March 19, 2008

The Honorable Pete Visclosky
Chairman
Subcommittee on Energy and Water
Committee on Appropriations
United States House of Representatives
Washington, DC 20515

The Honorable David Hobson
Ranking Member
Subcommittee on Energy and Water
Committee on Appropriations
United States House of Representatives
Washington, DC 20515

Dear Chairman Visclosky and Representative Hobson:

We write today to urge you, during consideration of the Department of Energy's FY09 Budget, to restore the historic $60 million level of funding for the DOE's Industrial Distributed Energy efforts within the Office of Energy Efficiency and Renewable Energy's (EERE) Industrial Technologies Program.

Clean Distributed Energy (DE) includes Distributed Generation (DG) and Combined Heat and Power (CHP) technologies and integrated systems that, near or at the point of use, efficiently recycle wasted energy, produce electricity & thermal energy from one fuel. DE includes technologies that store energy.

- DE supplements the existing electrical generation, transmission, and distribution infrastructure and provides critical consumer and societal benefits.
- Efficiency can be as high as 85% in CHP applications as compared with central station power generation efficiencies of 30-55%.
- Fuel flexibility and high efficiencies significantly contribute to reducing greenhouse gas emissions and other pollutants while providing for both energy security and reliability of the electric power grid.
- CHP and DE allows for customer control, self-sufficiency, and independence while still contributing to a smart and agile grid for our future.

DOE's EERE and OE activities in DE & CHP have been critical in bringing industrial scale DE technologies through the initial stages of component development and system integration, yet these successes generally have only begun to be brought to US consumer awareness. Much remains to be done in smaller sizes, sizes than serve the need of consumers such as Multi-family residential and light commercial applications. The integration of packaged systems with heat recovery remains fertile grounds for additional and significant efficiency improvements and emissions reductions. Critical program elements include:

- Technology Development – Continued work on prime movers (engines, industrial gas turbines, and micro turbines), components, and system integration to maximize fuel flexibility, including the use of bio-derived fuels, fuel efficiency, efficiently and optimally capture and utilize waste energy streams while setting ambitious goals of meeting / exceeding stringent environmental performance requirements demanded of DE integrated systems. Example of end-use sectors that can benefit from this work are food processing plants and information technology data centers such as 911 call servers

- Technology Validation – Field test, evaluation, and commercial demonstration of DE 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. Decentralized Cooling & Heating systems integration that embody state-of the art technologies such as absorption cooling and refrigeration must be verified to reduce capital and operational costs by 20-30%

- Market Transformation/Commercialization – Without plans to commercially deploy these DE systems, there will be no national benefits for our citizens. A comprehensive public-private partnership lead by the ITP Office must be created to implement the goals of the DE program. A program plan of strategic interventions that leverage ITP initiatives need to be designed to reduce market barriers and affect lasting changes in the market. These activities include continued support of Clean Energy Centers / Regional Application Centers, State and local partnerships and educational initiatives to reform policies, reduce regulatory barriers, and address consumer confidence that today impede the deployment of DOE invested clean DE technologies.

The DE/CHP Program, which had been $60 M, was transferred in FY 2006 to the Office of Electricity Delivery and Energy Reliability. In FY 2007 the program was transformed into the Distributed Systems Integration (DSI) Program focusing on electric utility distribution security, and funding was reduced to $24 Million. The DSI program did not support consumer based energy efficiency and its resultant benefits. This reverses the direction of Congress to the DOE in the Energy Policy Act of 2005.

In FY 2008, the program was eliminated completely in the President's Budget request while the large-scale "utility side of the meter" technologies struggle to become commercially viable. Fortunately, Congress provided $15 million in FY 2008 to restart the program back in EERE where the benefits of DE support DOE's objectives of promoting energy efficiency and reducing greenhouse gas emissions. We applaud this decision and recommend further growth in the program. We also appreciate that DOE's EERE office vocalizes their supports to re-constitute the DE/CHP program, despite their underwhelming FY09 Budget request of $1.5million.

We urge you to build on the start you appropriated last year and ensure that the DG/CHP program is funded at $60 million and that this funding apply to all customer side of the meter DG/CHP including industrial, commercial and residential sizes.

Sincerely,

U.S. Clean Heat & Power Association
Falls Church, VA

NiSource Energy Technologies
Merillville, IN

Trigen / Veolia Energy
Boston, MA

Turbine Air Systems
Houston, TX

Southwest Gas Corporation
Las Vegas, NV

Power Equipment Associates
Carol Stream, IL

Solar Turbines, Incorporated
San Diego, CA

Sempra Energy Utilities
Los Angeles, CA

Cummins Energy Solutions Business

Capstone Turbine Corporation

Fridley, MN

Chatsworth, CA

American Council for an Energy Efficiency Economy
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American Gas Association
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Ken Small Associates
Silver Spring, MD

Elliott Energy Systems
Stuart, FL

Enercon Engineering
East Peoria, IL

BluePoint Energy
El Dorado Hill, CA

Avalon Consulting
Naperville, IL

Resource Dynamics Corp.
McLean, VA

Ormat Nevada Inc.
Sparks, NV

Endurant Energy LLC
Oakbrook Terrace, IL

Team Consulting
Las Vegas, NV

Blue Mountain Energy
Las Vegas, NV

DCO Energy LLC
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U.S. Fuel Cell Council
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The Stella Group
Alexandria, VA

Gulf Coast CHP Applications Center
The Woodlands, TX

Midwest CHP Application Center
Chicago, IL

Energy Resources Center/University of Illinois at Chicago
Chicago, IL

Northwest CHP Application Center
Olympia, WA

Mid-Atlantic CHP Application Center
College Park, MD

Infinia Corporation
Kennewick, WA