



March 26, 2019

To: Chair Ken Helm, Vice-Chair E. Werner Reschke, Vice-Chair Sheri Schouten, and Members of the House Committee on Energy and Environment

RE: Support of HB 3274 & HB 2857– Small-scale Renewable Energy & Irrigation Modernization

Chair Helm, Vice-Chair Schouten, Vice-Chair Reschke, and Members of the Committee:

The Oregon Water Resources Congress (OWRC) is writing in support of HB 3274 & the related HB 2857. Both bills have similar language and we are supportive of a merged approach that will help remove barriers to small scale in-conduit hydropower projects, strengthen existing renewable energy requirements, and support modernization of irrigation systems and other water infrastructure.

OWRC is a nonprofit association representing irrigation districts, water control districts, improvement districts, drainage districts and other government entities delivering agricultural water supplies. The water stewards we represent operate complex water management systems, including water supply reservoirs, canals, pipelines, and hydropower production, and deliver water to roughly 1/3 of all irrigated land in Oregon. Our members are a vital component of Oregon's economic engine, delivering water supplies to grow food and fiber sold and consumed locally, nationally, and globally.

Much of Oregon's water infrastructure is 70 years old or older and in dire need of upgrades, replacements, and other improvements to meet today's water challenges. Districts and other water suppliers are actively seeking ways to modernize our aging infrastructure so they can continue to provide water supplies for agriculture, industry, and local communities while also providing flows and habitat for fish, frogs and other aquatic wildlife.

Efforts to modernize water delivery systems include a system wide plan that identifies opportunities for improved water efficiency, water conservation, and in-conduit hydropower. In many instances, piping of open canals can result in improved water efficiency, improved water quality in streams, and additional flows for fish and wildlife. In the process of piping currently open canals, small, in-conduit hydropower generation units can be added to the infrastructure design and provide additional renewable energy as well as multiple watershed benefits for local communities and the environment we share.

However, districts and other water suppliers lack the capital resources to fund these multi-benefit projects on their own. Irrigation districts and similar entities are not-for-profit, local government entities, who pay for the operation and maintenance of their water delivery infrastructure through assessments of the patrons (e.g. farmers and other water users) within their districts.

Benefits of in-conduit hydropower:

- ◆ Generates clean, green, renewable energy, part of a diverse portfolio of energy sources.
- ◆ Revenue helps leverage other funding sources & finance projects to modernize water infrastructure.
- ◆ Uses existing screened water delivery system (turbine installed inside or at end of a pipe).
- ◆ Maximizes efficiency by using water for more than one purpose; does not use additional water beyond what is already legally allowed.
- ◆ Part of piping or other modernization project that leads to increased water efficiency and water conservation, improving water supplies for farmers & for fish.
- ◆ Supports funding for fish passage (when there are associated barriers), through an existing but underfunded statewide fish passage mitigation fund.
- ◆ Potential local power generator in the event of an earthquake or other disaster, enhancing community resiliency.

The mission of the Oregon Water Resources Congress is to promote the protection and use of water rights and the wise stewardship of water resources

Like many other local governments, raising the amount patrons pay for capital improvements is difficult but often necessary. Developing in-conduit hydropower can alleviate this issue by providing a small amount of revenue that can be used to pay back loans and/or match federal or state funding sources. This allows infrastructure improvements to occur without putting farmers out of business.

Unfortunately, there are currently many barriers to small-scale, in-conduit hydropower projects that make them financially infeasible for irrigation districts and other local governments. Without legislative change, it is unlikely any new small-scale in-conduit projects will move forward, and many existing projects will be jeopardized. Districts are also having to invest more and more of their scarce resources into legal expenses and fighting senseless and destructive litigation rather than investing in common-sense infrastructure improvements. The provisions in HB 3274 and HB 2857 will address these negative trends by ensuring small-scale renewables are part of Oregon's diverse portfolio of energy sources and help support a more sustainable water and energy future. HB 3274 and HB 2857 both contain modest changes to help support small scale renewable energy. HB 3274 includes additional provisions to further support in-conduit hydropower and provides options for meeting Oregon's renewable energy needs while supporting sustainable water infrastructure.

Key Benefits of HB 3274:

- ◆ Supports projects that have both energy and water benefits by removing some of the barriers in the energy market that disincentivize small-scale in-conduit hydropower and other renewables.
- ◆ Ensures that power generated by in-conduit hydropower and other small-scale renewables in Oregon has a fair opportunity to be purchased versus private projects in other states.
- ◆ Corrects current inequities in the power market by providing notice and consistent application of the avoided cost rate changes, ensure timely capacity payments, and full payments to Qualified Facilities (QFs) for avoided transmission costs.
- ◆ Provides the PUC with necessary clarity and authority to implement rules to ensure that the utilities are accountable and report on meeting their renewable portfolio requirements.
- ◆ Expands the ability of certified low-impact hydroelectric projects to qualify for the Renewable Portfolio Standards (RPS) (from 40 average MWs to 100 average MWs) and allows Renewable Energy Certificates (RECs) to be banked indefinitely. Certified low-impact hydroelectric projects are small-scale renewable projects that provide additional environmental benefits and are verified through a third-party accreditation process.

HB 3274 will also help support the Oregon's Integrated Water Resources Strategy, particularly "Recommended Action 4.B: Take Advantage of Existing Infrastructure to Develop Non-Traditional Hydroelectric Power" and "Recommended Action 4.C: Promote Strategies That Increase/Integrate Energy and Water Savings." HB 3274 also relates to several other recommended actions, including "Assist with Climate Change Adaptation and Resiliency Strategies," "Plan and Prepare for a Cascadia Subduction Earthquake Event," "Encourage Low Impact Development Practices and Green Infrastructure," and "Develop and Upgrade Water and Wastewater Infrastructure."

In summary, small scale in-conduit hydropower projects are a key component to ensuring Oregon has sustainable energy and water systems. While there are no easy solutions to meeting our shared water and energy challenges, supporting projects that provide multiple benefits for the economy, communities, and environment we share is a common-sense strategy. We look forward to having further conversations about how to best incentivize in-conduit hydropower and support irrigation modernization efforts around Oregon. Thank you for your time and consideration of HB 3274 and HB 2857.

Sincerely,
April Snell
Executive Director