



CITY OF ALBANY CITY COUNCIL AGENDA STAFF REPORT

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Reviewed by: NA

SUBJECT: Gas Line Decommissioning Pilot Project Preliminary Prioritization

REPORT BY: Michelle Plouse, Community Development Analyst
Justin Fried, Transportation & Sustainability Manager
Jeff Bond, Community Development Director

SUMMARY

Staff is seeking input and direction from Council regarding the prioritization of blocks for outreach in the gas line decommissioning pilot project. The input will be used to develop a detailed outreach plan.

CLIMATE ACTION COMMITTEE RECOMMENDATION

The Climate Action Committee recommended the following priorities during the development of the outreach plan for the gas line decommission pilot:

- Conduct some level of outreach to all 12 blocks; and
- Prioritize blocks that balance deliverability (defined by a fewer number of owners) and equity (defined by a larger number of multifamily buildings and higher renter populations).

STAFF RECOMMENDATION

That the Council direct staff to prioritize the initial Gas Line Decommissioning Pilot Project outreach to a limited number of blocks containing a variety of different characteristics.

BACKGROUND

Since 2020, the City of Albany has been developing an experimental pilot project with the goal of electrifying all buildings on one city block and decommissioning the corresponding section of the gas pipeline. To staff's knowledge, gas line decommissioning has never been attempted on a City-block scale. There have only been a handful of projects in very rural areas with a few buildings per project. The pilot is part of a developing strategy of zonal electrification, which aims to electrify buildings strategically and efficiently in geographic zones, rather than relying only on the current approach of incentivizing electrification on a by-appliance basis.

In addition to the efficiency benefits of gas line decommissioning, there is also an equity component to the project approach. As more homes in California transition to all-electric appliances, demand for natural gas will decrease while the costs to maintain the aging natural gas distribution system will hold steady or increase. The fixed costs phenomenon will likely disproportionately impact vulnerable populations such as low-income individuals and renters, as these populations will be paying higher prices for natural gas infrastructure and appliances and may not have the means to switch to all-electric appliances. The California Energy Commission (CEC) estimates that without intervention, the cost of natural gas will increase 480% by 2050. Low-income residents, especially those who do not own their homes, are most likely to be left stranded on the gas system with ballooning utility bills.

In order to decommission gas infrastructure, 100% of customers in the designated service area need to sign on. Otherwise, the project is in violation of Public Utilities Code Section 451, which prohibits utility companies from denying any property owner of natural gas service unless they have expressly stated that they do not want the service.

City staff have worked with PG&E staff to select potential pilot sites in Albany. Staff has identified 12 locations where the PG&E gas pipeline network comes to an end, making it hydrologically feasible to cap the pipeline without disrupting the rest of the system, and in a location where the pipeline would otherwise need to be repaired or replaced in the near future. In October 2023, the City was awarded a grant by the Department of Energy (DOE) to pursue the next phase of the project. This phase will take place over two years and will include intensive community engagement with potential project sites, building electrification analyses, deployment planning and negotiations for electrification and decommissioning, and reporting on findings and policy recommendations. The grant agreement is currently under review by the Department of Energy and is expected to be presented to the Council in the near future.

DISCUSSION

Project Timeline

The grant, once initiated, will cover a two-year period of work. Currently, staff is working with the DOE to finalize a grant contract and is developing a Request for Qualifications (RFQ) for outreach and engagement consultants to assist staff. The other initial task, which is the main subject of this memo, is the development of a strategy to prioritize the 12 potential pilot sites. The following is an outline of the work plan for the two-year grant period:

Year 1 - Community Outreach

- Hire consultants who specialize in community outreach
- Develop an outreach plan
- Conduct deep, intensive community outreach and engagement in selected locations

Year 2 - Energy assessments

- Hire consultants who specialize in building assessments
- Secure permission from building owners and tenants to conduct electrification and energy efficiency analyses of each building
- Compile reports of necessary work and cost estimates for each building and block

Year 2 - Deployment planning

- Develop a funding strategy for electrification
- Develop a template electrification agreement for building owners
- Discuss and negotiate with building owners with the goal of reaching 100% agreement on at least one block. This will include decisions about cost share, project scope, project management, etc.
- Select final block for project and collect electrification agreements from all building owners

Year 2 - Reports

- Develop reports to aid other jurisdictions, including state and federal agencies in future decommissioning projects and policy development
 - Outreach and engagement toolkit and assessment
 - Final pilot report
 - Policy recommendations report
 - Program design recommendations report

Future Phases

Assuming that the City successfully gets 100% agreement from all the building owners on one block, the pilot will enter the next phase, in which the actual electrification will take place. Funding for the electrification will not be covered by the DOE grant, and will need to be planned for during the deployment planning phase.

ANALYSIS

Strategizing Outreach

Before beginning outreach, the City must decide how many and which blocks to begin with. There are 12 blocks that staff have identified as potentially feasible decommissioning sites. Attachment 1 provides data about each of the blocks such as the number and types of buildings, number of units, and renter population. The locations of the blocks are still under a non-disclosure agreement with PG&E, and so they have been labeled A-L and the data provided in Attachment 1 has been rounded to the nearest multiple of 5.

Block Characteristics

One way to organize the blocks is by building mix. Blocks A-E have almost entirely single-family buildings (with the exception of two commercial buildings on block B). They are all

moderate size, with 10-30 units total. Block A is distinct in that it has almost 70% renters. Blocks B and C have some renters, about 30%, and D and E have very few renters. Blocks F-I have a mix of multifamily and single-family buildings (and a commercial building in the case of F and I). All are mainly comprised of renters (generally 80%). F and G have fewer and smaller multifamily buildings, and 20-30 units total, while H and I have 60 and 75 units respectively.

Finally, J, K, and L have a mix of single and multifamily buildings, including several condominium buildings. Condominiums are unique because there are a higher number of building owners. J and K have a moderately high number of units, and about half of the units are rented. K has only 10 units which are mostly owner-occupied.

Blocks could be prioritized for outreach based on a variety of factors. Two main metrics to consider are deliverability and equity impact.

- Deliverability is a measure of how likely the City is to be able to get 100% buy-in from the building owners and actually decommission the gas line. Blocks with a larger number of building owners will be more difficult. Blocks that have a larger number of units and older buildings will also be more expensive to electrify.
- Equity impact is a measure of how much potential for an equity benefits a given block has. For instance, blocks with a large number of multifamily units or renters will have larger equity benefits. There are also equity related factors that we don't have data for unfortunately, such as the number of low-income households on each block, or households that may have higher incomes but little liquid assets for retrofits. In some ways, equity and deliverability metrics are at odds. For instance, blocks with multifamily buildings (i.e. more units) are more equitable and less deliverable. Blocks with a small number of wealthy homeowners are more deliverable but less equitable.

Analysis of Prioritization

The 12 blocks can be broken into 3 groups when it comes to prioritization factors.

1. Blocks H, I, J, and K have a higher equity benefit, with multifamily buildings and a higher proportion of renters. However, they are not very deliverable because they have a high number of building owners, units, or both.
2. Blocks B, D, E, and L are more deliverable, with more single-family homes, and a smaller number of units and owners. However, they are mostly owner occupied and would provide less of an equity benefit.
3. Blocks A, F, and G fall somewhere in between, and more benefits on both sides of the equation. Block A is mostly single-family homes but also has a high renter population. It has a moderate number of owners and units, but there are also multiple sections of gas line on the block, meaning that there could potentially be a half-block project if necessary. G and F both have multifamily buildings and more renters, but the buildings are smaller and there are less units.

Another aspect to consider in prioritizing is the relationship between a group of blocks. For instance, the City could prioritize beginning with several blocks that are different from one another, for instance starting with one equity focused block, one deliverability focused block and one in between, or one with single family, one with multifamily, and one with condo buildings. Alternatively, the City could begin with blocks that are all similar to each other, maybe the three that seem the most balanced, or all the blocks with multifamily buildings. Of course, there are many potential approaches, and these are just a few examples.

Climate Action Committee Recommendation

The Climate Action Committee discussed options for prioritization in February. The Committee felt that deliverability and equity were the two factors of most importance and that blocks that strike a balance between these two should be prioritized. In the context of deliverability, the Committee was particularly focused on blocks with a smaller number of building owners, hence a smaller number of individuals who would need to agree to electrify. Regarding equity, they were interested in blocks with more multifamily buildings and renters. The Committee also expressed interest in conducting some level of outreach to all 12 blocks if possible.

Process and next steps

Staff is working with the Department of Energy to complete the grant agreement for approval by Council. Simultaneously, staff is working to find two consultants, one to help with the outreach process, and one to analyze building electrification. Once the consultant team is assembled, staff will work with them to create an outreach plan that will include the exact blocks where outreach will begin, as well as laying out a timeline and specific outreach strategies. The plan will be based on the priorities set by Council, as well as an analysis of the project budget and the consultants' recommendations on outreach strategies. The final plan will be brought back to the Council for approval.

SUSTAINABILITY CONSIDERATIONS

The pilot project as a whole will advance sustainability by working to electrify buildings and provide a pilot for targeted gas line decommissioning as a means of large-scale electrification. In terms of the prioritization discussion specifically, blocks with more housing units and buildings would theoretically have a larger climate impact if electrified. However, any successful electrification project would have a positive impact.

SOCIAL EQUITY AND INCLUSIVITY CONSIDERATIONS

The pilot project aims to advance equity at a larger scale because the targeted decommissioning approach would reduce stranded assets in the gas system and help prevent skyrocketing gas prices for lower income customers that can't afford to electrify. Targeted decommissioning

can also be used to help electrify the homes of those same under-resourced customers. Equity is also a consideration in the discussion of block prioritization. The Council may consider prioritizing blocks with a larger renter population or multifamily units as one way to address equity needs.

CITY COUNCIL STRATEGIC PLAN INITIATIVE

City Council Strategic Plan Initiative Goal 1, Objective 1 to “Advance Climate Action and Adaptation,” which includes a program to “Continue work to establish a pilot program for electrification of existing buildings.”

FINANCIAL CONSIDERATIONS

Setting policy priorities for the project will not have a financial impact. The City received a \$200,000 grant from the Department of Energy to pursue this pilot project. Contracts to deliver this project will be brought for City Council consideration under separate action.

Attachment

1. Decommissioning Site Data