The Federal Energy Regulatory Commission has certified an incremental hydroelectric upgrade for the first time under provisions of the Energy Policy Act of 2005, allowing the applicant to qualify for a renewable energy tax credit.

The Internal Revenue Code of 1986 provides for a renewable energy tax credit to owners or operators of electric generation facilities that produce electricity from qualified energy resources at qualified facilities placed into service by specified dates. The Energy Policy Act of 2005 amends this to apply the credit to incremental production gains from efficiency improvements or capacity additions to existing hydroelectric facilities placed into service after August 8, 2005 and before January 1, 2008.

EPAct requires the Commission to certify the “historic average annual hydropower production” and the “percentage of average annual hydropower production at the facility attributable to the efficiency improvements or additions of capacity” so the entity may then claim the tax credit.

PacifiCorp, owner of the Klamath Hydroelectric Project on the Klamath River in Klamath County, Oregon and Siskiyou County, California, requested the certification in light of the addition of capacity at the J.C. Boyle development that went on-line on November 8, 2005.

In order for the Commission to certify a project’s average annual generation and the percentage increase in that generation resulting from efficiency upgrades or capacity additions, licensees must submit the historic average annual hydropower production baseline they believe to be appropriate for the facility in question, along with supporting calculations and water flow data, and information regarding the efficiency upgrade or capacity addition. The Commission will review the information and act on the certification.
The order also delegated to the Director of the Commission’s Office of Energy Projects, or his designee, the authority provided by EPAct to issue certifications in the future.

In December of 2005, Commission staff issued a guidance document on what information is necessary to obtain certification, which is available on the Commission’s website.

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