National Hydropower Association

Hydropower Today: A Political Perspective

Hydropower Finance Summit
June 3, 2013

NHA Policy Messages to the 113th Congress

Regulatory Improvements	• Provide for a more efficient regulatory process for hydropower licensing, both new and existing projects.
Incentives	• Provide continued tax policies that incentivize hydropower growth recognizing the specific needs of the industry due to the long lead time for project deployment.
Funding	• Support technology advancement and project deployment through continued robust appropriations in FY 2014 for the DOE Waterpower R&D program and the federal hydropower owners' budgets.
Clean Energy Programs	• Include hydropower in programs designed to spur clean electricity growth.

Why should policy makers care?

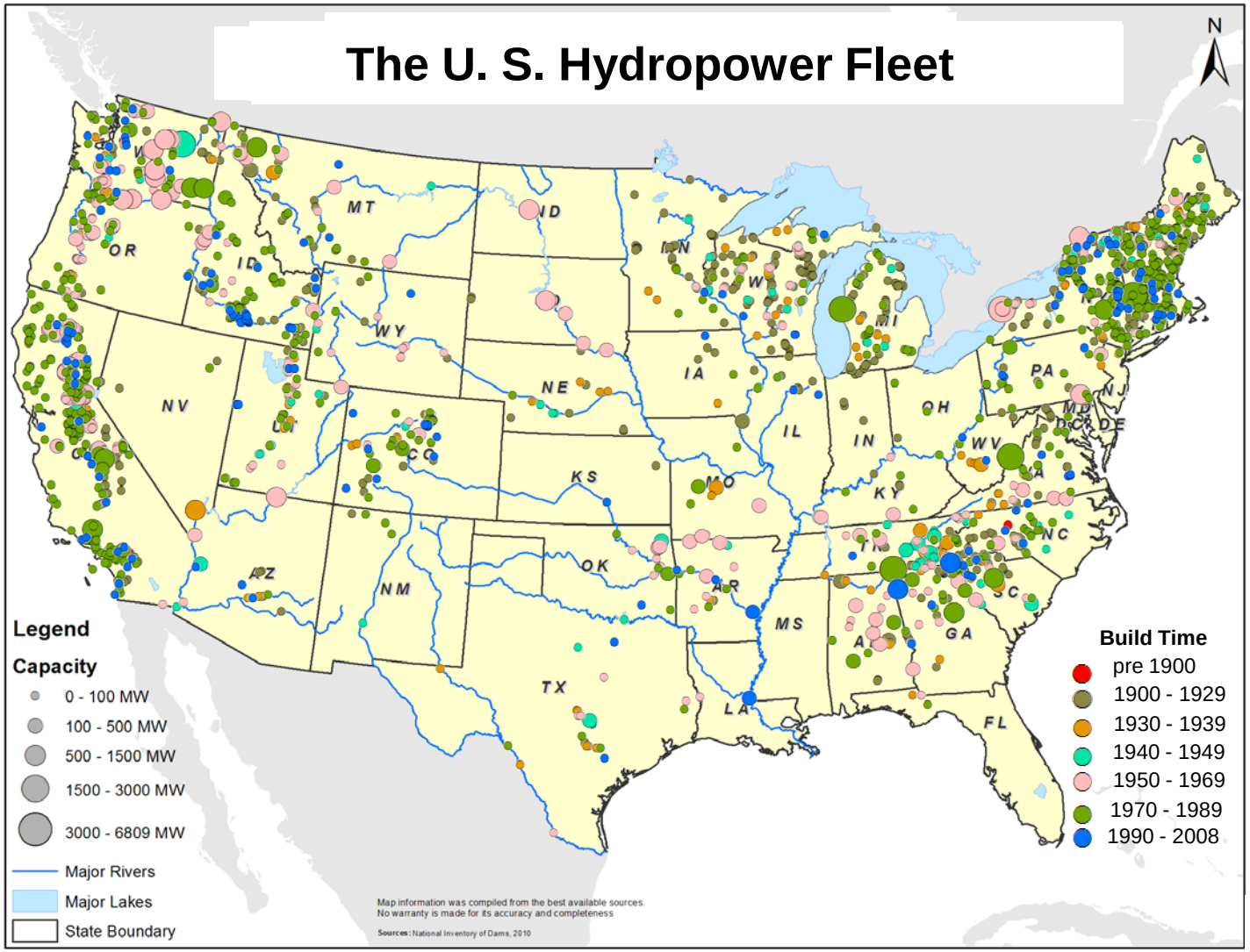
Because hydro is:

The largest generator of renewable electricity in the U.S. serving every state.

The largest employer in the renewable electricity sector – up to 300,000 employees

Low power prices and cleaner air in regions with more hydro.

Providing local economic opportunities to communities across the United States. New job creation for those communities where hydro is being built.



Sources: ORNL, NID

U.S. Hydropower Supply Chain Snapshot

Bipartisan support

"In today's environment – where talk centers on the need to provide clean and environmentally friendly energy – we must continue to promote and expand the use of hydropower." – **House Natural Resources Committee Chairman Doc Hastings (R-WA)**

"With thousands of existing dams currently not creating any power, existing dams in need of upgrades, and new technologies being developed to safely capture river currents, an additional 60,000 more megawatts is achievable within the next 15 years." **– House Natural Resources Committee Ranking Member Ed Markey (D-MA)**

"There's no one solution to the energy crisis, but hydropower is clearly part of the solution and represents a major opportunity to create more clean energy jobs." **– Energy Secretary Steven Chu**

"Hydropower is one of our greatest untapped resources for generating clean, renewable electricity." **- Senate Energy and Natural Resources Committee Ranking Member Lisa Murkowski (R-AK)**

Looking to 2013-2014

Continued Drivers for Congressional Action

Bipartisan Support

Job creation & economic return

No or little cost

2013 Policy Priorities

Legislative and Regulatory Action Items

Enact the current hydropower regulatory efficiency bills H.R 267 and 678 S. 545 and 306	Enact reforms to the Corps approval process for non-federal development on Corps dams	Develop and enact proposals to address outstanding licensing issues for existing and new projects	Examine new incentive options and market policies to provide value for hydro's benefits and fully realize its growth potential	Engage FERC on the 2-year pilot licensing process for building on non-powered dams and closed-loop pumped storage	Respond to upcoming agency regulatory proposals and remain engaged on compliance issues of importance to existing hydro owners

2013 Update – Tremendous Progress on Hydro

Hydropower Regulatory Bills

H.R. 267, Hydropower Regulatory Efficiency Act
- Passes House unanimously (**422-0**).
- Unanimous Senate Energy and Natural Resources Committee voice vote.

H.R. 678, Bureau of Reclamation Small Conduit and Rural Jobs Act
- Passes House overwhelmingly (**416-7**).
- Unanimous Senate ENR Committee voice vote.

S.545, Hydropower Improvement Act (Senate companion bill to H.R. 267)
- Co-sponsored by Chairman Wyden and Ranking Member Murkowski
- Unanimously reported out of Senate ENR on voice vote.

S 306, Senate companion bill to H.R. 678 (same title)
- Unanimously reported out of Senate ENR on voice vote.

All four bills were the first energy bills to receive a hearing in the Committee. Were the first bills to receive a mark-up and the first bills to be reported to the full Senate.

Awaiting Senate floor action and then to President's desk for signature.

2013 Update continued…

Corps of Engineers Regulatory Process Improvements

Secured Section 2009 in Senate Water Resources Development Act (WRDA) bill.

- directs Corps to give higher priority to hydro development
- states that hydro development is consistent with authorized project purposes and environmental protection
- requires clear and consistent lines of authority within and across the Corps
- directs reviews be completed in a timely and consistent manner across the Corps
- requires report on implementation, a list of new Corps activities on hydro, and a status update on pending applications.

Senate Environment and Public Works Committee Chairman Boxer and Ranking Member Vitter supported the language and include it in their joint staff draft.

WRDA passes Senate by an overwhelming bipartisan vote of 83-14.

House Transportation and Infrastructure Committee currently working on their version of WRDA – July draft?

2013 Update continued…

Tax incentives

Secured "start construction" language provisions in PTC/ITC in January.

Treasury guidance on PTC/ITC issued in April.
- Kept safe harbor level at 5 percent
- Physical work requirement – may be performed by developer or under contract
- Clarified some construction costs for structures (i.e. powerhouses) may count

House and Senate bills establishing an ITC and CREBS eligibility for pumped storage projects introduced – H.R. 1465 and S. 1030, the Storage Technology for Renewable and Green Energy Act.

Additional issues NHA is pursuing:
- PTC/ITC multi-year extension
- PTC parity for hydropower and MHK resources
- Protection of tax exempt financing
- Additional CREBs funding

NHA is monitoring the work on tax reform and the potential impacts on sector-specific tax incentives, like the energy incentives.

2013 Update continued…

Outlook for Comprehensive Tax Reform

In short: not likely in the near-term though series of fire drills related to: the Obama 2014 budget proposal; Senate Finance and Ways and Means proposals, etc.

Energy issues posed by current tax law

Imprecise coordination of federal energy & tax policy. Tax policy has become by default our energy policy.

Disparity between treatment of fossil fuels and renewables , as well as between renewables themselves.

Temporary nature of renewable provisions unnecessarily limits their effectiveness, particularly for hydro projects. Does not take into account longer development timeframe.

Lack of technology neutrality results in winners & losers

2013 Update continued…

Obama Budget: reflects pressure anticipating tax reform

Unlike previous budgets, the FY2014 proposal does not include an extension of most of the tax extenders set to expire at the end of December 2013.

In an apparent reference to the extenders, the budget said the President's proposal for revenue-neutral reform would "prevent hundreds of billions of dollars from being added to the deficit if the Congress continues to extend temporary business tax incentives without paying for them."

OMB Acting Director Jeff Zients said the tax extenders must be "gotten rid of or paid for through revenue-neutral tax reform."

2013 Update continued…

Obama Budget continued… drops some energy credits

The FY 2014 budget does not propose to extend a number of expired or expiring energy tax provisions, including:

- incentives for cellulosic ethanol and other alcohol fuels
- incentives for biodiesel and renewable diesel
- incentives for alternative fuel and alternative fuel mixtures
- **Section 1603 cash grants in lieu of investment tax credits**
- **Investment tax credit for renewable energy property**
- credit for construction of energy efficient new homes
- special rule to implement electric transmission restructuring
- Section 25C credit for nonbusiness energy property
- credit for energy efficient appliances
- credit for alternative fuel vehicle refueling property

2013 Update continued…

Obama Budget continued…permanent Section 45 PTC extension

Based on proven formula

Provides certainty to investor community

Relatively easy to implement

Locks in existing stakeholder community, locks out other technologies (e.g. biogas)

Locks in existing current law credit rate scheme (i.e. half-credit for hydropower; biomass; WTE)

2013 Update continued…

Ways and Means - tax reform working groups

11 separate groups led by one Republican Member as Chair and one Democratic Member as Vice Chair.

Groups reviewing current law, and identifying, researching, and compiling feedback

Charitable/Exempt Organizations	Dave Reichert (R-WA)	John Lewis (D-GA)
Debt, Equity and Capital	Kenny Marchant (R-TX)	Jim McDermott (D-WA)
Education and Family Benefits	Diane Black (R-TN)	Danny Davis (D-IL)
Energy	Kevin Brady (R-TX)	Mike Thompson (D-CA)
Financial Services	Adrian Smith (R-NE)	John Larson (D-CT)
Income and Tax Distribution	Lynn Jenkins (R-KS)	Joseph Crowley (D-NY)
International	Devin Nunes (R-CA)	Earl Blumenauer (D-OR)
Manufacturing	Jim Gerlach (R-PA)	Linda Sanchez (D-CA)
Pensions/Retirement	Pat Tiberi (R-OH)	Ron Kind (D-WI)
Real Estate	Sam Johnson (R-TX)	Bill Pascrell, Jr. (D-NJ)
Small Business/Pass Throughs	Vern Buchanan (R-FL)	Allyson Schwartz (D-PA)

2013 Update continued…

NHA's view on some tax reform issues

Need for continued and consistent tax policy support over the long term (PTC, ITC, tax exempt financing, bond programs)

Need to treat hydropower equitably with other energy resources under existing or any new programs

Focus on lowering the corporate tax rate does not necessarily help all hydropower developers, many of whom as start-ups or small companies do not have a corporate tax burden.

The industry is open to new tax programs or vehicles (ex. MLP). However, the potential effectiveness of new programs should be evaluated against that of the existing set of programs and policies.

Questions? Comments?

Contact information:

Jeffrey Leahey, Esq.
NHA Director of Government Affairs
25 Massachusetts Avenue, NW
Suite 450
Washington, DC 20001

jeff@hydro.org
202.682.1700 x.15