

NWX-DEPT OF INTERIOR-NBC

Moderator: Joan Moody
March 31, 2011
12:00 pm CT

Joan Moody: Thank you. Welcome to today's press conference on a new Reclamation report entitled *Hydropower Resource Assessment at Existing Reclamation Facilities*. I will introduce the two speakers. And following that, we will have a question and answer session. Please keep your questions to the topic today.

I'd like to introduce Assistant Secretary for Water and Science, Anne Castle, who will speak first. And then, when she is finished, Bureau of Reclamations Commissioner, Mike Connor. Thank you.

Anne Castle: Good afternoon. This is Anne Castle. Thanks everybody for joining today's call. We have a good news story that we're eager to share with you today. President Obama has made it clear that our nation needs a comprehensive energy strategy--and that's one that pursues both more energy production and more energy conservation.

And we also need to increase our access to secure energy supplies here at home so that we're less reliant on foreign oils. And just yesterday, President Obama reiterated the goal that he set for America in his State of The Union Address that by 2035, 80% of our electricity will come from a broad portfolio

of clean energy sources from renewables like wind and solar and hydropower and biomass but together with natural gas and clean coal and nuclear power.

At the Department of the Interior, we are making strides toward helping America achieve that secure and safe energy economy. From implementing the most sweeping offshore oil and gas development reforms in our nation's history to permitting the world's largest solar and wind facilities, we're making a lot of progress on this front. But today, we're very pleased to announce another step in our nation's march toward a clean energy future.

The Bureau of Reclamation, under the leadership of Commissioner Mike Connor, has taken a top-to-bottom look at its existing facilities to see if there's opportunity to add hydropower capabilities. They reviewed 530 sites throughout Reclamation's jurisdiction from dams to diversion structures to canals. And the Bureau is publishing its findings in a report that is being released today.

That report finds that 70 facilities located in 14 states in the Western US have the greatest potential to develop additional hydropower capability and contribute clean energy to the grid. If you take all those 70 facilities together, we estimate that they could generate up to a million megawatt hours of electricity annually. And that's enough clean, renewable energy to power more than 85,000 households.

Also, based on industry estimates, we think that these hydropower additions would create around 1200 jobs. And that includes both private sector and federal government jobs in the areas of construction, manufacturing, engineering, operations and maintenance and administration. So we feel like this report is a great example of how government can make use of the

resources that are already at our disposal and how we can do things smarter and better and more efficiently.

The report and the study are also part of our implementation of the 2010 Federal Memorandum of Understanding for Hydropower that was signed by U.S. Department of the Interior, Department of Energy and the Army Corps of Engineers. That MOU was designed to help meet the nation's needs for reliable, affordable and environmentally sustainable hydropower by building a long-term relationship among these three departments and linking up our ongoing and future renewable energy development (efforts). The report today demonstrates that, not only can we increase hydropower production without building new dams; we could also help the economy and provide jobs while doing it.

Clean energy sources like hydropower deliver significant economic benefits as well as environmental ones. So I'd like to thank Commissioner Connor and the staff of the Bureau of Reclamation for this report and all the work that went into the study. And I'm going to ask Mike to explain the process that was used in the study. And he'll also describe the innovative tool that Reclamation developed to estimate potential energy generation and economic net benefits at the Reclamation Facilities. Mike...

Mike Connor: Thanks, Anne. I'll start with a word about processes in developing the assessment. First, Reclamation identified 530 potential hydropower sites. These were first identified in a 2007 study that was done as a follow up to the 2005 Energy Policy Act.

Next, the relevant data were collected for each site and the level of hydropower generated potential categorized for each. Some dams had canal or tunnel sites that need further analysis. And Reclamation is working on that

analysis separately. A chart attached to today's press release shows a state-by-state breakdown of the 70 sites with the greatest potential to develop additional hydropower and contribute clean energy to the grid.

It indicated potential installed capacity, annual production and a benefit cost ratio that incorporates green incentives available at both the federal and state level. Colorado, Utah, Montana, Texas and Arizona have the most potential in that order. Facilities with potential are also found in nine other states that are identified in the press release.

Reclamation developed a new tool for this assessment, as Anne mentioned, to analyze the 530 sites and is making it publicly available. It's called The Hydropower Assessment Tool. It's an Excel spreadsheet model with embedded macro functions and the tool computes power generation, cost estimates and economic benefits.

The tool can be applied to any potential hydropower site and requires simple inputs of daily flows and water elevations and tail water elevations. The results provide valuable information on potential hydropower production and economic viability. As I mentioned, the tool is available on Reclamation's Web site.

The report is mainly targeted at municipalities, other local governmental entities and private developers who could further evaluate the potential to increase hydropower production at Reclamation's sites. Most of these sites are in rural parts of the West, where the water supply serves agricultural interests. Although this report is not a feasibility analysis, it provides information that Interior and/or developers can use to create a more detailed analysis focusing on sites that demonstrate reasonable potential for being economically, financially and environmentally viable.

We are already starting to see interest from developers who want to develop additional hydropower. And, in fact, we will post a notice in the Federal Register soon with opportunities for hydropower contracts for the Granby and Pueblo Dams in Colorado. These are two dams identified in the report as having a high potential for hydropower development.

For many of these sites, development would not be by Reclamation but by a non-Federal entity under a Lease of Power Privilege Agreement. That's something different than the Federal Energy Regulatory Commission Licensing Process. Under this type of lease, the non-Federal group is given a contractual rite for up to 40 years to use a Reclamation Facility for electric power generation.

It's an alternative to federal power development under which Reclamation has authority to develop power on a federal project. In summary, this hydropower assessment reflects Reclamation's commitment to advancing renewable energy in a manner that promotes efficiency and sustainability through the use of existing resources. We look forward to partnering with many other entities in developing these resources. Thank you.

Joan Moody: Operator, we can now take questions.

Coordinator: Thank you. At this time, if you would like to ask a question please press star 1 on your touch tone phone. Please unmute your phone and record your name clearly when prompted. Once again, please press star 1 if you would like to ask a question. One moment please, for our first question.

One moment. And our first question is from Bill Matthews, Government Executive Magazine. Your line is open.

Bill Matthews: Hi. Thank you. I was wondering, is there any new generator technology that makes it possible to get electricity from sites that had been previously considered not usable - or maybe not not usable but not efficient and not effective enough?

Mike Connor: Bill, this is Mike Connor. I think what was done in this analysis, which had not been done in previous analyses, was that we did look at different-- I think there might have been three--I'm not quite sure of the number--but there were different opportunities to look at generators and turbines as part of the mix here.

So we tried to evaluate, based on some industry standards, ways that we could develop power at these sites given the specific conditions. That analysis yielded some additional development possibilities that hadn't been picked up previously, I think, in the 2007 report. So, there was an application of specific types of technologies that might be available.

That was for this analysis. . . The Bureau of Reclamation also is focusing on trying to look at funding opportunities in partnership with the Department of Energy to do some research and development of new turbine technologies. And so, folks should look for that in the near future as we try and incentive some R&D efforts and try to promote these new technologies.

Coordinator: And as a reminder, if you would like to ask a question, please press star 1. One moment please. The next question is from Kate Winston, *Inside FERC*. Your line is open.

(Kate Winston): Hi. Thanks. I just wanted to clarify something you mentioned. You said these projects would not need to be licensed by FERC. Is that correct?

(Mike Connor): That's correct. The process that we have here--we're looking at Reclamation facilities that we have the right to develop hydropower on. We, the Bureau of Reclamation were authorized to develop hydropower on these facilities.

So, for the vast majority if not all the facilities that were included in this study--although Reclamation could technically go out and start to develop hydropower as it has done at many of its facilities in the past--what we're trying to do is identify the opportunities, highlight the economic viability and then work with private developers or municipalities or other local governmental entities under a Lease of Power Privilege process.

So this is a separate [process]- if we have the authority—"we," the Bureau of Reclamation--to develop hydropower at these sites, then it takes it outside the FERC licensing process.

Coordinator: And at this time, I'm showing no further questions.

Joan Moody: I guess if there are no further questions, this will conclude our press conference today.

Coordinator: I apologize. I do have a couple questions coming up. Would you like to take them?

Joan Moody: Great. Yes, please.

Coordinator: One moment, please. Matt Banda, SNL Energy, your line is open.

(Matt Banda): Hi. Thank you. I just saw the press release. And it says that for many of these sites, the hydropower development would be conducted under a Lease of

Power Privilege Agreement. So is it most but not all of the sites would be developed in that fashion? And if so, what about the other sites?

Mike Connor: This is Mike Connor. The question was whether all of them would be developed under a Lease of Power Privilege?

(Matt Bandik): Yes because the - it says many of the sites in the press release.

(Mike Connor): Yes, let me clarify, I guess, my answer to the previous question, which also hits your question. Yes. The answer is most of these opportunities we do envision being developed under a Lease of Power Privilege process. But also, if Reclamation didn't have expressed power development authority, then we do go to the FERC process.

And apparently, there are some facilities listed in the report that would go under that separate - that second type of process, which is FERC licensing. But the vast majority of them would be under the Lease of Power Privilege process, which means Reclamation would negotiate with any developers.

Coordinator: And our next question will be from Bill Matthews, Government Executive Magazine. Your line is open.

Bill Matthews: Thanks. I was wondering if - is there any way to put a cost estimate on a typical project? Or are they so varied that estimating the cost would be impossible?

Anne Castle: Well the hydropower assessment tool that is part of this report is designed to tailor the cost to the specific project. And that includes looking at the type of turbine, the distance from transmission lines, type of mitigation that would be needed. So it is pretty site-specific.

But (I think the) tool is designed to provide a, kind of, generic way to do those cost estimates.

Bill Matthews: I see. Okay. So that's what the cost benefit ratio is then. If it's up to a certain level, then it's yes. And if it's below that, it's no.

Anne Castle: That's right.

Bill Matthews: Okay, thanks.

Coordinator: And at this time, I'm showing no further questions.

Joan Moody: Thanks, operator. I did have a question by email asking what is the connection of this report to rural water supplies? Or what effect would it have in rural areas?

Anne Castle: Many of these Reclamation existing facilities are located in rural areas, as Commissioner Connor said in his statement. And they provide agricultural water supplies to those rural areas. So, the addition of hydropower generation facilities to those existing dams or diversion structures or canals would be in the right location to benefit the rural areas both through the power provided and through construction jobs or operation and maintenance jobs that would be created as well.

Joan Moody: Thank you. Are there any more questions, operator?

Coordinator: I show no further questions.

Joan Moody: Okay, thank you very much to everyone for participating. And more information is available on the Reclamation Web site at www.usbr.gov/power. The report is there and also the hydro assessment tool.

Later today, there will be a recording. And a transcript will follow.

Man: Thanks.

Joan Moody: Thanks.

Coordinator: And this concludes today's conference. You may disconnect at this time.
Thank you.

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