

Advancing Hydropower Policy to Ensure “Credit for Early Action”

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The Concept

- ▶ Federal Energy Regulatory Commission (FERC) doesn't give credit to hydropower licensees for "early action" investments prior to relicensing.
- ▶ Under the Federal Power Act, FERC issues new hydropower licenses for terms between 30 and 50 years, basing license term in large part on the level of new investment required.
- ▶ FERC disregards the cost of new actions taken prior to relicensing.
- ▶ This potentially incentivizes licensees to defer costly improvements until they can be counted as part of a new license package, and thus credited toward a longer license term.
- ▶ We believe the public good is better-served if proactive stewardship actually can result in a longer (not shorter) license term and more certainty for hydropower owners.



Chelan PUD: A Posterchild for “Early Action.”

- ▶ Rocky Reach Project received a 43 year license, despite a Settlement Agreement recommending between 47-50 years.
- ▶ FERC chose to align the license expiration with Wells and Priest Rapids.
- ▶ FERC didn't include the juvenile fish bypass system and certain other HCP costs, and called Chelan PUD's level of investment “moderate.”
- ▶ Chelan PUD may invest about \$500 million in project modernization at Rock Island Project, with most of it spent before the 2028 license expiration.
- ▶ Rock Island is seeking its third license (its second after major environmental laws enacted).
- ▶ Treatment of early action is very important to Chelan PUD.





Congressional Support

- ▶ Chelan PUD worked with the National Hydropower Association to include “early action” among industry priorities for a hydropower bill.
 - ▶ Initial language included in the Senate-passed Energy Policy Modernization Act of 2015.
- ▶ An early action provision supported by Chelan PUD and Senator Cantwell was reportedly in play during last year’s energy bill conference.
- ▶ Senator Cantwell and Rep. Cathy McMorris Rodgers publically support early action.
- ▶ Early action may be on the table for the next round of hydropower-related legislative proposals.



Outreach

- ▶ Media
 - ▶ Industry supporters
 - ▶ Congressional supporters
 - ▶ Associations
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FERC Notice of Inquiry on Establishing the Length of Hydropower License Terms

- ▶ FERC issued a Notice of Inquiry (NOI) on November 17, 2016. The NOI asked for input on five potential options:
 - ▶ Retain the existing license term policy;
 - ▶ Add to the existing license term policy the consideration of measures implemented under the prior license;
 - ▶ Replace the existing license term with a 50-year default license term;
 - ▶ Add a more quantitative cost-based analysis to the existing license term policy; and
 - ▶ Alter current policy to accept the longer license term agreed upon in an applicable settlement agreement.




Industry Response

- ▶ The NOI generated a very good response from hydropower licensees and associations
 - ▶ Chelan PUD
 - ▶ Industry Commenters (APPA, Brookfield Renewable, CA Department of Water Resources, Grand River Dam Authority, LPPC, LADWP, Northwest Hydroelectric Association, Portland General, Chelan PUD, Snohomish PUD, South Carolina Public Service Authority, and Yuba County Water Agency)
 - ▶ National Hydropower Association (CREDA, EEI, NRECA, NWHHA)
 - ▶ Northwest Public Power Association
- ▶ 16 other individual licensee comments



Agencies and NGOs

- ▶ Hydro Reform Coalition
 - ▶ NOAA
 - ▶ Department of Interior
 - ▶ Eight state agencies
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Comments/Themes

- ▶ Hydropower is valuable and the regulatory environment it faces is a competitive disadvantage compared to competing energy resources
- ▶ Long license terms are important to ensure continued investment and to attract new hydropower development.
- ▶ Current policy discourages licensees from undertaking voluntary upgrades and improvements during an existing license term.
- ▶ More and more existing projects will renew a license issued after the enactment of modern environmental laws.



Comments/Themes

- ▶ In general, industry favored:
 - ▶ 50-year default license
 - ▶ Early action
 - ▶ Some combination of a default longer than 30 years, along with early action (for example, a 40-year default combined with credit for early action)
- ▶ Industry viewed deference to settlement agreements as at least better than the status quo
- ▶ Most industry members did not support a strictly cost-based analysis
- ▶ Agencies tended to favor the status quo, or deference to settlement agreements
- ▶ Some agencies did support the concept of early action, with conditions



Next Steps



- ▶ FERC does not have a quorum, so predicting a timeline is difficult.
- ▶ FERC could do nothing.
- ▶ FERC could issue a policy statement.
- ▶ FERC could issue a Notice of Proposed Rulemaking, which will prompt another round of official comments.
- ▶ Chelan PUD continues to work with members of Congress to ensure an “early action” provision is included proposed legislation that advances hydropower regulatory reform.