



# 2004 ANNUAL REPORT

## President's Message

When I assumed this office nearly one year ago, I promised two things—first, that I would dedicate myself to spreading the good word about hydropower, and second, to focus my efforts on industry growth. I am proud to say, that during this past year, NHA has made significant progress on both.

Important steps were taken toward ending regulatory and policy impediments to growth. Our efforts on relicensing reform led to a Department of Interior proposed rule, (currently pending) which establishes an agency appeals process—a much needed change in regulatory policy.

We worked hard to ensure that our licensing reform provisions remained unchanged in comprehensive energy legislation. Although the bill did not pass, progress was made which could result in final action in 2005. The future looks very positive. We have strong support in the new Congress and we will continue to push for recognition of hydropower in incentive programs to spur renewable energy growth.

NHA continued to educate policymakers about the untapped potential of hydropower. For example, the Association worked closely with the DOE as it assessed hydro's growth opportunities.

We have also reached out to the environmental community, initiating dialog on how we might work together to improve the permitting process for small hydropower and emerging hydro technologies. In fact, following our annual conference in April, the Association and the Hydropower Reform Coalition are co-sponsoring a brainstorming session on this very topic. This meeting will bring together a variety of stakeholders including developers, utilities, NGO's, and federal and state resource agencies.

NHA's communications program continued to grow stronger. We published several important research papers on a wide variety of topics, and maintained an active presence in the media. This will only improve as we have just added an experienced press professional to our staff.



*Pat Wood, FERC Chairman cuts ribbon at Brascan's Higley Project*

We are also working to create new market opportunities. As policymakers begin to create a new hydrogen economy, we have reached out to the hydrogen industry to find new synergies.

NHA has also successfully transformed itself from a "relicensing reform" organization to an organization with a broader agenda, including tax incentives, new technologies, and growth. Credit for this positive change goes to the organization's leaders (past and present), our board, the professional staff, our working groups, committee leaders and many of our individual members. Everyone involved should be very proud.

I wholeheartedly believe that organizations like NHA can and should push hard to strengthen and grow our industry. NHA is making a difference. But, NHA cannot go it alone. We need the active involvement of the NHA membership. We need your efforts to build grassroots support for our policy work, and your full engagement in NHA activities.

There is no doubt that we have a great challenge before us, but I believe we have an even greater future.

Charles F. Alsberg  
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## Executive Director's Message

This year we celebrate the 125th anniversary of the dedication of the first hydropower facility in the United States. For more than a century, hydro has provided clean, renewable, and reliable electricity.

Yes, I guess you could say that hydropower is an age-old technology, but it is also a technology that is ever changing, always improving upon itself. Most importantly, hydropower, with its many benefits, uniquely meets our energy and environmental needs of the future.

Because hydropower has been around so long, it is mistakenly viewed as an old technology with no room for growth. That myth pigeonholes our industry, and more often than not, leaves hydropower on the sidelines while Congress and state governments set new incentive policies to encourage clean energy technologies.

The fact is hydropower has real growth potential. That growth lies in upgrades to existing facilities, the retrofit of non-hydro dams, and the development of new projects using kinetic, tidal power and emerging technologies. In fact, a study recently conducted by DOE indicates that our growth potential is far greater than we had thought—we can double our current contribution to the national energy supply. While that may be optimistic, the fact is that if only one-third of that potential was developed, hydro would make a significant contribution toward meeting future energy needs. At the same time, we would create jobs and expand on hydro's many benefits. That seems to be a win-win to me.

So what's the problem? Why are we not developing large amounts of hydropower in the U.S. today? There are many

issues—policy and regulatory. And, NHA is working hard to address these. We also need to look at ourselves and our belief in hydro's potential. Too often our industry sells itself short on future growth. We must be willing to change this paradigm.

At a recent renewable energy conference, major industry speakers totally ignored hydro in their remarks—they spoke of wind, solar and biomass, extolled the role each could play in a new clean energy future, but neglected to say anything about hydro's potential in the new energy order. Unintentionally, they fed the myth that hydro is not a growth industry.

NHA is working hard to change the debate on hydro. We are working with the Department of Energy (DOE) to get a better handle on our growth potential. We are lobbying for inclusion of hydropower in renewable portfolio standards and tax policies that encourage clean energy. We take advantage of every opportunity to speak about our growth potential, and to reach out to policymakers to educate them. And, we have made some real progress.

We are doing our part, but industry needs to be more proactive on this matter. If we are going to succeed in building a new era of hydro growth, we need to form a stronger partnership with our industry members, and become far more proactive in reaching out to policymakers at the federal and state levels.



Linda Church Ciocci  
Executive Director

### NHA's New Members

NHA welcomes new members for 2004. Generators, representing companies with hydroelectric generation:

- **South Carolina Electric & Gas**
- **Holyoke Gas & Electric**
- **Exelon**
- **Verdant Power**

Service Industry, representing companies supplying services and equipment to the hydroelectric industry:

- **American Hydro Corporation**
- **Hiscock & Barclay, LLP**
- **Nalder Consulting**
- **Quo Vadis International**
- **Hydropower Performance Engineering, Inc.**
- **Phoenix Power Control, Inc.**
- **Groeneveld Pacific West**
- **Hydro Power Solutions, LLC**



## Working For Change

### Work Continues On Comprehensive Energy Legislation

NHA continued its hard work with Congress and the White House, meticulously tracking and working on issues that impact the hydropower industry.

Although comprehensive energy legislation once again fell short (due to a few controversial issues unrelated to hydropower), the proposed legislation contained important hydropower licensing reform provisions that NHA helped keep intact. Looking forward, the progress that was made should set us up for success in the 109th Congress.

NHA's legislative activities also included working to bring incentives for new hydropower development and to fund research and development for the DOE's hydropower program.

### Changes Made To FERC CEII Rules

NHA secured changes to FERC's 2003 critical energy infrastructure information (CEII) regulations. The association filed a comment letter responding to the Commission's request for input on the regulations. In addition to several recommendations, the letter applauded FERC's work to protect the nation's energy infrastructure.

The changes will assist licensees in navigating the CEII process, including providing more guidance to the hydro industry and allowing agents of licensees the same access to CEII as owners/operators. The changes were adopted on August 3, 2004.

### DOI Appeals Process Rulemaking Underway

Years of hard work paid off when, at the 2004 NHA Conference, the Department of the Interior announced that it would adopt the mandatory conditions review process (MCRP) and pursue an administrative appeals process for mandatory conditions. NHA spent the rest of 2004 working to help turn the proposed process into a reality. It filed a comprehensive set of comments on the proposed regulations.

In the DOI filing, NHA:

- Requested the elimination of the mandatory conditions review process.
- Requested the creation of timely trial-type hearings for disputed issues of material fact, which any party to a licensing proceeding could request.
- Recommended the adoption of criteria for DOI staff to follow when crafting conditions during the FERC licensing process. These standards will ensure that the conditions are warranted, reasonable, and take into account impacts on project operations and other resources.
- Supported the decision to adopt an appeals process and to limit to license applicants the ability to initiate the appeal. This will provide an administrative opportunity for the review of conditions that license applicants currently do not have.

- Recommended that the DOI drop the requirement of including proposed alternatives in an appeal by the applicant.
- Recommended the acceptance of alternative conditions and prescriptions from license applicants, if the alternative provides for the adequate protection and utilization of the reservation or is no less protective than the fishway initially prescribed by DOI.

NHA also filed comments with the Department of Commerce, which is adopting the mandatory conditions review process in a parallel rulemaking. In the filing, NHA echoed many of the points made in the DOI comments.

### Comments Filed On EPA-Region 1 Draft General Permit

In January 2004, NHA filed comments on an Environmental Protection Agency-Region 1 (EPA) draft general permit regulating certain specific discharges (e.g., equipment cooling water and equipment and floor drain water) from hydroelectric facilities in Massachusetts and New Hampshire.

NHA, working with the Utility Water Act Group (UWAG)—an alliance of 160 electric utility systems that monitors and participates in water issues across the country—filed joint comments requesting that the permit requirements be significantly reduced. The comments reasoned that the regulations were overly burdensome, unnecessary and duplicative. NHA's filing also expressed concern about possible conflicts between the permit's requirements and license terms issued by the Federal Energy Regulatory Commission (FERC).

As of the date of publication, the EPA has yet to issue the final general permit.

### Promoting Growth Through R&D

NHA's research & development (R&D) work expanded beyond its traditional focus of the advanced hydro turbine, to the development of small hydro and new emerging technologies such as micro, free flowing, and kinetic.

The R&D program also worked to create new market niches for hydropower by pushing the DOE to look at the advantages of integrating hydropower with more intermittent renewable energy sources, such as wind; and using hydropower as feedstock for the development of hydrogen.

### DOE Report Spurs Collaboration With NGOs

NHA began collaborating with NGOs on improving the licensing process for new, small hydropower project and new technologies. This came on the heels of a DOE assessment stating that hydropower could potentially double its current contribution to the national energy portfolio. The report showed that much of the growth potential in hydro lies in small projects where the economics require a streamlined inexpensive licensing scheme, and policy incentives.

## Communicating Hydro's Message

### Focus Groups Bring Understanding of Public Perceptions

NHA, through a commissioned focus group study, gained valuable insight into the general public's feeling about hydropower. The research complemented successful polling work, which was done in 2002. The information gained from the study will be used to create and implement future educational and advocacy campaigns.

### Published Papers Help In Educational Outreach

The Association published several papers, including *Today's Hydropower: Protecting Fish Through Creative Solutions and New Technologies*, an educational/advocacy report on the industry's efforts to mitigate the impact of hydropower on fish. The paper was well received on Capitol Hill, among interest groups, and with officials at federal agencies.

Working with hydropower associations from around the world, NHA helped fend off an attack on hydropower at an international renewable energy conference in Bonn, Germany. In preparation for the meeting, NHA assembled a paper entitled, *Why Hydropower Should be Included in Sustainable and Renewable Energy Programs*. This piece was well covered by the press and created quite a buzz. NHA also used the paper extensively on Capitol Hill.

### The Media- A Tough Job

As always, NHA fought for fair treatment of hydropower in the press, which is not an easy task. 2004 was busy with a plethora of news coverage about issues that affect the industry. NHA staff worked hard to educate the media and dispel any misrepresentations about hydropower.

## A Community For the Industry

### Legal Task Group Established

While NHA did not become involved in any new legal cases in 2004, the Association continues to monitor legal issues affecting the hydro industry and our member companies. Underscoring this commitment, the NHA Board of Directors approved the re-establishment of the Association's Legal Task Group. While dormant for several years, this group has been reactivated in order to provide those members who are attorneys the opportunity to advise the Association on important legal issues and to create a forum for members to interact with their colleagues and share information.

The primary function of the group is to assist the Board of Directors and the Executive Director in the analysis and review of legal cases and issues before the Association. This provides members the unique opportunity to weigh in on legal issues of national concern to the hydro industry. The second function of the group is to provide a forum for

information sharing. The group meets in person, on conference calls, and via the ListServ to discuss new legal developments. This interaction provides members the ability to be forewarned on what is brewing in the legal arena across the country.

### Record Attendance At HPC Fall Meeting

2004 was a banner year for the Hydraulic Power Committee (HPC).

More than 50 members attended the HPC's fall meeting, the most since the committee joined NHA in 2000. The meeting was held in Leavenworth, Washington and was co-hosted by Chelan County PUD and Grant County PUD. Attendees discussed a wide range of issues pertaining to the operation and maintenance of hydropower facilities. They also toured Chelan's newly constructed, award-winning, \$113 million juvenile fish bypass system and Grant County's Wanapum project, where they were given a close-up view of the project's new advanced hydropower turbine, which is designed to improve fish survival through the turbine.



Advanced Hydro Turbine runner ready for installation at Grant County PUD's Wanapum Project

The committee also worked closely with several FERC officials including Mark Robinson, director of the Office of Energy Projects, who attended the committee's fall meeting. Members also met with Gus Tjoumas, director of the Division of Dam Safety and Inspections, to discuss dam safety issues and Ann Miles, director of the Division of Hydropower-Environment and Engineering, to talk about CEII issues.

## 2004 Annual Conference



FERC Commissioner Joseph Kelliher addresses conference attendees

The 2004 NHA Annual Conference, *Hydropower, Much More than Energy!* was a resounding success. From the informative sessions to the exceptional speakers, this year's conference brought out the best in the industry. It also saw a record turnout of governmental attendees, 94!

NHA was pleased to host three informative, captivating and educational speakers—Roger Ballentine, President of Green Strategies, Inc. and former Chair of the White House Task Force on Climate Change under President Clinton; Joseph Kelliher, FERC Commissioner; and Ann Bisconti, President of Bisconti Research, Inc.

### Promoting Outstanding Achievements

#### Sabattis Given Hydro Industry's Highest Honor

Jerry Sabattis, hydro licensing coordinator for Reliant Energy (now Brascan Power-New York), received the 2004 Dr. Kenneth Henwood Award for lifetime achievement in the hydropower industry. Sabattis has worked in the field of hydro project licensing and regulatory compliance for more than 25 years. During his career he has been involved with the preparation of 35 FERC license applications, including Niagara Mohawk's "Class of '93" Hydro Relicensing Program, which Sabattis has managed since its inception in 1985.

#### Awards Program Attracts Record Applications

2004 saw a record number of applications for NHA industry awards. The reason, a revamping of the application process. The Association, responded to comments from past applicants and winners, and streamlined the application process.

#### Nine Outstanding Examples of River Stewardship

2004 marked the sixth year NHA has presented the "Outstanding Stewardship of America's Rivers" awards, an opportunity to recognize and publicize the hydro industry's outstanding work to preserve and enhance the rivers on which its hydropower projects operate. The 2004 winners were:

- Avista Corp's Clark Fork Project on the Clark Fork River in Montana and Idaho
- Duke Energy's Jocassee and Bad Creek Pumped Storage Projects on the Savannah River Headwaters in northwest South Carolina
- Ontario Power Generation's Madawaska River Hydroelectric Project on the Madawaska River in Ontario, Canada
- Northern States Power Company's Lower Chippewa River Project on the Lower Chippewa River in Wisconsin
- Pacific Gas and Electric Company's Mokelumne River Project on the Mokelumne River in California
- Pacific Gas and Electric Company's Rock Creek-Cresta

Project on the North Fork Feather River in California

- PacifiCorp's North Umpqua Hydroelectric Project on the North Umpqua, Clearwater and Fish Creek in Oregon
- PPL Montana's Madison & Missouri River Project on the Madison & Missouri Rivers;
- Seattle City Light's Skagit River Hydroelectric Project on the Skagit River in Washington State
- Tacoma Power's Nisqually River Project on the Nisqually River in Washington State.



Award winners gather for a group shot

#### Hydro Achievement Awards

The Hydro Achievement Awards, established in 1994, recognizes outstanding achievement in the areas of Public Education, Recreation and Technological Solutions. The 2004 winners were:

- Public Education—Tacoma Power for their "Best of the Northwest" Program
- Recreation— Avista Utilities for the collaborative implementation of their Recreation Resource Management Plan for the Clark Fork Project
- Technological Solutions—Chelan County Public Utility District No. 1 for the Rocky Reach Juvenile Fish Bypass System.

## 2004-2005 National Hydropower Association Leadership

### Executive Committee

President	Charles F. Alsberg, North American Hydro, Inc.
Vice President	Alan Soneda, Pacific Gas & Electric Company
Treasurer	Nancy J. Skancke, Law Offices of GKRSE
Secretary	George A. Martin, Georgia Power Company

### Board of Directors & Advisory Board

Charles F. Alsberg	North American Hydro, Inc.	TE: 2005
Michael Bahleda	EPRI	Advisory
Gale Banry	Eugene Water & Electric	TE: 2006
Karl P. Blank	AmerenUE	TE: 2005
Donald H. Clarke	Law Offices of GKRSE	General Counsel
Philip K. Dutton	Delta Power	Past President TE: 2005
Wayne Dyok	MWH Americas	TE: 2007
Leslie Eden	HCI Publications	TE: 2006
Terry Flores	PacifiCorp	TE: 2005
Marshall Kaiser	Safe Harbor Water Power Corporation	TE: 2006
George A. Martin	Georgia Power Company	TE: 2006
Nino J. Mascolo	Southern California Edison	Advisory
Bruce Meaker	Snohomish County Public Utility District	TE: 2007
Rick Miller	Devine, Tarbell Associates	Advisory
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Greg D. Robison	Duke Energy	TE: 2007
Andrew E. Sims	Kleinschmidt Associates	TE: 2005
Nancy J. Skancke	Law Offices of GKRSE	TE: 2005
Alan Soneda	Pacific Gas & Electric Company	TE: 2006
Fred Springer	Troutman Sanders LLP	Advisory
John J. Suloway	New York Power Authority	Past President TE: 2006
Sarah Verville	Pierce Atwood	Advisory
Steve Wenke	Avista Utilities	TE: 2007
David J. Youlen	Brascan Power – New York	TE: 2007

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### Committee Chairs

Hydraulic Power	Stephen R. Brown, Grant County Public Utility District
Legislative Affairs	Jim Hancock, Balch & Bingham, LLP
Public Affairs	Linda Jones, Grant County Public Utility District
Regulatory Affairs	George Martin, Georgia Power Company
Research & Development	Jim Purvis, Alstom Power
Revenue	Marshall Kaiser, Safe Harbor Water Power Corporation

