



**Federal Energy Regulatory Commission
November 17, 2016
Open Commission Meeting
Staff Presentation
Items H-1 & H-3**

"Good morning, Mr. Chairman and Commissioners.

"H-1 seeks comment on the Commission's current methodology for calculating annual charges for the use of government lands for hydropower projects in Alaska. The purpose of the notice of inquiry is to evaluate an alternative proposal raised in a petition for rulemaking. The petition asks the Commission to use a modified statewide average per-acre land value to calculate annual charges for the use of federal lands in Alaska.

"The Federal Power Act requires hydropower licensees that use federal lands to compensate the United States through payment of an annual fee established by the Commission. Since 2013, the Commission has used a fee schedule to calculate annual charges for use of federal lands. The Commission publishes the fee schedule annually. The fee schedule identifies a per-acre fee for each county or geographic area. Each fee is the product of four components: (i) a per-acre land value; (ii) an encumbrance factor; (iii) a rate of return; and (iv) an annual adjustment factor. The per-acre land value for each county or geographic area is based on land values published in the National Agricultural Statistics Service Census.

"The agricultural census is conducted every five years. 2016 was the first year that the Commission used data from the 2012 census to calculate its federal land use charges. Because the state of Alaska does not use the county designation, the agricultural census identifies five geographic areas for Alaska. Due to per-acre land value increases in the 2012 census, the 2016 land rates for hydropower projects located in certain geographic areas in Alaska increased compared to the rates assessed in 2015.

"On June 6, 2016, a group of six hydropower licensees with projects in Alaska petitioned the Commission to conduct a rulemaking to revise its methodology for calculating federal land use charges for projects in Alaska. The petitioners contend that the use of an average per-acre land value statewide, with the exception of the Aleutian Islands area, would result in a more accurate per-acre land value for federal lands in Alaska.

"H-1 seeks comment on whether the Commission should use a statewide average per-acre land value rather than a regional per-acre land value to calculate federal land use charges for hydropower projects in Alaska.

"If a statewide average per-acre value is preferred, the Commission also seeks comment on: (i) whether the statewide per-acre value should be applied to all projects in Alaska or only to projects in certain geographic areas; and (ii) which geographic areas should be used to calculate the statewide average.

"Finally, H-1 seeks comment on alternative proposals for determining a reasonably accurate per-acre land value for federal lands in Alaska.

"This concludes our discussion of H-1. My colleague Carolyn Clarkin will now brief you on agenda item H-3.

"The draft Notice of Inquiry in Item H-3 seeks comment on whether, and, if so, how, the Commission should revise its policy for establishing license terms for hydroelectric projects located at nonfederal dams.

"Under Part I of the Federal Power Act, the Commission issues original licenses to hydroelectric projects subject to its jurisdiction, and new licenses (commonly called relicenses) thereafter. The Commission is authorized to issue original licenses for a term that does not exceed 50 years, and new licenses for a term that the Commission determines to be in the public interest, but not less than 30 years or more than 50 years.

"For projects located at nonfederal dams, it is current Commission policy to set a 30-year term where there is little or no authorized development, new construction, or environmental mitigation and enhancement; a 40-year term for a license involving a moderate amount of these activities; and a 50-year term where there is an extensive amount of such activity. The purpose of this policy is to ease the economic impact of new costs and promote balanced and comprehensive development of renewable power generating resources.

"Determining whether the measures required under a license are minimal, moderate, or extensive is highly case-sensitive and largely based on a qualitative analysis of the record before the Commission. In establishing the appropriate license term, staff initially examines the nature and extent of the required measures in the context of the project at issue, and then uses the cost of measures as a check on a qualitative conclusion that measures required under the license are minimal, moderate, or extensive. Further, the Commission's policy is to take a forward-looking approach, such that measures adopted under a previous license term are not considered. It has also been the Commission's policy to set license terms that coordinate, to the extent feasible, the license terms for projects in the same river basin to maximize future consideration of cumulative impacts at the same time the projects are due to be relicensed.

"The draft NOI seeks comment on whether, and if so, how the Commission should revise its current policy. The draft NOI outlines five potential options that Commission staff has identified for establishing license terms: (1) the Commission could retain the existing license term policy; (2) the Commission could consider measures implemented during a prior license term; (3) the Commission could establish a 50-year default license term; (4) the Commission could include a more quantitative cost-based analysis; and (5) the Commission could establish the license term based on the term negotiated in a settlement agreement when appropriate.

"The draft NOI seeks comment on each option generally, and in response to posed questions. Further, the draft NOI encourages the suggestion of any other alternatives. While the draft NOI solicits comments for the Commission's consideration, the Commission is not obligated to take further action.

"This concludes our presentation. We are happy to answer any questions you may have."