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NHA urges Congress to reauthorize the EAct 2005 Section 242 and 243 hydropower production and efficiency incentives

Support S. 859 for new development at existing infrastructure and hydro plant efficiency 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 years, Congress has increased appropriations for the program up to \$6.6 million. This hydroelectric production incentive provides awards to qualified facilities - existing dams and conduits that add a new turbine or other power generating device, with projects across the country benefitting from the program.

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 industry. In practice, the program awards funding to successful project owners and developers – funding that 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.

In addition, the Section 243 program aims to encourage efficiency improvements at existing hydropower plants. The program provides payments for capital improvements directly related to improving efficiency by at least 3 percent. This program is also in need of reauthorization, as well as appropriations support.

How developers have effectively leveraged their Section 242 awards

Small hydropower developers use these funds successfully 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 S. 859, which provides a multi-year reauthorization. We expect a House companion bill to be introduced shortly. The original authorization window has expired, which means new projects will not be eligible to receive funding, though projects already qualified may continue to receive payments.

In addition, we urge Members to support a robust funding level for the program in FY 2020. Currently, the program is receiving \$6.6 million, but is oversubscribed.

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 as well.

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