

Testimony

of

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before the

**Committee on Natural Resources
Subcommittee on Water and Power**

of the

United States House of Representatives

on

**Oversight Hearing: “Keeping Hydropower Affordable and
Reliable: The Protection of Existing Hydropower Investments
and the Promotion of New Development”**

September 19, 2013

Good morning Chairman McClintock, Ranking Member Napolitano and members of the Water and Power Subcommittee. My name is Randy Livingston, and I am Vice President of Power Generation at Pacific Gas and Electric Company (PG&E).

PG&E is one of the largest combined natural gas and electric utilities in the United States. Headquartered in San Francisco, with more than 20,000 employees, the company provides natural gas and electric service to approximately 15 million people – or 1 in 20 Americans – throughout a 70,000-square-mile service area in northern and central California.

PG&E owns and operates the nation's largest investor-owned hydroelectric system. The system is built along 16 river basins stretching nearly 500 miles. PG&E's 68 powerhouses, including a pumped storage facility, have a total generating capacity of 3,895 megawatts (MW). The system relies on nearly 100 reservoirs located primarily in the higher elevations of California's Sierra Nevada and Southern Cascade mountain ranges.

PG&E's hydroelectric system consists of 26 federally licensed projects, with 7 projects currently in the "active" relicensing process. Since 2000, PG&E has completed 9 hydropower relicensing proceedings representing 1,134 MW. PG&E has another 7 ongoing hydropower relicensing proceedings representing an additional 1,073 MW.

As required by federal and State regulatory agencies, PG&E evaluates and mitigates the projects' impacts on natural resources. We have made it a priority to work collaboratively with stakeholders, including federal and State agencies, local community members, environmental organizations, fishing interests and agricultural landholders, among others, during the renewal process. Together, we work to assess the impacts of these projects and try to find ways "we can live with" addressing issues of importance to the various constituencies, such as fish and wildlife habitat protection, recreational uses, and water quality and flow management.

We believe this collaborative approach best serves the public interest, as we recognize that many entities and individuals rely on the watersheds our facilities are part of. At the same time, we believe that the process currently in place could be substantially improved to address those interests and provide environmental protections, and do so in a way that takes less time, is less expensive for licensees and participants, and allows for resolution when different agencies of authority may prescribe overlapping or conflicting conditions.

Thank you for the opportunity to share PG&E's views on hydropower licensing, including common sense reforms which would allow owners and operators of hydroelectric systems to function more efficiently while still providing sound environmental protection and benefits.

Hydropower: An Abundant Resource with Challenges

Hydropower is America's largest renewable energy resource. This safe, affordable and dependable natural resource is also by far the largest source of renewable electricity in the United States at approximately 100 gigawatts of installed capacity.

In order to capitalize on hydropower's existing capacity and future potential, addressing key challenges within the existing hydropower licensing process is necessary. With respect to PG&E's system, the process to relicense existing hydroelectric projects requires extensive consultation with multiple State and federal agencies, and routinely takes 7 to 10 years, or even longer, to complete. The cost to PG&E and its customers to obtain a license renewal has routinely exceeded \$20 million per license. When, and if, a license is approved and received, implementing the conditions of the license will also routinely cost tens-of-millions of additional dollars.

To put this into greater perspective, the cost and duration of the process to relicense an existing hydroelectric project can be just as cumbersome and complex as seeking a license for a new, unbuilt hydroelectric project. In both cases, the cost and duration associated with licensing is typically far greater than any other established electric generation technology.

PG&E applauds Congress for taking meaningful steps over the years to promote hydropower development, including taking swift action this year to pass the "Hydropower Regulatory Efficiency Act of 2013" (now Public Law 113-23), and the "Bureau of Reclamation Small Conduit Hydropower Development and Rural Jobs Act" (now Public Law 113-24).

While this is encouraging news, PG&E believes challenges still remain, and future action at the federal level is necessary to assure the continued operation of existing hydropower and support for growth of new hydropower. At its most basic level, improving the efficiency of the licensing and relicensing processes is foremost.

Licensing Improvements for Hydropower

PG&E appreciates the right and the need for federal agencies to place license conditions upon the lands which they have the responsibility to manage. Similarly, PG&E appreciates that different federal agencies have different missions and may therefore have different perspectives on what license conditions are needed; overall, however, better coordination of these perspectives is needed.

The recommendations we have included are process modernizations to: 1) help improve timeliness and cost of renewing a license; 2) help all involved stakeholders use the same data, studies and schedule in exercising their authorities; 3) provide clarity of extent of authorities; and 4) provide process for resolution when agencies issue overlapping or contradictory conditions on a license.

Some specific actions Congress can take to overcome the existing challenges and maximize hydropower's potential, include addressing the following four areas:

- Improve coordination between federal and State environmental reviews;
- Better define the extent of authorities by federal agencies;
- Improve federal agency coordination and transparency; and
- Improve federal and State agency coordination and transparency.

To achieve these basic improvements, Congress should consider developing legislation on the following six principles:

- Establishing a defined process at the Federal Energy Regulatory Commission (FERC) to resolve issues arising from overlapping or conflicting authorities, or overlapping and conflicting proposed license conditions among federal agencies, as well as between federal and State agencies;
- When a preliminary condition is proposed by an agency, the relicensing process currently allows a licensee to propose alternatives that would meet the resource objective, but be superior from a licensee's perspective; it allows for trial type hearings on the preliminary condition. However, the process does not allow for any challenge of a final condition; further, it does not require that the final condition resemble the preliminary condition or the outcome of the hearing. To that end, we suggest this be addressed;
- Requiring the use of the same studies and data for both federal and State environmental analyses, including defining a disciplined schedule for all agencies and stakeholders to adhere to;
- Licensees generally accept the authorities of the federal government when a hydropower project is built on federal land, and the ability of the agency overseeing that land to prescribe reasonable conditions to protect other beneficial uses. At times, PG&E has negotiated voluntarily for certain conditions to be applied on private land. But we do not believe that the agencies should have unilateral authority to condition private land associated with the project. We recommend that federal land management agencies with jurisdiction over federal lands affected by a hydropower project develop and propose the necessary and reasonable mandatory conditions and terms that are under their jurisdiction, consistent with their authorities, on federal land, and directly related to the project;
- Empowering FERC not to adopt proposed license conditions that do not have a clear nexus with the project being licensed or any actual effect on

federal reserved land; and

- Directing FERC to develop more efficient and cost-effective licensing and relicensing processes that adjust the scope of the process to match the size and scope of the project impacts.

In addition to implementing these principles, the Committee – given its jurisdiction over the federal resource agencies involved in the licensing of hydropower – should continue its work to identify sensible mandatory conditions criterion all agencies can embrace. While PG&E generally has had success in working with federal and State resource agencies and others to develop collaborative solutions, the fact remains that certain federal entities can be single-resource focused or are not chartered to consider all of the impacts of their mandatory conditions, such as economic, environmental and electric reliability. We believe that a bipartisan solution should be within reach to address this concern.

PG&E believes these common sense, much-needed improvements to the hydropower licensing process can be accomplished in a responsible and balanced manner that protects and preserves our fisheries and other natural resources as well as the collaborative process in place today.

At the same time, such enhancements would bring consistency, predictability, and lower costs for projects that support the safe and reliable delivery of domestic hydroelectric power – benefiting utility customers, the environment, American jobs, energy infrastructure, and the power grid. For example, a license renewal typically results in enhanced habitat and species protections, more access to recreational areas and updated water resources measures. These are improvements that all stakeholders want, but unfortunately they often take too long to put in place. We believe a more timely process will not jeopardize the implementation of these benefits, but instead ensure that they happen sooner.

PG&E looks forward to continuing our efforts – and working with Congress to further address these important issues – as we strive to operate the safest and most reliable hydroelectric system in the nation.

Again, PG&E appreciates the opportunity to participate in today's hearing to explore opportunities to advance hydropower development, including embracing realistic reforms to reshape and modernize the relicensing and licensing processes.

Thank you.