

PORTLAND NEWS

Portland to pay up to \$8 million to operate a Bull Run hydroelectric plant

Comment

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Portland has two dams at the Bull Run drinking water reservoir, where a hydroelectric facility generates power.(Thomas Boyd/The Oregonian)

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The Oregonian/OregonLive

Portland agreed on Thursday to pay a Washington agency up to \$8 million to operate a Bull Run hydroelectric plant.

The move is the first of a four-part deal that could end up losing taxpayers money.

For decades, Portland General Electric maintained and operated the facility and bought power from the city, but the company decided it does not want to renew the deal when it expires at the end of August. The city made an average annual profit of \$300,000 from the deal in the last four years.

Now the city is putting together four separate deals in order to continue generating and selling hydroelectricity. Three of the deals involve paying groups to maintain and operate the plant, to coordinate the delivery of power and to transmit power. The city is also negotiating a deal to sell the power to PGE.

"We had hoped to be able to bring all parts of this program together at once," Water Bureau Director Mike Stuhr said Thursday. "We negotiated with PGE for 15 months. It was tough negotiations, and we were just not able to line this up."

Still, on Thursday, the City Council approved an \$8 million five-year agreement with Energy Northwest, a Washington agency that will maintain and operate the plant for at least the next six months.

Deputy City Attorney Karen Moynahan said the city needed to maintain the facility after August in order to comply with its license even if city officials later decide to cease operations and surrender the license to the Federal Energy Regulatory Commission. That could take six months to a year, she said.

Finding an operator "must be done whether the city decides to continue to generate power or not, Moynahan told the council. "Otherwise, the city will be in violation of its license and subject to federal civil penalties."

Water Bureau Commissioner Nick Fish said the city can choose after six months to terminate the five-year contract with Energy Northwest if the council decides it no longer wants to operate the facility. Portland will only pay for the services it receives from the Washington agency, he said.

It remains uncertain whether continuing to operate the hydroelectric plant will lose or make the city money. That depends on how much PGE will agree to pay for the power.

Water Bureau officials said they expect the city will come out on top by the end of the five-year contract.

But energy consultant Robert McCullough told The Oregonian/OregonLive last week that the price of energy next year is "the lowest price in history" and that most experts believe prices will continue to trend down due to a surplus of energy.

"It's unlikely the city of Portland will make out like bandits because PGE will have many options," McCullough said at the time.

The council was originally scheduled to consider a deal with PGE next Wednesday, but negotiations are not far enough along. Fish said the council will consider all the remaining contracts on Aug. 16.

"This was out of sequence," Fish said.

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