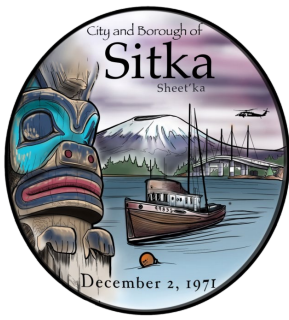


## **POSSIBLE MOTION**

**I MOVE TO** authorize the Municipal Administrator to apply to the CY23 US Department of Energy Grid Deployment Office Section 242: Hydroelectric Production Incentive Program.

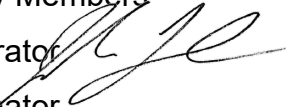


# CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

## MEMORANDUM

**To:** Mayor Eisenbeisz and Assembly Members

**Thru:** John Leach, Municipal Administrator 

**From:** Bri Gabel, Sustainability Coordinator  
Melissa Wileman, Public and Government Relations Director  
Mike Schmetzer, Interim Electric Utility Director

**Date:** April 3, 2024

**Subject:** Authorization to Apply to the CY23 US Department of Energy Grid Deployment Office Section 242: Hydroelectric Production Incentive Program

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### **Background**

The Hydroelectric Production Incentive Program was authorized by Congress through [Section 242 of the Energy Policy Act of 2005 \(EPAAct 242\)](#). The program, led by the US Department of Energy (DOE), provides incentive payments to qualified hydroelectric facilities for electricity generated and sold to support the expansion of hydropower energy development at existing dams and conduits.

A qualified hydroelectric facility includes producing hydroelectric energy for sale on or after October 1, 2005, including through added generation capability. The Blue Lake Hydroelectric Project qualifies for this incentive through added generation from the Blue Lake Dam Expansion project at a maximum of 10 years from 2015-2025. On April 25, 2023, the Assembly authorized the Municipal Administrator to apply for this program for calendar year (CY) 21 and 22 which was successful and allocated a combined \$2 million for CBS. This request is an application for CY23 with the intent of applying for the program again in 2025. The program is capped at \$1 million per CY.

Section 242 details:

- Applications for the electricity generated and sold in CY23 are due April 23, 2024.
- \$125 million is available until expended through the Bipartisan Infrastructure Law (BIL). In October 2023, \$36.7 million was distributed to 55 facilities, including the Blue Lake Hydroelectric Project which was allocated \$2 million.
- A facility may receive payments for a period of 10 consecutive fiscal years.
- Applicants are required to submit new applications each year.

**Fiscal Note**

Incentive payments shall be calculated by the amount of eligible kWhs produced by the hydroelectric generation facility is multiplied by the statutory incentive rate of \$0.018/kWh which is adjusted for inflation for each fiscal year beginning after CY05.

Based on kWhs sold in CY23 from the Blue Lake Hydroelectric Project and successful application for CY21 and 22, CBS should once again be eligible for the full \$1 million. Should total appropriations for the incentive program be insufficient to make full payments on all eligible production to all successful applicants, payment shall be adjusted with the following calculation:

$$\frac{\text{Total appropriations for the 242 program in a given calendar year}}{\text{Total dollar amount for all qualified kWhs}} \times \text{Statutory rate, as adjusted for inflation} = \$/\text{kWh rate}$$

The incentive payment will be allocated to the Electric Enterprise Fund and its use will be subject to Assembly approval. The potential for this incentive funding is vast and could support several efforts underway or planned to improve the production, service, stability, and resiliency of Sitka’s hydroelectric power generation and transmission grid. The \$2 million previously allocated through EAct 242 has allowed for FY25 rate increases to fall well below the rate of inflation while still addressing critical electric infrastructure needs.

**Recommendation**

Authorize the Municipal Administrator to apply to the CY23 US Department of Energy Grid Deployment Office Section 242: Hydroelectric Production Incentive Program.