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David G. Shaff, Administrator

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MEMORANDUM

October 01, 2012

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TO: David Shaff – Administrator
Portland Water Bureau (106/601)

FROM: Frank Galida, P.E. Portland Hydroelectric Project Manager *Frank Galida*
Hydroelectric Power Division (106/530)
Portland Water Bureau

SUBJECT: Hydroelectric Power Division's Fall Budget Monitoring Report for FY 2012-13

Attached are the Fall Budget Monitoring Reports for the three City Funds that are managed through the Hydroelectric Power Division. As required by OMF, attached are FY 2011-12 BRASS Fund Reconciliation Reports for the Hydropower Funds and a performance measures report for FY 2011-12. We also have a Budget Amendment Request report that will move current budget authorization from existing fund transfer line items into two new line items that have only recently been set up to make those cash transfers be better trackable in SAP. There is also a request to increase the authorization for Miscellaneous Expenditures in the Hydroelectric Power Operating Fund. The following is a brief synopsis of the attached reports for the three Hydroelectric Power Funds:

Hydroelectric Power Operating Fund No. 601

- This fund ended FY 2011-12 with a positive net balance of \$381,929. That is 100.0% (\$191,001) higher than that which had been projected for Fund 601 in the FY 2011-2012 budget. It is also \$22,729 higher than that which had been projected as a beginning balance for Fund 601 in FY 2012-13.

Hydroelectric Power Bond Redemption Fund No. 611

- In FY 2011-12, all required power sales payments from PGE to this fund, and debt service payments from this fund to the Hydropower bondholders, have been made as scheduled.
- As of the FY 2011-12 year end, the total fund ending balance was 100.0% of the budgeted amount.

Hydroelectric Power Renewal and Replacement Fund No. 618

- In FY 2011-12, several smaller repair and replacement projects at the Portland Hydroelectric Project were paid for out of this fund.
- As of the FY 2011-12 year end, the total ending balance for this fund was 100.3% of the budgeted amount.

Power Generation Status at the Portland Hydroelectric Project

The Portland Hydroelectric Project (PHP) finished its Contract Year 2010-11 (9/1/2010 through 8/31/2011) with a total amount of power generation that was roughly 122.4% of its historical average. That level of power generation was 5.1% above the amount that was projected in the FY 2011-2012 budget. The specific reconciliation payment for power produced at the Portland Hydroelectric Project in Contract Year 2010-11 was actually received in December of 2011.

The PHP recently finished its Contract Year 2011-12 (9/1/2011 through 8/31/2012) with a total amount of power generation that was roughly 117.9% of its historical average. That made for the fifth highest annual power generation total at this project in its 31 year operating record. This level of power generation was also 13.3% above the amount that was projected in the FY 2012-13 Budget. The specific reconciliation payment for power produced at the Portland Hydroelectric Project in Contract Year 2011-12 should be received in December of 2012.

As shown in the Performance Measures for the FY 2012-13 Adopted Budget, the amount of PHP power generated in CY 2012-13 will be significantly lower than the average annual amount that has been generated in the recent past. This has to do with PHP Powerhouse No.2 having to be held off-line for the entire year while a multi-level water intake structure is added to the North Intake Tower at Bull Run Dam No.2. The financial impact from this outage won't be felt in the Hydropower Operating Fund until FY 2013-14 when the reconciliation payment for CY 2012-13 is received in December of 2013.

Should you have any questions regarding the information attached, please feel free to call me at 503-823-7517.

FRG 2012-13-FALL BUMP MEMO - HYDROPOWER

cc: Mike Stuhr
Mary Leung
Ryan Kinsella

BUDGET AMENDMENT REQUEST

Portland Water Bureau

PERIOD Fall BuMP

FISCAL YEAR FY 2012-13

WA_008 - Hydro Ops Fund Cash Transfer Accounts

Hydropower periodically needs to have money transferred from the Hydro R&R Fund Account that is being held by the Hydro Bond Trustee to the Hydro Operating Fund with the Hydro Bond Trustee. In order for the revenue part of that transaction to be properly logged in SAP for the Hydro Operating Fund, a new object code had to be created. This request transfers the budget authorization from the general cash transfer revenue object code to the newly created object code that is specific to the Hydropower Trustee accounts.

Dollar Amount: \$0
Type: Technical Adjustment
Resources: Internal Transfer

WA_009 - Hydro R&R Fund Cash Transfer Accounts

Hydropower periodically needs to have money transferred from the Hydro R&R Fund Account that is being held by the Hydro Bond Trustee to the Hydro Operating Fund with the Hydro Bond Trustee. In order for the expense part of that transaction to be properly logged in SAP for the Hydro R&R Fund, a new object code had to be created. This request transfers the budget authorization from the general cash transfer expense object code to the newly created object code that is specific to the Hydropower Trustee accounts.

Dollar Amount: \$0
Type: Technical Adjustment
Resources: Internal Transfer

WA_012 - Hydro Miscellaneous Expense Adjustment

The Hydropower Operating Fund will need the budget authority to implement an agreement with PGE that will reimburse PGE for specific repairs at the Portland Hydroelectric Project that do not meet the requirements to qualify for reimbursement from the Hydropower R&R Fund. The funding for this adjustment will come from the Fund's Contingency.

Dollar Amount: \$0
Type: New Request
Resources: Bureau Contingency

Prior Year Fund Reconciliation Report

	FY 2011-12 Revised Budget	FY 2011-12 Year-End Actuals	Percent of Actuals to Revised
601 - Hydroelectric Power Operating Fund			
EXPENDITURES			
Personnel Services	262,380	251,162	95.72
External Materials and Services	195,900	91,160	46.53
Internal Materials and Services	234,674	175,136	74.63
Bond Expenses	15,847	15,243	96.19
Fund Transfers - Expense	390,794	390,794	100.00
Contingency	190,928	<u>381,929</u>	0.00 200.0
TOTAL EXPENDITURES	1,290,523	923,495 1,305,424	71.56 101.2
REVENUES			
Budgeted Beginning Fund Balance	195,161	<u>266,369</u>	0.00 136.5
Interagency Revenue	63,500	61,856	97.41
Fund Transfers - Revenue	125,612	<u>50,066</u> 612	0.49 39.9
Miscellaneous	906,250	927,133	102.30
TOTAL REVENUES	1,290,523	989,000 1,305,424	76.66 101.2

Fund Reconciliation Narrative

External Materials and Services (47%) - This under-expenditure variance is primarily due to the fact that the budgeted amount includes a place holder for unidentified repair and replacement work for the Portland Hydroelectric project (PHP) and in FY2011-12, there have not been a lot of renewal and replacement projects required for the facilities of the PHP. Therefore, the expenditures from this Fund have ended up being less than budgeted.

Internal Materials and Services (75%) - This under expenditure is primarily due to the actual amount of services provided by Water to Hydropower being less than those which been budgeted for.

Contingency (200.0%) – This variance reflects the higher than budgeted Beginning Fund Balance, the lower than budgeted I/A charges from Water, and then Hydropower being very careful with its external service expenditures.

Budgeted Beginning Fund Balance (137%) - The amount of Hydroelectric Power Generation that occurred at the Portland Hydroelectric Project during the previous year was higher than projected and so power sales revenues were also higher than projected.

Fund Transfer – Revenue (40%) - These cash transfers are made from Fund (No.618) to the Hydropower Operating Fund (No. 601) to pay for repair and replacement work at the Portland Hydroelectric Project (PHP) as those needs arise. This variance is due to the fact that the budgeted amount includes a place holder for unidentified work and in FY2011-12, there have not been a lot of renewal and replacement projects required for the facilities of the PHP. Therefore, the transfers from the Hydropower Renewal & Replacement Fund to the Hydropower Operating Fund have ended up being less than budgeted. There has also been an accounting issue come up that has delayed the entry of the one transfer that did occur so that it was not loaded into SAP until AP 13.

Prior Year Fund Reconciliation Report

	FY 2011-12 Revised Budget	FY 2011-12 Year-End Actuals	Percent of Actuals to Revised
611 - Hydroelectric Power Bond Redemption Fund			
EXPENDITURES			
Unappropriated Fund Balance	4,534,329	<u>4,536,594</u> 0	<u>100.05</u> 0.00
Bond Expenses	2,711,765	2,711,764	100.00
TOTAL EXPENDITURES	7,246,094	2,711,764 7,248,358	97.42 100.03
REVENUES			
Budgeted Beginning Fund Balance	4,451,694	<u>4,418,337</u> 0	<u>99.25</u> 0.00
Miscellaneous	2,794,400	2,830,021	101.27
TOTAL REVENUES	7,246,094	2,830,021 7,248,358	99.06 100.03

Fund Reconciliation Narrative

Prior Year Fund Reconciliation Report

	FY 2011-12 Revised Budget	FY 2011-12 Year-End Actuals	Percent of Actuals to Revised
618 - Hydroelectric Power Renewal Replacement Fund			
EXPENDITURES			
Fund Transfers - Expense	125,000	125,000 49,434	100.0 39.6
Contingency	9,665,050	9,665,050 9,772,155	100.0 101.1
TOTAL EXPENDITURES	9,790,050	9,790,050 9,821,589	100.0 100.3
REVENUES			
Budgeted Beginning Fund Balance	9,481,050	9,481,050 9,404,997	100.0 99.2
Miscellaneous	309,000	416,592	134.82
TOTAL REVENUES	9,790,050	9,897,642 9,821,589	101.1 100.3

Fund Reconciliation Narrative

Fund Transfers - Expense (40%)

These cash transfers are made from this Fund (No.618) to the Hydropower Operating Fund (No. 601) to pay for repair and replacement work at the Portland Hydroelectric Project (PHP) as those needs arise. This under-expenditure variance is due to the fact that the budgeted amount includes a place holder for unidentified work and in FY2011-12, there have not been a lot of renewal and replacement projects required for the facilities of the PH P. Therefore, the transfers from this Hydropower Renewal & Replacement Fund to the Hydropower Operating Fund (Fund No. 601) have ended up being less than budgeted. There has also been an accounting issue come up that has delayed the entry of the one transfer that did occur so that it was not loaded into SAP until AP 13.

Miscellaneous Revenues (135%)

From the time that the budget request was submitted in January, 2011 to the time that the annual billing statement to PGE for the PHP's Contract Year 2011-12 (October, 2011 to September, 2012) was finalized in October of 2011, the amount needed in power sales to this Fund increased by \$104,216 or 34% of the Miscellaneous Revenues budget amount for this Fund. The other part of this variance is associated with the available interest rates for re-investing of the cash balances in this Fund.

Portland Water Bureau

Performance Measures

<u>Performance Measure</u>	<u>Type</u>	<u>FY 2010-11 Year-End Actuals</u>	<u>FY 2011-12 Year-End Actuals</u>	<u>FY 2012-13 Revised Budget</u>	<u>FY 2013-14 Performance No Dec Pkg</u>	<u>FY 2013-14 Performance With Dec Pkg</u>
WA_0041 - Power Sold to PGE (mwh)	EFFECTIVE	103,301	103,188	50,400	0	0
WA_0042 - Transfer of Hydropower Profits to General Fund	EFFICIENCY	\$250,000	\$300,000	\$500,000	\$0	\$0

Performance Measure Variance Descriptions