



June 22, 2009

Chairman Byron Dorgan
Subcommittee on Energy and Water Development
Senate Appropriations Committee
The Capitol, S-128
Washington, D.C.20510

Senator Robert Bennett
Subcommittee on Energy and Water Development
Senate Appropriations Committee
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Dear Chairman Dorgan and Senator Bennett:

The United States Clean Heat & Power Association (USCHPA) is a national association of companies, organizations, and individuals who recognize the benefits and seek to increase the use of combined heat and power (CHP) and clean distributed generation (DG) throughout the U.S. economy. Membership includes over 60 corporate members, representing manufacturers of equipment used for CHP, installers, users, consultants and engineering firms, as well as non-profit environmental and public-interest groups who recognize and seek the important efficiency, environmental, and reliability benefits offered by CHP and clean DG. We see the use of clean energy technologies as one of the primary opportunities our country has to make an immediate impact on the reduction of green house gases (GHG) that contribute to climate change.

The undersigned member companies and affiliated organizations are writing to request that the Department of Energy Industrial Technologies Program's Distributed Generation and Combined Heat and Power Program be funded at no less than \$60 million for FY 2010, and that the grant programs for industrial and institutional energy efficiency established by Sections 451 and 471 of the Energy Independence and Security Act of 2007 be funded at their authorized levels of \$210 million and \$250 million respectively.

CHP and clean DG lowers demand on the electricity delivery system, reduces reliance on traditional energy supplies, makes businesses more competitive by lowering their energy costs, reduces greenhouse gas and criteria pollutant emissions, and refocuses infrastructure investments toward next-generation energy systems. Already harnessed by many large industrial,

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commercial, and institutional facilities, CHP is a proven and effective energy resource that can be immediately deployed to help address current and future global energy needs by incorporating commercially available and domestically produced technology.

A recent study released by Oak Ridge National Laboratory indicated that ramping up CHP to account for 20 percent of U.S. electricity capacity by 2030—a level several European and Asian countries have already exceeded—would reduce CO₂ emissions by more than 800 million metric tons (MMT) per year, equivalent to the CO₂ savings of taking 154 million cars off the road. In this 20 percent scenario, more than 60 percent of the projected economy-wide increase in CO₂ emissions between now and 2030 could be avoided. The report also indicated that achieving the 20 percent mark, cumulatively through 2030, would generate \$234 billion in new investments and create nearly 1 million new, highly skilled, technical jobs throughout the United States.

Much needs to be done to reach these goals, and we are encouraged by the actions that have already been taken by Congress. Based on the potential for combined heat and power and clean distributed energy to reduce GHG emissions, Congress included Sections 451 and 471 in the Energy Independence and Security Act of 2007 (EISA) that serve to accelerate their deployment in both industrial and institutional markets. In addition Congress added funds in 2008 to the U.S. Department of Energy (DOE) budget to reestablish the DG / CHP program within DOE's Energy Efficiency and Renewable Energy (EERE) Office. The program had been previously relocated to DOE's Office of Electricity Delivery and Energy Reliability (OE) and was in danger of being eliminated. Reinstatement to EERE ensured that the program would continue to support the Nation's energy efficiency goals.

While USCHPA appreciates the efforts of Congress to advance CHP and clean DG technologies, we are disappointed in the U.S. Department of Energy's 2010 budget request for EERE's Industrial Technologies Program (ITP) for these technologies. DOE has not followed Congress's leadership to ensure sufficient funds are provided to advance these technologies and support their ultimate adoption by commercial, industrial, and institutional organizations throughout the country.

We request that ITP's Distributed Generation and Combined Heat and Power Program be funded at *no less* than \$60 million for FY 2010, and that the grant programs established by EISA sections 451 and 471 be funded at their authorized levels of \$210 million and \$250 million respectively. Specifically, we urge Congress to direct DOE to support the following programs:

Distributed Generation (DG) and Combined Heat and Power (CHP) Program: This program has provided proven results in advancing clean heat and power technologies to reduce GHGs that cause global warming. It is requested that programmatic funding be returned to its historic level of **\$60 million**. Critical elements of DOE's DG/CHP program include:

- **Technology Development** – Continued work on prime movers (engines, industrial gas turbines, micro turbines, and fuel cells), components, and system integration to maximize fuel flexibility, (including the use of bio-derived fuels), and fuel efficiency, and to efficiently and

optimally capture and utilize waste energy streams while setting ambitious goals of meeting / exceeding stringent environmental performance requirements demanded of integrated systems.

- **Technology Validation** – Field test, evaluation, and commercial demonstration of CHP and clean DG technologies and systems to verify goals such as the scalability, transferability and replicability of these systems and to reduce the real and perceived economic and technical risks in the marketplace.

- **Market Transformation/Commercialization** – DOE’s efforts to support commercial deployment of CHP and clean DG systems must be expanded to include a comprehensive public-private partnership lead by ITP to implement the goals of the DG program.

- **Clean Energy Application Centers** - Continued support of these Centers is critical for raising awareness in key markets, reforming policies, reducing regulatory barriers, and addressing consumer issues that currently impede the deployment of DOE- supported CHP and clean DG technologies. With a presence in all 50 states, these Centers can help DOE coordinate and leverage efforts of other stakeholders in each region. We request that the Clean Energy Application Centers be funded at their EISA authorized level of \$10 million.

Industrial Energy Provisions of the Energy Independence and Security Act of 2007 (EISA Section 451): EISA requires DOE to create a Waste Energy Recovery Incentive Grant Program to provide incentive payments for documented electricity produced from clean heat and power projects. EISA authorizes \$210 million for each of fiscal years 2009-2012 for incentive grants for waste energy recovery and CHP, as well as for grants to States for the purpose of providing incentive grants for these technologies.

Institutional Energy Provisions of the Energy Independence and Security Act of 2007 (EISA Section 471): EISA requires DOE to create an Energy Sustainability and Efficiency Grant Program for Institutions to provide grants for institutions of higher learning, public school districts, local governments, and municipal utilities for sustainable energy projects including renewable energy, CHP, and District Energy Systems. EISA authorizes \$250 million for each of fiscal years 2009-2012 for these incentive grants.

The funds for EISA Sections 451 and 471 would serve to develop the overall clean energy infrastructure of our country while providing significant reductions in GHGs. Though required by law, DOE has yet to take any action to create these programs, and no funds have been requested by DOE or appropriated by Congress.

Without sufficient funding for these programs, our country is in danger of missing one of its best opportunities to take near-term actions to reduce GHG emissions that impact climate change. **We urge Congress to direct DOE to budget \$60 million of funds for the DG/CHP Program within DOE’s Industrial Technologies Program, establish the Waste Energy Recovery Incentive Grant Program established by EISA at its authorized level of \$210 million, and establish the Energy Sustainability and Grants for Institutions established by EISA at its authorized level of \$250 million.**

Thank you for the opportunity to provide input into your committee's deliberations. Should you have questions or require additional information, please contact USCHPA's Chair, Paul Thomsen, Ormat Technologies, or USCHPA's Executive Director, Jessica Bridges, or any of the undersigned organizations.

Sincerely,

United States Clean Heat & Power Association
Alexandria, VA

American Council for an Energy-Efficient Economy
Washington, DC

American Gas Association
Washington, DC

Avalon Consulting, Inc.
Naperville, IL

Blue Mountain Energy
Las Vegas, NV

Capstone Turbine Corporation
Chatsworth, CA

Caterpillar, Inc
Peoria, IL

Climate Energy
Medfield, MA

DYK Incorporated
El Cajon, CA

ECR International
Utica, NY

Endurant Energy LLC
Westmont, IL

Enercon Engineering, Inc.
East Peoria, IL

Energenic LLC
Mays Landing, NJ

Energy Recovery Systems LLC
Chicopee, MA

Energy Resources Center
University of Illinois at Chicago

Energy Solutions Center
Washington, DC

EPCOR USA
Oak Brook, IL

GE Energy
Fairfield, CT

Natgun Corporation
Grand Prairie, TX

Ormat Technologies
Reno, NV

Recycled Energy Development
Westmont, IL

Resource Dynamics
McLean, VA

Sacramento Municipal Utility District
Sacramento, CA

Solar Turbines – A Caterpillar Company
San Diego, CA

Southwest Gas Corporation
Las Vegas, NV

Trigen – A Veolia Energy Company
Boston, MA

United Technologies Corporation
Hartford, CT

Turbine Air Systems
Houston, TX

Cc: Chairman Daniel Inouye
Senate Appropriations Committee

Senator Thad Cochran
Senate Appropriations Committee

Members of the Senate Appropriations Committee