CITY OF BEND

City Hall
710 NW Wall Street
Bend, OR 97703

ISSUE SUMMARY

Subject

Approve a motion to pursue the development of a fee on natural gas installed in new residential construction and engage in public activities to inform fee exemptions and implementation.

Overview

Staff Member, Department:

Cassie Lacy, City Manager's Office

Meeting Date:

February 18, 2026

Action(s) Required:

☐ Consent Agenda ☐ Ordinance First Reading ☐ Public Hearing

☐ Information/Direction ☐ Ordinance Second Reading ☐ Resolution

☒ Motion

Recommended Motion

I move to direct staff to pursue the development of a fee on natural gas appliances installed in new residential construction set at the 20% level of the maximum potential fee based on the proposed fee calculation as presented by staff, and for staff to coordinate Council-led public engagement to inform the exemptions and implementation timeline of the fee.

Issue/Council Decision & Discussion Points

- Staff is seeking Council direction for the development of a fee on natural gas appliances and the public engagement process to gather feedback to develop the fee.
- Based on Council discussion at a work session on February 11, 2026, staff will pursue development of a fee on natural gas appliances in new residential construction, set at 20% of the maximum potential fee based on a calculation that factors in the social cost

of carbon, the net carbon emissions from the gas appliance, and a tier factor that accounts for relative size of the home.

- In order to get stakeholder input to inform the potential exemptions to the fee and the implementation of the fee, the Council will hold the following public engagement activities:
    - A roundtable meeting of the Council to include the Chair or other designated representative from each of the following bodies or organizations:
        - Environment and Climate Committee
        - Bend Economic Development Advisory Board
        - Affordable Housing Advisory Committee
        - Human Rights and Equity Commission
        - Bend Chamber of Commerce
        - Central Oregon Builders Association
        - Energize Bend Coalition
        - a labor union representative
        - Pacific Power
        - Cascade Natural Gas
        - Central Electric Cooperative

    - A Council Work Session on April 22, 2026, with the goal of Council providing direction on fee exemptions and implementation, as well as any other final adjustments to the fee design.
- A special meeting in May or June 2026 to adopt the fee policy, which will include a public hearing.

Background

The City has been exploring policies to reduce the use of natural gas in buildings since the FY23-25 biennium as a key component of achieving the City's climate action goals. The City has climate action goals to reduce greenhouse gas emissions communitywide by 40% by 2030 and by 70% by 2050. The 2025 Community Climate Action Plan update calls for developing policies that reduce the use of fossil fuels in buildings in Bend. Additionally, the FY25-27 Council Goals include an action in the Climate Resiliency goal area to create an incentive and disincentive package to encourage electrification of buildings.

In April 2025, City Council directed staff to pursue the development of a fee on natural gas appliances, and to explore using the revenue from the fee to further incentivize electrification of residential structures in Bend. The fee would help to recover the costs to the community of the continued use of gas appliances and can also disincentivize gas appliances in Bend. In subsequent work sessions in August, October, and December 2025, staff presented to Council information about a potential fee, including a review of similar fee policies implemented

elsewhere, analysis regarding the costs and benefits of potential fee policies, and options for public engagement to inform policy decisions.

The proposed fee calculation is:

Fee Amount = Social Cost of Carbon x Net Lifetime Carbon Produced x Tier Factor, where the following definitions apply:

- **Social Cost of Carbon (SCC):** monetary value of the societal cost of each metric ton of carbon dioxide equivalent (CO2e) produced
- **Carbon Produced**: the total amount of carbon produced by each appliance of equipment within an average-size single-family home in a year
- **Life of Equipment**: the estimated total number of years the equipment remains in service and produces carbon emissions
- **Tier Factor**: a factor to scale the fee to account for lower or higher anticipated energy usage and carbon emissions based on the size of the housing unit
- **Net Lifetime Carbon Produced**: (**Gas** Carbon Produced x Service Life) – (**Electric** Carbon Produced x Service Life)

This calculation determines the maximum potential fee the City could charge to account for the costs associated with natural gas equipment. On February 11, 2026, Council held a work session to discuss the proposed fee calculation, including the recent staff changes to that calculation to incorporate the principle of "net" emissions from new gas appliances. The Council also considered whether to set the fee at a level less than the fee amount generated by the above equation. Ultimately, Council directed staff to pursue a fee level set at 20% of the maximum fee level. They also directed staff to coordinate public engagement activities to inform remaining policy questions relating to fee exemptions and implementation.

Budget and Financial Impacts

The City has paid roughly $49,000 to a consultant to inform the fee development. Staff expects minimal additional costs to conduct the remaining stakeholder engagement and finalize the fee policy. Future consultant costs are expected relating to stakeholder engagement regarding the future use of the fee revenue. The current consultant contract includes scope to assist with this next step and the total contract not-to-exceed amount is $119,600. The cost of this contract was included in the 2025-2027 Biennial Budget.

Community Outreach Process and Potential Impacts

Staff have been conducting community outreach throughout the electrification policy project with several Council advisory bodies, including the Environment and Climate Committee, the Bend Economic Development Advisory Board, the Affordable Housing Advisory Committee, and the Human Rights and Equity Commission. In April, August, October and December 2025 and February 2026, Council held work sessions focused on the electrification policy options and

fee development; these work sessions have been open to the public. Council has received a significant level of public comment through public testimony at recent City Council meetings.

Reviewers

Department Director

Cate Schneider

Financial

Samantha Nelson

Legal

Ian Leitheiser

Attachments

- none

Accommodation Information for People with Disabilities & Language Assistance Services
You can obtain this information in alternate formats such as Braille, electronic format, etc. Free language assistance services are also available. Please email **accessibility@bendoregon.gov** or call 541-693-2198. Relay Users Dial 7-1-1. All requests are subject to vendor processing times and should be submitted 48-72 hours in advance of events.

Servicios de asistencia lingüística e información sobre alojamiento para personas con discapacidad
Puede obtener esta información en formatos alternativos como Braille, formato electrónico, etc. También disponemos de servicios gratuitos de asistencia lingüística. Póngase en contacto en correo electrónico **accessibility@bendoregon.gov** o número de teléfono 541-693-2198. Los usuarios del servicio de retransmisión deben marcar el 7-1-1. Por favor, envíe sus solicitudes con 48-72 horas de antelación al evento; todas las solicitudes están sujetas a los tiempos de procesamiento del proveedor.