



January 13, 2017

President-elect Donald J. Trump
Vice President-elect Mike Pence
1717 Pennsylvania Avenue, NW
11th Floor
Washington, DC 20006

Dear President-elect Trump and Vice President-elect Pence:

On behalf of the National Hydropower Association (NHA) and our member companies representing the hydropower, pumped storage and marine energy sectors, I congratulate you on your election and look forward to working with you and your Administration to significantly enhance the economic, energy and grid reliability and other benefits from increased utilization of water power - in all its forms.

Creating an energy-independent America that stimulates millions of new jobs and protects clean air and clean water was the tenet of your campaign's energy policy and is one with which NHA agrees. Further development of our domestic water power resources represents a substantial opportunity to increase clean, reliable, affordable electricity generation. As a low-cost electricity resource, hydropower is already a job creation powerhouse. It provides local economic opportunities with many high-tech and manufacturing companies siting facilities in areas with access to hydropower generation. Continued investment in hydropower, and all water power resources, will further expand job growth in companies commercializing the next generation of systems that produce energy from rivers, streams, tides and waves, as well as for the communities in which these projects are located.

Hydropower is a proven, flexible energy resource and the single largest provider of renewable electricity in the United States, supporting up to 300,000 jobs across the country. With over 100 gigawatts of existing installed capacity (including pumped storage), hydropower already accounts for approximately 7 percent of all U.S. electricity generation, and close to half of all renewable electricity production. In addition, pumped storage projects make up 97 percent of total energy storage in the U.S., providing a multitude of grid benefits that ensure reliable service while also integrating increasing amounts of new intermittent renewable generation.

But what is not widely known is that the hydropower industry can do even more and has substantial growth opportunities. The U.S. Department of Energy's (DOE) new Hydropower Vision report, released in July 2016, finds that hydropower can add 50 GW of capacity by 2050. This first-of-its kind analysis, conducted with significant industry and stakeholder input, demonstrates that growth for hydropower and pumped storage is real and tangible. The Report also provides a roadmap to address the challenges to achieving growth, such as

regulatory barriers and inefficiencies that stymie new development and threaten existing facilities, market policies that reduce hydropower's competitiveness, and unmet R&D needs.

In addition, the U.S. is blessed with significant untapped wave, tidal, in-stream and ocean current resources that are capable of providing substantial, consistent and predictable power. DOE assessments have estimated that the total marine resource potential represents up to 25 percent of projected U.S. electricity generation requirements by 2050. Marine energy is also located near demand, which reduces costs and increases local economic growth potential for coastal communities. For these reasons, marine energy holds tremendous potential to contribute to our future domestic power needs. A significant number of technology companies leading the effort to unlock the global marine energy resource are located in the U.S.

While the potential to substantially increase our nation's water power resources exists, we will not unlock and fully realize this growth without federal policy changes that preserve the existing hydropower system and promote new development and new technologies.

Below are policy recommendations that NHA believes align with, and can be incorporated into, your Administration's proposals in its first 100 days and beyond. NHA is also developing an action plan, which will provide additional information and details that will assist in the implementation of these recommendations. We look forward to working with the Administration to present and further discuss these items.

Regulatory Reform

Without significant improvements to the hydropower licensing process - achieved through a combination of legislative and administrative action - the current regulatory regime will continue to present a significant disincentive to developing new projects and preserving our existing hydropower fleet. Prolonged regulatory approvals for hydropower (up to and beyond 10 years) with their accompanying front-loaded costs, disadvantage hydropower as a cost-competitive resource, and can also delay associated environmental improvements. An example of the stakes is the 400 projects, representing 18,000 megawatts of capacity, which are up for relicensing in the next 15 years.

NHA supports:

- Legislative efforts to reform hydropower licensing to achieve a more coordinated, efficient and less costly process.
- Administrative regulatory review and modernization. The Administration should require federal agencies with authority in hydropower licensing to review and update their regulations, policies and guidance to eliminate duplication of effort and unnecessary delays.

National Infrastructure Program

There is tremendous untapped potential to add new hydropower projects to the U.S. system and create thousands of new jobs in the process. Investing in this infrastructure is a proven job creator. Analysis by the DOE has shown that in 2013, operations, construction and upgrades at conventional hydropower plants alone supported 143,000 American jobs.

One near-term growth opportunity is adding hydropower generation to existing non-powered dams. Of the nearly 80,000 dams in the U.S. only 3 percent include hydropower facilities. By building on non-powered dams, we can increase the public benefit of this infrastructure through additional electricity generation and more local economic development opportunities.

In addition, almost half of the U.S. hydropower generation comes from the federal system, such as the U.S. Corps of Engineers and Bureau of Reclamation. There remain many opportunities to reinvest in the federal fleet to increase capacity and improve performance.

NHA supports:

- The inclusion of hydropower, pumped storage and marine energy resources as part of any programs developed under a new national infrastructure policy.
- Reinvestment in the federal hydropower system, with more coordination and support for non-federal project proposals on federal dams, and increased funding to federal (O&M) programs within the Corps, Bureau and other agencies to bring this aging system into the 21st Century.

Tax Reform

The U.S. has long used targeted tax credit programs to incentivize investment and innovation in the energy sector. Tens of thousands of jobs and billions of dollars in private investment across industries have been driven by smart tax policies. As comprehensive tax reform efforts move forward, it is vital to ensure that tax policy continues to provide the appropriate signals to the financial community that support deployment of projects. Currently, there is an uneven playing field in that wind, solar and other energy resources enjoy long-term certainty in the tax code, while incentives for water power resources have lapsed.

NHA supports:

- Reform of existing tax policies to provide hydropower, pumped storage and marine energy incentives the same long-term certainty in the tax code that has been provided to other renewable energy technologies with which they directly compete. Specifically, NHA encourages the Trump Administration to support allowing the hydropower industry to have access to the section 48 investment tax credit for a transitional period similar to that provided to the solar energy industry.

Research and Development

The Department of Energy's Water Power Program conducts R&D for both the hydropower and marine energy sectors to improve performance and lower cost to meet growing energy demand. However, the federal investments necessary to be globally competitive in commercializing advanced water power technologies and capturing the jobs that come with the sector have not matched the pace of investment of other countries. The U.S. has fallen behind Europe and Asia, particularly in the investment in marine energy R&D, and without increasing its investment profile, the U.S. risks forfeiting global technical leadership.

NHA supports:

- A robust funding level in FY 2018 and beyond for the DOE Water Power Program (historically the smallest program in the Energy Efficiency and Renewable Energy Office).
- Continued Department of Defense activity related to the development of marine energy systems for national security applications for at-sea persistent surveillance and communications, as well as tactical shore energy production for forward deployed assets.
- Investment in technology and other advancements for the hydropower fleet, specifically those recommendations included in the Hydropower Vision Report roadmap.

Market and Procurement Policies

Hydropower and pumped storage projects, in particular, provide both power generation and other grid services that are not valued (or are undervalued) in a host of market and other policies. Coupled with the disparities under the tax code, asset owners and developers alike are placed at a sizeable disadvantage in the marketplace. These inequities also need to be addressed if we are to see a true resurgence in our sector.

NHA supports:

- Full recognition of hydropower, pumped storage and marine energy in any federal procurement or other programs that support a goal to increase clean and/or renewable generation.
- Adoption of market policies at the Federal Energy Regulatory Commission, regional transmission organizations (RTOs) and independent system operators (ISOs), as well as the states, that value and provide compensation for the power generation, grid services and environmental benefits hydropower provides.

Expanded efforts to capture our nation's rich domestic water power resources through hydropower, pumped storage, and marine energy technologies could drive billions of dollars of investment and stimulate tremendous job creation opportunities. Federal support underpins

future private investments in the construction, manufacturing, engineering, and environmental science sectors and strengthens the businesses that make up the U.S. industrial supply chain.

I look forward to working with you and your Administration to advance our industry and help realize a new energy future through the increased use of hydropower, pumped storage and marine energy. NHA is always available to the Administration as a resource and I hope we can further this dialogue with your staff soon.

Sincerely,

A handwritten signature in cursive script that reads "Linda Church Ciocci".

Linda Church Ciocci
Executive Director