



# The Alliance for Industrial Efficiency

June 16, 2015

The Honorable Lisa Murkowski  
Chairwoman  
Committee on Energy and Natural  
Resources  
U.S. Senate  
709 Hart Senate Office Building  
Washington, DC 20510

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

The Honorable James Risch  
U.S. Senate  
483 Russell Senate Office Building  
Washington, DC 20510

Dear Chairwoman Murkowski, Ranking Member Cantwell and Senator Risch:

As the Senate Committee on Energy and Natural Resources develops a bipartisan energy package, the Alliance for Industrial Efficiency, a coalition of business, labor and non-profit organizations, urges you to oppose S.1037 (introduced by Sen. Risch (R-ID) in April), which would eliminate requirements for utilities to purchase power from qualifying facilities under the Public Utilities Regulatory Policies Act (PURPA). This proposal would set back the deployment of clean and efficient combined heat and power (CHP) and waste heat to power (WHP) facilities. Since enacted in 1978, PURPA has advanced CHP and WHP projects, enabling businesses to reduce energy consumption, save money, create jobs, and increase grid reliability. Now is not the time to reverse a successful energy policy.

For more than three decades, PURPA has helped create a cleaner and more efficient American energy portfolio. S. 1037 will significantly reduce future CHP and WHP projects, because 82 percent of technical potential for CHP falls under the 20 MW PURPA threshold.<sup>1</sup> Reversing this important PURPA policy would weaken manufacturing competitiveness, worsen America's energy dependence, and increase emissions of harmful air pollutants. Accordingly, we urge the Committee to reject any provisions that alter the mandatory purchase obligation in section 210(m) of PURPA.

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<sup>1</sup> ICF, 2010, "Effect of a 30 Percent Tax Credit on the Economic Market for Potential for Combined Heat and Power," 11-2 (Tables 3-4) ([http://www.localpower.org/WADE\\_USCHPA\\_ITC\\_Report.pdf](http://www.localpower.org/WADE_USCHPA_ITC_Report.pdf)).

By producing both heat and electricity from a single fuel source, CHP systems can be twice as efficient as the separate generation of heat and power. WHP captures waste heat to generate electricity, which can be used on site or sold back to the grid. By ensuring that CHP and WHP developers will have a market for the clean and efficient power they produce, PURPA has provided the backbone for this industry. Indeed, following PURPA's adoption, installed CHP capacity increased by 550 percent (from about 12,000 MW in 1980 to more than 66,000 MW in 2000).<sup>2</sup> CHP systems enhance the reliability of critical facilities that serve the public good such as hospitals and universities. By making America's manufacturing facilities more efficient, CHP and WHP can reduce volatile fuel costs and bolster industry. PURPA allows these facilities to sell surplus power back to the grid at prices that protect electricity consumers, providing a revenue stream that has been a key factor firms have considered when adopting these technologies.<sup>3</sup> The combined savings and revenue stream to businesses allows industry to reinvest these funds to increase both jobs and productivity, creating cascading positive effects for the American economy. S. 1037 would effectively nullify PURPA and eliminate these benefits, which include increased energy security, enhancement of grid resiliency, reduction of costs for businesses, and production of jobs.

We appreciate the Committee's efforts to make the nation's energy sector more efficient. We hope that the forthcoming energy package will preserve provisions in PURPA under section 210(m) that require utilities to purchase power from CHP and WHP facilities, so that the nation can continue to benefit from these technologies.

Sincerely,



Jennifer Kefer  
Executive Director  
Alliance for Industrial Efficiency

cc:// Committee on Energy and Natural Resources

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<sup>2</sup> DOE-ORNL, 2008, "Combined Heat and Power: Effective Energy Solutions for a Sustainable Future," at iv (<http://info.ornl.gov/sites/publications/files/Pub13655.pdf>).

<sup>3</sup> Fox-Penner, P. S., 1990, "Cogeneration after PURPA: Energy conservation and industry structure," *JL & Econ.* 33, 517.