



May 12, 2022

The Honorable Bobby Rush
Chairman, Subcommittee on Energy
House Committee on Energy & Commerce
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Fred Upton
Ranking Member, Subcommittee on Energy
House Committee on Energy & Commerce
2322 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Rush and Ranking Member Upton,

The American Public Power Association (APPA) appreciates the opportunity to submit a statement for the record for the House Energy & Commerce Committee's Subcommittee on Energy's hearing, "Modernizing Hydropower: Licensing and Reforms for a Clean Energy Future." APPA supports and agrees with the testimony submitted by Rich Wallen, CEO and General Manager of Grant County Public Utility District, an APPA member.

The American Public Power Association is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. APPA represents public power before the federal government to protect the interests of the more than 49 million people that public power utilities serve, and the 96,000 people they employ. APPA advocates and advises on electricity policy, technology, trends, training, and operations.

Hydropower Benefits

Making full use of the nation's hydropower resource is key to ensuring that the nation's grid remains reliable and resilient, and that utilities can meet emission reduction goals. Hydropower is a source of emissions-free, baseload power. Furthermore, hydroelectric generators can be started or stopped quickly, which make them more responsive than most other energy sources for meeting demand for electricity at its "peak" or highest volume. Hydropower's "black start" capability that makes it especially valuable in restoring power when there are widespread outages or disruptions on the system—this capability allows the generating units to cycle back on quickly if they have been tripped off in a power outage.

Non-Federal Hydropower

There is a significant potential for new hydropower to be generated at non-powered dams throughout the country and to increase output at existing hydropower facilities. But there are excessive barriers to tapping this potential. The Federal Energy Regulatory Commission (FERC) is the primary federal agency responsible for the licensing and relicensing of such non-federal hydroelectric projects, but the process can be lengthy, difficult, costly, and uncertain for applicants. Under the Federal Power Act (FPA), FERC must establish requirements in conjunction with the license that give "equal consideration" to not only

power needs, but also Endangered Species Act requirements, water quality issues, marine navigation, and other public-interest concerns. FERC must carefully evaluate many aspects of a hydropower project, but at the same time, state and federal agencies can impose “mandatory conditions” that FERC cannot balance or modify in the public interest.

While it is appropriate to consider a broad array of factors, this process must be streamlined and reformed. Critical new additions to existing hydropower facilities are languishing under bureaucratic and often contradictory processes that can span a decade or more or which simply become too costly. The byzantine licensing and permitting processes are also a significant impediment to simply maintaining existing hydropower capacity. Between now and 2030, 281 facilities representing nearly 14 gigawatts of hydropower generation and pumped storage capacity (roughly 30 percent of FERC hydropower licenses) are up for relicensing.¹ We simply cannot afford to lose existing hydropower capacity without threatening to miss emission reduction goals and grid resiliency. Congress must streamline the licensing process by establishing FERC as the lead agency, giving it the authority to set and enforce schedules for the issuance of all resource agency authorizations and studies, and ensure any “mandatory conditions” are directly relevant to the project. H.R. 3043, the Hydropower Modernization Act of 2017, introduced by Ranking Member Cathy Morris Rodgers (R-WA), addressed these and other issues in the licensing reform process. APPA strongly supported the legislation, which passed the House with bipartisan support in 2017.

Another significant obstacle to the growth and retention of non-federal hydropower capacity is insufficient federal tax incentives on par with those available to other clean energy resources. APPA strongly supports legislation introduced by Senators Maria Cantwell (D-WA) and Lisa Murkowski (R-AK), the Maintaining and Enhancing Hydroelectric and River Restoration Act of 2021 (S. 2306), that seeks to address this issue. The bill would create a 30 percent tax credit to support upgrades at existing hydroelectric dams for qualified dam safety, environmental, and grid resilience improvements. Critically, this credit would be available as a direct payment to public power utilities. This provision is also included in a bill introduced by Representative Annie Kuster (D-NH), H.R. 4375, the Twenty-First Century Dams Act. It is critical that this provision be included in any energy tax credit legislation that may be considered this Congress.

Federal Hydropower

The federal Power Marketing Administrations (PMAs)² provide millions of Americans served by not-for-profit public power and rural cooperative electric utilities with cost-based hydroelectric power produced at federal dams operated by the U.S. Army Corps of Engineers and Bureau of Reclamation. The Corps and Reclamation are the largest and second largest (respectively) generators of hydropower in the country. The PMAs market federally generated hydropower, with a statutory right of first refusal granted to not-for-profit entities, including public power utilities and rural electric cooperatives (called “preference customers”), at rates set to cover all the costs of generating and transmitting the electricity, as well as repayment, with interest, of the federal investment in these hydropower projects.

In accordance with federal law, PMA rates are set at the levels needed to recover the costs of the initial federal investment (plus interest) in the hydropower and transmission facilities. The PMAs annually review their rates to ensure full cost recovery. None of the costs are borne by taxpayers. Power rates also help to cover the costs of other activities authorized by these multipurpose projects such as navigation, flood control, water supply, environmental programs, and recreation. The annual appropriations process is also important to the PMAs. Although the customers pay all the PMA costs through their power rates, as

¹ National Hydropower Association: <https://www.hydro.org/wp-content/uploads/2021/07/NHA-Hydro-Relicensing-by-2030-Fact-Sheet.pdf>

² The four PMAs are: the Bonneville Power Administration (BPA), Western Area Power Administration (WAPA), Southwestern Area Power Administration (SWPA) and Southeastern Power Administration (SEPA).

mentioned above, for the Western Area Power Administration, Southeastern Power Administration, and Southwestern Power Administration, those monies flow back to the U.S. Treasury and then must be appropriated by Congress. (Bonneville Power Administration's (BPA) governing statute, amended in the 1980s, allows for a "revolving fund" so ratepayer money goes directly to BPA rather than to the Treasury.) In addition, the PMAs must receive yearly funding levels from Congress for purchasing and wheeling (transmitting) power in a drought situation or when the water at the dams is used for purposes other than for electricity production (i.e., recreation and environmental mitigation). This money for "purchase power and wheeling" will then be paid for by the PMA customers through their rates.

Federal hydropower and the PMAs are critical, though often overlooked, elements of the nation's power supply. APPA supports the continued existence and federal ownership of the PMAs and the sale of federally generated hydropower at cost-based rates. APPA strongly opposes any efforts to disproportionately assign costs to federal hydropower users for which they receive no additional benefits. Finally, APPA submits as attachments to this statement three documents related to federal hydropower: a letter from APPA President and CEO Joy Ditto sent to President Biden on April 4 regarding the urgent need to secure a modernized Columbia River Treaty; and two policy resolutions recently approved by APPA's membership: "In Support of Hydropower, the Federal Columbia River Power System, and Opposing Breach of the Lower Snake River Dams," and "In Support of Colorado River Basin Drought Assistance."

"Uncommon Dialogue" Effort

APPA was not directly involved with the "Uncommon Dialogue" effort lead by the National Hydropower Association (NHA) and a number of environmental and tribal organizations. However, many of APPA's members are also members of NHA and were engaged as the proposal developed. While APPA continues to believe that the hydropower licensing process requires more comprehensive reform along the lines of what was included in H.R. 3043 in 2017, we appreciate the incremental changes included in the group's recently (April 2022) released licensing reform proposals. We are particularly supportive of the proposed requirement that mandatory conditions under section 4(e) of the FPA be reasonably related to project effects on federal lands.

With regards to other proposals put forth in by the Uncommon Dialogue group and associated legislation regarding dam removal, APPA opposes efforts to remove productive dams that provide, or have the potential to provide, clean and economic hydropower generation.³ Furthermore, proposals to appropriate funding for the Corps, Reclamation, and any other federal agencies for "dam related activities" must include statutory text specifying that this funding cannot be incorporated into the rates paid by federal hydropower customers.

Conclusion

APPA commends the committee for taking a fresh look at the opportunities to modernize, preserve, and increase hydropower across the country and looks forward to working on legislative solutions.

³ APPA Policy Resolution 22-12, "[In Support of Hydropower, the Federal Columbia River Power System, and Opposing Breach of the Lower Snake River Dams.](#)"

Sincerely,

A handwritten signature in black ink, appearing to read "Desmarie Waterhouse", with a long horizontal flourish extending to the right.

Desmarie Waterhouse
Vice President, Government Relations and Counsel

Attached:
Columbia River Treaty Letter
Snake River Dam Resolution
Columbia River Basin Drought Assistance Resolution



April 4, 2022

President Joe Biden
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear President Biden:

On behalf of the American Public Power Association, I write to you today to bring your attention to the urgent need to secure a modernized Columbia River Treaty. Specifically, APPA respectfully requests you to direct State Department negotiators to elevate the importance of power provisions in negotiations. Failure to act quickly on negotiations will continue to cost American consumers millions of dollars a year, as well as the continued loss of renewable, baseload hydropower important to keeping the grid reliable.

The American Public Power Association is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. APPA represents public power before the federal government to protect the interests of the more than 49 million people that public power utilities serve, and the 96,000 people they employ.

Public power has a heavy footprint in the Pacific Northwest, where community-owned electric utilities buy power generated on the Federal Columbia River System (FCRS) marketed by the Bonneville Power Administration (BPA or Bonneville). Bonneville rates are set to cover all generation and transmission costs, as well as repayment, with interest, of the federal hydroelectric projects. None of the costs are borne by taxpayers. This multi-decade partnership has proven wildly successful, providing affordable, emissions-free, and reliable power that has served as the cornerstone of the Pacific Northwest's economy since 1937. However, this success is increasingly threatened by the outdated Columbia River Treaty that has American ratepayers losing \$150 million a year in lost hydropower value to Canada.

The United States and Canada agreed to the Columbia River Treaty in 1964 for the mutual development of the Columbia River power and flood control systems. Under the Treaty, the U.S. provides payments to Canada, called the Canadian Entitlement (CE), in the form of returned power generation. The CE amount is calculated using a formula from 1961, which was based on the expected improvement to U.S. hydropower generation capability due to Canadian storage. Today, these calculations exceed the actual benefits of coordinated operations by an estimated 70-90 percent. An equitable rebalancing of this problem is worth more than a billion dollars to U.S. consumers at a time when many are already facing rising energy prices.

I strongly urge you to direct the State Department and the entire negotiating team working under National Security Council officials to move faster on renegotiating the treaty with a particular emphasis on the rebalancing the power provisions between the U.S. and Canada. Making full use of the nation's hydropower resource is key to ensuring that the nation's grid remains reliable and resilient, and that utilities can meet emission reduction goals to address climate change.

Sincerely,

A handwritten signature in black ink, appearing to read "Joy Ditto", with a stylized flourish at the end.

Joy Ditto
President & CEO

CC:

Secretary Granholm

Secretary Blinken

Pacific Northwest Congressional Delegation

Andrew Light, Assistant Secretary for International Affairs, Department of Energy

Melanie Nakagawa, Special Assistant to the President & Senior Director for Climate & Energy

Sponsors: Oregon Municipal Electric Utilities Association; Northwest Public Power Association; Northwest Requirements Utilities; Washington Public Utility Districts Association; Oregon People's Utility District Association; Idaho Consumer-Owned Utilities Association; Benton Public Utility District; Cowlitz Public Utility District; Franklin Public Utility District; City of Richland; Chelan Public Utility District; Grant Public Utility District; Douglas County Public Utility District

**In Support of Hydropower, the Federal Columbia River Power System, and
Opposing Breach of the Lower Snake River Dams**

Hydropower is a premier renewable resource that provides cost-effective, clean electricity. It plays a critical role as our nation works to lower greenhouse gas emissions and maintain an affordable, reliable, and resilient grid. As policies are adopted to increase the electrification of other sectors of the economy, such as transportation, it has become increasingly important. Hydro generation is unique in its ability to instantly increase or decrease generation and in maintaining the constant balance of generation and electric demand. It provides a foundation for reliability that is necessary with increasing levels of variable renewable resources, such as wind and solar.

The recently concluded Columbia River System Operation (CRSO) Environmental Impact Statement (EIS) studied the environmental, biological, power supply, and socioeconomic impacts of the entire Federal Columbia River Power System, which is marketed by the Bonneville Power Administration (BPA). This multi-year, \$50.4 million analysis of the system was conducted by federal government experts with consultations by federal natural resources agencies, state and tribal entities, and with input from the public. The EIS included analysis of the impacts of removing or breaching the Lower Snake River Dams (Lower Granite, Little Goose, Lower Monumental, and Ice Harbor). The unambiguous conclusion of this comprehensive federal study is that the Lower Snake River Dams play a critical role in the Northwest power system and economy, and that their continued operation does not jeopardize the existence of endangered or threatened salmon species.

The Lower Snake River Dams are among the lowest cost generating resources in the region and are a critical part of providing affordable, clean electricity to several of the region's most vulnerable communities. On an annual basis, the plants on the Lower Snake River provide about 1,000 average megawatts of electricity, enough to serve over half a million Northwest businesses, industries, and households.

The continued operation of the Lower Snake River Dams is central to reliably meeting the region's clean energy goals, providing dispatchable capacity to prevent blackouts and ramping capability to integrate other renewable resources. The Lower Snake River Dams can provide over 2,000 megawatts of sustained

29 peaking capacity and represent a quarter of the Federal Columbia River Power System’s reserves holding
30 capability. As extreme weather events, like ice storms and heatwaves, have become more commonplace,
31 the Lower Snake River Dams have also proved critical to ensuring public safety.

32
33 The Lower Snake River Dams are important to maintaining an affordable power supply for Northwest
34 communities. Breaching the Lower Snake River dams and replacing them with other non-emitting
35 resources—the most likely scenario given coal plant retirements and state clean energy policies—could
36 raise BPA’s power supply rates up to 50 percent. For most utilities relying on BPA, that translates to a 25
37 percent rate increase for their customers.

38
39 Public power utilities are committed to scientific, cost-effective mitigation for the impacts of the federal
40 hydro system. Costs related to fish and wildlife mitigation, including the cost of lost power generation,
41 comprise a quarter or more of BPA’s power rates. The Lower Snake River Dams feature state-of-the art
42 fish passage technology greatly improving in-river fish survival, achieving spring juvenile survival at 96
43 percent and summer migrating fish survival at 93 percent. Academic studies have shown that fish survival
44 through the Federal hydro system is comparable to undammed rivers, such as the Fraser River in British
45 Columbia. Removal of the Lower Snake River Dams is not a clear path to recovery of endangered species
46 or overall abundance of salmon. More attention is needed to the threats of ocean conditions, avian
47 predation, and over-fishing.

48
49 In addition to delivering affordable and reliable clean power, the Lower Snake River Dams contribute to
50 the region’s economy by providing irrigation, navigation, recreation, and employment.

51
52 **NOW, THEREFORE, BE IT RESOLVED:** Consistent with environmental protection, the American
53 Public Power Association (APPA) opposes efforts to remove productive dams that provide, or have the
54 potential to provide, clean and economic hydropower generation; and

55
56 **BE IT FURTHER RESOLVED:** That APPA opposes proposals to breach the Lower Snake River
57 Dams, or the development of additional federal studies that presuppose removal of the Lower Snake River
58 Dams, and encourages collaboration to help salmon in every part of their life cycle.

Adopted at the Legislative & Resolutions Committee Meeting

March 1, 2022

Sunsets in March 2030

Sponsors: Colorado River Energy Distributors Association; Irrigation and Electrical Districts Association of Arizona; Arizona Municipal Power Users Association; Utah Associated Municipal Power Systems; Southwest Public Power Agency; City of St. George; Wyoming Municipal Power Agency; Utah Municipal Power Agency; Municipal Energy Agency of Nebraska; Heber Light & Power; Arizona Power Authority

In Support of Colorado River Basin Drought Assistance

The Colorado River is the life blood of the West. Congress has authorized federal multiple-purpose and transmission projects in the Colorado River Basin to provide water, clean hydroelectric power, and a wide range of significant benefits to over forty million people. These benefits from the largest of the Projects, the Boulder Canyon Project (Hoover), Colorado River Storage Project (CRSP), and Parker-Davis Project (Parker-Davis), include, but are not limited to:

- Flood control;
- Water storage and delivery;
- Hydroelectric power generation and transmission;
- Public recreation;
- Fish and wildlife propagation and Endangered Species Act (ESA) compliance; and
- Regulation, reliability, and resilience support to the Western Interconnection.

Despite the multitude of benefits these projects provide, they have historically not relied on federal appropriations. Each Colorado River Project has its own unique congressional authorization, rates, repayment obligations, and customer base. Collectively, an estimated 300 non-profit customers, including over 70 tribal entities located in some of the most underserved areas of this country, provide through long-term contracts the revenues necessary to sustain the Colorado River Projects. These revenues are maintained in the Upper Colorado River Basin Fund (Basin Fund) or the Colorado River Dam Fund (Dam Fund), depending on the project. The revenues provide funding for:

- Repayment of the federal investment in the water storage, generation, and transmission facilities (with interest);
- Irrigation assistance;
- Operation, maintenance, and replacement of generation and transmission facilities;
- Replacement power costs (when the hydropower resource is insufficient);
- Staffing expenses of the Bureau of Reclamation (Reclamation) and Western Area Power Administration (WAPA);

- Non-power costs associated with the Colorado River Salinity Control program, Glen Canyon Dam Adaptive Management Program, Upper Colorado and San Juan Rivers Endangered Fish Recovery Programs, and Lower Colorado River Multi-Species Conservation Program.

The Colorado River Basin is entering its twenty-second year of drought. Lake Mead (Hoover Dam) and Lake Powell (Glen Canyon Dam) water elevations are at the lowest since they were filled and are approaching critical levels where power generation will cease.

A combination of reduced generation due to extreme drought, costs associated with environmental programs and experiments, and wholesale power market conditions has resulted in unstable, unsustainable cash flow conditions in the Basin Fund, double-digit customer rate increases with added risk and cost of replacement power, deferred maintenance of federal facilities, while energy deliveries are declining. Neither Congress nor the federal agencies contemplated this drought situation and the ensuing economic and financial impacts to the Projects and customers.

NOW, THEREFORE, BE IT RESOLVED: To mitigate impacts resulting from the current drought, the American Public Power Association (APPA) urges the Bureau of Reclamation and Western Area Power Administration to continue implementing cost-cutting measures and strategies to sustain the Upper Colorado River Basin Fund (Basin Fund) and the Colorado River Dam Fund (Dam Fund), and stabilize rates for the Boulder Canyon Project, Colorado River Storage Project, and Parker-Davis Project, and to work in partnership with customers to develop operational, financial, and rate-setting strategies.

BE IT FURTHER RESOLVED: That APPA encourages Congress to provide non-reimbursable appropriations to the Basin Fund and Dam Fund to mitigate drought-related impacts and ensure funding of annual obligations to maintain the viability of the federal Colorado River Projects.

Adopted at the Legislative & Resolutions Committee Meeting

March 1, 2022

Sunsets in March 2030