



The Alliance for Industrial Efficiency

April 6, 2015

The Honorable Bruce Rauner
207 State House
Springfield, IL 62706

Dear Governor Rauner,

The Alliance for Industrial Efficiency (hereafter “Alliance”) is writing to express its concern in regards to your proposed transfer of ratepayer energy efficiency funds from the Department of Commerce and Economic Opportunity (DCEO) Energy Efficiency Portfolio Standard (EEPS) to the State’s General Fund for FY 2016. The Alliance is a diverse coalition that includes representatives from the business, environmental, labor, and contractor communities. The Alliance is committed to enhancing manufacturing competitiveness, improving electric reliability, and reducing carbon emissions through the greater use of combined heat and power (CHP) and waste heat to power. Our national membership includes electrical and sheet metal contractors, including nearly 1,300 contractors and businesses based in Illinois alone.

The Alliance opposes this proposal for at least three reasons. First, this proposal will dismantle DCEO’s Combined Heat and Power Program and stymie large, innovative, and cost-saving public sector CHP projects. Second, the proposed action would be bad for Illinois’ businesses and job creation. And finally, we believe that this will reverse much of the progress that Illinois has made in creating an energy efficient- economy.

Pulling the Plug on the DCEO’s EEPS Will Halt Public Sector CHP Projects

Freezing this program will have a chilling effect on CHP investments in the state and directly affect several large municipal CHP projects that had already been identified as recipients of DCEO funding. In a recent letter to your office, the Midwest Cogeneration Association (MCA) identified “seven large municipal and other large public sector CHP project grant applicants that will be immediately affected” by this proposed rule.¹ The DCEO CHP pilot program has been heralded as a standard bearer for public CHP policy. This program helps finance as much as 50-percent (up to \$2-million) of CHP projects at public facilities, like municipal sewage treatment systems and universities – playing a key role in helping to make these critical systems more

¹ Midwest Cogeneration Association, Letter to Governor Rauner “Illinois DCEO - Cutting Energy Efficiency Program Funding Impact on Combined Heat and Power Program,” March 27, 2015.

reliable and cost-effective, while reducing emissions. The program is designed to offer staggered incentives throughout the design, engineering and installation process. The DCEO estimated that this program would support 22 CHP systems in Illinois in just three years, resulting in an estimated 33,207 mega-watt hours (MWh) in gross electric savings.²

Illinois' leadership in this area is now in jeopardy. Eliminating the DCEO's EEPS will remove a key funding source for these projects, causing them to be derailed, and eliminating their many reliability, energy and environmental benefits. In addition, this freeze would threaten many jobs related to the design, construction, installation, and maintenance of equipment associated with these projects. CHP provides a source of clean and efficient, home-grown power that allows public sector institutions to choose the most cost-effective and reliable means of powering their buildings. Eliminating the EEPS will undermine public sector institutions' ability to make smart energy choices.

Illinois Will Lose Businesses and Jobs as a Result

As a result of the proposed funding changes, Illinois stands to lose many jobs and businesses. 360 Energy Group, an Illinois-based energy consultant, estimated that over 60,000 people in Illinois are already employed in the energy-efficiency sector.³ Eliminating the DCEO's EEPS will threaten these jobs and businesses. One business owner said that "without the [EEPS] our company will have to layoff 2-3 employees and eliminate 60+ contractors, who are used by our company to implement DCEO grants."⁴ Another business owner said "eliminating this funding will eliminate nearly \$600,000 per year in business for us. This will result in potential layoffs or elimination of positions within our company."⁵

CHP cost savings create a ripple effect within the state's economy, as businesses have more money to hire new employees and to invest. One report finds that between 2,000 and 3,000 net full-time equivalent jobs (including second-order jobs) could be created or maintained over the lifetime of a CHP system for each gigawatt (GW) installed.⁶ Another study found that 4.4 jobs are created for every \$1-million invested in CHP.⁷ Using this analysis, leveraging the \$11-million

² Illinois Dep't of Commerce and Economic Opportunity (DCEO), "Program Planning Template 2014-2017 GY-4; EY 7-9" (<http://www.icc.illinois.gov/downloads/public/edocket/356570.PDF>)

³ 360eg, "Support Clean Energy Job Factsheet".

⁴ David Ronen, A&D Electrical Supply. Litchfield, IL.

⁵ Steve Foster and Chris Benso, Ruyle Mechanical, Peoria, IL.

⁶ Baer, Paul, Marilyn A. Brown, and Gyungwon Kim. 2013. *The Job Generation Impacts of Expanding Industrial Cogeneration*. Georgia Tech, Ivan Allen College: School of Public Policy. (<http://cepl.gatech.edu/drupal/sites/default/files/WP%2376.pdf>.)

⁷ Pollin, Robert, Heidi Garrett-Peltier, and James Heintz. 2009. "The Economic Benefits of Investing in Clean Energy: How the US Stimulus Program and New Legislation Can Boost US Economic Growth and Employment." PERI (Political Economy Research Institute), CAP (Center for American Progress), UMass Amherst.

in available incentives for the DCEO CHP Pilot Program over the next three years would support nearly 100 full-time jobs.⁸

Eliminating the EEPS Will Scuttle Illinois' Energy Efficiency Gains

The state has made significant gains toward improved energy efficiency and is currently ranked eleventh in the nation by the American Council for an Energy-Efficient Economy (ACEEE). If Illinois defunds the EEPS program, it will threaten the gains that it has made in the last decade. In addition, cuts to this program will undermine Illinois' ability to meet expected U.S. EPA 111(d) emissions reduction requirements. Indeed, energy-efficiency is the most cost-effective source of emission reductions. CHP in particular is a valuable tool in reducing demand and improving the grid's reliability; by defunding the EEPS program, Illinois will undermine this potential compliance method.

Due to the reasons stated above, the Alliance respectfully requests that you reconsider your proposed transfer of funds away from the DCEO's EEPS to the state's General Fund. We believe that the proposed transfer will result in lost Illinois' businesses and jobs, undermine CHP investments, threaten industrial competitiveness, and reverse the progress the state has already made to improve energy efficiency.

Sincerely,



Jennifer Kefer, Director
Alliance for Industrial Efficiency

(http://www.peri.umass.edu/fileadmin/pdf/other_publication_types/green_economics/economic_benefits/economic_benefits.PDF).

⁸ Assuming that the incentive program funds 50 percent of a CHP project, \$11-million in state incentives would support \$22-million in project investments. $\$22\text{-million} \times 4.4/1,000,000 = 96.8$ jobs.