



37626

Resolution

Authorize the Portland Water Bureau Director to execute and submit hydropower license renewal application to the Federal Energy Regulatory Commission by February 2024

Adopted

WHEREAS, in 1979, the City applied for and accepted hydropower license #2821 from the Federal Energy Regulatory Commission (FERC) to construct and operate the Portland Hydroelectric Project (Project) (Ordinance Nos. 147483 and 144455); and

WHEREAS, the Project, consisting principally of two powerhouses and appurtenances located at the Portland Water Bureau's Bull Run Dams 1 and 2, has operated self-sufficiently for more than 40 years, providing a reliable source of low-carbon electricity to the Portland metropolitan electricity grid and \$13 million in revenues to the City; and

WHEREAS, the City's hydropower license expires in February 2029; and

WHEREAS, FERC requires applicants seeking to renew their hydropower license to conduct a rigorous five-year application process featuring formal stakeholder review, tribal nations consultation, community input, and environmental regulatory oversight; and

WHEREAS, FERC additionally requires extensive pre-application materials to be submitted for its review no later than February 2024 if the City intends to renew its hydropower license; and

WHEREAS, a decision to initiate the relicensing process and develop the required pre-application materials is not a final decision by the City to renew its hydropower license; and

WHEREAS, the City will make a final decision on whether to renew its hydropower license during the five-year relicensing process following community and stakeholder input and additional analysis and consideration of the anticipated costs and benefits of continued hydropower production; and

WHEREAS, the Project's two powerhouses, the associated piping, and the intake structure at Dam 1 enable the Portland Water Bureau to move water between two supply reservoirs to meet the water supply needs of the metro area during summer, to optimize water temperature and water quality to customers, and to provide downstream flow and water quality management

Introduced by

[Commissioner Mingus Mapps](#)

Bureau

[Water](#)

Contact

Edward Campbell

Water Bureau Deputy Director

✉ edward.campbell@portlandoregon.gov

☎ [503-823-2794](tel:503-823-2794)

Requested Agenda Type

Regular

Date and Time Information

Requested Council Date

July 19, 2023

Time Requested

15 minutes

in the Bull Run River in compliance with state and federal endangered species and clean water requirements; and

WHEREAS, the Project is a division of the Portland Water Bureau and the two entities are managed as individual enterprises with distinct costs and revenue streams that are assigned based on cost-of-service principles across separate and shared infrastructure, programs, and staffing; and

WHEREAS, the initial cost-of-service assignment for the license renewal is estimated to be equal between the two enterprises, based on the current understanding of the Project's contributions to the Portland Water Bureau; and

WHEREAS, the City will conduct further technical review of the cost-of-service assignment during the license renewal pre-application process and adjust the cost split if necessary.

NOW, THEREFORE, BE IT RESOLVED, that the Portland Water Bureau Director is authorized to execute and submit on behalf of the City, by February 2024, an application request, including all required pre-application materials, to FERC to renew hydropower license #2821; and

BE IT FURTHER RESOLVED, that the Project and the Portland Water Bureau are authorized to fund the pre-application and license renewal process and documentation in initially equal shares, pending technical review to determine whether a different share of costs is necessary; and

BE IT FURTHER RESOLVED, that the Portland Water Bureau will provide written updates to each Council office regarding the status, costs, and outcomes of the relicensing process, including the anticipated timing of a final Council decision on relicensing and any proposed changes to the cost-of-service assignment, no less than once per year starting in 2024 through the expiration of the current license in 2029; and

BE IT FURTHER RESOLVED, this resolution is binding City policy.

Impact Statement

Purpose of Proposed Legislation and Background Information

The requested Council action authorizes the Portland Water Bureau to initiate the federal relicensing process necessary to continue generating and selling electricity from the City's hydroelectricity project (Project). The City established the Portland Hydroelectric Project (PHP) and installed hydroelectric production facilities at the two Bull Run drinking water supply dams in the early 1980's. The Project has operated self-sufficiently since then while contributing \$13 million in revenues to the City via power sales. The required federal license from the Federal Energy Regulatory Commission (FERC) expires in 2029. To maintain the option of generating and selling electricity from these facilities beyond 2029, the City needs to develop a detailed pre-application document for submission to FERC by February 2024. A highly structured, five-year federal relicensing process would follow and include substantial technical analysis and review and comment regarding the City's hydroelectric facilities by FERC, environmental regulators, tribal nations, stakeholders, and the public. The current Council action is not a final decision to renew the license –

that decision will come following the technical review and stakeholder input associated with the formal license renewal process and updated information regarding operating conditions and projected cost-benefits for maintaining the license.

The Council action further authorizes Portland Water Bureau and PHP, which function as individual self-funded enterprises, to share the costs for relicensing over the next six years evenly, pending further cost of service analysis to adjust the cost split if necessary.

Financial and Budgetary Impacts

The Council action does not include any specific budgetary actions. There are numerous regulatory efforts necessary to renew the license over the next six years that will involve the use of City staff time, expert technical contractors, and legal consultants. These allocations will be described and included in the Portland Water Bureau and PHP budgets through 2029 and Council will have the opportunity to consider and review through the next six annual budget processes.

The high-level summary of estimated costs and resource allocations to the relicensing process over the next six years are as follows:

- 4 FTE of staff time through FY 2028-29 (dispersed among several different technical positions within the Portland Water Bureau's engineering services group, environmental compliance division, and the Portland Hydropower project manager and dam safety officer),
 - Two of these FTEs are existing and two are being requested as new in the FY2023-24 PWB budget,
- \$6,750,000 in expert technical assistance to provide process, outreach, and decision-making support, technical analysis, and development of final regulatory documents to meet FERC requirements and deadlines,
- \$600,000 in expert contract legal services to augment the technical expertise, legal analysis, and risk management of the City Attorney's Office, and
- \$650,000 in engineering consulting services to analyze and address dam safety issues and provide infrastructure planning and cost estimates if necessary.

External contracting will be implemented through City Procurement Services and include separate (from this requested action) Council review and approval of contracts per procurement rules as necessary. The estimated relicensing costs above are included in Portland Water Bureau and PHP's five-year financial plans.

These estimates are intended to capture a mid-level assessment of anticipated costs based on other recent hydropower relicensing processes in the Pacific Northwest. The actual costs of relicensing may be higher or lower based on the overall level of complexity of the process and the number of FERC-required studies that may be necessary. Because the PHP is associated with the City's drinking water system, which has gone through an extensive environmental regulatory process to mitigate for system impacts to federally listed anadromous fish species, there is a reasonable likelihood of a straightforward relicensing process. However, City staff cannot at this time

predict the particular outcomes that may unfold during relicensing. This resolution commits the bureau to regular reports back to the Council during relicensing to share process status, process cost updates, and the schedule for a final relicensing decision by the City.

An important consideration regarding the anticipated costs of relicensing is that choosing not to relicense does not enable the City to avoid this level of expenditure. If the City chooses to not initiate relicensing, it will by default be deciding to surrender the current license in 2029. Should that happen, the City will be required to commence a formal federal license surrender process with FERC in February 2024 that requires the same level of staff and external consultant expenditures as relicensing over a multi-year period. If the Council approves the requested action to initiate relicensing, the City will retain the option to surrender later in the relicensing process if necessary. Early analysis of a license surrender option indicates that it would create significant negative financial impacts to the Portland Water Bureau due to increased costs caused by the need to replace key drinking water operational functionality currently provided by the hydropower facilities and would also eliminate hydropower revenues as a funding stream to the General Fund.

Community Impacts and Community Involvement

For 40 years, the 36-megawatt capacity PHP has produced enough energy to power 8,000 – 10,000 homes annually while contributing \$13 million in revenues to the general fund, helping to support essential city services while providing a reliable source of renewable, low-carbon electricity. Its impacts both Portland Water Bureau drinking water service and the Portland metropolitan electrical grid. The facilities have leveraged the infrastructure, policy, and program investments the City has placed in its drinking water system to provide additional power and financial benefits to the region.

Support for the City's continued hydropower operations will likely depend on the future assessment of whether the projected costs and benefits of renewing outweigh those of surrendering the license. The requested council action will enable the development of analyses and outside review through the formal pre-licensing and license renewal processes to inform this decision. No stakeholder inputs are currently expected regarding the decision to initiate the relicensing process. The process itself includes robust stakeholder engagement to help inform and document stakeholder perspectives on the future Council decision on license renewal.

The license renewal process is structured to function as a specialized National Environmental Policy Act (NEPA) review. Key stakeholders will include the regulating agencies of FERC, the National Marine Fisheries Service, the US Fish and Wildlife Service, and the Oregon Department of Environmental Quality; tribal nations; other local governments; non-governmental organizations; and all interested members of the public. Analyses, proposed actions, and conditions are all subject to public review and comment. The City will be required to conduct structured engagement and stakeholder review in accordance with the Federal Power Act. Formal stakeholder review and feedback is expected to begin in 2024.

100% Renewable Goal

The requested action supports the City's goal of meeting 100 percent of community-wide energy needs with renewable energy by 2050. Total energy use is not affected by this action; however, retaining the option of continuing the City's hydropower production would enable it to maintain its low-carbon renewable energy contributions to the region beyond 2029.

Budget Office Financial Impact Analysis

This resolution authorizes the Water Bureau to apply to the Federal Energy Regulatory Commission (FERC) to renew the City's hydropower license and with associated costs—estimated to total \$8M— being absorbed by the Water Bureau and the Bureau of Hydroelectric Power.

FERC relicensing requires paperwork that will be due starting in February 2024. Should Council not approve this request, the bureau cites that similar labor and technical expenses will be incurred should the City decide to surrender its license with FERC.

The City maintains an IGA with Energy Northwest to operate and maintain the power-generating facilities and sells the power generated by the facilities to Portland General Electric (PGE).

The General Fund impacts of not relicensing are contingent on future **power sales agreements**. Revenue generated by power sales above budget were previously transferred to the General Fund, but were discontinued during FY 2016-17 and are not currently incorporated into the City's General Fund forecast. In CY 2022-23, the Water Bureau projects that due to insufficient power generation, the General Fund may be liable to make a payment of approximately \$1M to PGE to satisfy the terms of the power sales agreement.

Should Council choose to proceed with the re-licensing of the facility, it will want to fully understand the terms of power sales agreements and impacts on the General Fund—both potential revenues and liabilities.

Agenda Items

612 Regular Agenda in [July 19, 2023 Council Agenda](https://www.portland.gov/council/agenda/2023/7/19)
(<https://www.portland.gov/council/agenda/2023/7/19>)

Adopted

Commissioner Rene Gonzalez Yea

Commissioner Mingus Mapps Yea

Commissioner Dan Ryan Yea

Commissioner Carmen Rubio Yea

Mayor Ted Wheeler Absent