



To: House Committee on Energy & Environment
Chair Marsh
Vice-Chair Helm
Vice-Chair Brock Smith
Rep. Hernandez
Rep. Moore-Green
Rep. Owens
Rep. Pham

From: Caylin Barter, Wild Salmon Center

Date: February 17, 2021

RE: Support for HB 2143 -- Fairness and Function for Oregon's Annual Hydroelectric Fees

Chair Marsh and Members of the Committee:

Thank you for the opportunity to provide testimony on HB 2143, which amends the annual fee structure for hydroelectric facilities in order to restore fairness in the statute and maintain current service levels across the three state agencies that play a role in the review of hydroelectric projects.

Wild Salmon Center works with partners to conserve healthy wild salmon fisheries across the North Pacific. Many salmon runs in Oregon are listed as endangered, and hydroelectric projects have limited species' recovery due to the dams' negative impacts on water quality and quantity. These problems are worsening due to climate change and increased demand for water. Wild Salmon Center has a stake in improving agency processes that protect instream values and contribute to fair and predictable administration of our public water resources. That is why **we support HB 2143**, which (1) simplifies the current annual fee structure for hydroelectric projects and restores fairness across fee payers, and (2) preserves service levels in hydroelectric programs at OWRD, ODFW and ODEQ.

Oregon's salmon depend on careful stewardship of our state's water resources

It is no secret that hydroelectric projects cause major problems for salmon -- fish that require habitat from headwaters to ocean. ORS 543.017 announces the standard for hydroelectric projects when it comes to protecting Oregon's public interest in its iconic salmonids:

The anadromous salmon and steelhead resources of Oregon shall be preserved.
The commission shall not approve activity that may result in mortality or injury to anadromous salmon and steelhead resources or loss of natural habitat of any anadromous salmon and steelhead resources except when an applicant proposes to modify an existing facility or project in such a manner that can be shown to restore, enhance or improve anadromous fish populations within that river system.

Staff at three state agencies play key roles in evaluating the potential impacts of hydroelectric projects, developing operating conditions to mitigate those impacts, and monitoring compliance.

INTERNATIONAL HEADQUARTERS

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Fee-funded staff at OWRD, ODFW, and ODEQ are critical for operation of the state's hydroelectric projects in the public interest

The hydroelectric programs of OWRD, ODFW, and ODEQ are critical to the state's ability to fulfill its duties as steward of the public's water resources, with a shared mission to "protect the natural resources of this state from possible adverse impacts caused by the use of the waters of this state for the development of hydroelectric power." ORS 543.015. Funding for these program staff comes from annual hydroelectric project fees, which were first established in 1911 and last updated in statute in 1999. Fees are collected by OWRD and passed through to ODFW and ODEQ. Fees for large projects (greater than 123.5 theoretical horsepower, or "THP") are set on a sliding scale, whereas smaller projects under the 123.5 THP threshold pay a flat fee of \$15 or \$50 depending on relicensing status and size. This makes sense, since big projects have both a larger impact on the public interest and a greater capacity to recover mitigation costs through sale of generated power.

The 1999 fee structure punishes relicensed projects and threatens the relicensing process itself

Under the current system, large hydroelectric projects pay a lower annual fee while the project is undergoing relicensing -- \$0.30/THP up to 50 THP, and \$0.28/THP for each THP in excess of 50 THP. These fees are set in ORS 543.710 and have not been adjusted since they took effect in 1999.

In contrast, the annual fee for relicensed large projects is adjusted automatically based on inflation. Originally set at \$0.405/THP, inflation over the past two decades has driven up these fees by 50%: in 2020, the annual fee for relicensed projects stood at \$0.605/THP -- more than twice the rate charged to projects undergoing the relicensing process. Meanwhile, some complex large projects have been undergoing relicensing since 1999 -- selling power while paying an ever-shrinking fraction of the annual fee rate paid by large relicensed projects.

The current system was not built for multidecadal relicensing processes, and it has resulted in unfair consequences, in effect punishing projects that have completed relicensing. It is also resulting in growing threats to the fee-supported programs necessary for relicensing to proceed and for ongoing protection of public interest values. ODEQ began experiencing revenue shortfalls in the 2019-21 biennium, and ODFW and ODEQ are expecting shortfalls in the coming biennium that will threaten their ability to maintain current service levels.

HB 2143 restores fairness and simplicity

HB 2143 eliminates the outdated division between "relicensed" and "relicensing": beginning in 2021, all large projects would pay the same rate of \$0.687/THP, adjusted annually and automatically to account for inflation. Small projects (less than 123.5 THP) would continue to pay the flat fee of \$15 or \$50, with no inflation adjustments. This preserves the status quo for the majority of hydroelectric projects that are either relicensed or small, while addressing the inequitable fee structure that benefits the roughly 20 large hydroelectric projects undergoing relicensing.

We support HB 2143 as a fair and reasonable approach that offers the best available path for preserving core capacity in OWRD, ODFW, and ODEQ during these challenging times. And we also look forward to advocating for expanded general fund investments across all three agencies, now and into the future.

Thank you for the opportunity to provide testimony on this important matter.