RECLAMATION

Managing Water in the West

Hydropower Development and Lease of Power Privilege

National Hydropower Association
Washington DC
4-23-2013

U.S. Department of the Interior
Bureau of Reclamation

Reclamation Overview

- Second largest producer of hydroelectric power
  - 53 Hydroelectric Power Plants
  - Capacity: 14.6 million kW
  - Annual Generation: Over 40 billion kWh
- Largest water wholesaler in US
- 187 Water Resource Projects
  - 337 Reservoirs
  - 476 Dams
  - 8,116 Miles of Irrigation Canals

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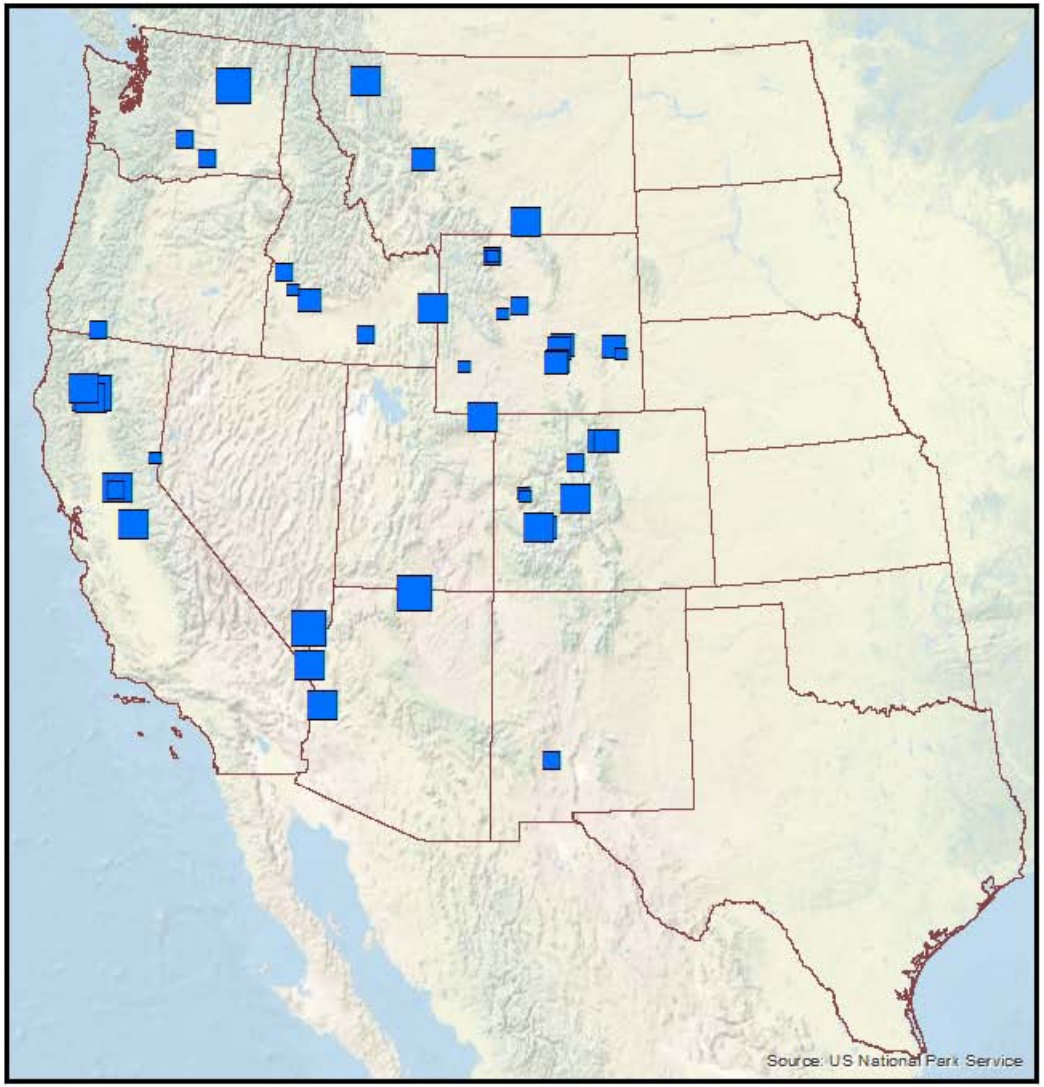
Reclamation Owned and Operated Hydropower Plants



Reclamation Owned

Reclamation Operated

Capacity (MW)

- < 10
- 10 - 30
- 30 - 100
- 100 - 500
- > 500

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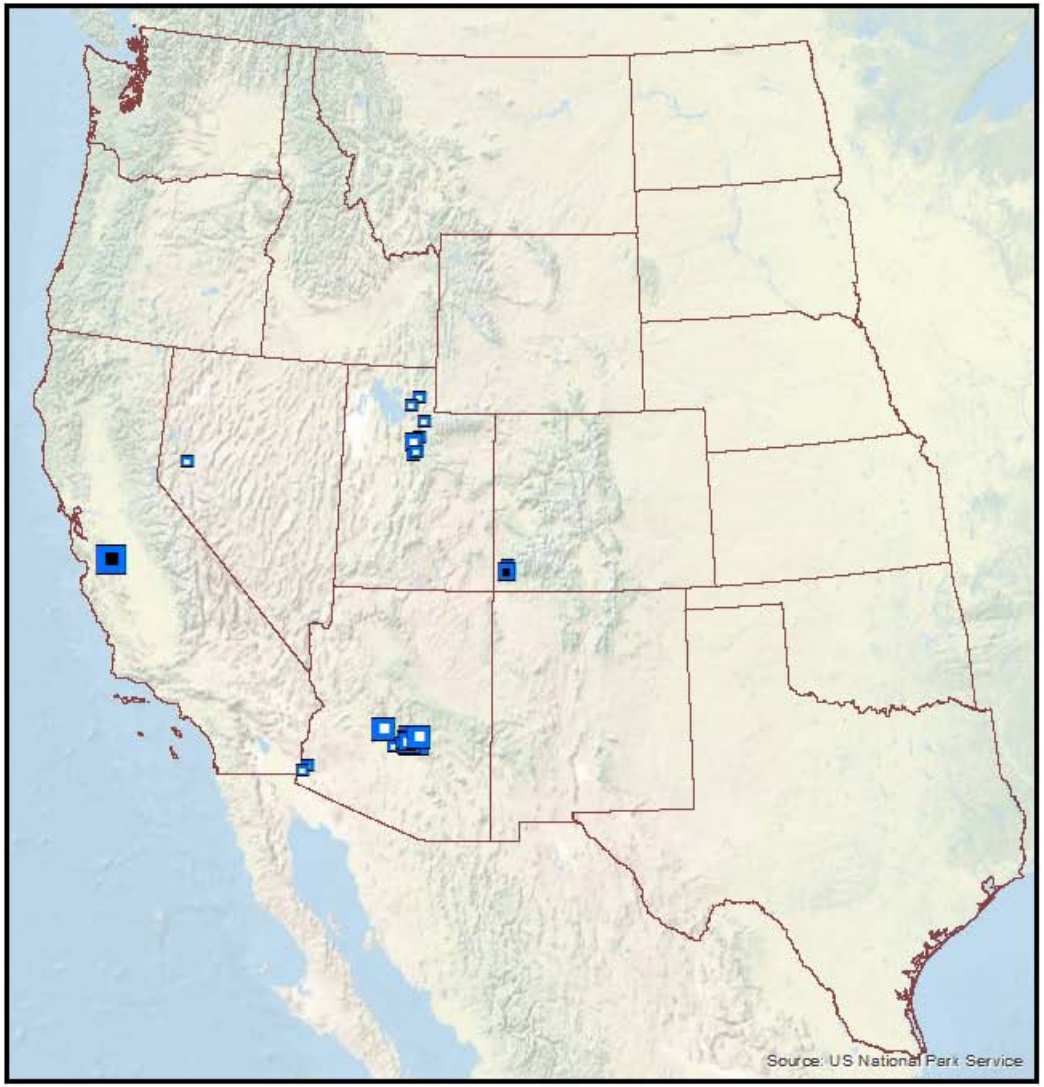
Hydropower Plants
Reclamation Owned – Operated by Others



Reclamation Owned

- Operated by Others (PMA marketed)
- Operated by Others (not PMA marketed)

Capacity (MW)

- < 10
- 10 - 30
- 30 - 100
- 100 - 500
- > 500

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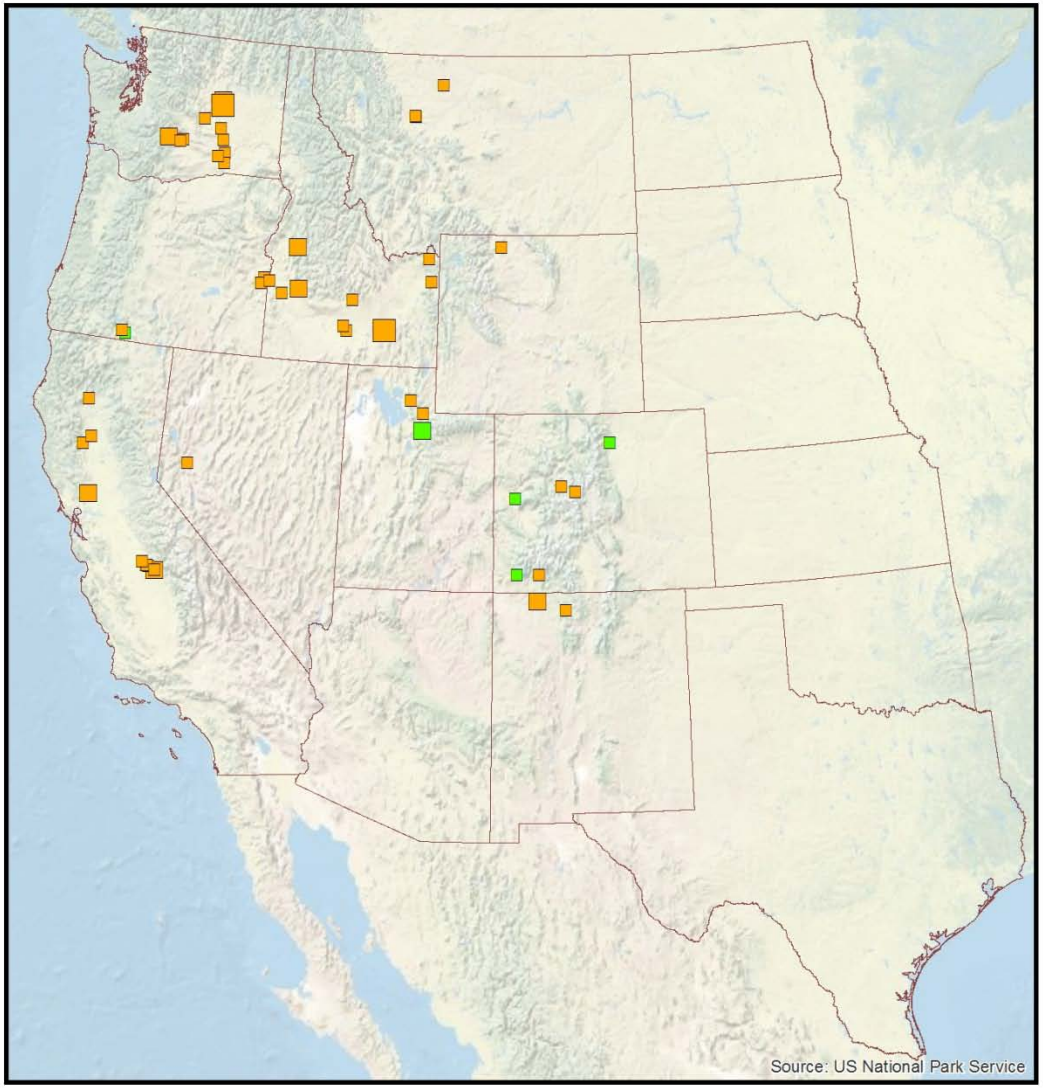
Hydropower Plants
Existing FERC or Lease of Power Privilege Projects



Licensed by FERC

Operating

Lease of Power Privilege

Operating

Capacity (MW)

- < 10
- 10 - 30
- 30 - 100
- 100 - 500
- > 500

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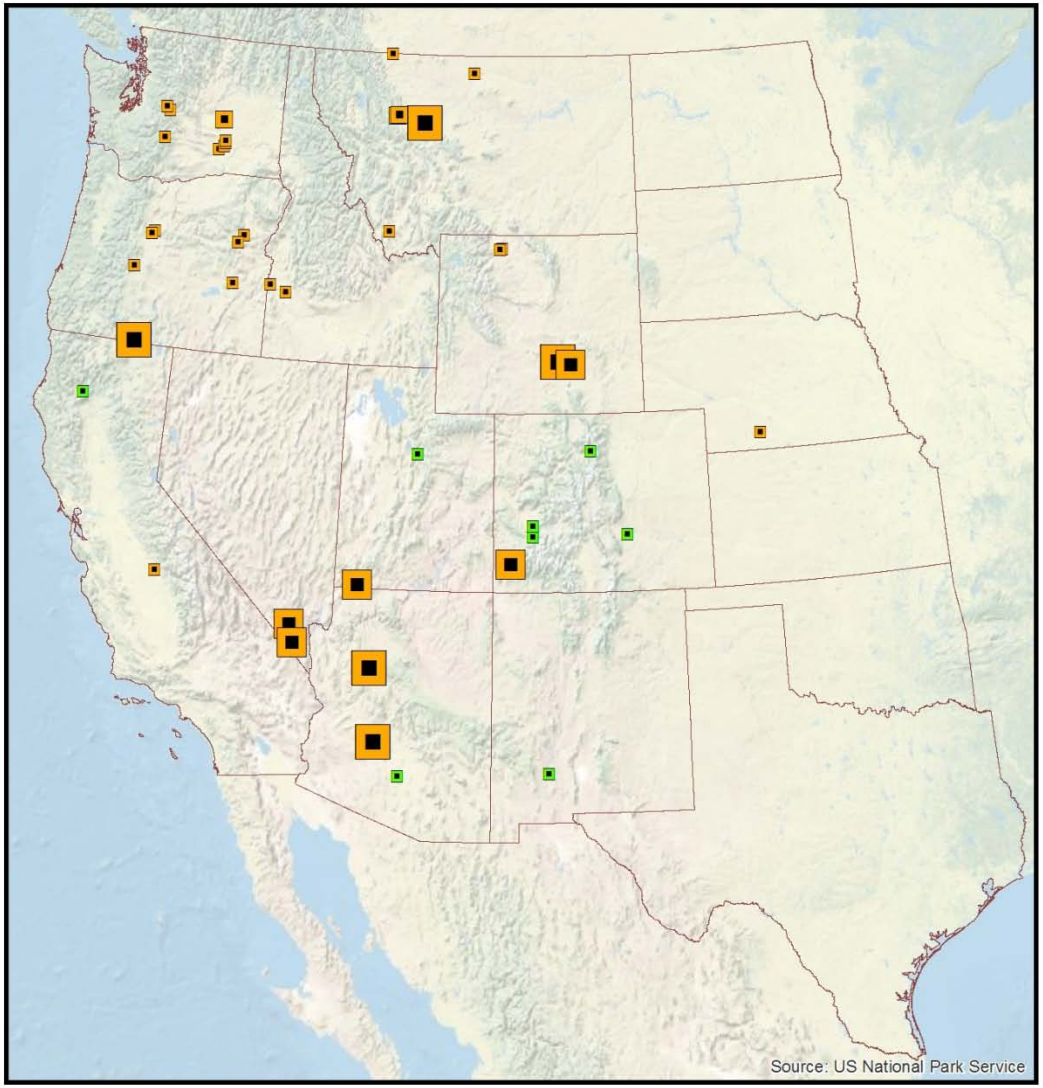
Hydropower Plants (In Development)
FERC Permits/Licenses or Lease of Power Privilege



Licensed by FERC

In Development

Lease of Power Privilege

In Development

Capacity (MW)

< 10

10 - 30

30 - 100

100 - 500

> 500

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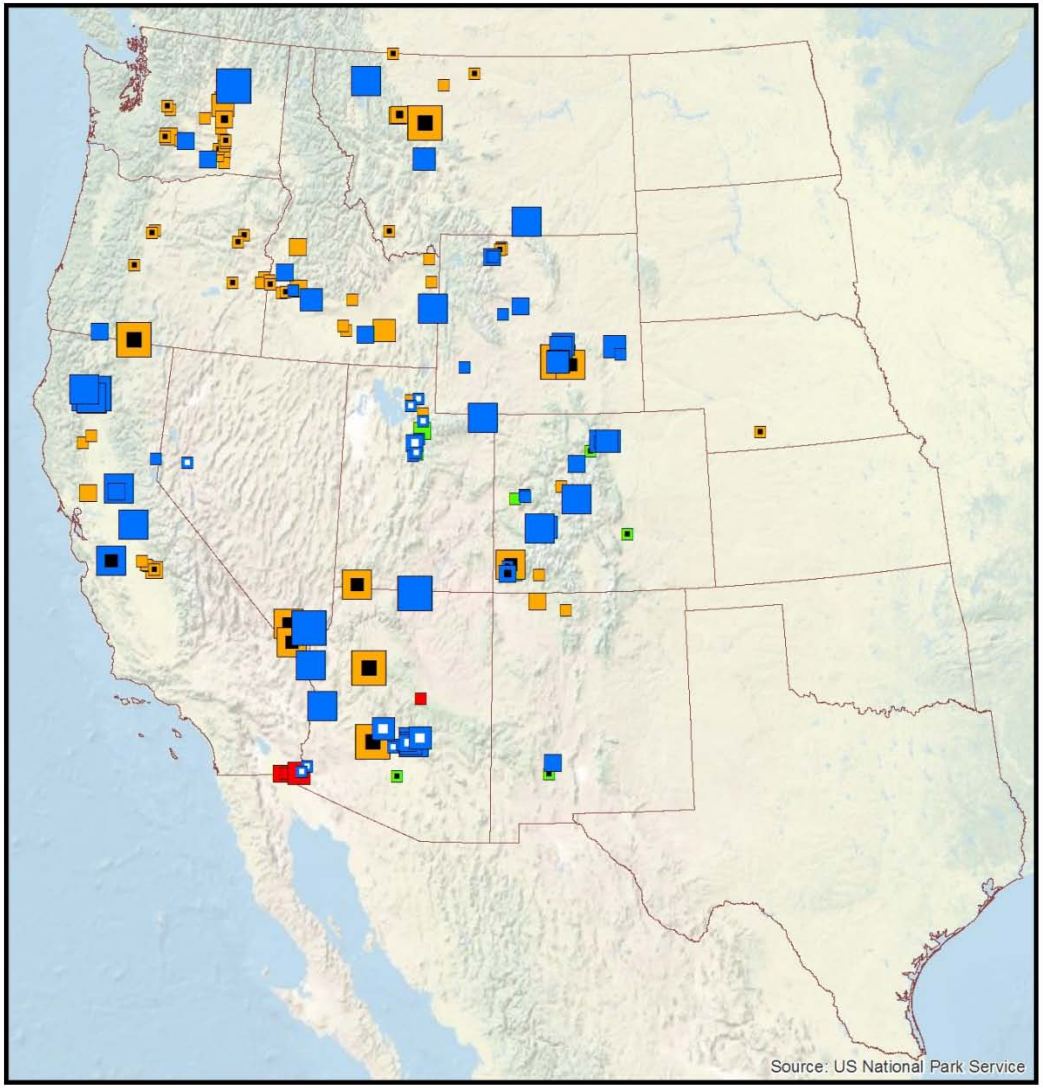
Hydropower Plants Combined



Reclamation Owned

- Reclamation Operated
- Operated by Others (PMA marketed)
- Operated by Others (not PMA marketed)

Licensed by FERC

- Operating
- In Development

Lease of Power Privilege

- Operating
- In Development

- Other Plants on Reclamation Sites

Capacity (MW)

- < 10
- 10 - 30
- 30 - 100
- 100 - 500
- > 500

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New LOPP Directive & Standard (D&S)

- Final D&S issued September 2012
- Available at www.usbr.gov/recman
- Designed to update policies that allow for non-federal development of hydropower on Reclamation facilities:
  - Protect existing infrastructure and operations
  - Provide clearer guidance
  - Clearly assign roles and responsibilities

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How to Start the Process

- Development at a Reclamation site goes through either a FERC License OR a LOPP
- How do you know?
  - Letter to Reclamation Regional Director OR Filing for a FERC Preliminary Permit will initiate the process

- 1992 MOU between Reclamation and FERC created a process for determining what agency has jurisdiction

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Competitive Public Solicitation

- Solicitation generally through Federal Register
- Scoring and Evaluation Criteria will be included in Solicitation
  - Allows up to 150 days to respond, but could be shorter depending on the project

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Solicitation Continued - Preference

- LOPP solicitations are a competitive process
  - Preference is required in the 1939 Act and preference is given to all entities that qualify
    - Municipalities, Rural Electric Cooperatives, Tribes and other public agencies are considered preference entities
- In the new D&S:
  - Additional preference is given to the operators of a transferred work
    - Purpose is to maintain continuity of operations
- If an operator of a transferred work is not a participant in the proposed LOPP, then LOPP contracts WILL include their involvement

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Major Steps After Selection

- **Preliminary LOPP to Construction - maximum of 4 years is allowed.**
  - **Can take much less time**

From Preliminary Lease to LOPP Contract:
Dams – Up to 2 Years
Canals – Up to 1.5 Years

→

From LOPP Contract to Design Completion:
Up to 1 Year

→

From Design Completion to Construction:
Up to 1 year

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Preliminary Lease

- Cost Recovery Agreement
- Studies - NEPA, Preliminary Designs, etc
- Reclamation Reviews Studies
- Power Purchase Agreement
  - Power Marketing Agencies given first opportunity to purchase the power

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NEPA Categorical Exclusion

– Categorical exclusion (CE) if:

- the project would utilize an existing dam or conduit;
- points of diversion and discharge of the LOPP power plant would be in close proximity to the existing infrastructure and would not significantly affect the flow patterns of the water source;
- there would be no increase or change in timing of diversions and discharges;
- the primary purpose of the infrastructure would remain, e.g., most commonly irrigation.
- AND if no other extraordinary circumstances exist.

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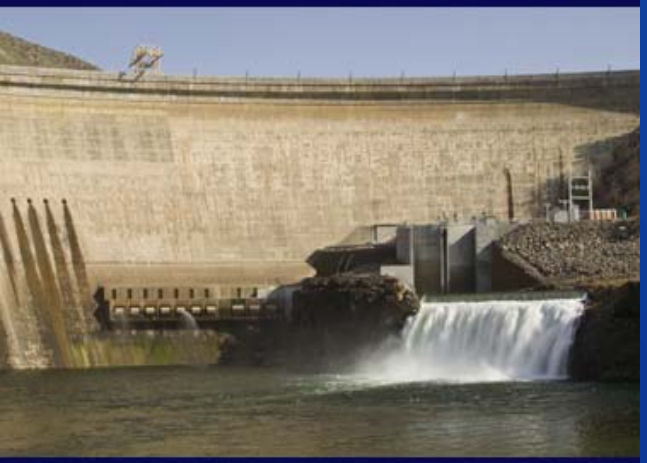

LOPP Contract – Major Points

- LOPP projects may not impact existing or future operations of the Reclamation project
- LOPP contract maximum of 40 years
- 1939 Act Requires Reclamation to collect capital and O&M charges – LOPP Annual Charge
- Title to the underlying facility remains with Reclamation
- Title to the powerplant to the lessee

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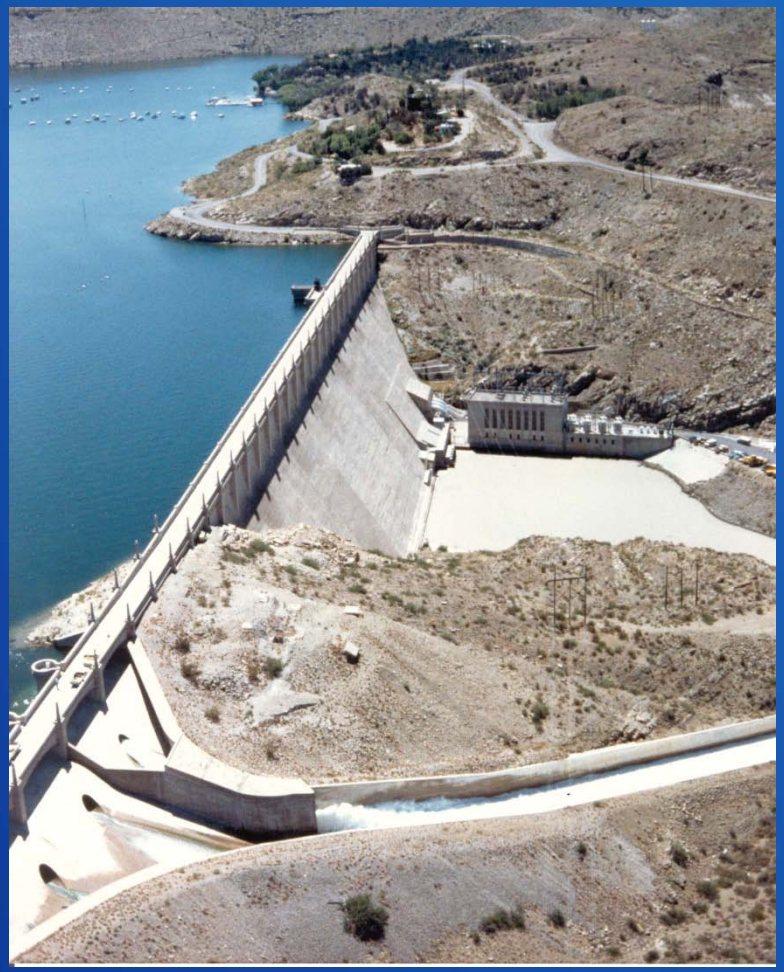
LOPP Annual Charge

- Standard LOPP Charge - 3 mills per kwh
- Discounted LOPP Charge - 2 mills per kwh
  - For entities that are already responsible for project O&M repayment for the site of the LOPP project



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LOPP Website

www.usbr.gov/power/lopp/lopp.html

- **Features:**
  - **Reclamation/FERC jurisdiction discussion**
  - **“How to initiate a project”**
  - **LOPP D&S**
  - **LOPP Flowcharts, Example and Guidance Documents**
  - **Contact Information**
  - **Current Development Catalog**
  - **Guiding Legislation and Memorandum**

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Recent Lease of Power Privilege Example - Carter Lake Outlet

- Colorado-Big Thompson Project, Colorado
- Developer: Northern Colorado Water Conservancy District

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Carter Lake Outlet

Project Timeline

- Project Initiated: May 7, 2009
  - Solicitation for proposals (Federal Register Notice)
- Preliminary Lease Awarded: November 24, 2009
- Lease Awarded: April 1, 2011
- Brought Online: May 18, 2012

- Capacity: 2,600 kW
- Annual Generation: 8,000,000 kWh (2013 expected)

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Recent Lease of Power Privilege Example - Klamath C Drop

- Klamath Project, Klamath Falls, Oregon
- Developer: Klamath Irrigation District

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Klamath C Drop

Project Timeline

- Project Initiated February 8, 2011
  - Solicitation for proposals (Federal Register Notice)
- Preliminary Lease Awarded: May 2011
- Lease Awarded: November 8, 2011
- Brought Online: May 3, 2012

- Capacity: 900 kW
- Annual Generation: Up to 3,000,000 kWh

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S. 306 and H.R. 678

- H.R. 678 Introduced February 13, 2013
- H.R. 678 Passed House April 10, 2013
- Senate Hearing TODAY

Synopsis

- Jurisdiction for small hydropower development on all Reclamation irrigation canals and conduits to exist solely with Reclamation (removes FERC jurisdiction on Reclamation canals and conduits)
- Apply Categorical Exclusion Process for Small Hydropower on Conduits
- Right of first refusal for irrigation districts and water users

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Thank You!

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Power Website:
http://www.usbr.gov/power

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