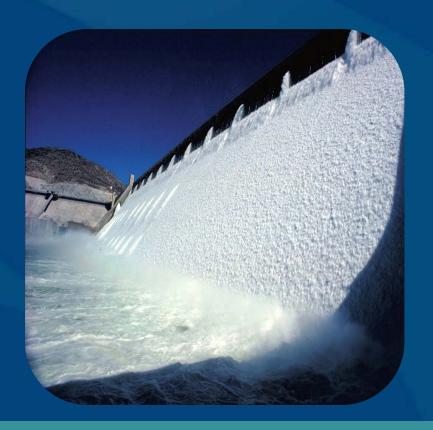
National Hydropower Association



Policy Update

October 2009



Legislative Affairs



2009 Stimulus Bill- Tax Incentives

Production Tax Credit (PTC)

- 3-year extension through Dec. 31, 2013
- Long term extension provides the time for hydro projects to go through licensing, order equipment and construction
- Hydro receives half-credit (1 cent per kwh)

Eligible hydro resources

- Capacity additions at existing facilities
- Efficiency improvements at existing facilities
- New development at non-powered dams
- Hydrokinetics ocean, tidal, in-stream and conduit power

2009 Stimulus Bill- Tax Incentives

Investment Tax Credit (ITC)

- 30 percent credit in lieu of the PTC for facilities placed in service in 2009-2013
- PTC eligible hydro resources included
- NHA advocated for the longer 2013 extension

Department of Treasury Grants

- Grants cover 30% of the cost of a renewable energy project that commence construction before Dec. 31, 2010
- Grant is in lieu of PTC/ITC. Terminates on January 1, 2014
- NHA advocated for the longer credit period through 2013 and eligibility for projects that begin construction in 2010

2009 Stimulus Bill- Tax Incentives

Clean Renewable Energy Bonds (CREBs)

- \$1.6 billion re-authorization
- CREBs eligibility for hydro projects mirrors the PTC/ITC
- High demand for program. Bonds originally awarded on cost basis, larger hydro projects denied as funds ran out

Advanced Energy Investment Tax Credit

- 30% credit for manufacturers to re-equip, expand or establish a renewable energy manufacturing facility
- Original language only included solar, wind and geothermal
- NHA sought inclusion of "other renewable resources" to include hydro and hydrokinetics

2009 Stimulus Bill- Hydro Investment Provisions

DOE Waterpower Program

- \$2.5 billion overall in stimulus for DOE EERE programs
- \$32 million for hydropower modernization projects
 - Over 100 letters of intent, 60 applications
- Additional FY 2009 funding for the Waterpower program of \$40 million, with \$23.5 million in solicitations for project development funds
- NHA got \$50 million for the program's FY2010 budget

DOE Electric Reliability Program

- •\$4.5 billion in new program funds to modernize the grid, enhance security and reliability of the energy infrastructure, energy storage research, development, demonstration and deployment
- Key role for pumped storage hydro projects

2009 Stimulus Bill- Hydro Investment Provisions

DOE Innovative Technologies Loan Program

- \$6 billion in additional funds. Construction must commence by Sep. 30, 2011.
- Funds for rapid deployment of renewable energy projects, including hydropower, hydrokinetics, and pumped storage, as well as electric power transmission systems.
- NHA working with other organizations to improve program

House RPS & Climate Legislation



Waxman/Markey Bill (H.R.2454)

- Passed on June 24th by a vote of 219 to 212
 - One Vote Margin

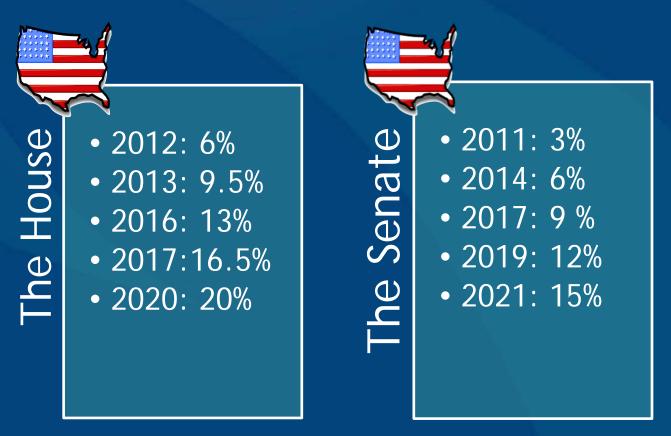
 Comprehensive Bill Addressing Energy and Climate Issues

Looking Forward in the Senate

- Bingaman Energy Bill Passed out of ENR Committee
- Kerry-Boxer Climate Portion
 Introduced 9/30
- Committee Mark-Up This Week



Down Payment- Renewable Electricity Standard



- Allows a portion to be met with efficiency
 - •25%- House and 27%- Senate

How Does Hydro Fit?

RES recognizes hydro:

- Removes from Base All Existing Hydropower
- Includes as Qualified Hydropower
 - Incremental- additions to existing facilities
 - New development at non-power facilities
 - New technologies of ocean, tidal and hydrokinetics

Treatment of Hydro: House and Senate Comparison

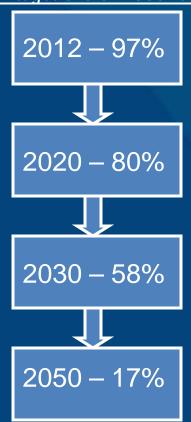
- Senate vs. House
- House and Senate provisions nearly identical except:
 - Dates for qualified facilities
 - •House 1988
 - •Senate 1992
 - Special Treatment for Alaska
 - •Up to 50 MW, pumped storage, lake taps

Congressional Measures Set Targets

Cap and Trade Reduction Goals:

(percentages are of 2005 levels)







Recognition of Hydro in Cap & Trade Program

- •Allowances to Electricity Local Distribution Companies (LDCs)
 - •Directs EPA to Distribute Allowances to LDCs based on specific formula 50% based on CO2 Emissions, 50% based on Electricity Delivered or Sold

- •State Energy and Environmental Development (SEED) Accounts
 - •Common Repository for Federal Financial Assistance to Support Development of Renewable Energy and Energy Efficiency

Congressional Climate Proposals

NHA's work

- Not directly engaging in the allowance allocations debate historic emissions vs. output
- Working to ensure that hydro and hydrokinetics do receive allowance value
- Ensuring the definition of renewable resources includes hydro and hydrokinetics
- Supporting proposed renewable energy set aside of allowances that would go directly to renewables
- Supporting other clean energy programs in a climate bill that help develop and deploy renewables, including hydro and hydrokinetics
- Supporting hydro's inclusion on state SEED program

New Hydro Legislation

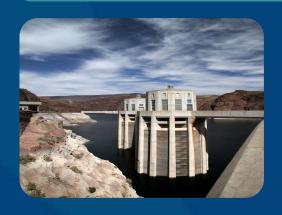
PTC Parity

- HR 2626 sponsored by Rep. Meek (D-FL)
- S 1090 sponsored by Sen. Wyden (D-OR)
- NHA is working to secure co-sponsors for these bills and advocating for their inclusion in the energy and climate legislation under development

Pumped Storage Incentives

- S 1091 sponsored by Sen. Wyden (D-OR)
- Makes pumped storage eligible for an ITC and the CREBs program
- NHA assisted Wyden's office in drafting the bill and is working to secure co-sponsors and its adoption this year

What You Can Do







Write your representative and senator-build a relationship and get them to support hydro

of our grassroots efforts by using the online advocacy tool

Join NHA
Committees
and stay tuned
to the listservs



Regulatory Affairs



FERC

With ILP in implementation phase and passage of EPAct 2005 license reforms, NHA has been focusing on new technology regulatory process.

- Preliminary Permit Policy for Hydrokinetics
- Hydrokinetic Pilot Project Licensing Process
- Conditioned License Policy
- FERC & MMS Resolution of MOU on OCS and MMS Regulatory
 Framework for OCS Development

Going Forward...

New Environment for Development

NHA is pursuing several new initiatives to overcome barriers to development of hydropower projects, including development on federal lands, small hydro, and pumped storage.

- FERC MOU with Corps Renegotiation
- •FERC MOU with Bureau of Reclamation
- Small Hydro Licensing Improvements
 - FERC Workshop on Small Hydro Scheduled for Dec. 2, 2009

Other Regulatory Topic Areas

<u>Trial-type hearings</u>: Final agency regulations implementing the TTHs never completed. NHA members who have used the process have recommendations for changes. NHA will encourage the agencies to adopt recommendations and issue final rules. (GAO study of process underway.)

<u>Compliance</u>: As more members move from licensing into compliance, NHA's compliance group is holding additional conference calls for info sharing.

<u>Annual Charges</u>: NHA continues dialogue with FERC and monitoring of the OFA charges. Held meeting and conference call with FERC staff and NHA members on annual charges bills in August.

Reservoir Emissions

- Electric Power Sector Protocol
 - The Climate Registry released final protocol on July 14
 - NHA efforts led to removal of reporting requirements for reservoir emissions
- Workshop in Canada
 - TCR conference to discuss science behind reservoir emissions
 - Members of NHA's reservoir emissions work group participated
 - Held conference call to discuss the outcomes
- EPA finalized GHG reporting system
 - Monitoring begins January 1, 2010
 - Does not cover reservoir emissions

Hydraulic Power Committee Filings

- FERC Emergency Action Plans (EAPs)
 - Commission sought input on proposed changes and new methodologies under its Time Sensitive EAPs.
 - Effort by FERC to reduce alert times in the event of dam failure
 - Dam Safety Subcommittee filed comments on July 10

Research and Development

National Laboratories Awards

- \$11 million
- Competitive laboratory solicitation for te development of advanced waterpower technologies
- Awardees
 - National Renewable Energy Laboratory
 - Sandia National Laboratories (2)
 - Pacific Northwest National Laboratory
 - Argonne National Laboratory
 - Oak Ridge National Laboratory

Research and Development

Advanced Waterpower Awards

- 22 Awards totaling \$14.6 million
- Advance commercial viability, market acceptance, and environmental performance for conventional and new technologies
- NHA Members Selected
 - Electric Power Research Institute (3)
 - Hydro Research Foundation
 - Free Flow Power Corporation
 - Lockheed Martin Corporation (2)
 - PUD #1 of Snohomish County
- Other members are secondary partners of other awards

Small Hydro

Small Hydro Council

- Held its first meeting in August
- Brainstorming developmental barriers
- Continues to hold meetings
- Preparing to draft a document detailing barriers and solutions
- FERC Small Hydro Technical Conference December 2
 - NHA Executive Director Linda Church Ciocci Presenting

Pumped Storage

Pumped Storage Council

- Held first meeting at Waterpower XVI
- Pumped Storage Questionnaire distributed
- Another call will be scheduled for October or November

Ocean, Tidal, and New Technologies

Interagency Ocean Policy Taskforce

- Pres. Obama created taskforce in June
- Crafting overarching national ocean policy
- 5-stop listening tour
- Interim Report released
- NHA participated in task force meeting
- NHA's OTNTC drafting comments

Outstanding Stewards of Americas Waters

- Improved Awards program this year
 - More accessible
 - Easier to apply to
 - Focus on industry-based recognition
- Up to 3 awards per category
 - Operational Excellence
 - Public Education
 - Recreational, Environmental & Historical Enhancement
- Packets can be found on the members side oh www.hydro.org
- Entries due: December 1, 2009



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