tariff process would not commit the city to participation. During and after tariff review at the PUC, jurisdictions would individually work with PGE to develop participation agreements which outline product details, generation sources and assets, community benefits, and other program elements for their community. If agreeing to the terms in the jointly drafted participation agreement, Council could choose to adopt the participation agreement by resolution or ordinance to formalize participation, and staff and PGE would then coordinate on program roll out and administrative processes. Construction of energy assets would occur after enough funding has been collected, likely being a small addition to a larger utility-scale project.

Overlapping this work would be a robust community engagement program to determine what ideas, concerns, and program components need to be addressed in a participation agreement, and to increase awareness of the product development and invite public participation. Staff have been discussing community tariffs at the conceptual level with the public but have not begun intentional engagement efforts at this time.

BUDGET IMPACT

Funding will be required for legal and technical review of tariff and participation agreement language if the city proceeds with tariff product development.

WORKLOAD IMPACT

The workload for development and coordination of the community tariff product is already accounted for in the public works staff workplans. Administration of the utility product would remain with Portland General Electric.

CLIMATE IMPACT

Efforts to coordinate with PGE on electricity decarbonization have a potential to significantly impact building energy emissions and transportation emissions as the city works to electrify both sectors. This tariff product would be a large contribution to emission reduction efforts needed to reach the 2030 goal.

COORDINATION, CONCURRENCE, OR DISSENT

Staff are continuing to coordinate with PGE and other cities on climate legislation and development of the community tariff product.

STAFF RECOMMENDATION

Staff recommends that Council receive the update and provide direction to staff if needed.

ALTERNATIVES

None.

ATTACHMENTS

1. PGE Community Tariff Survey Presentation – Council Study Session 03/09/21

SS 1. 3/9/21 Presentation

Community-Wide Clean Energy Program Residential Customer Survey Findings

Presented to the Milwaukie City Council on March 9, 2021 Survey conducted in Fall 2020, PGE Market Insights





Research objectives and methodology

A community-wide clean energy product aims to deliver a community-wide clean energy solution designed in partnership with municipalities and key stakeholders, to meet their goals of being 100% clean, while maintaining the benefits of the integrated utility system (system-wide reliability, affordability, fairness).

Research Objectives

- ➤ Identify the premium PGE residential customers are willing to pay to accelerate their city's / county's transition to 100% clean energy by 2030 / 2035.
- Estimate participation rates across a range of price premiums in a scenario where all customers are defaulted to the new 100% renewable rate.
- Understand what program benefits resonate most strongly with PGE customers.

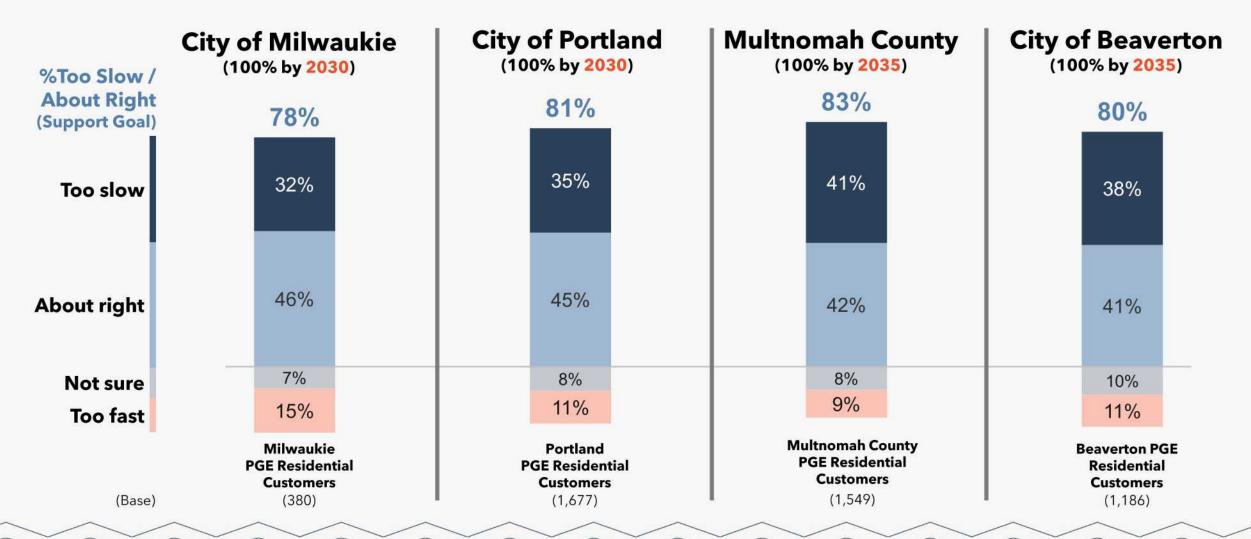
Survey Methodology

- ➤ Web survey averaging ~12 minutes in length conducted among PGE residential customers in selected geographies (n=4,792 in total):
 - Milwaukie (n=380)
 - Portland (n=1,677)
 - Multnomah County (n=1,549)
 - **Beaverton** (n=1,186)

Note: The survey respondent's "city" is based on the "Tax City" designation in PGE's customer database.

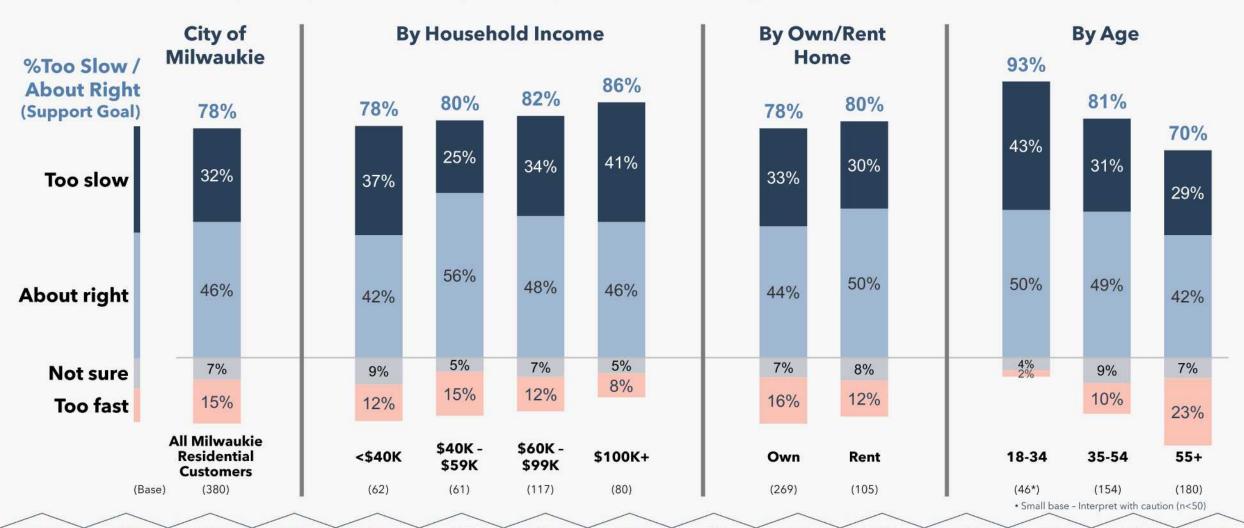
Support for city / county clean energy goals

SURVEY WORDING: Do you think [Location's] goal of everyone in the [city/county] being served with 100% clean and renewable electricity by [2030/2035] is too fast, too slow, or about right? [Note: This question was asked after respondents were presented with various clean energy transition cost scenarios]



Support for the City of Milwaukie's clean energy goal: 100% by 2030

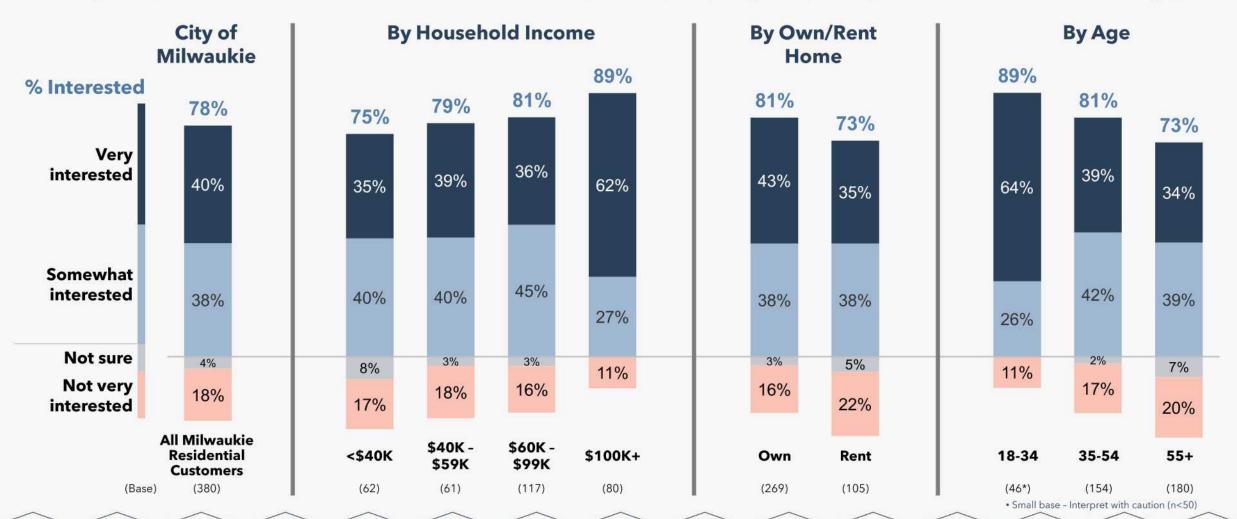
SURVEY WORDING: Do you think the City of Milwaukie's goal of everyone in the city being served with 100% clean and renewable electricity by 2030 is too fast, too slow, or about right? [Note: This question was asked after respondents were presented with various clean energy transition cost scenarios]



Interest in PGE community-wide clean energy concept

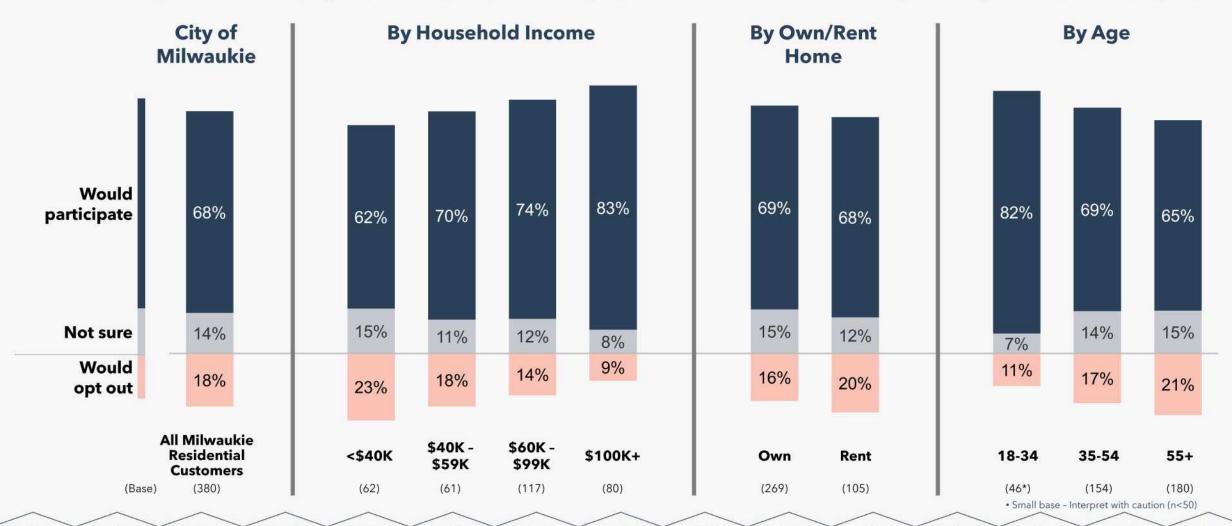
SURVEY WORDING: PGE is exploring potential new clean and renewable energy solutions that would enable the City of Milwaukie to achieve its goal of everyone in the city being served with 100% clean and renewable electricity by 2030, while ensuring that electricity remains reliable, affordable and fair for all customers, with independent third-party oversight.

While the full details about how this citywide clean and renewable energy solution would work and how it would affect your home's monthly electricity bill will clearly matter, based on this information alone, how interested would you be in participating to help the City of Milwaukie achieve its clean energy goals?



Participation rates if PGE customers are defaulted to a community-wide clean energy program with a 5% bill increase

SURVEY WORDING: If everyone in the City of Milwaukie were to be enrolled in this program to enable the City of Milwaukie's goal of everyone in the city being served with 100% clean and renewable electricity by 2030, and it increased your home's electric bill by \$[5% of Avg Bill] per month, would you remain in this program, or would you opt out of this program and return to basic service and your average monthly bill of \$[Avg Bill]?



Reasons Would / Would Not Participate (with a 5% Bill Increase) City of Milwaukie Open-End Survey Responses

What are the main reasons you would participate in this type of program?

I want all energy usage to be 100% renewable and the best place to start would be my own community.

HH Income: \$60,000 - \$79,999; Average Monthly PGE Bill: \$142

Climate Crisis, anything we can do to help as SOON as possible and what a really cool, progressive objective for the City of Milwaukie to do and inspire other cities.

HH Income: \$20,000 - \$39,999; Average Monthly PGE Bill: \$114

Energy should be as sustainable and green as possible, converting the whole City of Milwaukie to renewable energy sources will help our planet and will allow future generations to flourish.

HH Income: \$60,000 - \$79,999; Average Monthly PGE Bill: \$101

It's our individual responsibility to be stewards of the Earth. Without it we are nowhere, so anything I can do to support more sustainable energy resources I will do. Thanks to Mayor Gamba for leading the way in Milwaukie.

HH Income: \$100,000 - \$149,999; Average Monthly PGE Bill: \$73

What are the main reasons you would not participate in this type of program?

Cost. I understand that it is good for the environment and future generations, but the price is what makes me not want to participate. I would love to participate if there was no increase in cost to the consumer. There seems to be no end to the increase in costs of living. I would rather conserve in other ways. Use less electric. HH Income: \$60,000 - \$79,999; Average Monthly PGE Bill: \$103

I don't think it's reasonable for my bill to increase to fund the transition to clean energy. The fossil fuel industry has earned massive profits for generations. The switch to clean energy should be at the industry's expense, not the consumer's.

HH Income: \$60,000 - \$79,999; Average Monthly PGE Bill: \$37

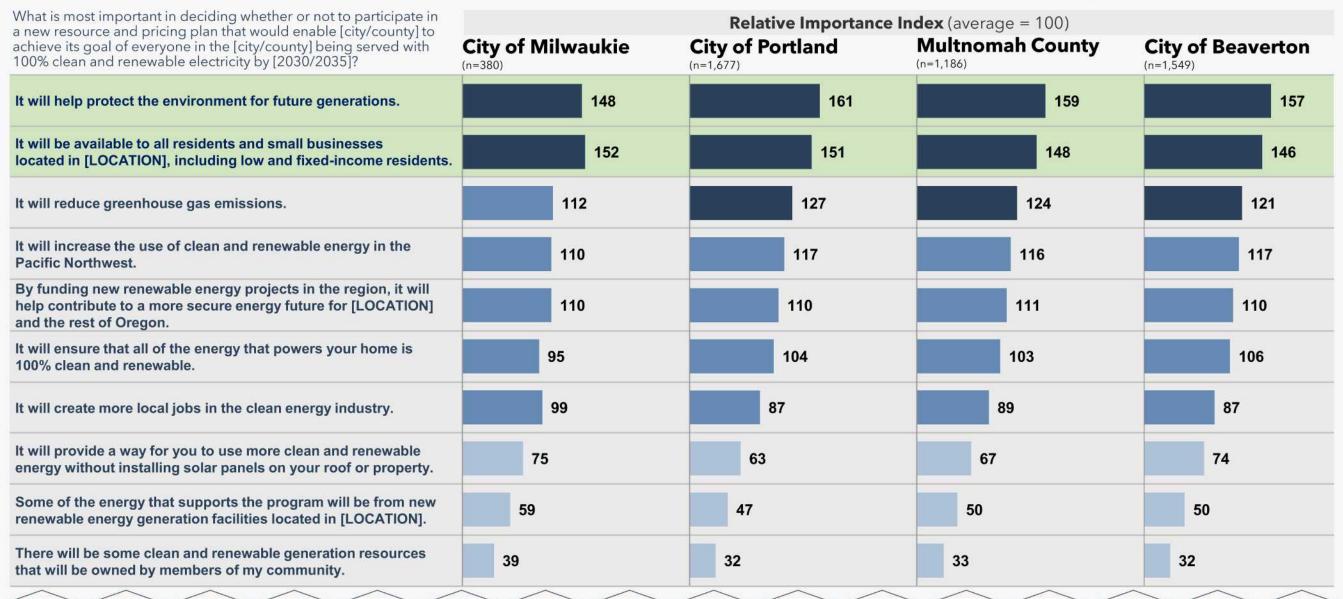
I spend too much on Medicare and other costs of my home to increase any of my retirement on the future that does not benefit me financially.

HH Income: \$20,000 - \$39,999; Average Monthly PGE Bill: \$128

I do not want to pay more for my electricity. City should use new technologies to be more green-friendly without reaching into resident's pockets.

HH Income: \$40,000 - \$59,999; Average Monthly PGE Bill: \$120

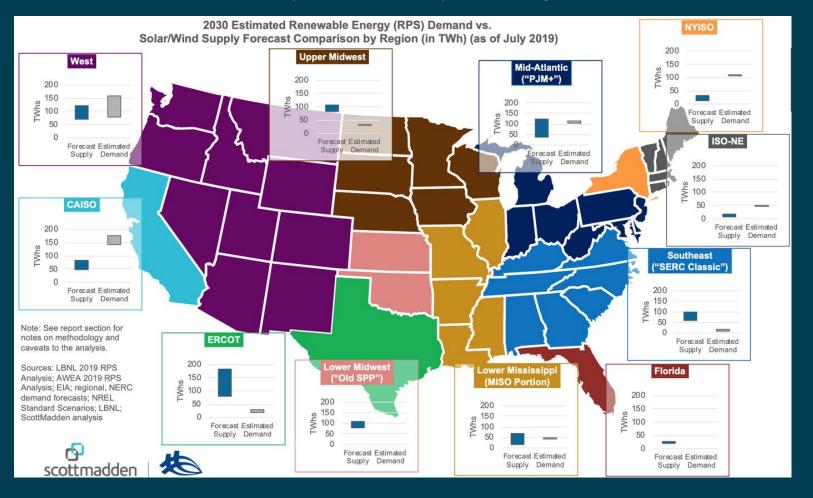
Relative importance of benefits when considering whether or not to participate in a community-wide clean energy program

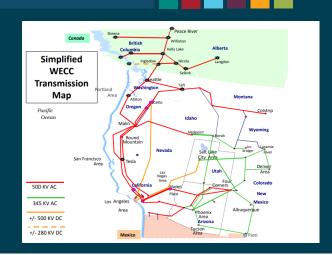


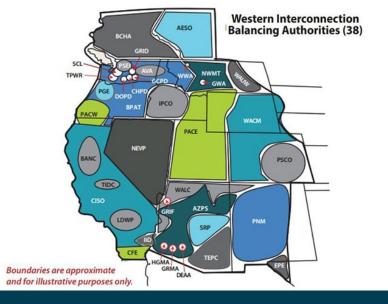


Power generation location matters to local goals

Explore US power infrastructure (interactive map): atlas.eia.gov/apps/electricity/explore

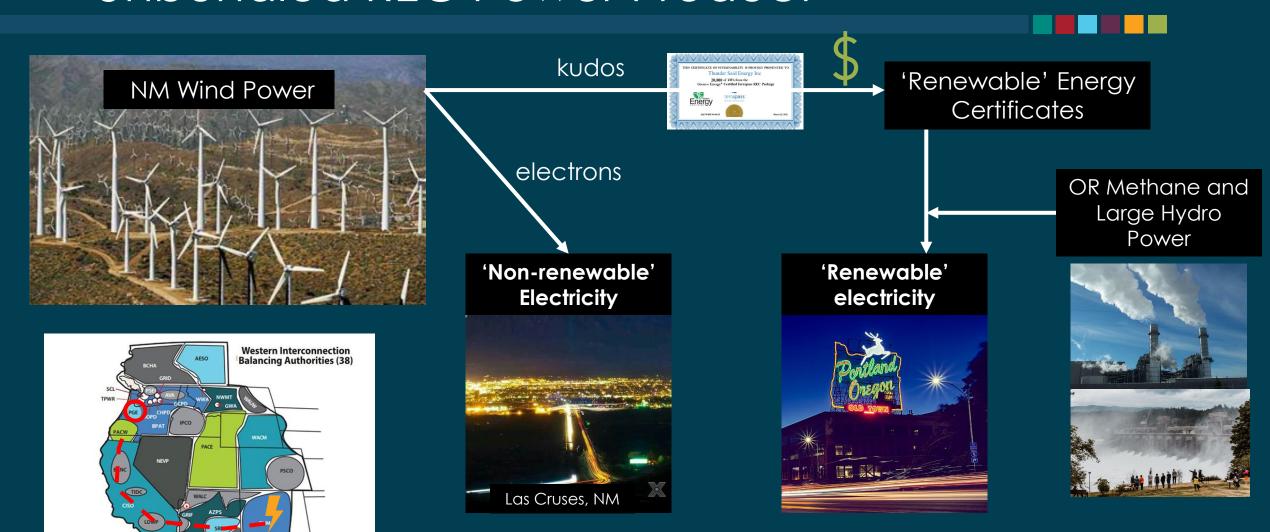






Unbundled REC Power Product

Boundaries are approximate and for illustrative purposes only.



Bundled REC Power Product





kudos

electrons

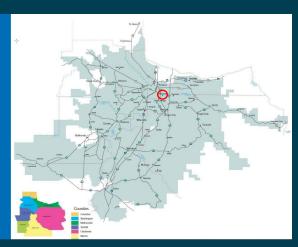
'Renewable' electricity



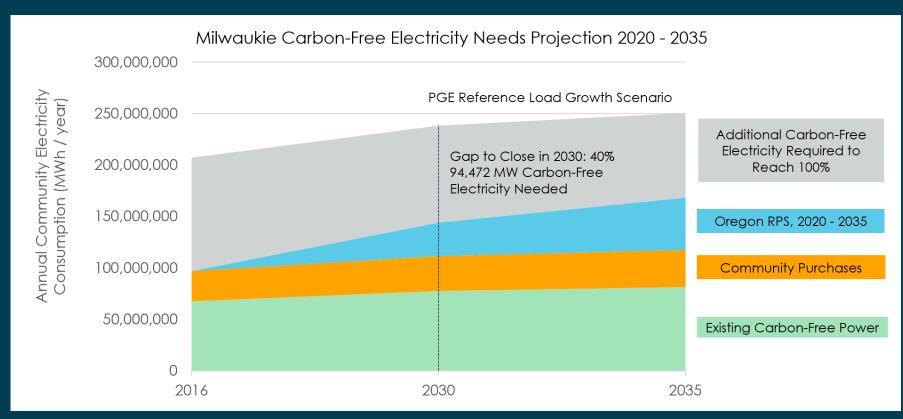


Onsite renewables, community solar, etc. gets complicated!

- Population of ~ 1.9 Million
- ~ 4,000 Square Miles
- 3,976 MW 2017 Peak Load
- 27,457
 Distribution
 Circuit Miles
- 1,250 Transmission Circuit Miles



Climate Goals + Electricity



Net zero electricity

By becoming more energy efficient and using renewable electricity sources, Milwaukie's net emissions from electricity are zero.

For carbon calculator discussion, revisit March 3rd, 2020 Council Update

Community Tariff Product – Goal product

- Bundled REC product to meet Milwaukie residential / small commercial electricity load
- Build carbon-free generation assets in PNW region, tied to PGE grid
- Voluntary opt-out participation model to increase participation rates
- 'Bank and Build' by saving premiums over X years to build by 2030
- Align with low-income rate programs for vulnerable communities
- 'Lock in' a premium as renewable energy demand increases
- Tailor product to Milwaukie community goals

Community Tariff History

- 2019 HB411 Utah Community Renewable Energy Act
- 2020 Focused PGE discussions on community tariff model
- 2021 HB 2021 (Clean Energy for All) and HB 2475 (Energy Affordability)
 - -- PGE Community Survey on Tariff
- 2022 Larger group discussions on tariff design
 - Review many concepts discussed in focused meetings
 - Tariff consensus building

Community Tariff – Next Milestones

- 1. PUC hosts community workgroup Fall 2022/Winter 2023
- 2. PGE shares draft tariff language to City*** Dec 31?
 - City reviews language, provides comments
- 3. PGE submits tariff to PUC
 - City to submit letter of support on concept
- 4. PUC reviews tariff language
- 5. PGE/City negotiate participation agreement
 - Outlines product features/design
- 6. PUC approves tariff
- 7. City signs participation agreement, commits via resolution/ordinance
- 8. Utility customers begin participation/opt-out

***Key questions to answer first:

- Rate expectations?
- Build timing?
- Sunsetting of assets?
- Credits?
- Backup plan?
- Existing renewable customers?

Community Tariff – Council Discussion

- 1. Does council still agree that utility-scale generation in the PNW region with a priority of affordability would be a product goal?
 - Can always include 'bonus items' in participation agreement conversations
- 2. Does council have any thoughts, asks, concerns for community engagement on design or informing community of new PGE product and voluntary opt-out model?
- 3. How does council want to advocate for the community tariff product at the PUC level?

