

Portland, Oregon
FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT
For Council Action Items

(Deliver original to Financial Planning Division. Retain copy.)

1. Name of Initiator David Tooze		2. Telephone No. 503-823.7582	3. Bureau/Office/Dept. BPS/Energy
4a. To be filed (date): December 12, 2011	4b. Calendar (Check One) Regular Consent 4/5ths <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		5. Date Submitted to Commissioner's office and FPD Budget Analyst: 12/12/2011
6a. Financial Impact Section: <input checked="" type="checkbox"/> Financial impact section completed		6b. Public Involvement Section: <input checked="" type="checkbox"/> Public involvement section completed	

1) Legislation Title:

*Authorize the City of Portland to execute a Contract-Specific Procurement agreement to purchase electricity from an Energy Service Supplier, if in the City's best interest.
 (Ordinance)

2) Purpose of the Proposed Legislation:

Portland bureaus pay approximately \$19 million per year on electricity. The electricity product that the City purchases is a bundling of three electricity industry components: power generation (power plant or wind farm); high voltage transmission (the big towers); and local distribution (the substations, poles and wires seen along city streets). This Ordinance would empower the Chief Procurement officer to obtain lower electricity rates by purchasing the generation and transmission parts of the City's electricity service from competitive marketers (called Energy Service Suppliers/ESSs) rather than from the distribution utility (PGE/PP&L). That process takes place during a five day enrollment window where ESSs offer a market based price for the generation/electricity supply part of the power bill. PGE/PP&L will continue to deliver the electricity over the local poles and wires at the same set of rates paid for a bundled electricity product. The City can choose to buy from an ESS on a year to year basis or long term.

A second purpose is to allow bureaus to purchase some or all of the power as renewable generated electricity using Renewable Energy Certificates (sometimes called Green Tags).

3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?

- City-wide/Regional Northeast Northwest North
- Central Northeast Southeast Southwest East
- Central City
- Internal City Government Services

FINANCIAL IMPACT

4) **Revenue:** Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.

The accounts participating in Open Access will have lower electricity bills for the generation part of their power bill. If ESS prices don't offer savings, then the City chooses not to enroll and remain a generation customer of PGE/PP&L.

Bureaus may also achieve goals for renewable power if that option is chosen.

The city's utility franchise revenue will DECREASE slightly as the ESSs DO NOT pay the city's 5% utility franchise /utility license fees. Only the larger utility accounts (Portland Bldg, Street Lights, Sewer pumping, Water pumping) are likely to participate. These accounts represent about 40% of our purchased electricity. If 40% is bought from an ESS, utility franchise revenue will decrease by approximately \$210,000/year. (70 MWh of load x \$60/MW = \$4.2 contract x 5% = \$210,000) Those bill reductions are passed through to the purchasing bureau as additional savings.

5) **Expense:** What are the costs to the City related to this legislation? What is the source of funding for the expense? *(Please include costs in the current fiscal year as well as costs in future years. If the action is related to a grant or contract please include the local contribution or match required. If there is a project estimate, please identify the level of confidence.)*

City franchise fees will drop by +/- \$210,000 (see explanation above). Purchases, BPS and the City Attorney's office will all have staff involvement.

6) **Staffing Requirements:**

- Will any positions be created, eliminated or re-classified in the current year as a result of this legislation? *(If new positions are created please include whether they will be part-time, full-time, limited term, or permanent positions. If the position is limited term please indicate the end of the term.)*

None.

- Will positions be created or eliminated in *future years* as a result of this legislation?

None.

(Complete the following section only if an amendment to the budget is proposed.)

7) Change in Appropriations (If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Fund Center column if new center needs to be created. Use additional space if needed.)

None.

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

[Proceed to Public Involvement Section – REQUIRED as of July 1, 2011)

PUBLIC INVOLVEMENT

8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:

YES: Please proceed to Question #9.

NO: Please, explain why below; and proceed to Question #10.

Open Access for purchasing electricity is an internal purchasing process that has potential impact citywide as a means to lower electricity bills.

9) If "YES," please answer the following questions:

a) What impacts are anticipated in the community from this proposed Council item?

b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?

c) How did public involvement shape the outcome of this Council item?

d) Who designed and implemented the public involvement related to this Council item?

e) Primary contact for more information on this public involvement process (name, title, phone, email):

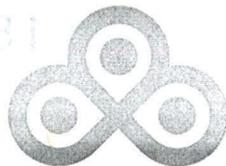
10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not.

This is an internal purchasing process. The City Council hearing provides the opportunity for public input.

Susan Anderson/Michael Armstrong



BUREAU DIRECTOR (Typed name and signature)



Bureau of Planning and Sustainability
Innovation. Collaboration. Practical Solutions.

MEMO

DATE: December 12, 2011

TO: Mayor Sam Adams

FROM: Susan Anderson, Director

1. **Ordinance Title:** * Authorize the City of Portland to execute a Contract-Specific Procurement agreement to purchase electricity from an Electricity Service Supplier, if in the City's best interest. (Ordinance)

2. **Contact:** Dave Tooze, BPS-Energy, 503-823.7582

3. **Requested Council Date:** December 14, 2011

4. Consent Agenda Item Regular Agenda Item

Emergency Item (explain below) Non-Emergency Item

5. **Purpose of Agenda Item:**

Portland bureaus pay approximately \$19 million per year on electricity. The electricity product that the City purchases is a bundling of three electricity industry components: power generation (power plant or wind farm); high voltage transmission (the big towers); and local distribution (the substations, poles and wires seen along city streets). This Ordinance would empower the Chief Procurement officer to obtain lower electricity rates by purchasing the generation and transmission parts of the City's electricity service from competitive marketers (called Energy Service Suppliers/ESSs) rather than from the distribution utility (PGE/PP&L). That process takes place during a five day enrollment window where ESSs offer a market based price for the generation/electricity supply part of the power bill. PGE/PP&L will continue to deliver the electricity over the local poles and wires at the same set of rates paid for a bundled electricity product. The City can choose to buy from an ESS on a year to year basis or long term.

A second purpose is to allow bureaus to purchase some or all of the power as renewable generated electricity using Renewable Energy Certificates (sometimes called Green Tags).



6. **History of Agenda Item/Background:** BPS, the City Attorney and Procurement investigated using an ESS back in 2007, and Council authorized the Chief Procurement Officer to enter into similar contracts. This authority wasn't used, however, because the power markets were too volatile with no significant bill savings. City staff believe that the market conditions are more stable now, and it may be possible to save some money. Also, use of an ESS opens a new avenue to purchase renewable power. Staff recommend investigating this option as well.

7. **Legal Issues:** None known.

8. **What individuals or groups are or would be supportive or opposed to this action?**

Most of the community is likely to support this because it's good stewardship and fiscally responsible. Non-public opposition might come from PGE, who would lose some revenue.

OMF may oppose due to loss of franchise fee income. The city's utility franchise revenue will DECREASE slightly as the ESSs DO NOT pay the city's 5% utility franchise /utility license fees. Only the larger utility accounts (Portland Bldg, Street Lights, Sewer pumping, Water pumping) are likely to participate. These accounts represent about 40% of the City's purchased electricity. If 40% is bought from an ESS, utility franchise revenue will decrease by approximately \$210,000/year. (70 MWh of load x \$60/MW = \$4.2 contract x 5% = \$210,000) Those bill reductions are passed through to the purchasing bureau as additional savings.

9. **How does this relate to current City policies?** The renewables component is related to the Climate Action Plan 2009.

