

**NHA Executive Director Linda Church Ciocci, Comments Before the Federal Energy Regulatory Commission, Workshop on Small Hydropower
December 2, 2009**

Chairman Wellinghoff and Members of the Commission, thank you for providing the National Hydropower Association the opportunity to participate in this important workshop.

You will be pleased to know, Mr. Chairman, that NHA has taken up the challenge you posed to our industry- that is to double hydropower's contribution. NHA's new vision calls for the development of another 96,000 megawatts of clean energy. This means new green jobs for our economy. Our recently commissioned jobs study, released just last month, reports the potential for 60,000 MW of new development by 2025. This translates to 700,000 cumulative jobs. You can find the full study on our website at www.hydro.org.

Small hydropower projects will play a critical role in meeting this goal. According to the DOE, nearly half of the potential rests in the area of small hydropower. As such, we applaud you for recognizing the importance of the nation's small hydropower resource, much of which remains untapped. This workshop comes at an opportune time as the nation focuses on a transition to new, clean energy options, using more distributed energy resources, with lower carbon emissions. The benefits of small hydropower can help meet all of these needs.

Let me begin by offering our primary recommendation: we believe this workshop must act as a catalyst for change and continued action by FERC and other governmental agencies, both state and federal, to address the small hydropower needs. We strongly encourage the Commission to follow this workshop with a Notice of Inquiry on ways to facilitate responsible new hydropower development.

This path has worked successfully in the past. In 2004, FERC hosted an NHA meeting that brought together resource agencies, industry, and the conservation community to discuss the licensing process for small hydro and new hydrokinetic technologies. That led to the Commission's successful work on the pilot process for hydrokinetics. However, the small hydropower focus was tabled until now.

NHA is committed to working with FERC and all interested stakeholders in identifying potential solutions to aid the development of small hydro resources.

To that end, we have established a small hydropower council and initiated discussions with the conservation community to discuss ways in which we can responsibly grow this resource, while building on environmental protection.

The council has been meeting for several weeks to identify barriers and potential solutions, focusing on six general areas:

- process improvements for new development;
- improvements for incremental hydropower development;
- improvements for the use of exemptions, both for conduits and small projects under 5 MW;
- implementation of other federal agency processes;
- operations, dam safety, and R&D issues;
- project finance, economic incentives, and market issues.

For each of these categories, the council has identified three different types of proposed solutions: those that could be implemented through changes in agency policy, those that may require regulatory action, and finally, those that may require a legislative/statutory fix. NHA will be providing more details in our written comments and would request that the Commission provide all interested parties 60 days to file comments.

To put it simply, small hydropower poses unique challenges with a need to reduce delays, expedite process, and keep costs reasonable, all while preserving environmental protection and working closely with all stakeholders. We believe we must get to a smarter and more efficient licensing process, one that considers the economies of scale and is commensurate with the project. It is a tall order, but absolutely critical.

While our member companies will address specific issues, we offer the following brief examples that are being discussed.

On Commission or agency policy:

Since much of the potential rests on existing non-powered federal locks and dams, reviewing and updating the MOUs between FERC and these agencies to ensure that interagency cooperation is maximized is very much needed – all with a focus to reduce process time and potential duplication, and to ensure consistency across agencies.

We understand that the Commission is considering an update of its small hydropower handbook. We applaud and support this initiative and encourage additional outreach to the sister federal agencies, and in particular, localities.

On regulatory/administrative changes:

Several process improvements have been recommended. NHA members have examined past FERC regulations allowing an automatic approval process for exemption applications.

We appreciate your actions to quickly process certain projects, such as conduit exemptions, but we wonder whether the automatic approval process can be brought back for certain non-controversial or unopposed exemption applications to expedite these projects.

On studies, perhaps there are ways to share study results that would reduce study costs for developers. We support the ILP study criteria and will be seeking ways to achieve balance for small hydro.

On potential legislative changes:

One focus is on economic incentives, which play a critical role in securing the funding necessary to pursue projects.

NHA is seeking to change the tax code to increase the production tax credit for all qualified hydropower projects, including eligible small hydro projects. Currently hydro receives only one-half of the credit other renewables receive. In addition, we are in the process of continued discussions with the conservation community to expand the use of these important tools to more small hydro development.

These are only a few examples of many ideas industry is examining to stimulate small hydro development. Again, NHA intends to provide more in-depth details in our written comments.

In conclusion, we look forward to working with the Commission, the Corps, the Bureau, resource agencies and the conservation community to develop consensus on these issues and craft solutions that will result in more clean

renewable hydropower, while maintaining natural resource protection and public participation in the process.

Once again, we commend the Commission for holding this important workshop and look forward to working with you toward the doubling of our nation's largest renewable resource. Thank you.