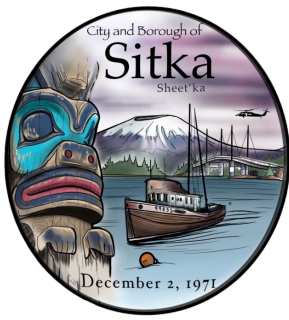


POSSIBLE MOTION

I MOVE TO authorize the Municipal Administrator to apply to the 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: Melissa Henshaw, Public and Government Relations Director
Bri Gabel, Sustainability Coordinator
Scott Elder, Utility Director

Date: April 19, 2023

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

Background

The Hydroelectric Production Incentive Program was authorized by Congress through Section 242 of the Energy Policy Act of 2005. 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.

Any owner or authorized operator of a hydroelectric generation facility may apply for incentive payments for net electric energy generated by and sold from its operation during the eligibility window.

A qualified hydroelectric facility includes producing hydroelectric energy for sale on or after October 1, 2005, including through added generation capability. The Blue Lake Dam qualifies for this incentive through added generation from the Blue Lake Dam Expansion project at a maximum of 10 years from 2015-2025. This request is an application for calendar year (CY) 2021 and 2022 with the intent of applying for the program again in CY23, 24, and 25. The program is capped at \$1 million per CY.

Section 242 details:

- Applications for the electricity generated and sold in CY21 and CY22 are due May 8, 2023.
- Up to \$1 million is available to an applicant in a calendar year.
- \$125 million is available until expended through the Bipartisan Infrastructure Law (BIL).
- A facility may receive payments for a period of 10 consecutive fiscal years.
- Applicants are required to submit new applications each year.

Link to the program: <https://www.energy.gov/gdo/section-242-hydroelectric-production-incentive-program>.

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 calendar year 2005.

Based on kWhs sold in CY21 and 22 from Blue Lake, CBS meets the generation cap threshold and will likely be eligible for \$2 million. The incentive payment will be allocated to the Electric Enterprise Fund and its use will be subject to Assembly approval. Potential use 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.

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:

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

Recommendation

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