



April 24, 2019

To: Chair Paul Holvey, Vice-Chair Carl Wilson, Vice-Chair Jennifer Williamson, and Members of the House Committee on Rules

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

Chair Holvey, Vice-Chair Williamson, Vice-Chair Wilson, and Members of the Committee:

The Oregon Water Resources Congress (OWRC) is writing in support of HB 3274 and to provide an overview of the concept behind the proposed legislation. New bill language is under discussion by a number of parties and we are committed to collaboratively engaging to find a path forward that strikes the right balance in addressing stakeholder concerns while still meeting the needs of our members. We are seeking a path that removes some of the barriers to in-conduit hydropower generation so that it can be used as a catalyst and funding tool to modernize irrigation 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.

Irrigation Modernization - a holistic infrastructure evaluation designed to help districts fund and implement solutions to address aging infrastructure while also improving water efficiency, increase water conservation, and generate renewable power.

- ◆ Improved water efficiency and greater reliability for farmers and other water users
- ◆ Increased water conservation, leading to more water instream for aquatic wildlife and recreation
- ◆ Incentivizes water users to use voluntary instream water programs (temporary leases, split-season leases, permanent transfers, and water user agreements)
- ◆ In-conduit hydropower helps pay for the infrastructure improvements over time, off-setting debt taken on by farmers, and leveraging federal and other sources of funding.

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 concept behind the legislation is designed to address some of the barriers in the energy market related to a specific type of renewable energy that OWRC members and other types of similar water suppliers can generate—in-conduit hydropower. Over half of our members are actively pursuing or are interested in developing this type of small-scale renewable energy with the primary goal of using the revenue from power sales to fund infrastructure improvements and leverage other funding sources.

While the challenge of addressing aging infrastructure is daunting, there is also tremendous opportunity to make progress, leverage federal resources, and maximize benefits for irrigators and their surrounding communities. 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. 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. We are hoping that revised language will address some of these negative trends so that in-conduit hydropower can be a part of Oregon's diverse portfolio of energy sources while supporting sustainable water infrastructure.

Any legislative solution must include components that provide irrigation districts and similar water entities with better certainty and equity in the process of obtaining power purchase agreements, including pricing and contract length. This solution must also be consistent with the current Renewable Portfolio Standards (RPS) and within the existing framework under the Public Utilities Policies Act of 1978 (PURPA). There also needs to be appropriate sideboards and direction to the Public Utility Commission to ensure that the changes can be implemented legally and as intended. Other components include ensuring that impacts to rate payers will be minimal. Depending on how the compromise language is crafted, the size and scale of in-conduit hydropower projects should ensure that the potential impacts to rates are truly negligible.

In summation, we are seeking a legislative solution that will help remove barriers to small scale in-conduit hydropower projects and better support modernization of irrigation systems and other water infrastructure. 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 its forthcoming amendments.

Sincerely,
April Snell, Executive Director