

To: Portland Utility Board (PUB)

From: Melissa Merrell, PUB Analyst

Re: Hydropower Contracts Discussion Guide Cultivated from Member Submitted Comments

On: August 23, 2017

I've catalogued your responses regarding the hydroelectric power contracts for your discussion on August 24.

Discussion Item #1: Risk for Water Customers.

While the Water Bureau acts as a manager for the hydroelectric power project and the funds are distinct and separate, operational decisions about water supply may impact a guaranteed delivery contract for hydroelectric power. The direct risk of any failure of the Hydroelectric Power Bureau to deliver guaranteed power would fall the General Fund. However, given the resource constraints of the General Fund and numerous competing high-priority needs for those limited resources, if the City must pay under-delivery charges due to operational decisions for water supply, it's likely there would be a desire for the General Fund to be compensated by the Water Fund and Water Customers.

Under the previous contract with PGE, the Water Bureau wasn't required to bear the costs of its operational decisions when they negatively affected hydroelectric power production. Members of the PUB are concerned about the potential costs that may eventually be borne by Water customers under the new agreement.

Discussion Item #2: Timeliness and Transparency of Process.

Members of the PUB continue to have concerns about the timeliness and transparency of decisions of the Water Bureau. Specifically, for the hydroelectric power contracts, these concerns include:

- Is the negotiated deal with PGE is the best value? Because the contracts weren't open for competitive bids, it's difficult to judge the value of the current proposed contracts.
- How are people to know that the City has the best deal? When the City makes a transactional decision that includes non-disclosures agreements there is a lack of transparency of the use of public funds.

- Why is a policy discussion with uncertain risks happening at the last minute? PGE's decision to not renew its Power Sales Agreement was known two years ago, yet the discussion with the board and the council wasn't started until early summer. The board knows that several staff within the bureau have been working for the past several months to negotiate contracts but there was a lack of bureau coordination of message and communication with its oversight board.
- Is this a further blow to public trust of the Water Bureau? As managers of the project, the public sees hydroelectric power as a Water Bureau activity. The rushed presentation and lingering questions about transparency reflect on the Water Bureau.

Discussion Item #3: Ongoing Engagement

The PUB is committed to working with the Water Bureau to address these issues of communication and transparency and knows that it takes time to change the culture of the bureau to incorporate its oversight committee earlier in the process for items such as these. If the contracts before City Council are approved, the PUB will monitor the interaction of the bureau's supply decisions and the performance of the hydroelectric project to ensure it doesn't result in costs for Water customers. The PUB will request regular reporting of the Hydroelectric Fund and the degree to which performance follows estimated costs and revenues.