

TESTIMONY OF SACRAMENTO MUNICIPAL UTILITY DISTRICT  
SUBMITTED FOR THE RECORD  
AT THE HOUSE ENERGY AND COMMERCE SUBCOMMITTEE ON ENERGY  
HEARING ON  
“MODERNIZING ENERGY INFRASTRUCTURE: CHALLENGES AND OPPORTUNITIES  
TO EXPANDING HYDROPOWER GENERATION”

MARCH 15, 2017

Chairman Upton and Ranking Member Rush, thank you for holding an important hearing on expanding hydropower generation. The Sacramento Municipal Utility District (SMUD) appreciates the opportunity to submit this testimony for the record and welcomes the opportunity to serve as a resource for members of the Subcommittee who may wish to learn more about our experience with hydropower generation and the relicensing process.

SMUD is the nation's sixth-largest municipally-owned utility, operating on a not-for-profit basis to supply electricity to California's capital region since 1946. Today SMUD serves a population of 1.4 million over a service territory of 900 square miles.

A cornerstone of SMUD's energy supply, the Upper American River Project (UARP) is a 688-megawatt hydroelectric project that consists of 11 reservoirs and 8 powerhouses, spanning an area from the crest of the Sierra Nevada mountains to the foothill communities of the Sacramento Valley. The UARP is SMUD's most economical energy source and, due to its operating flexibility, a critical resource for meeting peak demand and stabilizing the grid once recreational and fishery resource demands are met. It can supply about 20 percent of customers' demand during peak load hours, and in years of normal water supplies, it can provide about 15 percent of customers' total annual energy use. SMUD started building the UARP in the late 1950s, and the original 50-year operating license expired in 2007.

During the relicensing process, the Federal Energy Regulatory Commission (FERC) must balance the benefits of relicensing with the views of resource agencies that have mandatory conditioning authority. These agencies often insist that the licensee perform myriad studies and agree with numerous conditions. Those conditions can only be challenged through costly and time-consuming trial-type hearings, which licensees can win only if the defending agency lacks a reasonable basis for its condition, no matter how significant the impact is on the licensee's generation facilities. This adversarial system severely impacts projects through delays and increased costs. SMUD began planning for the FERC review process of UARP in the mid-1990s, established a relicensing team in 2000, and finished more than 70 technical and environmental studies in 2004. SMUD filed an initial application for the new license with FERC in 2005.

SMUD chose to engage the people of El Dorado County and all groups with an interest in the project by following an alternative method of relicensing based on collaboration and negotiation. In 2007, SMUD asked FERC to incorporate in the new license all terms of a comprehensive agreement we reached with stakeholders. However, it took another 6 years for the State Water Resources Control Board to issue a water quality certification, which was a prerequisite for the FERC license. The state issued the certification in October of 2013. In 2014, FERC granted SMUD a new 50-year license with conditions for SMUD's operation of the UARP through 2064.

The UARP was once an effective resource for meeting fluctuations in peak energy demand. But in the years since relicensing, the majority of water releases are for recreational purposes, leaving little water available to release into turbines during the late afternoon and early evening when summer air-conditioning needs are highest.

SMUD's experience relicensing the UARP exemplified problems with the current hydropower relicensing process. Relicensing the UARP took 13 years and cost approximately \$24 million.

The delays were largely due to a lack of coordination between and among federal and state agencies, duplicative reviews and studies, conflicting priorities, and deferred decision-making. These factors ultimately delayed both relicensing and the environmental improvements associated with the renewed license. SMUD spent roughly \$7.5 million on outside contractors to perform 73 technical studies required throughout the relicensing process. These studies were made more expensive by resource agencies requiring three years of data to understand seasonal and yearly variability in resource areas, such as water quality and insect life.

Based on SMUD's experience with the relicensing process, we supported the Energy and Commerce Committee's efforts in the 114<sup>th</sup> Congress to streamline the process. As the Committee works to spur new hydropower development, SMUD hopes you will also continue to work toward passage of the hydropower relicensing provisions included in H.R. 8 and S. 2012. Reforming the relicensing process is a critical corollary to efforts to develop new hydropower resources, as investments in new resources may not be fully borne out if the useful life of a project is cut short as a result of bureaucratic red tape. SMUD was successful in its relicensing effort, but many more hydroelectric projects – particularly small projects – are abandoned in the face of insurmountable regulatory costs and uncertain timelines.

Finally, SMUD wishes to associate itself with the comments of the National Hydropower Association (NHA), of which it is a member, at the Senate Energy and Natural Resources hearing on hydropower development that took place on March 14. SMUD also supports many of the comments made at today's hearing by Rye Development, another NHA member, but reminds the Committee that public-private partnerships – while useful for leveraging the capital needed to build new assets – are not a silver bullet for energy infrastructure.

Again, thank you for your consideration of this important topic and please do not hesitate to call on SMUD as a resource as this Committee develops energy infrastructure legislation.