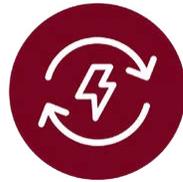


# Relicensing and Early Action

Topic Team Presentation  
Feb. 7, 2019



[www.ourpublicpower.org](http://www.ourpublicpower.org)

# What you need to know...

This presentation will explore:

1. What is a FERC license?
2. What is early action?
3. Key dates
4. How this group will inform the District's decision-making
5. What are the next steps? How many meetings?



# A License to Operate

- The Federal Energy Regulatory Commission (FERC) is the federal regulator that issues hydroelectric licenses to operate.
- The licensing process is lengthy and expensive – 8-10 years and tens of millions of dollars.
- One goal of relicensing is to obtain the longest license term possible – 50 years.



## What Does FERC Regulate?

- Hydroelectric Projects
- Electric Transmission
- Natural Gas
- Oil Pipelines

Mission: **Reliable, efficient and sustainable energy for consumers**



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# Setting the License Term

## 30 to 50 years

- Until very recently, FERC decided license term based on a number of factors, including planned investments during the next license.
- The issue with this approach was that unanticipated new investments made during an existing license term did not count towards the next license term.



# Evolution of Early Action Concept

## Steps in the right direction –

- After discussions by the District and others, FERC issued a policy statement in 2017 that set the **default license term at 40 years** and made some allowances for early-credit, but greater clarity was still desired.
- The District then developed and strongly promoted the passage of a new law that we refer to as **Credit for Early Action** – the provision was part of **America’s Water Infrastructure Act of 2018 (S. 3021)**.
- Early-Action Credit provides a mechanism for Licensees to request “credit” towards the next license term for actions we choose to take in advance of relicensing.
- Implementation – The District may now consider pursuing early actions, but this is an untested process and we are looking for customer-owner input.



# The New Law

In determining the term of a new license issued...  
the Commission (FERC) shall take into consideration, among other things:

“(b)(2) investments by the licensee over the term of the existing license that:

- (A) Resulted in redevelopment, new construction, new capacity, efficiency, modernization, rehabilitation or replacement of major equipment, safety improvements, or environmental, recreation, or other protection, mitigation, or enhancement measures conducted over the term of the existing license; and**
- (B) Commission (FERC) Determination – At the request of the licensee, the Commission shall make a determination as to whether any planned, ongoing, or completed investment meets the criteria under subsection (b)(2). Any determination under this subsection shall be issued within 60 days following receipt of the licensee’s request” ...**

# Setting the License Term:

## FERC Considerations

1. FERC will accept a license term agreed upon in a settlement agreement
2. 40 years is the new default for license term
3. Under the new law, FERC will “consider” voluntary actions implemented under the prior license on a case-by-case basis when a Licensee can demonstrate:
  - The proposed early action investment is the type of investment identified in the statute (slide 6 above);
  - The investment project was not used in developing the existing license term;
4. Black Box - License term decision is qualitative and quantitative (not just dollars)



# Why is this Good for Customer-Owners?

- Early Action Credit can help increase the license term. A longer license term helps recoup costs associated with operating a hydroelectric project which is better for ratepayers given the time, resources, and cost associated with relicensing.
- Actions and improvements could occur in advance of relicensing – providing a benefit sooner.
- Provides an opportunity to build support for relicensing and achieve community consensus on planned investments.



# Current Status

- The law was signed by the President on Oct. 23, 2018.
- FERC to revise its policies and establish formal process for licensees to request early action.
- District discussed with FERC in Jan 2019. FERC willing to work with the District as an early-adopter.
- District may be the first to use the new provisions.
- District is actively working with FERC to determine how the new provisions will be implemented.

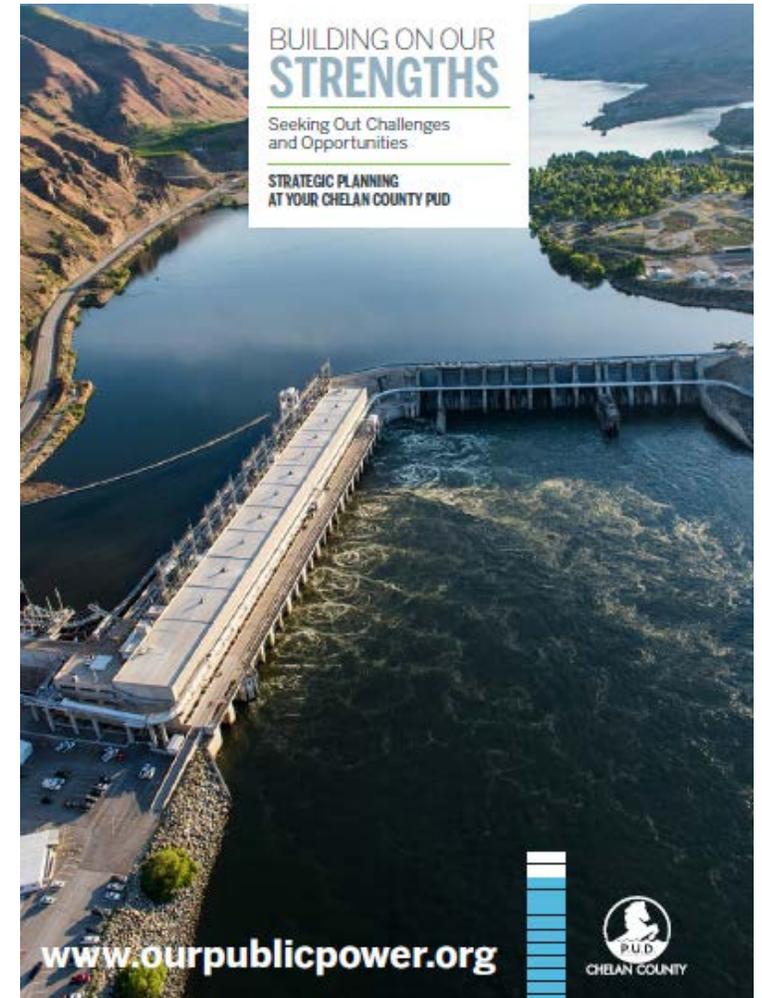


# Strategic Planning Key Issue -

**Relicensing** – Planning for a relicensing process that provides the best chance of receiving the longest license term while addressing stakeholder interests and preserving the Rock Island Project’s ability to be cost effective in the western power markets.

## Key questions:

1. Should the District pursue recreational or environmental projects as early actions before relicensing?
2. If so, what type of projects should be considered that support recreation or environmental enhancements?
3. What should the District and customer-owners receive in return for these early investments?



# Rock Island Hydroelectric Project

(FERC Project No. 943)

## License History

- Original construction 1930s
- Second Powerhouse added 1970s
- 19 generators
- Generating nameplate capacity of 624 megawatts
- Approx. 20-mile reservoir
- First license 50 years
- Second license 40 years, expires Dec. 31, 2028



# Relicensing Process

- Public process 5 – 8 years
- Involves federal, state, and local agencies, Tribes, and non-governmental organizations
- Begins with discussions to identify project-related issues, determine information gaps and study needs
- Results in long-term management plans for each resource area (e.g. recreation, cultural, wildlife, water quality, etc.)
- Typically, results in a Comprehensive Settlement Agreement



## What Does FERC Regulate?



➤ Hydroelectric Projects

➤ Electric Transmission



➤ Natural Gas

➤ Oil Pipelines



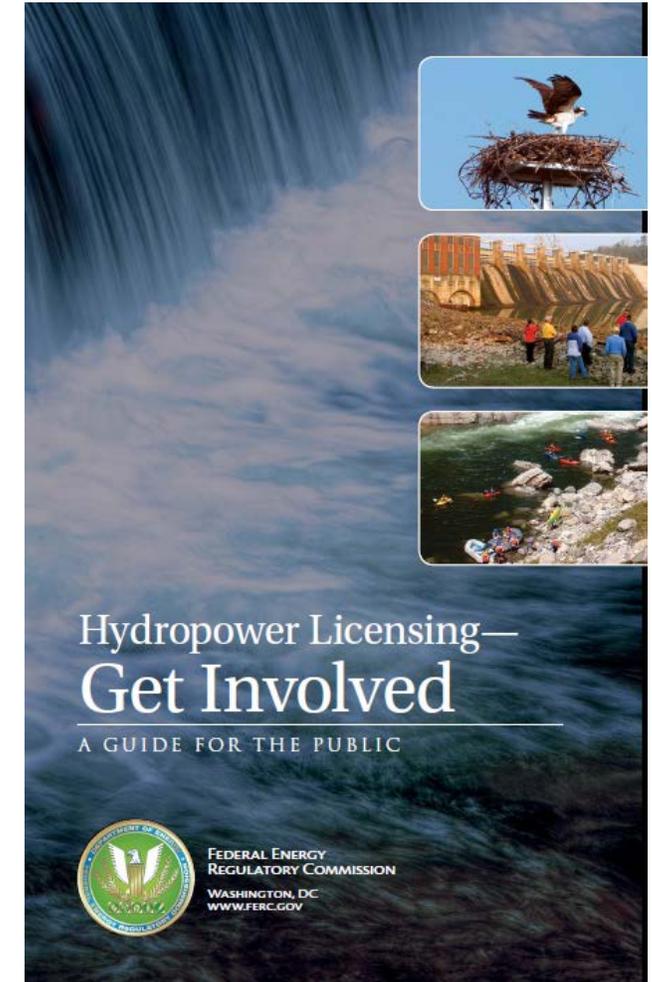
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# Relicensing Process

- **What is considered in Relicensing?** Project-specific effects. There must be an established “nexus” or clear connection between a specific project operation and effect on the resource (attributable to the project and its operation either directly, indirectly, and or cumulatively).
- **What is the baseline for evaluating project effects?** Baseline conditions are existing or current conditions. Not pre-project. Evaluation of project effects concentrates on the “ongoing” impacts associated with the presence of the dam and its operation.
- **How are project effects identified?** Through issue scoping and studies at the beginning of the relicensing process. Issue proponents must explain why a specific aspect of project construction or operation is a likely or probable source of the effect to be studied, and how study results would inform the development of license requirements.
- **Why is project scoping important?** The project scoping that occurs early in relicensing identifies the potential impacts that a project would have on the environment or the community. The process is used to determine which issues to address and analyze in the environmental documents.

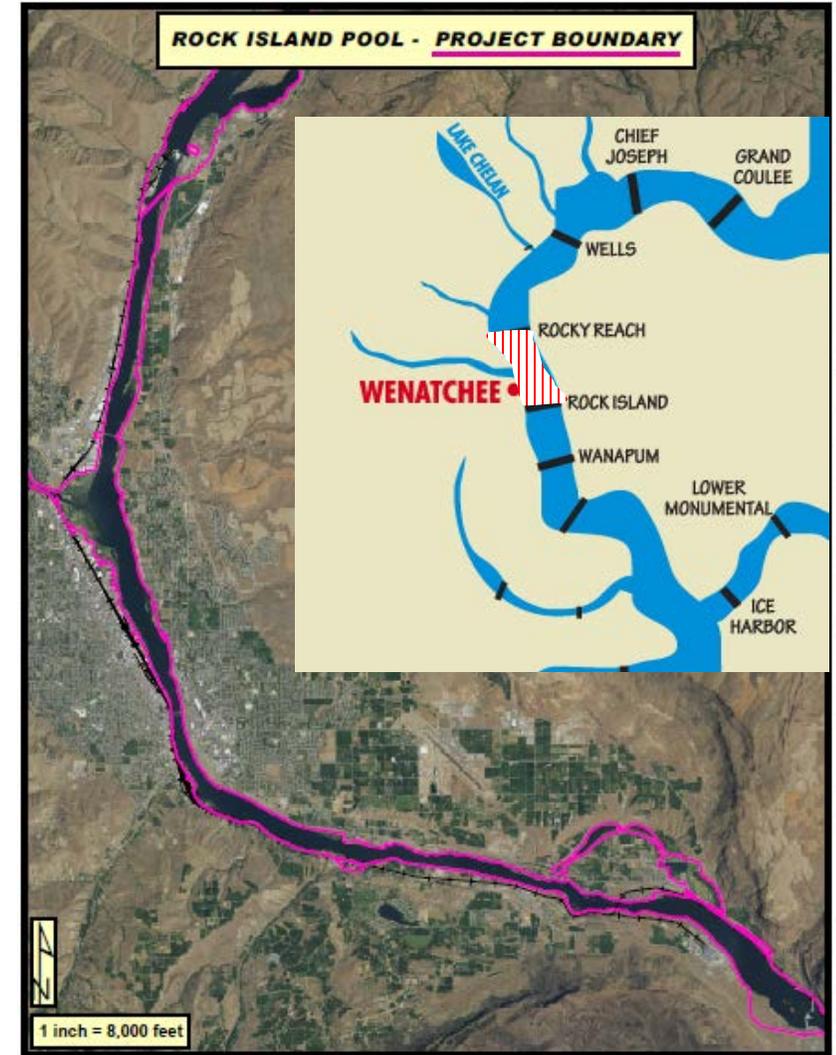


<https://www.ferc.gov/resources/guides/hydropower/hydro-guide.pdf>



# Relicensing Process

- **What is the geographic boundary for relicensing?** The Project Boundary. This is an administrative marker to clearly delineate those lands necessary for operation and maintenance of the project and for other project purposes, such as recreation, shoreline control, or protection of environmental resources. The boundary does not affect existing property rights.
- **What resources are evaluated?** Resources generally evaluated to assess operational effects include: fish, water quality, cultural, recreation, socioeconomics, terrestrial, soils, geology, aesthetics, wildlife, lands, operations and safety.



# Relicensing Process

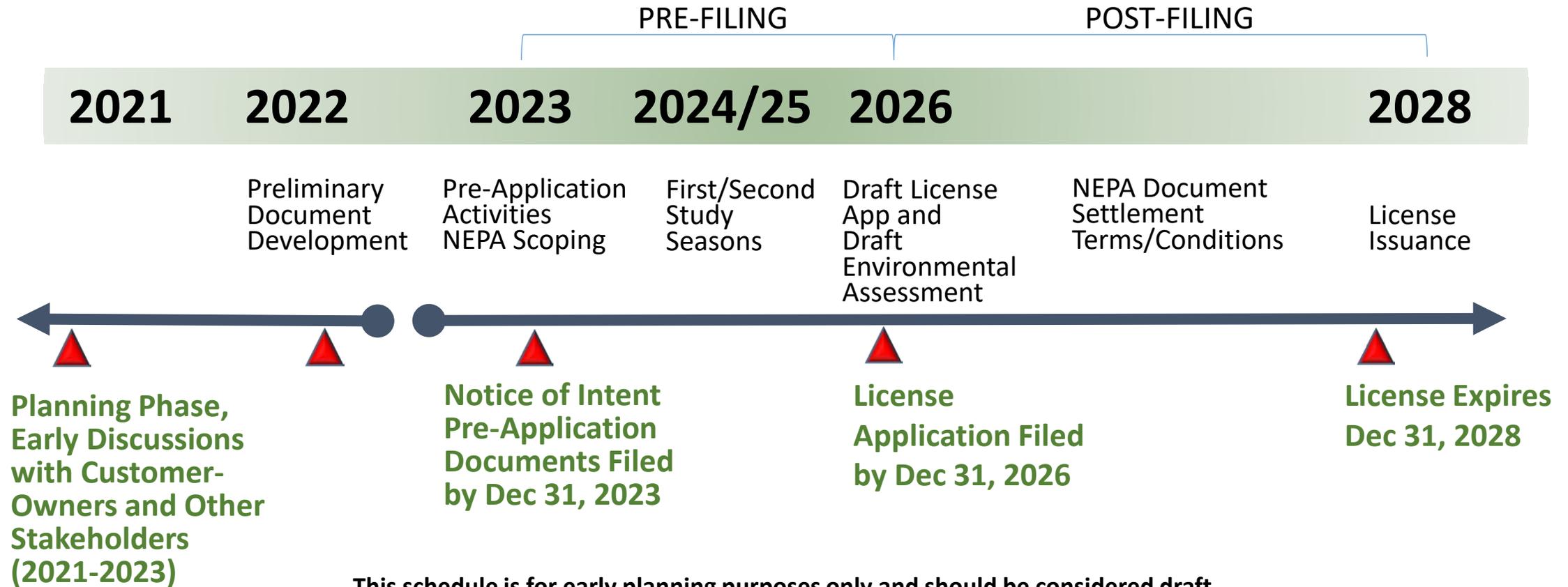
- **What are some examples of license requirements implemented to address recreation and project effects?**

## Rock Island Project License

- Habitat Conservation Plan – Purpose is to mitigate, protect and enhance fish and fish habitat protected under the Endangered Species Act.
- Historic Property Management Plan – Purpose is to guide FERC and District in meeting cultural resource obligations under the National Historic Preservation Act. Requires the District to preserve and treat cultural resource within the Project Boundary during the term of the license. For example, cultural resource impacts due to reservoir fluctuation and erosion.
- Recreation Plan (Parks) – Purpose is to provide for public access, public facilities, and sufficient land within the project boundaries to ensure optimum development of recreation resources offered by the project and consider the needs of physically handicapped in the design and construction of access to project recreation facilities. The District exceeds typical recreation requirements with over 397 acres of public park lands including Confluence State Park and Horan Area (200 ac), Walla Walla Point Park (70 ac), Wenatchee Riverfront Park (31 ac), Kirby Billingsley Hydro Park (70 ac), Coyote Dunes Natural Area (26 ac).



# Relicensing Schedule Rock Island Hydro Project



This schedule is for early planning purposes only and should be considered draft.



# Early Action Examples: Rock Island Project Rehabilitation

Investments over \$622 million between 2008 and 2029 to replace aging infrastructure and enhance system reliability and safety:



- \$270 million on 10 turbine-generating units at Powerhouse 1 (2008-2022)
- \$352 million on 8 turbine-generating units at Powerhouse 2 (2022-2029)



# Early Action Examples: Habitat Conservation Plan (HCP) Investments

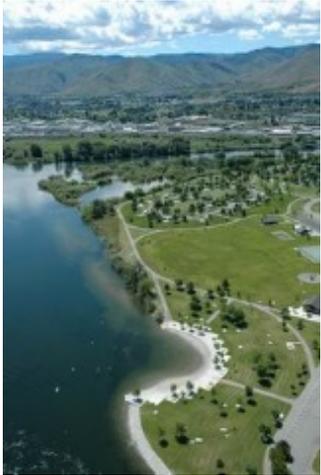
- The HCP was implemented in 2004 to meet Endangered Species Act (ESA) obligations for salmon.
- HCP obligations were not considered by FERC when the 40-year license term was granted in 1989.
- Over \$37 million spent by the District on incremental capital investment to address HCP obligations for ESA and non-listed species issues.



# Strategic Planning Timeframe

## Key Questions:

1. Should the District pursue environmental or environmental projects as early actions before relicensing?
2. If so, what type of projects should be considered that support recreation or environmental enhancements?
3. What should the District and customer-owners receive in return for these early investments?



# Strategic Planning Timeframe

<b>February – April</b>	Topic Team Meetings (2-3)
<b>May</b>	Community Engagement, Customer-Owner Survey
<b>June</b>	Topic Team Meeting to Review Survey, Finalize Topic Team Draft Summary Report
<b>Summer</b>	Finalize Summary Report, Public Comment Period
<b>Late-Summer</b>	District Board of Commissioners Action



# What Do We Hope to Achieve?

1. An understanding of the early action concept and relationship to relicensing.
2. An understanding of key issues and trade-offs for early actions. Topic Team will spend considerable time discussing opportunities and risks associated with pursuing early action credit.
3. Obtain majority community consensus on whether recreation or environmental enhancements should be made prior to the relicensing process.
4. If yes, a developed criteria list for determining early actions and potential list of projects for consideration.
5. A Summary Report to inform the final Strategic Plan.



# Preliminary Meeting Schedule

**Meeting #1: Week of Feb 28, up to 3 hours**

Examine concept and key issues, interest, value, and draft criteria

**Meeting #2: Week of March 25, up to 3 hours**

Finalize criteria for consideration, analyze tradeoffs, establish project categories and consider developing project list

***Optional, Week of April 8, up to 2 hours***

Could be used to refine project list and to discuss public education and outreach efforts

**Meeting #3: Week in June, up to 2 hours**

Review community feedback, finalize Draft Summary Report



# Topic Team Logistics and Questions

## Team Composition

- Who are we missing and how do we reach them?
- What information gaps exist – team member requests?

## Future Meetings

- Preferences in terms of days, time and location
- Contact Information  
(please add your name to the sign-in sheet)

