



The Alliance for Industrial Efficiency

February 25, 2014

The Honorable Buck McKeon (CA)
Chairman, House Armed Services Committee
2310 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Adam Smith (WA)
Ranking Member, House Armed Services Committee
2264 Rayburn House Office Building
Washington, D.C. 20515

cc: Members of the House Armed Services Committee

Dear Chairman McKeon, Ranking Member Smith, and Members of the Committee:

We represent a diverse coalition of businesses, labor, and environmental organizations that are committed to encouraging the use of Combined Heat and Power (CHP) and Waste Heat to Power (WHP) to enhance U.S. manufacturing competitiveness, increase energy efficiency, and improve the environment. While CHP and WHP projects provide substantial long-term taxpayer savings, they require a sizable up-front investment. By allowing third parties to finance energy-efficiency projects through monthly savings on their utility bills, Energy Service Performance Contracts (ESPCs) provide an innovative tool to allow Federal agencies to pay for today's facility upgrades with tomorrow's energy savings. In this way, ESPCs allow the Federal government to improve its energy use without placing any cost on taxpayers. Unfortunately, the Department of Defense (DOD) does not believe that it can apply ESPCs to fund energy-saving CHP and WHP projects on military property due to military construction funding constraints. We urge the Senate Armed Services Committee to eliminate the barriers that are preventing DOD from using ESPCs to finance these worthwhile projects.

The potential for increased deployment of CHP and WHP in the U.S. is great. In 2002, the Department of Energy's Oak Ridge National Laboratory found that CHP could produce 13 percent of all electric use in the federal sector, saving the federal government \$170 million annually in energy costs.¹ This analysis was limited to projects with less than a 10-year simple payback. Given the rising costs of electricity and declining price of natural gas, the potential for cost-effective federal CHP deployment is even greater in today's economy.

ESPCs are an important and proven tool to help finance federal efficiency projects. In fact, ESPCs have long been used throughout the federal government to support investments in CHP and WHP.

¹ Dep't of Energy, Oak Ridge National Laboratory, 2002, "Analysis of CHP Potential at Federal Sites" (http://btrc.ornl.gov/pdfs/com_chp_market_analysis.pdf).

For instance, in 1995, the Food and Drug Administration entered a 20-year, \$98 million Energy Savings Performance Contract (ESPC) to construct a 26 Megawatt CHP system to provide electricity, heat and air conditioning in Silver Spring, MD – right outside Washington, D.C. Today, this system saves taxpayers \$1.4-million annually in energy costs.² Similar savings could be replicated throughout the Department of Defense’s broad network of hospitals and military bases. Without the benefit of ESPCs, however, these projects may never be constructed, forcing taxpayers to foot higher energy bills.

We urge the House Armed Services Committees to allow the Department of Defense to reduce its energy use and associated emissions by eliminating barriers to using ESPCs for CHP and WHP projects on military property.

We look forward to working with the Committee on this important matter.



David Gardiner
Executive Director, Alliance for Industrial Efficiency

² Dep’t of Energy, MidAtlantic CHP Application Center, Fact Sheet: “Combined Heat and Power in Federal Campus” (<http://bit.ly/1oWSsKY>).