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SENATE

{ REPORT
114–185

TERROR LAKE HYDROELECTRIC PROJECT

DECEMBER 16, 2015.—Ordered to be printed

Ms. MURKOWSKI, from the Committee on Energy and Natural Resources, submitted the following

R E P O R T

[To accompany S. 1583]

The Committee on Energy and Natural Resources, to which was referred the bill (S. 1583) to authorize the expansion of an existing hydroelectric project, having considered the same, reports favorably thereon with an amendment in the nature of a substitute and recommends that the bill, as amended, do pass.

The amendment is as follows:

1. Strike all after the enacting clause and insert the following:

SECTION 1. TERROR LAKE HYDROELECTRIC PROJECT UPPER HIDDEN BASIN DIVERSION AUTHORIZATION.

(a) DEFINITIONS.—In this section:

(1) TERROR LAKE HYDROELECTRIC PROJECT.—The term “Terror Lake Hydroelectric Project” means the project identified in section 1325 of the Alaska National Interest Lands Conservation Act (16 U.S.C. 3212), and which is Federal Energy Regulatory Commission project number 2743.

(2) UPPER HIDDEN BASIN DIVERSION EXPANSION.—The term “Upper Hidden Basin Diversion Expansion” means the expansion of the Terror Lake Hydroelectric Project as generally described in Exhibit E to the Upper Hidden Basin Grant Application dated July 2, 2014 and submitted to the Alaska Energy Authority Renewable Energy Fund Round VIII by Kodiak Electric Association, Inc.

(b) AUTHORIZATION.—The licensee for the Terror Lake Hydroelectric Project may occupy not more than 20 acres of Federal land to construct, operate, and maintain the Upper Hidden Basin Diversion Expansion without further authorization of the Secretary of the Interior or under the Alaska National Interest Lands Conservation Act (16 U.S.C. 3101 et seq.).

(c) SAVINGS CLAUSE.—The Upper Hidden Basin Diversion Expansion shall be subject to appropriate terms and conditions included in an amendment to a license issued by the Federal Energy Regulatory Commission pursuant to the Federal Power Act (16 U.S.C. 791a et seq.), including section 4(e) of that Act (16 U.S.C. 797(e)), following an environmental review by the Commission under the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.).

PURPOSE

The purpose of S. 1583 is to authorize the expansion of the existing Terror Lake hydroelectric project in Alaska.

BACKGROUND AND NEED

Approval to construct the Terror Lake Hydroelectric Project in Alaska was granted by the Federal Energy Regulatory Commission in 1981. The 36 MW project has been in operation since the 1980s and the Kodiak Electric Association (KEA), which serves the city of Kodiak, including the nation's largest U.S. Coast Guard Base and one of the country's largest commercial fishing ports, now obtains 99.7 percent of its electric power from the hydroelectric project and another nearby wind farm.

In order to avoid burning approximately two million gallons of diesel fuel to produce additional power, KEA, seeks to increase the amount of hydropower generated at the facility by expanding operations through the Upper Hidden Basin Diversion Expansion. The proposed expansion involves diverting five small streams located on Alaska State lands in the adjacent Upper Hidden Basin and allowing that water to flow into Terror Lake through an underground tunnel. The project would not involve adding turbines or equipment to the existing Terror Lake powerhouse. The expansion would increase the total production of electricity from the existing project by an additional 30 gigawatt-hours annually, representing a 25 percent increase in power production. This will allow KEA to enhance its wind-hydropower integration system and its micro-grid energy storage technology.

The existing Terror Lake Project is located within the Kodiak National Wildlife Refuge pursuant to a Special Use Permit granted by the U.S. Fish and Wildlife Service in 1981. S. 1583 authorizes construction, operation, and maintenance of the underground tunnel within the Kodiak National Wildlife Refuge as well. Insofar as the Upper Hidden Basin Diversion Expansion is an expansion of the Terror Lake Hydroelectric Project, the Committee expects the terms and special conditions of the Special Use Permit KD-81-0040 issued on July 21, 1981, as amended, to remain in effect and to apply to the expansion.

LEGISLATIVE HISTORY

S. 1583 was introduced by Senator Murkowski on June 16, 2015. The Committee on Energy and Natural Resources held a full committee hearing on October 8, 2015 to consider the bill.

At its business meeting on November 19, 2015, the Committee on Energy and Natural Resources, on a voice vote, ordered S. 1583 favorably reported as amended.

COMMITTEE RECOMMENDATION AND TABULATION OF VOTES

The Senate Committee on Energy and Natural Resources, in open business session on November 19, 2015, by a majority voice vote of a quorum present, recommends that the Senate pass S. 1583, if amended as described herein.

COMMITTEE AMENDMENTS

During its consideration of S. 1583, the Committee on Energy and Natural Resources adopted an amendment in the nature of a substitute to: provide definitions for the Terror Lake Hydroelectric Project and the Upper Hidden Basin Diversion Expansion; limit the Federal land that may be used for the project to no more than 20 acres; legislatively authorize use of the refuge for the construction, operation, and maintenance of the diversion tunnel without further action by the Secretary of the Interior; and clarify that the Federal Energy Regulatory Commission's authorization of the diversion project will not be subject to the provisions of title XI of the Alaska National Interest Lands Conservation Act. The amendment is further described in the section-by-section analysis.

SECTION-BY-SECTION ANALYSIS

Section 1. Terror Lake Hydroelectric Project Upper Hidden Basin Diversion Authorization.

Section 1(a) defines key terms.

Section 1(b) authorizes the licensee to occupy up to 20 acres of Federal land to construct, operate, and maintain the Upper Hidden Basin Diversion Expansion without further authorization of the Secretary. It also clarifies that authorization of the expansion is not subject to title XI of the Alaska National Interest Lands Conservation Act.

Section 1(c) clarifies that the expansion of the Terror Lake Hydroelectric Project is still subject to the Federal Energy Regulatory Commission's hydropower licensing proceedings pursuant to the Federal Power Act, including section 4(e) of that Act, as well as the National Environmental Policy Act of 1969.

COST AND BUDGETARY CONSIDERATIONS

The following estimate of costs of this measure has been provided by the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, December 9, 2015.

Hon. LISA MURKOWSKI,
Chairman, Committee on Energy and Natural Resources,
U.S. Senate, Washington, DC.

DEAR MADAM CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 1583, a bill to authorize the expansion of an existing hydroelectric project.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Megan Carroll.

Sincerely,

KEITH HALL.

Enclosure.

S. 1583—A bill to authorize the expansion of an existing hydroelectric project

S. 1583 would specify that the licensee of the Terror Lake hydroelectric project (number 2743), located within the Kodiak National

Wildlife Refuge in Alaska, can expand that project to occupy not more than 20 acres of additional federal land. Under the bill, the proposed expansion would require no further approval by the Secretary of the Interior.

CBO estimates that enacting S. 1583 would not significantly affect the federal budget. According to the Department of the Interior, the federal lands that would be affected by the proposed expansion currently generate no significant receipts from programs to develop natural resources and are not expected to do so in the future. As a result, CBO expects that the proposed expansion would not affect offsetting receipts (which are treated as reductions in direct spending). CBO also expects that enacting S. 1583 could have a minor impact on spending by the Federal Energy Regulatory Commission (FERC), which regulates the Terror Lake hydroelectric project. Because FERC recovers 100 percent of its costs through user fees, however, any change in that agency's costs (which are controlled through annual appropriation acts) would be offset by an equal change in fees that the commission charges, resulting in no net change in federal spending.

Enacting S. 1583 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply. CBO estimates that enacting S. 1583 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2026.

S. 1583 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

The CBO staff contact for this estimate is Megan Carroll. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

REGULATORY IMPACT EVALUATION

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact which would be incurred in carrying out S. 1583. The bill is not a regulatory measure in the sense of imposing Government-established standards or significant economic responsibilities on private individuals and businesses.

No personal information would be collected in administering the program. Therefore, there would be no impact on personal privacy.

Little, if any, additional paperwork would result from the enactment of S. 1583, as ordered reported.

CONGRESSIONALLY DIRECTED SPENDING

S. 1583, as ordered reported, does not contain any congressionally directed spending items, limited tax benefits, or limited tariff benefits as defined in rule XLIV of the Standing Rules of the Senate.

EXECUTIVE COMMUNICATIONS

The letter from the Chairman of the Federal Energy Regulatory Commission on S. 1583 follows:

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF THE CHAIRMAN

The Honorable Lisa Murkowski
Chairman
Committee on Energy and Natural Resources
304 Dirksen Senate Office Building
Washington, DC 20510

RE: S.1583, S.2083, and S.2046

Dear Chairman Murkowski:

This letter is in response to a request by the Senate Committee on Energy and Natural Resources for my views on S.1583, a bill to authorize the expansion of the existing Terror Lake Hydroelectric Project, located at Terror Lake, on Kodiak Island, Alaska; S.2083, a bill to extend the deadline for the commencement of construction of the W. Kerr Scott Hydroelectric Project in North Carolina; and S.2046, a bill to authorize the Federal Energy Regulatory Commission (Commission) to issue an order continuing a stay of a hydroelectric license for the Mahoney Lake Project in the State of Alaska, and for other purposes.

S.1583

On October 5, 1981, the Commission issued an original license authorizing Kodiak Electric Association, Inc. to construct and operate the Terror Lake Project No. 2743, to be located on the Terror and Kizhuyak Rivers, 25 miles southwest of the City of Kodiak, Alaska. The project was originally authorized to have a capacity of 20 megawatts (MW), but has since expanded to 36 MW.

S.1583 would expand the special-use permit issued for the project by the Secretary of the Interior, in order to allow the construction, operation, and maintenance of a tunnel and associated facilities and activities for the project-related Upper Hidden Basin Diversion. The diversion would provide additional flows to the project, thus allowing increased generation.

The Commission has no jurisdiction over the special-use permit, so I have no comment on S.1583. However, I am aware that Kodiak Electric Association is in the process of preparing an amendment application, scheduled to be filed with the Commission in 2017, seeking authorization to construct the facilities needed for the Upper Hidden Basin Diversion. It is my understanding that the licensee has prepared a draft amendment application and held joint agency and public meetings to discuss it, and

has begun consultation under the Endangered Species Act, Magnuson-Stevens Fishery Conservation and Management Act, and the National Historic Preservation Act. I also understand that, to the extent that the amendment will result in the project occupying additional lands within a reservation of the United States, S.1583 will preserve the right of the Secretary of the department under whose supervision those lands fall to impose conditions, pursuant to section 4(e) of the Federal Power Act, that the Secretary deems necessary for the adequate protection and utilization of the reservation. Should the amendment application be filed with the Commission, staff will review it as expeditiously as possible.

S.2083

On July 17, 2012, the Commission issued Wilkesboro Hydroelectric Company, LLC a license to construct and operate the proposed 4-MW W. Kerr Scott Hydroelectric Project, to be located at the U.S. Army Corps of Engineers' (Corps) W. Kerr Scott Dam and Reservoir, located on the Yadkin River, in Wilkes County, North Carolina. The license required the company to commence project construction within two years of the issuance date of the license, the longest time period allowed by section 13 of the Federal Power Act. On May 7, 2014, the Commission, at the licensee's request, granted the one, two-year extension of the commencement of construction deadline permitted by section 13, thus making the deadline July 17, 2016. On June 19, 2015, the licensee filed an application with the Commission, seeking to amend the project license consistent with the results of its design consultation with the Corps.

S.2083 would allow the Commission, at the licensee's request, to extend the time period within which the licensee is required to commence construction for up to three consecutive two-year periods following the expiration of the extension authorized by the May 7, 2014 order.

The last several Commission Chairmen have taken the position of not opposing legislation that would extend the commencement of construction deadline no further than 10 years from the date that the license in question was issued. Where proposed extensions would run beyond that time, there has been a sense that the public interest is better served by releasing the site for other public uses. Because S.2083 provides for commencement of construction deadlines that do not exceed 10 years from the date on which the project license was issued, I do not oppose this bill.

S.2046

On January 22, 1998, the Commission issued the City of Saxman, Alaska an original license authorizing the construction and operation of the proposed 9.6-MW Mahoney Lake Hydroelectric Project, to be located on Upper Mahoney Lake and Upper Mahoney Creek, near Ketchikan, Alaska. On August 5, 2004, as required by Public Law

No. 108-7, the Commission issued an order granting stay of the Mahoney Lake Project license. Under section 314(b) of the law, the Commission was required to lift the stay upon request of the City, but not later than six years after the Commission received written notice of the completion of the Swan-Tyee transmission line. By letter filed October 4, 2011, the Southeast Alaska Power Agency, which built the transmission line, reported that the Swan-Tyee transmission line was operational on October 21, 2009. Accordingly, I believe that the Commission is currently required to lift the stay no later than October 4, 2017.

S.2046 would require the Commission to stay the license, upon the licensee's request, for a period of no more than 10 years after the date of enactment of the bill, make the effective date of the license the date on which the stay is lifted, and grant up to three two-year extensions of the construction deadline. Given the policy of the last several Chairmen that I discussed above, and that S.2046 could result in a commencement of construction deadline more than 30 years after the project license was issued, I do not support S.2046.

As you know, I recently spoke at the National Hydropower Association meeting in Anchorage and met with a number of hydropower operators. I understand the importance of hydropower for communities in Alaska and elsewhere, and look forward to working with you on hydropower issues.

If I can be of further assistance to you on this or any other Commission matter, please let me know.

Sincerely,

A handwritten signature in dark ink, appearing to read "Norman C. Bay" followed by a checkmark.

Norman C. Bay
Chairman

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, the Committee notes that no changes in existing law are made by the bill as ordered reported.

