

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Nora Mead Brownell, and Suedeen G. Kelly.

PacifiCorp

Project No. 2082-042

ORDER CERTIFYING INCREMENTAL HYDROPOWER GENERATION
FOR PRODUCTION TAX CREDIT AND
DELEGATING CERTIFICATION AUTHORITY

(Issued May 30, 2006)

1. On April 19, 2006, PacifiCorp, licensee for the Klamath Hydroelectric Project No. 2082, filed a request for certification for a renewable energy production tax credit for efficiency improvements due to additional capacity at the J.C. Boyle Development that went on-line on November 8, 2005, pursuant to Internal Revenue Code section 45. The project is located on the Klamath River in Klamath County, Oregon and Siskiyou County, California.

Background

2. Section 45 of the Internal Revenue Code of 1986¹ provides 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. Section 1301 of the Energy Policy Act of 2005 (EPAct)² amended section 45 to apply the tax 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.

¹ I.R.C. § 45 (2000).

² Pub. L. No. 109-58, 119 Stat. 594 (2005).

3. Under EPAct section 1301(c), the Commission is required 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” placed in service during that time period.³ Efficiency improvements would include such things as upgrades to existing generators or turbines through rewinding generators, replacing turbines with more efficient units, or computerizing control of turbines and generators to optimize regulation of flows for generation.⁴

4. 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 issue a certification.

Discussion

5. PacifiCorp provided information regarding efficiency improvements at its Klamath Hydroelectric Project, which it states went on line November 8, 2005. The improvements were obtained by a runner-replacement project on Unit 2 of the J.C. Boyle Development. PacifiCorp states that it used VISTA modeling software to compare the generation efficiency of equipment performance prior to and after installing the new runner by conducting two series of model runs using the same historic flow data. PacifiCorp found that the net result was a 2.6 percent increase in efficiency. Based on the findings and supporting information provided by PacifiCorp, we provide this certification.

6. In addition, this order delegates to the Director of the Commission’s Office of Energy Projects, or his designee, the authority provided by EPAct 2005 to issue certifications of 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 placed in service after August 8, 2005, and before January 1, 2008.

³ Section 1301 does not specify a method for determining the historic average annual hydropower production baseline, referring only to the use of “water flow information.”

⁴ Section 1301 excludes “operational changes ... not directly associated with the efficiency improvements or additions of capacity.”

The Commission orders:

(A) Consistent with the discussion above, we certify the following:

Type of Improvement	Improved Efficiency due to Additional Installed Capacity at J.C Boyle Development (Project No. 2082)
Historical Generation Baseline (kWh)	318,012,000
Generation with Improvements (kWh)	326,355,000
Incremental Generation (kWh)	8,343,000
Percentage of Generation Due to Improvements (%)	2.6%

(B) The Commission delegates to the Director of the Commission's Office of Energy Projects, or his designee, the authority provided by EAct 2005 to issue certifications of 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 placed in service after August 8, 2005, and before January 1, 2008.

(C) This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713.

By the Commission. Commissioner Kelly concurring with a separate statement attached.

(S E A L)

Magalie R. Salas,
Secretary.

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KELLY, Commissioner, *concurring*:

I am pleased to join my colleagues in supporting this order, which marks the first time the Commission has certified a request pursuant to IRS Code section 45, as amended by section 1301 of EPAct 2005, for a renewable energy production tax credit for efficiency improvements to an existing hydroelectric facility. Section 1301 of EPAct 2005 recognizes hydroelectric power's important role in meeting this country's energy needs, by promoting the development of new hydroelectric resources. It is my hope that today's order encourages more owners or operators of hydroelectric facilities to follow suit, and seek renewable energy production tax credits for qualified projects.

Suedeem G. Kelly