
**Agriculture & Natural Resources
Committee**

SSB 5881

Brief Description: Modifying water power license fees.

Sponsors: Senate Committee on Water, Energy & Telecommunications (originally sponsored by Senators Poulsen, Delvin, Regala and Fraser; by request of Department of Ecology).

Brief Summary of Substitute Bill

- Increases the annual fees for water power licenses based on the theoretical horsepower capacity of the project. Requires the Department of Ecology to biennially increase the rates in accordance with the fiscal growth factor provided by the Office of Financial Management.
- Requires the Department of Ecology to submit a biennial progress report justifying the appropriate use of the fees.
- Reduces the license fees by 50 percent for projects developed by an irrigation district in conjunction with the irrigation district's water conveyance system.
- Allows expenditures from the Reclamation Account to offset the cost of staff working on licensing issues.

Hearing Date: 3/22/07

Staff: Jaclyn Ford (786-7339).

Background:

According to the Department of Ecology (DOE), there are approximately 100 hydroelectric projects in Washington, of which 56 projects have licenses from the Federal Energy Regulatory Commission (FERC). Owners of projects pay an annual hydropower fee which the state uses to

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pay for investigations and surveys of natural resources, including stream gaging, hydrographic, topographic, river, underground water, mineral and geological surveys.

The annual power license fee is based upon the theoretical water power claimed under each and every separate claim to water. The fees have not been updated since 1929.

Every 35 to 50 years, the Federal Power Act requires that owners of hydropower projects get a new FERC license. Many of the hydropower projects were first licensed before adoption of the Clean Water Act, and are now up for re-licensing. A major part of licensing involves addressing environmental concerns not considered in previous licensing proceedings. The licensing process takes a minimum of five years, and FERC now requires that hydropower owners respond to new information throughout the life of the license, and manage the project accordingly. This approach requires oversight of license conditions, not only by FERC, but by the DOE and the Department of Fish & Wildlife (WDFW). As part of the FERC license, states must certify that hydropower projects meet state water quality standards. Each FERC license contains conditions to meet state water quality standards.

Summary of Bill:

The DOE will collect an annual fee on water power projects in operation and FERC projects in operation. The rate of the license fees will be increased according to the fiscal growth factor provided by the Office of Fiscal Management.

Capacity (theoretical horsepower)	Current Annual Fee (per theoretical horsepower)	Proposed Annual Fee in SSB 5881 (per theoretical horsepower)	Proposed Annual fee for FERC Projects (in addition to proposed fees)
0-1,000	\$0.10	\$0.18	\$0.32
1,000-10,000 excess	\$0.02	\$0.036	\$0.064
10,000 + excess	\$0.01	\$0.018	\$0.032

The rate for each and every theoretical horsepower of capacity claimed up to and including 1,000 horsepower is raised from 10 cents per horsepower to the new rate of 18 cents per horsepower. For each and every theoretical horsepower in excess of 1,000 horsepower, up to and including 10,000 horsepower, the rate is increased from 2 cents to the new rate of 3.6 cents per horsepower. For each and every theoretical horsepower in excess of 10,000 horsepower, the fee is increased from 1 cent to the new rate of 1.8 cents per horsepower.

In addition to the annual fee, FERC projects in operation will pay an extra fee. The rate for each and every theoretical horsepower of capacity claimed up to and including 1,000 horsepower is 32 cents per horsepower. Each and every theoretical horsepower in excess of 1,000 horsepower, up to and including 10,000 horsepower is 6.4 cents per horsepower. For each and every theoretical horsepower in excess of 10,000 horsepower, the fee is 3.2 cents per horsepower. The fees imposed on FERC projects will expire on June 30, 2017.

Fees are not required from any hydropower project owned by the United States, or for projects that generate 50 horsepower or less.

Projects developed by an irrigation district in conjunction with the irrigation district's water conveyance system will have their fees reduced by 50 percent to reflect the portion of the year when the project is not operating.

Irrigation districts or other municipal subdivisions developing power for pumping water for irrigation are exempt from all fees to the extent that the power is used for irrigation pumping.

All fees are deposited into the Reclamation Account and may be used by the DOE for investigations and surveys of natural resources, as well as expenses associated with staff at the DOE and the WDFW working on FERC relicensing and licensing implementation.

The DOE will submit a progress report to the Legislature prior to December 31, 2009, and biennially thereafter. The progress report will describe how the license fees were expended, include recommendations from interested parties, and recognize hydropower operators that exceed their environmental regulatory requirements.

Appropriation: None.

Fiscal Note: Requested on March 9, 2007.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.