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## **NHA urges Congress to reauthorize the EAct 2005 hydroelectric production incentive program**

### **Support H.R. 3256 and S. 1336 - incentivizes new hydro and conduit development and existing infrastructure improvements**

In 2015, the Department of Energy (DOE) issued guidance and directed newly appropriated funds for an incentive program designed to spur new hydropower development at sites with existing infrastructure. Section 242 of EAct 2005 provides incentive payments over a 10-year period for renewable hydroelectric power generated at these facilities.

Over the last several years, Congress has increased appropriations for the program up to \$6.6 million in FY 2017 and FY 2018. This hydroelectric production incentive provides awards to qualified facilities - existing powered or non-powered dams and conduits that add a new turbine or other hydroelectric generating device. The facilities may receive up to 1.8 cents per kilowatt hour, indexed for inflation, with maximum payments of \$750,000 per year.

The EAct 2005 Section 242 program has proven an effective incentive with funding re-invested by the hydropower industry back into existing projects and new project proposals alike. The Section 242 program is strengthening and growing the hydropower industry. In practice, the program has selected and awarded funding to successful project owners and developers – funding that those organizations have used as seed money for their next projects. The recipients of the funding awards have proven they have the capability to bring projects online and add hydropower to the nation's energy portfolio.

#### **How developers have effectively leveraged their awards**

Through interviews conducted with owners and developers across the industry, particularly small hydropower developers, NHA has learned that they have used this funding to: 1) provide the investment for new project development; or 2) invest back into existing projects to improve efficiency or complete upgrades to keep projects producing.

**New Projects:** Raising seed money for hydropower projects is one of the biggest challenges in the industry, particularly for small hydropower. Locating investors or bankers that are willing to accept the risk and have the capability to invest long-term is an obstacle to development. The Section 242 program awards are ideal and have been effective for early stage project development.

**Reinvestment to Expand, Increase Efficiency or Preserve Existing Projects:** Another one of the challenges hydropower projects face is the capital investment required to maintain and/or enhance these aging assets. Improving efficiency increases the viability of projects as they compete for power purchase agreements in the world of low-cost natural gas. Developers' investments have ranged from the installation of equipment for dissolved oxygen mitigation to physical plant upgrades to improve safety and efficiency.

### **A Call to Action**

NHA calls on Congress to extend the hydropower incentive program of EAct 2005. We urge Members to co-sponsor H.R. 3256 and S. 1336, which provide a multi-year reauthorization. The original authorization window has expired, which means new projects will not be eligible to receive funding.

In addition, we urge Members to support a robust funding level for the program in FY 2019. The Section 242 program is administered by and funded under the Department of Energy Water Power Technologies Office.

However, the Hydropower program within the Water Power Technologies Office is historically the least funded renewable energy program within the DOE Energy Efficiency and Renewable Energy Office. In order to ensure a stable Section 242 program, Congress must continue to support a robust funding level for the overall Hydropower program.

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