

West Virginia Legislator Takes Aim

Rep. Nick Rahall (D-W.Va.) has introduced legislation that would deprive hydropower projects of the benefits associated with the Public Utility Regulatory Policies Act. The West Virginia legislator says that his bill (H.R. 1263) aims to protect both the environment and the consumer, as well as coal miners in his hard-pressed southern West Virginia district.

In a statement in the *Congressional Record*, Rahall said that the "United States is slowly but surely losing some of its most pristine and wild rivers and streams to small hydroelectric power developments. While the loss of this rich river heritage alone should be a cause for concern, these projects are extracting a heavy toll on electric utility ratepayers."

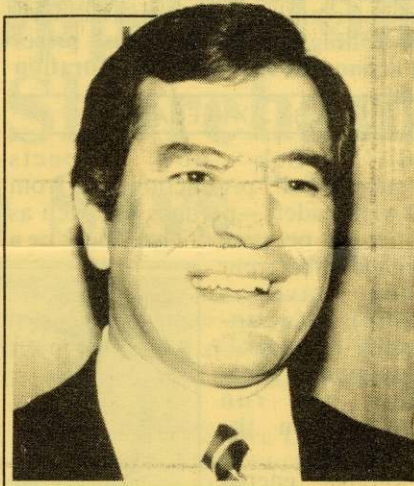
According to Rahall, the senior member of the West Virginia House delegation, PURPA has become a burden on ratepayers and a subsidy to small hydro developers, "because of changing energy prices and the Federal Energy Regulatory Commission's inept implementation of the law." Two West Virginia projects, the Summersville and Sutton Dams, would be subsidized by consumers to the tune of \$91 million over ten years if approved. Of that, \$27 million "represents an interest-free loan from the consumers to the developers on the \$48 million difference between the cost of producing the hydropower over how much they would pay for coal-fired generation already in the system. Another \$64 million accrues under the regulatory system in payments for capacity that is not currently needed."

Adding hydro capacity "in the midst of some of the richest coalfields in the world," says Rahall, "is simply beyond the comprehension of this member of Congress." His legislation, Rahall says, "would once and for all end the cruel hoax that is being perpetrated on the American people by speculators in hydroelectric power. Simply put, this hydropower madness must stop."

Between 1984 and 1988, according to Rahall, 447 new hydro projects of less than 30 megawatts went on line. Last year, 165 additional projects were under construction, with 1,429 planned or projected. The boom in hydro, pushed by PURPA, Rahall says, leaves con-

At Hydro's Tax Breaks

BY KENNEDY MAIZE



Rahall: "This hydropower madness must stop."

sumers paying "for projects that are not only unneeded, but for power that is more expensive than what is already being generated and planned for by the electricity utility company."

The Rahall bill has been referred to the House Energy and Commerce Committee. Although legislative strategists suggest that the bill will have trouble moving forward by itself, it could quickly be attached to another legislative vehicle, if anything germane moves through the House.

The Rahall bill may also serve as a warning to hydro developers, who have been holding discussions with

key Energy and Commerce Committee staff members about a bill to streamline hydro licensing at the FERC. According to Congressional sources, the Rahall bill could be a warning to the hydro developers that their desire for streamlined permitting faces rocky going.

David Conrad, a water resources specialist for the National Wildlife Federation, gave the Rahall bill his endorsement. "Rahall's bill makes a lot of sense," Conrad told *The Energy Daily*, "particularly in situations such as he has described where ratepayers are obviously paying a tremendous amount of money to build unnecessary hydro electric projects."

According to Conrad, FERC has been pushing bad hydro projects ever since its 1980 rules to implement PURPA embraced both new and existing hydro projects. Rahall, Conrad, and others argue that Congress intended PURPA to apply only to upgrades of existing hydro projects.

Conrad also complains that FERC "has not instructed the states not to give capacity credits for projects where surplus power exists. FERC has followed an expansive reading of 'need for power' ever since the South Fork Resources II case, which assumes that virtually any hydro project is needed."

Insiders suggest that Rahall may be able to put together an unusual alliance of environmentalists and electric utility interests to back his hydro bill. While the environmentalists oppose the impacts of the hydro projects on rivers and streams, utilities object to the alleged subsidies in the PURPA hydro program.

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