Testimony of Will Lutgen

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Before the

House Subcommittee on Energy and Mineral Resources

"Renewable Energy Opportunities and Issues on Federal Lands: Review of Title II, Subtitle B-Geothermal Energy EPAct"

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Thank you, Chairman Costa, Ranking Member Pearce and other members of the Subcommittee for inviting me to be here today. My name is Will Lutgen, Jr. I'm the Executive Director of the Northwest Public Power Association, an organization of 148 not-for-profit public or people's utility districts, electric cooperatives and municipalities providing cost-based electric services to approximately 15 million customers in the Western U.S. NWPPA also serves over 230 Associate Members and is a member of the National Rural Electric Cooperative Association and the American Public Power Association.

I am pleased to be here today to speak about renewable resource opportunities on public lands. Throughout the West and Northwest, NWPPA members and the consumers they serve have benefited for decades from hydropower generated at federal dams and marketed by the Bonneville Power Administration and the Western Area Power Administration. They have also benefited from hydropower generated at numerous FERC-licensed projects on navigable rivers and streams throughout those regions.

I am here today to share my thoughts about actions Congress can take to:

(1) Recognize that hydropower <u>is</u> a renewable resource;

(2) Fully fund incentives to encourage <u>all sectors</u> of the utility industry to develop renewable resources;

(3) Consider carefully a national renewable portfolio standard; and

(4) Not disadvantage certain regions of the country and certain forms of electric generation as it works to develop policies to address limiting emissions of greenhouse gases.

Hydropower is a Renewable Resource

Merriam Webster's dictionary defines a "renewable" resource as "capable of being replaced by natural ecological cycles…" Under this definition, hydropower is a renewable resource. However, for various reasons, over the last several years hydropower has fallen into disfavor and, in many instances, is not treated as a renewable resource. I think it is time for Congress to re-consider that policy, because hydro has several significant attributes that make it a valuable addition to the U.S. energy portfolio.

First, hydropower is a flexible resource that can be used as a baseload or peaking resource. The Federal Columbia River Power System uses its dams as both a baseload and a peaking resource. Hydropower is relatively affordable and, when used as a "peaking" resource during the hours when electric demand is highest, it avoids the use of much higher cost alternatives.

Second, hydropower serves a very valuable function in assuring electric reliability and restoring power after an outage, because it can be brought on line almost instantaneously. This "cold start" capability can be used to re-start fossil generators, which need a much longer time to come on line.

Third, hydropower works extremely well to integrate wind resources into a power system because it can be brought on line when the wind is not blowing, to backup the wind projects. For this reason, the Bonneville Power Administration and the NW Power and Conservation Council recently announced a plan to integrate nearly 6000 MW of proposed wind generation into the Northwest Power System, using hydropower as the critical backup resource.

Fourth, hydropower is a clean resource that is relatively emissions-free and, thus, can play a positive role in controlling emissions of greenhouse gases. The National Hydropower Association estimates that more than 160 million tons of CO2 emissions were avoided in the US in 2004, when 268 million megawatt hours of hydropower were generated.

Finally, hydropower, unlike some other renewable resources, such as solar or geothermal, is located in most regions of the country and, therefore, would benefit consumers throughout the United States.

In the rest of the 21st century, we will face increasingly difficult challenges in order to meet anticipated increases in demand for electricity, reduce emissions of greenhouse gases and reduce dependence on foreign sources of fuel. No single generation resource can meet those challenges alone and each available resource has positive and negative aspects. I believe that we must use all available domestic resources to meet these goals in a balanced way.

Need to Fully Fund Renewable Incentives

NWPPA fully supports the tax incentives for renewable resources that Congress authorized (or extended) in the Energy Policy Act of 2005. The two federal incentives that are of particular benefit to NWPPA members, as not-for-profit utilities, are the Renewable Energy Production Incentive (REPI) and the Clean Renewable Energy Bond (CREB) program.

REPI is funded through appropriations and, because it must compete for dollars against a large number of worthy water and power programs, it has been funded, historically, at only about $5 million per year. The Department of Energy estimates it would take more than $50 million per year to pay the full incentive to projects that have already met the criteria to receive funds. In fiscal year 2008 and beyond, we hope Congress will remedy this situation and provide adequate funding for REPI.

The CREB program, essentially, provided interest free bonding authority to consumer-owned utilities and other public entities to develop renewable projects. NWPPA supports H.R. 1821, introduced by Rep. Jim McDermott and Jim Ramstad, to extend and expand the CREB program. We urge your support for that bill.

Renewable Portfolio Standard

We understand that Congress will soon debate whether to enact a federal renewable portfolio standard (RPS). To date, 23 states and the District of Columbia have enacted an RPS. When the debate begins, we urge you to consider these factors:

- If there is a “one-size-fits-all” RPS, states that are not lucky enough to have native wind, solar, geothermal or other renewable resources may find themselves at a competitive disadvantage, compared to those states that have plentiful renewable resources. As a partial remedy for this problem, and for the reasons stated above, NWPPA believes that hydropower must be considered a renewable resource;
- A single federal RPS will likely increase the cost of renewable resources by creating a surge of demand for those resources. In addition, in the so-called “organized markets”, operated by Regional Transmission Organizations or Independent System Operators, renewable resources sold on the spot market will be priced at the highest bid, which would also likely increase the cost to consumers.
- The debate on a federal RPS should recognize that numerous jurisdictions have already adopted policies on renewables. Care must be taken to “grandfather” those prior state laws or to ensure that a federal RPS does not require utilities to comply with two sets of mandates or impose inconsistent or conflicting requirements on utilities; and
- If Congress enacts a federal RPS, it must ensure that the level of incentives available to not-for-profit, consumer-owned utilities matches the level of incentives provided to investor-owned utilities under the Production Tax Credit and the Investment Tax Credit.

Climate Change Legislation

We know some in Congress want to move quickly on climate change legislation, but it is a very complex task and the devil is always in the details. We ask that Congress be very deliberate in how it approaches regulating greenhouse gas emissions and the allocation of emissions allowances. For example, we hope that the Northwest, which is heavily hydropower dependent, will not be penalized for having an abundance of this clean, renewable resource. In the future, utilities in the Northwest will have to develop new generation to meet electric demand, and if our utilities are not given a fair share of allowances, they may be competitively disadvantaged.

In conclusion, I would like to thank the committee for this opportunity to provide some input on why hydropower should be considered the quintessential renewable resource; the need

to fully fund incentives to develop renewables; the need to carefully consider a national renewable portfolio standard; and the need to treat all forms of generation and regions of the country equally when it come to policies on emissions of greenhouse gases.

Thank you.