

FINAL BILL REPORT

SSB 5881

C 286 L 07

Synopsis as Enacted

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).

Senate Committee on Water, Energy & Telecommunications

House Committee on Agriculture & Natural Resources

House Committee on Appropriations

Background: Most of the dams in Washington were built more than 50 years ago to provide electricity and flood control. Currently, 56 hydroelectric projects in Washington have licenses from the Federal Energy Regulatory Commission (FERC). In accordance with state law, owners of projects pay an annual hydropower fee, which the state uses to pay for its stream gauging program. Currently, 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.

The Department of Ecology's (DOE) stream gauging program is run cooperatively with the U.S. Geological Survey (USGS), and is used as a water management tool. DOE pays for half the cost to install and maintain these gauges. USGS owns and operates the gauges and provides the funding for the remaining half. The hydropower fees fund gauges that collect information on stream flows at 36 locations. This information is used for decision-making about water supplies, water rights, drought, climate change, flooding, and setting and achieving of instream flows.

The Federal Power Act requires that owners of hydropower projects renew FERC licenses every 35 to 50 years. Many of the hydropower projects and dams were first licensed before adoption of the Clean Water Act. A major part of licensing involves addressing environmental concerns, that were not previously considered. The licensing process takes a minimum of five years, and FERC 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 by FERC, DOE, and Department of Fish & Wildlife (DFW). As part of the FERC license conditions, states must certify that hydropower projects meet state water quality standards.

Summary: DOE collects an annual fee on water power projects based upon the theoretical water power claimed under each and every separate claim to water. Annual license fees are due the first day of January of each year.

For projects in operation, the annual license fee rates apply:

- up to and including 1,000 horsepower, the rate is raised from ten cents per horsepower to the new rate of 18 cents per horsepower;

- in excess of 1,000 horsepower, up to and including 10,000 horsepower, the rate is increased from two cents to the new rate of 3.6 cents; and
- in excess of 10,000 horsepower, the fee is increased from one cent to the new rate of 1.8 cents.

For FERC projects in operation, the following rates also apply:

- up to and including 1,000 horsepower, the rate is raised from ten cents per horsepower to the new rate of 32 cents per horsepower;
- in excess of 1,000 horsepower, up to and including 10,000 horsepower, the rate is increased from two cents to the new rate of 6.4 cents; and
- in excess of 10,000 horsepower, the fee is increased from one cent per horsepower to the new rate of 3.2 cents per horsepower.

The fees for FERC projects expire June 30, 2017.

The fees do not apply to projects that generate 50 horsepower or less or to hydropower projects owned by the United States. Projects developed by an irrigation district in conjunction with the district's water conveyance system will have their fees reduced by 50 percent to reflect the portion of the year the project is not operable.

DOE must submit a biennial progress report to the Legislature beginning December 31, 2009. The progress report must describe how license fees were used in the FERC licensing process, expected workload, and include recommendations from DOE, DFW, hydropower project operators and interested parties, and recognize hydropower operators that exceed their environmental regulatory requirements.

Votes on Final Passage:

Senate	39	9	
House	65	33	(House amended)
Senate	37	12	(Senate concurred)

Effective: July 22, 2007