

COMMITTEE STAFF SUMMARY

Transportation and Infrastructure Committee

Resolution (Document 2025-070): Declare actions concerning Zenith Energy Terminal Holdings, LLC, including placing communications into the public record, demanding the Mayor to investigate violations of the Zenith franchise agreement, and urging the Auditor to conduct an investigation into the competing statements and arguments heard by Council on January 21st, 2025, by City staff, Zenith, and members of the public

Action Date: March 10, 2025

Action: Referred to City Council with recommendation to be adopted

Vote: 3 Aye, 2 Absent

Ayes: Koyama Lane, Green, Morillo

Nays: N/A

Absent: Smith, Clark

Impact Statements: Community Impacts and Community Involvement

Prepared by: Claire Adamsick, Council Operations Policy Analyst

Committee Meetings: March 10, 2025

WHAT THE RESOLUTION DOES:

The Resolution (Document number 2025-070) declares the City Council's interest in evaluating prior actions related to Zenith Energy Terminal Holdings, LLC (Zenith) and in involving the public in decisions affecting human and environmental health and safety. It directs Portland Permitting and Development and the Mayor to investigate potential violations of existing agreements, and to evaluate compliance with applicable land use laws. It directs specified City Bureaus and the City Attorney to disclose all prior communications between the City of Portland and Zenith. The resolution also demands that the Mayor pause any administrative actions related to Zenith while an investigation is in progress. Finally, the resolution urges the Auditor to investigate and report on the City's actions related to Zenith's Land Use Compatibility Statement applications.

ISSUES DISCUSSED:

- Public input prompting further investigation by the Council
- Relationship between transparent government decisions and public trust
- Long-term planning that protects public health and safety, while supporting the City's economic future

PUBLIC TESTIMONY IN COMMITTEE:

Four people testified during the committee meeting on March 10th. Seven people submitted written testimony: four people submitted individual comments and one person submitted a letter signed by representatives of 22 different community groups prior to committee action; two people submitted testimony after the committee meeting and prior to the full Council agenda posting.

General themes included:

- Transparency in the City's decision-making processes related to the franchise agreement

- Investigating Zenith Energy's potential violations of the franchise agreement
- Mitigating potential harm to communities along the Willamette River caused by increased rail traffic and the threat of a Cascadia Subduction Zone earthquake
- Ensuring that the City's actions are in compliance with the 2035 Comprehensive Plan and the North Reach River Plan

BACKGROUND:

In August 2017, the Portland City Council authorized a franchise agreement with LCP Oregon Holdings, LLC, to construct, operate and maintain pipeline facilities for the transport of petroleum products under city streets for a 20-year period. In September 2018, Council approved an amended franchise agreement to allow use of the pipeline system to transport renewable fuels and liquid intermediates, or secondary materials used in fuel production. In November 2018, Council approved the transfer of the franchise to Zenith Energy Terminals Holdings, LLC.

In 2021, the City denied Zenith's application for a Land Use Compatibility Statement (LUCS), a required permit to continue its operations, citing Zenith's application was not in compliance with the City's 2035 Comprehensive Plan. The City's authority and its decision to deny the application were upheld, respectively, by the Land Use Board of Appeals and Oregon Court of Appeals. In 2022, the City approved a new LUCS application from Zenith that included plans to phase out crude oil and transition to renewable fuels.

Zenith Energy is currently seeking a new air quality permit from the Department of Environmental Quality (DEQ). As part of its approval process, DEQ requested a LUCS from Zenith to cover properties adjacent to Zenith's terminal that were not included in the 2022 LUCS. The City approved the LUCS on February 3, 2025, and the LUCS is now under review by DEQ.

Environmental and community advocates have called attention to the potential consequences of fuel transport by rail, as well as conflicts between recent City actions and previous commitments, pointing to a 2015 Council Resolution opposing projects that would increase crude oil transport by rail through Portland. These groups have stated that Zenith's location within a liquefaction zone along the Willamette River would potentially cause catastrophic harm to communities and the environment in the event of a Cascadia Subduction Zone (CSZ) earthquake. A 2022 ECONorthwest report evaluated the potential impacts of fuel released in a CSZ earthquake, estimated to be between 94.6 million to 193.7 million gallons. Community stakeholders have also called for increased transparency in the City's negotiations with Zenith Energy. The City Auditor issued a warning to Zenith Energy on March 26th, 2024 after it found Zenith violated the City's lobbying regulations in connection with the 2022 LUCS application approval.