

IMPACT STATEMENT

Legislation title: *Authorize entering a High Pressure Gas Service Rider agreement with Northwest Natural Gas Company (NWN) for a Renewable Compressed Natural Gas fueling station, at the Columbia Boulevard Wastewater Treatment Plant, for an estimated cost of \$1,941,830. (Ordinance)

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Purpose of proposed legislation and background information:

Authorize entering a High Pressure Gas Service (HPGS) Rider agreement with NWN for a RCNG fueling station at the CBWTP.

The Bureau of Environmental Services (BES) will construct a Renewable Natural Gas (RNG) production facility at the Columbia Boulevard Wastewater Treatment Plant (CBWTP). The RNG facility will upgrade the biogas produced at the CBWTP to natural gas quality for use as RNG for vehicle fuel. The majority of the RNG will be injected into the natural gas pipeline, transported and sold to out of state markets. A portion of the RNG will be kept and directly used for the Renewable Compressed Natural Gas (RCNG) fueling station on site. The advantages for direct use of RNG are higher financial benefits (from higher price offset for diesel compared to commodity price) and the social and environmental benefits can be kept locally.

The RCNG fueling station will be installed on the property at the CBWTP, to fuel City owned Compressed Natural Gas (CNG) vehicles, as well as contractor owned or privately owned CNG vehicles with operations at the site. BES will have five bi-fuel CNG vehicles available this year and ready to use CNG or RCNG, when the fueling station becomes available. The RCNG fueling station could be made accessible for other private fleets in the future.

BES has planned to enter into an HPGS Rider, or Rate Schedule H, agreement with NWN for the installation of the RCNG fueling station. The HPGS Rider program, which is regulated by the Oregon Public Utility Commission, is designed for NWN to help build an alternative fuel infrastructure in the region. BES chooses the HPGS Rider program to install the RCNG fueling station because it provides the best chance to complete it before the tax credit sunset date, in order to receive the tax credit.

Per the HPGS Rider program, NWN will design, construct and maintain the RCNG fueling station over the term of the agreement, which will be for 10 years. There will not be upfront cost to BES, but all costs and expenses, by NWN will be reimbursed over the contract term, per the Cost Recovery Schedule stated in the agreement.

Major components of the RCNG fueling station consists of compression, storage and dispensing equipment. The fueling station will be capable of switching fuel supply between CNG and RNG; hence, RCNG. The fueling station will be fast-fill, and capable of fueling heavy-duty vehicles back-to-back with comparable fill time as traditional fuel.

There is an Alternative Fuel Vehicle Infrastructure tax credit, with an estimated amount of \$300,000, from the Oregon Department of Energy (ODOE), associated with the RCNG fueling station. The ODOE tax credit program is scheduled to sunset on December 31, 2017.

Financial and budgetary impacts:

The total cost to BES over the 10-year term of the agreement is estimated at \$1,941,830. The level of confidence in the cost estimate is high. While BES will carry an annual budget appropriation for the payments required under the agreement, the annual costs are expected to be offset by a combination of: revenues received from tax credit proceeds (in years 1 and 2), avoided costs in future years from not using traditional fuel sources, and revenue generated in RNG sales from the pipeline injection. Therefore, the agreement is not expected to result in any increased rate impact. The annual budget appropriation and related revenues will be requested in the FY2017-FY2021 Fall Budget Monitoring Process.

The project is consistent with City Policy for recovering resources, minimizing ratepayer impacts, aligning with the Climate Action Plan, helping to start the local RNG market, and keeping the social and environmental benefits locally.

Community impacts and community involvement:

The project will have significant positive impacts to the community. BES will have a RCNG fueling station on the treatment plant site, with vehicles operated on clean fuel of RNG. BES will also help develop a local market for RNG in the region, which currently doesn't exist. It is a tremendous renewable and sustainable story in producing vehicle fuel from wastewater treatment plant biogas, generating significant revenue to minimize ratepayer impacts, and consuming it locally to reduce air contaminants and greenhouse gas emissions. North Portland is known to have bad air quality, due to heavy truck traffic from major terminals and arterials. The project will be a step forward in addressing the dirty air impact in the North Portland.

There is already a Citizen Advisory Committee (CAC) established for the CBWTP projects, and the CAC is periodically updated, and provides feedbacks, on these projects, including this biogas project. Furthermore, CUB (Citizen Utility Board) and PUB (Public Utility Board) are involved in this project. They get regular project updates, and provide feedback to the project team, as well as input to the budget office.

Budgetary Impact Worksheet

Does this action change appropriations?

- YES: Please complete the information below.
- NO: Skip this section

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