



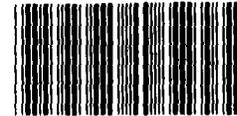
UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

ENERGY AND MINERALS
DIVISION

October 24, 1980

B-200895

✓ The Honorable John A. Durkin
Chairman, Subcommittee on Energy
Conservation and Supply
Committee on Energy and Natural
Resources
United States Senate



113678

Dear Mr. Chairman:

Subject: [Are Hydropower Permits and Licenses Being
Issued Quicker Due to FERC's Streamlined
Procedures?] (EMD-81-22)

Your September 25, 1980, letter requested that we assess the Federal Energy Regulatory Commission's (FERC's) efforts to streamline its licensing process to determine if the process has, in fact, reduced license approval time. In order to be timely in responding to your needs, we relied on information developed in our previous hydropower report 1/ and documentation gathered at FERC.

BACKGROUND

Hydropower, as a method to decrease our dependency on imported oil, has received renewed attention. The Administration's National Energy Plan emphasized the development and use of renewable resources and specifically discussed the potential of small existing hydroelectric facilities.

This renewed interest in hydropower has been evidenced by the dramatic increase in the number of preliminary permit applications under consideration. The responsibility for licensing all non-Federal development of hydroelectric power rests with FERC. The following table shows, as of certain dates, the number of pending preliminary permits being considered by FERC.

1/ "Hydropower--An Energy Source Whose Time Has Come Again,"
EMD-80-30, Jan. 11, 1980.

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<u>Date</u>	<u>Number of pending preliminary permits</u>
12/31/77	18
12/31/78	36
10/01/79	78
12/31/79	113
6/30/80	197
8/31/80	300

About 93 percent of the projects currently under consideration involve existing dams. Almost 60 percent of the projects have a capacity of 5,000 kW ¹/ or less, and about 30 percent are between 5,000 kW and 30,000 kW.

In order to handle the increasing workload, FERC has streamlined its permitting and licensing processes.

WHAT EFFORTS HAVE BEEN MADE TO STREAMLINE FERC'S PROCEDURES?

Recent legislation, the Public Utility Regulatory Policies Act of 1978 (PURPA), as part of the National Energy Act, and the Energy Security Act of 1980, mandated FERC to simplify its permitting and licensing process for hydroelectric projects. PURPA required FERC to establish a program to use simple and expeditious licensing procedures in issuing licenses for small hydroelectric projects (less than 15,000 kW) at existing dams.

Three orders have been issued by FERC to carry out this mandate. The main thrust of each of these orders is to clarify for the applicant exactly what material is needed for a complete permit or license application.

--Order No. 11 was issued on September 5, 1978. This order establishes a short form license for all hydro-power projects with an installed capacity of 1,500 kW or less. Order No. 11 clarifies the instructions for completing the license as well as the material that must be submitted as part of the license. Prior to this time, developers did not have any clear guidance as to what was needed and incomplete licenses were often submitted.

¹/The electrical unit of power which equals 1,000 watts.

--Order No. 54 was issued in October 1979. This order simplifies the general requirements of both license and preliminary permit regulations, and it simplifies the filing requirements for permit applications. The changes included clarifying (1) the provision of section 4(e) of the Federal Power Act that specifies who may obtain a license, (2) governing factors of acceptance and rejection of preliminary permit and license applications, (3) the disposition of competing applications, and (4) hearings on applications.

--Order No. 59 was issued in November 1979. This order simplifies FERC's regulations pertaining to projects using existing dams with an installed capacity of more than 1,500 kW. Specific requirements are now spelled out governing the contents of the license. The requirements are embodied in an initial statement which provides identifying information and seven exhibits which provide specific project details. The instructions for the exhibits were clarified so that now only the pertinent information needed for technical analysis of the project is required. With the issuance of this order, the need for six exhibits was eliminated.

A FERC official stated future streamlining efforts would include revision of the licensing procedure for existing dams with an installed capacity of 5,000 kW or less, and simplified regulations for new (unconstructed) projects due to considerable interest in new development in areas such as New England, the West, and Alaska.

The Energy Security Act of 1980 also mandated FERC to simplify its licensing process for small hydroelectric projects. It directed FERC (by rule or order) to grant an exemption in whole or in part from the requirements of part I of the Federal Power Act to small hydroelectric power projects having a proposed installed capacity of 5,000 kW or less on a case-by-case basis. It also redefined a small hydroelectric project as having an installed capacity of less than 30,000 kW at an existing dam.

On August 28, 1980, FERC issued a notice of proposed rulemaking exempting dams with a proposed installed generating capacity of 5,000 kW or less from the licensing requirements. The exemption procedure is confined to a project owner

that proposes either new generating capacity, or additions to existing capacity the total of which do not exceed 5,000 kW. An automatic exemption would be granted 120 days after acceptance of the application. Because this exemption is limited to dam owners, projects located on Federal lands or at Federal dams are not covered under this proposed rule. This rule is expected to become final in late October 1980.

Internal changes have occurred

In addition to these legislatively mandated efforts, during the period April 1978 to October 1979 the Commission delegated authority to the Office of Electric Power Regulation to act on permits and licenses. Previously, the authority to act on all permits and licenses rested with the Commission. The Office of Electric Power Regulation can now approve all uncontested licenses and permits. This change significantly reduces the number of internal processing steps. According to a FERC official, the Office of Electric Power Regulation will soon be given the authority to approve contested permits and licenses in cases where one is clearly superior over the other.

This delegation of authority has also brought about procedural changes including:

- Instead of mailing copies of permits and licenses to different groups, a public notice is issued for 60 days allowing for comments by interested parties.
- Administrative procedures such as the standardization of correspondence have been adopted.
- Only one environmental analysis is needed now instead of two for preliminary permits.

HAVE FERC'S STREAMLINING EFFORTS REDUCED PERMIT AND LICENSE APPROVAL TIME?

Processing time for approving permits and licenses has decreased, according to FERC officials. This decrease in time is attributed to both the streamlined regulations and the changes in internal procedures. FERC documentation indicates that prior to the initiation of streamlining efforts it took about 17 to 19 months to process a preliminary permit. Now, it takes 4 to 6 months--an average savings of 13 months.

Licenses for small hydropower projects (less than 1,500 kW) were processed in 13 to 16 months. Now they are processed in 6 to 9 months.

A license for a hydropower project over 1,500 kW of capacity was previously processed in 15 to 21 months. The processing time for these projects has been reduced to 6 to 12 months or a savings of 9 months.

Due to FERC's actions pursuant to the Energy Security Act, some projects (less than 5,000 kW) could be licensed in a considerably shorter time frame. Currently, there are about 90 projects pending before FERC that would qualify for a license exemption, according to a FERC official.

OBSERVATIONS

Renewed interest is being expressed in developing hydropower, especially small hydropower, due to our current energy situation. Over the past few years the number of preliminary permits and licenses being considered by FERC has grown dramatically. FERC has, pursuant to legislative mandates, and its own initiatives, streamlined the hydropower licensing process. These streamlining efforts have resulted in licenses being issued in less time.

Reductions in processing time have occurred without any increases in FERC staff. However, as the number of preliminary permits increases and they are processed faster, the number of license applications will also increase. Without adequate staff, FERC's ability to handle the increased workload could be strained. Even though procedures have been streamlined, backlogs could occur. Therefore, we believe, as recommended in our January 1980 report, that the Chairman, FERC, closely monitor the hydropower licensing process and if the volume continues to increase, additional staff be requested to assure that streamlining efforts not be impeded. A copy of this report is being sent to the Chairman, FERC.

Sincerely yours,



J. Dexter Peach
Director