

**Business Council for Sustainable Energy Comments in Response
to the Department of Energy Office of Grid Deployment Office's
Request for Information on the Hydroelectric Incentive Programs**

September 6, 2022

RE: Comments in Response to Request for Information on the Hydroelectric Incentive Programs, #DE-FOA-0002762

The Business Council for Sustainable Energy (BCSE) appreciates the opportunity to respond to the Request for Information (RFI) from the U.S. Department of Energy (DOE) regarding issues related to the development of hydroelectric incentive programs authorized under sections 243 and 247 of the Energy Policy Act of 2005, as amended by sections 40332 and 40333 of the Infrastructure Investment and Jobs Act (IIJA).

Hydropower plays a critical role in the U.S. energy economy and provides over 6 percent of the country's electricity production and over 30 percent of the U.S.' renewable power generation. Further, it is the predominant energy storage provider through pumped hydropower facilities.

The IIJA recognizes the importance of hydropower in achieving U.S. energy reliability, affordability and decarbonization goals and provides funding to ensure the U.S. advances and deploys new hydroelectric technologies, while keeping existing clean energy sources online. Specifically, building upon the Energy Policy Act of 2005, the IIJA provides \$125 million in additional funding for the Section 242: Hydroelectric Production Incentive Program. In addition, IIJA provides nearly \$630 million for the Section 243: Hydroelectric Efficiency Improvement Incentives Program and Section 247: Maintaining and Enhancing Hydroelectricity Incentives Program to enable facilities to improve efficiency, grid resiliency, dam safety and environmental conditions.

BCSE commends Congress and the Biden Administration for enactment of the IIJA and seeks to serve as a resource to federal agencies implementing the IIJA programs, including the hydroelectric incentive programs.

In this submission, BCSE provides general views on implementation of the hydroelectric incentive programs, but for detailed responses to the questions provided by DOE in the RFI, BCSE would like to acknowledge the submission made by the National Hydropower Association (NHA). BCSE encourages thoughtful consideration of the issues and recommendations included in the NHA submission.

About the BCSE

The BCSE, founded in 1992, is a broad-based clean energy trade association. Its members span many industry sectors, including energy efficiency, energy storage, natural gas, renewable energy, sustainable transportation and emerging decarbonization technologies. BCSE also has an independent small- and medium-size businesses initiative under its banner, the Clean Energy Business Network (CEBN). Together, the BCSE and CEBN represent a broad range of the clean energy economy, from Fortune 100 companies to small businesses working in all 50 states supporting over 3 million U.S. jobs.

U.S. Hydropower Market Trends

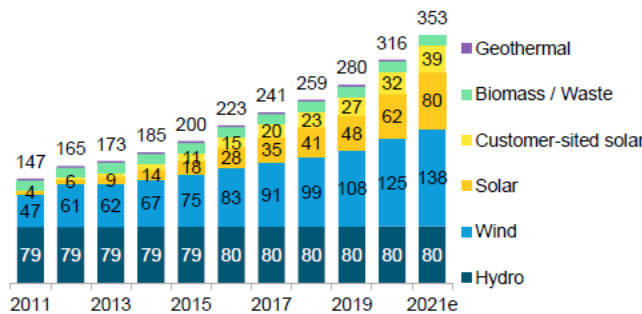
According to the [2022 Sustainable Energy in America Factbook](#), published by BloombergNEF in partnership with the BCSE, hydropower is the second largest renewable energy provider in terms of both U.S. renewable energy generation and renewable capacity.

Further, given its ability to provide reliable and flexible carbon-free power, it performs essential service to the grid at critical times. For example, in California in 2021 at evening peak times, hydropower’s output rose to 10% of total generation.

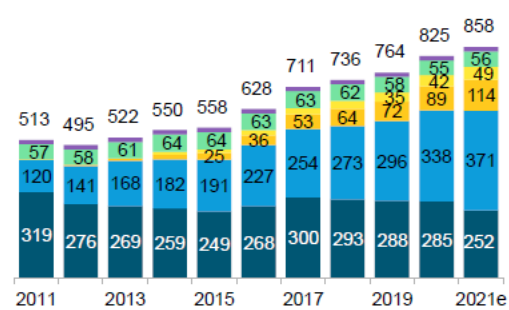
Finally, pumped hydropower storage projects account for around 81% of installed energy storage capacity in the U.S. Three new pumped storage projects with a combined capacity of 2.1 GW have received licenses in 2021.

U.S. energy overview: Cumulative renewable energy

U.S. cumulative renewable capacity
 GW



U.S. renewable generation by technology
 TWh



- Total renewable energy capacity, excluding pumped hydro facilities, stands at 353GW. Wind and solar have accounted for nearly all new additions, aided by policy support, rapidly falling equipment costs, and steadily increasing demand from the private sector. The installed wind and solar fleet at the end of 2021 was 17% larger than at the end of 2020.
- U.S. wind capacity reached 138GW in 2021 and was the largest source of U.S. renewable power generation for the third year in a row, at nearly 370TWh. While annual capacity additions of solar have surpassed wind since 2020, the cumulative installed fleet in the country remains second to wind, at 119GW.
- As wind and solar additions remained steady, generation from all renewable sources in 2021 rose by 4% to 858TWh. Solar from all sources is estimated to have produced over 160TWh, making it the third-largest renewable source of generation, following wind and hydro.
- While hydro generation accounted for 29% of total renewable output, it experienced a slight dip from the previous year's 35% due to drought conditions in California and the Northwest. However, during critical evening peak times in California, hydropower’s output rose to 10% of total generation.

Source: BloombergNEF, EIA Notes: All values are shown in AC except solar, which is included as DC capacity. Hydropower capacity and generation exclude pumped storage facilities (unlike in past Factbooks). Totals may not sum due to rounding. Values for 2021 are projected, accounting for seasonality, based on latest monthly values from EIA (data available through October 2021)

General Views on Implementation of Hydroelectric Incentive Programs

The [2022 Sustainable Energy in America Factbook](#) data demonstrates the critical role that hydropower technologies play in the U.S. energy economy and the hydroelectric incentive programs expanded under IIJA will be important for accelerated deployment.

Related to the implementation of the hydroelectric incentive programs, demand to access program resources is high and BCSE urges DOE to move as quickly as possible on program implementation. Specifically, BCSE urges that DOE provide greater clarity and certainty on the program requirements needed so that applications for funding can begin.

Further, BCSE recommends that all DOE-determined eligible projects should receive funds. As such, additional steps to prioritize project types within the program by DOE are not needed. Affirming the comments from NHA, BCSE believes that all capital improvements that meet the statutory eligibility requirements for the incentive programs, particularly for the new Section 247 program, should receive payment. BCSE also believes that the Section 243 and 247 programs should mirror the implementation of the Section 242 program, which has been operating successfully for several years.

DOE should also consider disbursing the funds in two rounds and because all categories are equally important and all eligible improvements should receive payment, the DOE should set minimum funding levels of 20 percent for each category. The remaining 40% of funding would be available to fund applications in any category. BCSE supports NHA's view that the applications themselves will dictate the needs of the industry, with applicants seeking funding for their highest priority activities.

Finally, DOE should adopt a broad definition of eligible hydroelectric projects for both Section 243 and Section 247 programs. Under the Section 243 language, the DOE is required to "make incentive payments to the owners or operators of hydroelectric facilities at existing dams..."¹ The text is broad and does not contain any restrictions related to jurisdiction under the Federal Energy Regulatory Commission (FERC) (e.g. FERC licenses) or by other agencies. BCSE believes that projects that are FERC licensed, FERC exemptions, qualifying conduits under the Hydropower Regulatory Efficiency Act of 2013 (HREA), and any non-FERC jurisdictional projects regardless of when they were built, are eligible for the program.

Thank you for the opportunity to share the Council's views on this RFI. Should you wish to discuss these comments further, please contact BCSE President Lisa Jacobson via email at ljacobson@bcse.org.

¹ 42 USC §15882(a).