August 10, 2016

The Honorable Lisa Murkowski
Chairman
U.S. Senate Committee on Energy and Natural Resources
304 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Maria Cantwell
Ranking Member
U.S. Senate Committee on Energy and Natural Resources
304 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Fred Upton
Chairman
U.S. House Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Frank Pallone, Jr.
Ranking Member
U.S. House Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Rob Bishop
Chairman
U.S. House Committee on Natural Resources
1324 Longworth House Office Building
Washington, DC 20515

The Honorable Raùl Grijalva
Ranking Member
U.S. House Committee on Natural Resources
1324 Longworth House Office Building
Washington, DC 20515

Dear Chairman Murkowski, Chairman Upton, Chairman Bishop, Ranking Member Cantwell, Ranking Member Pallone, and Ranking Member Grijalva:

The Alliance for Industrial Efficiency (the Alliance) appreciates your commitment to develop a bipartisan energy policy bill that can be signed into law. We are a coalition of companies and organizations committed to improving America's manufacturing competitiveness and energy efficiency by encouraging the deployment of combined heat and power (CHP) and waste heat to power (WHP). The House and Senate energy policy bills contain provisions that further the objective of deploying additional CHP and WHP resources, and the Alliance is writing to express our support for including these measures in the conference report.

CHP offers the U.S. industrial sector a source of clean and efficient energy. By generating both heat and electricity from a single source, CHP systems are twice as efficient as conventional systems. In addition, as a representative of Veolia Energy, an Alliance for Industrial Efficiency Steering Committee member, explained in testimony[1] before the House Energy and Commerce Committee's Subcommittee on Energy and Power last spring, CHP can enable critical facilities to remain fully operational during extreme weather events that can compromise the grid. WHP captures waste heat from existing industrial processes, producing electricity with no additional fuel or incremental emissions.

[1] Testimony of Elinor Haider Vice President, Market Development, Veolia Energy North America On Behalf of the Alliance for Industrial Efficiency Hearing on "Keeping the Lights On" House Committee on Energy and Commerce Subcommittee on Energy and Power, May 19, 2015 (http://www.dgardiner.com/wp-content/uploads/2015/05/Testimony-of-Elinor-Haider-Veolia-5.19.15-FINAL.pdf).

In order to help the U.S. more fully recognize these benefits from CHP and WHP, the Alliance for Industrial Efficiency recommends that the following provisions be included in the conference report:

1. **Defining Renewables to Include WHP:** The Alliance believes WHP should be an eligible renewable energy resource for the purposes of meeting federal renewable energy purchase requirements. The Energy Policy Act of 2005 requires at least 7.5 percent of electric energy the federal government consumes come from renewable energy sources. Section 3801 of the Energy Policy Modernization Act (S. 2012) and section 3115 of the House Amendment to S. 2012, amend section 203(b) of the Energy Policy Act of 2005 to include qualified waste heat resources within the definition of renewable energy that is applicable to these purchases. WHP produces electricity without creating any incremental emissions, and is included in 17 of the 29 state Renewable Portfolio Standards (RPS), and three state Energy Efficiency Resource Standards, goals or targets.

2. **Model Guidance for CHP and WHP Systems:** The Department of Energy (DOE) has long recognized that interconnection, standby fees and tariffs, and environmental permitting are barriers to the deployment of CHP and WHP. Section 2311 of the Energy Policy Modernization Act (S. 2012) would require the DOE, in consultation with the Federal Energy Regulatory Commission, to review existing rules on interconnection and additional utility services throughout the United States to identify barriers to the deployment of CHP and WHP, and create model guidance for states on reducing these barriers. The Alliance believes that this guidance would be an important tool to help states address the key regulatory barriers preventing the deployment of CHP and WHP systems.

3. **Recognition of CHP and WHP Resiliency & Reliability Benefits:** The Alliance also supports provisions that incorporate CHP and WHP into programs seeking to enhance the resilience of the nation's electric infrastructure. Section 1107 of the House Amendment to the Energy Policy Modernization Act (S. 2012) directs states and electric utilities to consider developing resiliency plans that include the use of technologies, such as CHP and WHP, to improve the resilience of electric infrastructure, prevent outages, and maintain critical public services. In addition, section 612 of the House Amendment requires the DOE to establish a comprehensive research, development, and demonstration program to ensure the reliability, efficiency, and environmental integrity of the electrical transmission and distribution systems. This program includes developing innovations supporting the integration of CHP systems.

4. **Manufacturing Energy Efficiency:** The Alliance supports provisions that strengthen and broaden the reach of the DOE's industrial energy programs. Subtitle C, the Energy Policy Modernization Act (S. 2012) expands the reach of the DOE's programs assisting the industrial sector. In particular, section 1201 adds the "Future of Industry Program" and the "Sustainable Manufacturing Initiative," which would direct coordination of DOE's manufacturing programs and direct the DOE to provide onsite technical assessments to manufacturers seeking energy efficiency opportunities. Section 1201 also includes wastewater treatment facilities among the industrial activities served in the Energy Intensive Industries Program. This would provide wastewater treatment facilities

additional opportunities to form partnerships with the DOE and higher education institutions to reduce their fuel consumption through measures like CHP and WHP. [2]

5. **Federal Energy Management:** Finally, we urge you to include provisions in the conference report that support the use of utility energy service contracts (UESC), and energy savings performance contracts (ESPC) to increase energy efficiency throughout the federal government. In particular, we support the provisions in the Energy Policy Modernization Act (S. 2012) that extend the maximum term of the federal government's UESCs (section 1005), require leveraging UESCs and ESPCs in the Federal Smart Buildings Program (section 1014), and allow the Department of Housing and Urban Development demonstration program to use performance-based agreements to carry out energy or water conservation improvements at multi-family residential buildings (section 1002). We also support language in both the Senate bill and House Amendment requiring the consideration of these contracts as a means of achieving energy savings within the federal government's information technology systems.

Thank you for your consideration of our views. We are hopeful that the enacted energy policy legislation will include policies that will strengthen America's industrial sector by encouraging greater use of clean, efficient, and reliable CHP and WHP systems. Please let us know if we can provide additional background information about these technologies and policies to support their deployment.

Sincerely,

The Alliance for Industrial Efficiency is a coalition of business, labor and environmental organizations that are committed to encouraging the use of CHP and WHP to enhance U.S. manufacturing competitiveness, increase energy efficiency, and improve the environment. CHP systems generate heat and power simultaneously, which provides for greater energy efficiency. CHP systems also generate power onsite, providing industrial users with greater energy security during disruptions to the electric grid. WHP systems capture wasted heat resources from high-heat industrial processes, such as those employed by steel and paper mills, and convert the waste heat into electric power with no incremental emissions.

cc: Representatives Joe Barton, Ed Whitfield, John Shimkus, Robert Latta, Cathy McMorris Rodgers, Pete Olson, David Mickinley, Mike Pompeo, Morgan Griffith, Bill Johnson, Bill Flores, Markwayne Mullin, Don Young, Cynthia Lummis, Jeff Denham, Bruce Westerman, Lamar Smith, Randy Weber, Mike Conaway, Glenn Thompson, Cresent Hardy, Lee Zeldin, Collin Peterson, Eddie Bernice Johnson, Peter DeFazio, Bobby Rush, Lois Capps, Doris Matsui, John Sarbanes, Peter Welch, Ben Ray Luján, Paul Tonko, Jared Huffman, Debbie Dingell; Senators John Barrasso, Jim Risch, John Cornyn, Ron Wyden, and Bernie Sanders

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[2] See U.S. Environmental Protection Agency. October 2011. *Opportunities for Combined Heat and Power at Wastewater Treatment Facilities: Market Analysis and Lessons from the Field.* (https://www.epa.gov/sites/production/files/2015-07/documents/opportunities_for_combined_heat_and_power_at_wastewater_treatment_facilities_market_analysis_and_lessons_from_the_field.pdf)