

# Hydroelectric Power Renewal Replacement Fund

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**Managing Bureau:** Portland Water Bureau

**Statement of Purpose:** The Hydroelectric Power Renewal and Replacement (R&R) Fund is a sinking fund for the City of Portland's Portland Hydroelectric Project (PHP). It provides resources to fund the repair, renewal and/or replacement of equipment and facilities at the PHP that become damaged or worn out and that are not considered to be of routine maintenance in nature. The existence of this fund is required by the PHP Power Sales Agreement (PSA) between the City of Portland and Portland General Electric (PGE). It is primarily funded by the sale of power generated at the PHP. Its assets are held in trust accounts by the Trustee for the City's Hydroelectric Power Revenue Refunding Bonds, Series 2006.

**Sources of Revenue:** This fund was initially funded out of the bond proceeds from the 1979 Portland Hydroelectric Power Revenue Bonds sale. It was then further funded by means of annual power sales revenue from PGE. In 2006, as a part of the Series 2006 Hydroelectric Power Revenue Refunding Bond issue finances, all previous R&R Fund resources above a balance of \$8,000,000 were transferred out of the fund and were split evenly between the City of Portland and PGE. From 2006 to the present day, PGE makes monthly power sales payments to this fund based on the requirements contained in the PHP Power Sales Agreement with the City of Portland and the Trust Indenture for the Series 2006, Hydroelectric Power Revenue Refunding Bonds.

**Contingency Requirements:** Per Financial Policy 2.04, contingency funds should be used to address reasonable but unforeseen requirements within the fiscal year. There are no minimum or maximum contingency requirements for the Hydroelectric Power Renewal Replacement Fund.

**Reserve Requirements:** There are no reserve requirements for this fund.

**Disposition of Funds:** At the conclusion of the current PHP PSA with PGE (08/31/2017), the value of the assets in the Hydroelectric Power R&R Fund will be used to offset any existing negative "Share the Savings" balance associated with the PHP PSA finances. As much of the R&R Fund balance as is needed to satisfy that negative amount would be transferred directly to PGE. Any amounts left in the R&R Fund after that reconciliation would then be split evenly between PGE and the City. The amount going to the City could either be used to set up a new R&R Fund for the PHP's future repairs or transferred to the General Fund. Once the final reconciliation of the finances for the PHP have been prepared and agreed to by both the City and PGE, a final disposition of the remaining funds in this Fund will be made. That transaction will likely take place in December of 2017 or January of 2018.