



The Alliance for Industrial Efficiency – 2016 Accomplishments

The Alliance has made tremendous progress in 2016 advancing policies that support combined heat and power (CHP) and waste heat to power (WHP) on Capitol Hill, with the Administration, and in state and utility proceedings across the country.

Among other things, we have:

- Published 2 reports
- Released 13 factsheets
- Created 5 manufacturer case studies
- Presented at 11 events
- Submitted comments on 5 federal and 7 state actions
- Sent 7 letters to federal legislators and 4 letters to state legislators
- Joined 4 national coalition letters
- Convened dozens of meetings with congressional staff

Our work focused on three broad areas of legislation:

1. Extending and expanding the investment tax credit for CHP
2. Establishing best practices for state utility policies through The Energy Bill
3. Helping the federal government lead by example through the National Defense Authorization Act.

To this end, we supported favorable language in the following proposals:

- Technologies for Energy Security Act (H.R. 5167)
- A Bill to Amend the Internal Revenue Code of 1986 to Extend and Phaseout the Energy Credit For Certain Property (H.R. 5172)
- Energy Policy Modernization Act (S. 2012)
- North American Energy Security and Infrastructure Act (House Substitute Amendment to S. 2012)
- Clean Distributed Energy Grid Integration Act (H.R. 4393)
- Energy & Water Development and Related Agencies Appropriations Act, 2017 (S. 2804 and H.R. 5055)
- National Defense Authorization Act for Fiscal Year 2017 (S. 2943 and H.R. 4909)
- Department of Defense Appropriations Act, 2017 (S. 3000 and H.R. 5293)
- The Power Efficiency and Resiliency Act (“POWER”) (S. 1516 and H.R. 2657)

Links to these materials follow.



I. CHP Analysis

AGA, ACC & AFPA Report: [Combined Heat and Power \(CHP\) as a Compliance Option under the Clean Power Plan: A Template and Policy Options for State Regulators](#) – April 2016

Industrial Energy Efficiency [Case Studies](#) – August 2016

- Crown Battery Case Study
- HARBEC, Inc. Case Study
- Kraton Polymers
- Nissin Brake Case Study
- United Technologies Corporation Case Study

Report: [State Ranking of Potential Carbon Dioxide Emission Reductions through Industrial Energy Efficiency](#) – September 2016

- Full report
- National factsheet
- Factsheets for the top 10 states

II. Fact Sheets & (Select) Presentations

[Presentation](#): What's the Deal with the Clean Power Plan: CHP as a Compliance Option (Midwest Industrial Energy Efficiency Summit) – February 2016

[Presentation](#): Natural Gas and CHP: State of the Market and Implications for the Future (BCSE Fact Book webinar) – March 2016

[Manufacturers Save Big with Utility Industrial Energy-Efficiency Programs](#) – May 2016

[Presentation](#): Arkansas, Combined Heat and Power, & the Clean Power Plan (Arkansas Advanced Energy Economy Foundation) – May 2016

[Presentation](#): Promoting Industrial Energy Efficiency, CHP, WHP in CPP Implementation (Electricity Consumers Resource Council Spring Workshop) – May 2016

[Virginia & the Clean Power Plan: The Role of Industrial Energy Efficiency](#) – July 2016

[Presentation](#): The Benefits of Utility-Sponsored Industrial Energy Efficiency Programs: Guidelines for Industrial Customers – October 2016



[Presentation](#): Pew Charitable Trusts and Alliance Briefing: How Industrial Energy Efficiency Enhances Competitiveness, Reduces Emissions, and Increases Reliability – October 2016

[Presentation](#): Beyond Act 129: Policy (KEEA Conference 2016) – October 2016

[Presentation](#): CHP Opportunities in Virginia (EO57 Work Group Meeting) – October 2016

[Presentation](#): With So Much CHP Potential, What is Ohio Waiting For? Identifying Barriers and Opportunities for Ohio to Advance Cogeneration Technologies (Ohio Coalition for CHP Webinar) – November 2016

Additionally, we participated in and presented at Advanced Energy Economy Roundtables in Philadelphia and Chicago

III. Executive Branch Materials

[Comments](#) on model trading rules: Federal plan requirements for greenhouse gas emissions from electric generating units constructed on or before January 8, 2014 (EPA docket ID no. oar–2015-0199) – February 2016 (“the Clean Power Plan”)

Alliance joined [comments](#) urging the IRS to provide tax credit for WHP – February 2016

[Comments](#) on the Clean Energy Incentive Program (CEIP) design details proposed rule (EPA Docket ID No. EPA-HQ-OAR-2016-0033) – October 2016

Alliance sent thank you [letter](#) to Eric Fanning, Secretary of the Army – November 2016

IV. Legislative Materials

Alliance sent [letter](#) to House Ways and Means Committee urging Congress to extend and strengthen ITC – January 2016

Alliance [thanked](#) Rep. Hanna & Rep. Castor for bi-partisan support of the Clean Distributed Energy Grid Integration Act – January 2016

Alliance [thanked](#) Senator Inhofe & Senator Carper for including WHP in Energy Policy Modernization Act (S. 2012) amendment – February 2016

Alliance sent [letters](#) to Congress urging inclusion of CHP & WHP programs in FY 2017 budget – February 2016



Alliance sent a [letter](#) in support and opposition to various Energy Policy Modernization Act (S. 2012) amendments – February 2016

Alliance sent [letter](#) to members of Congress endorsing Rep. Peter Welch for a position on the Energy Conference Committee – April 2016

Alliance filed [comments](#) urging the House Ways and Means Tax Policy subcommittee to support policies that advance deployment of CHP and WHP – May 2016

Alliance submitted [comments](#) to Senate Finance Committee urging them to support energy policies that advance CHP and WHP – June 2016

Alliance sent [letter](#) to Congress recommending that industrial efficiency provisions be included in “Energy Bill” conference report – August 2016

V. National Coalition Letters

Alliance signed on to joint coalition [letter](#) in support of Senator Franken’s amendment (the American Energy Efficiency Act in S. 2012) – February 2016

Coalition [letter](#) thanked Senator Shaheen for including HEAT Act in amendments to the Energy Policy Modernization Act (S. 2012) – February 2016

Coalition [letters](#) urged Senate committees to reject House amendments limiting energy efficiency efforts – July 2016

Alliance organized coalition [letter](#) supporting inclusion of HEAT Act provisions in the Energy Policy Modernization Act (S. 2012) conference report – August 2016

VI. State Comments and Letters

Alliance filed comments in the following state Clean Power Plan proceedings:

- [North Dakota](#) (coalition letter) – January 2016
- [North Carolina](#) – January 2016
- [Colorado](#) – January 2016
- [Delaware](#) – March 2016
- [Rhode Island](#) – March 2016
- [Minnesota](#) – April 2016
- [Pennsylvania](#) (coalition letter) – May 2016
- [California](#) – September 2016



Alliance filed [comments](#) with the Pennsylvania Public Utility Commission expressing support for the Commission's proposed Policy Statement on Combined Heat and Power – April 2016

Alliance released a [statement](#) supporting Virginia's Executive Order 57 – June 2016

Alliance [letter](#) urged Pennsylvania Senate to oppose industrial opt-out bill – June 2016

Alliance filed [comments](#) on Massachusetts' RGGI compliance amendments – September 2016

Alliance sent [letter](#) to Ohio Gov. Kasich about SB 320 and HB 554 – December 2016

VII. Legislative Achievements

Tax Policy

In the wake of a 2015 end-of-year spending and tax bill that only extended and phased down the investment tax credit (ITC) for solar energy property but no other ITC eligible technologies, the Alliance began 2016 by [urging](#) the House Ways & Means Committee to adopt legislation extending the ITC for combined heat and power (CHP).

Continuing with outreach, Alliance representatives and members met with staff for the Ways & Means Committee and members of the conservative House Freedom Caucus. The purpose of these meetings was to press for their support for the extension of the CHP ITC and the inclusion of waste heat to power (WHP) in the ITC.

In May, two bills were introduced that would extend the ITC for CHP and other non-solar technologies. Congressman Tom Reed (R-NY) introduced H.R. 5167, which now has 32 bipartisan cosponsors, and Congressman Patrick Meehan (R-PA) introduced H.R. 5172, which now has 10 bipartisan cosponsors. The bills would allow CHP projects beginning construction before January 1, 2022 to qualify for the 10% ITC.

In June, the Senate Finance Committee held a hearing on "Energy Tax Policy in 2016 and beyond" and the Alliance submitted [comments](#) in conjunction with the hearing. The comments outlined 1) the economic and environmental benefits of CHP and WHP, 2) the need to extend the CHP ITC and include WHP under the ITC, and 3) expressed support for adopting Ranking Member Wyden's technology-neutral clean energy tax incentive proposal.

In October, the Alliance and Pew Charitable Trusts sponsored a [briefing](#) for House staff members during which representatives of the Alliance, the American Gas Association, Pew, and Veolia Energy explained many benefits of CHP and WHP and underscored the need to extend the CHP ITC and add WHP to the ITC.



Energy Policy

In 2015 and 2016, the House Energy & Commerce Committee and Senate Energy and Natural Resources Committee undertook the task of crafting new energy policy legislation that would be ambitious enough to make a difference, but would also be enacted under a divided government. The House ultimately passed the North American Energy Security and Infrastructure Act (H.R. 8), and the Senate followed by passing the Energy Policy Modernization Act (S. 2012). The Congress appointed a conference committee to resolve the differences between the two bills.

As the Senate bill came together early this year, the Alliance pressed for inclusion of key priorities, such as including WHP as a renewable energy resource under federal power sourcing requirements, and providing model guidance on lowering barriers to CHP and WHP deployment (the HEAT Act). The Alliance organized a [coalition letter](#) supporting the HEAT Act provisions, which received support from 95 business, clean energy, labor, and environmental organizations. The letter was submitted to the leaders of the energy and natural resource committees in Congress, and also distributed to all members of the conference committee on the energy bill. Additionally, the Alliance [thanked Senator Shaheen](#) for her efforts to include these provisions in the Senate's energy bill. The Alliance also worked with Senators Inhofe and Carper to include WHP as an eligible renewable energy resource for federal purchases and [thanked them for their support](#) of these technologies.

As the conference committee organized, the Alliance submitted [a letter](#) recommending five provisions for inclusion in the final conference report. These included 1) defining WHP as a renewable energy resource under the federal purchase requirement, 2) providing model guidance on removing barriers to CHP and WHP deployment, 3) recognizing CHP and WHP's resiliency and reliability benefits, 4) promoting energy efficiency in manufacturing, and 5) strengthening federal energy management by allowing greater use of energy savings performance contracts and utility energy service contracts.

Key Legislation

The North American Energy Security and Infrastructure Act (House Substitute Amendment to S. 2012)

- **Section 1107:** Requires electric utilities to develop a plan to use resiliency-related technologies, upgrades, and other measures and approaches designed to improve the resilience of electric infrastructure, mitigate power outages, continue delivery of vital services, and maintain the flow of power to facilities critical to public health. Resiliency-related technologies are defined to specifically include CHP, WHP and microgrid systems. State bodies with oversight of electric utilities shall consider allowing these utilities to recover the capital costs of investments made in resiliency related technologies.
- **Section 611:** Requires the Secretary of Energy to carry out research, development, demonstration, and commercial application on distributed energy resources and systems



reliability and efficiency. This includes innovations for the integration of power systems to deliver high-quality electric power, reliable electric power, and CHP.

- **Section 3115:** Amends the federal agency renewable energy purchase requirement to include qualified waste heat resources. These may include exhaust heat or flared gas from an industrial process; waste gas or industrial tail gas that would otherwise be flared, incinerated or vented; a pressure drop in any gas for an industrial or commercial process; or other waste heat deemed appropriate by the Secretary of Energy.

Energy Policy Modernization Act (S. 2012)

- **Section 1014:** Establishes the Federal Smart Buildings Program. Requires the Secretary of Energy to conduct research and development to address the key barriers to the deployment of several energy efficiency technologies for buildings—including the integration of CHP to improve energy resiliency—in order to accelerate the transition to smart buildings.
- **Section 2311:**¹ This is a modified version of Senator Shaheen’s HEAT Act. It requires the Department of Energy, in consultation with the Federal Energy Regulatory Commission, to provide model guidance on providing “additional services” to customers using CHP and WHP systems. Additional services mean an electric utility’s provision of supplementary power, backup or standby power, maintenance power, or interruptible power to an electric consumer. The legislation outlines factors for the Department to consider, including best practices for interconnection, use of outage models to set rates, levels of demand charge ratchets, and CHP and WHP system reliability benefits.
- **Section 7009:** Creates grants under brownfields revitalization funding for clean energy projects, including CHP and district energy. Grants of up to \$500,000 would be available to eligible entities for inventory, feasibility analysis, design, or remediation activities to locate a clean energy project at one or more brownfield sites.

Clean Distributed Energy Grid Integration Act (H.R. 4393)

In January, Congresswoman Cathy Castor (D-FL) introduced H.R. 4393. The bill directs the Department of Energy to (1) study the status of the integration of clean distributed energy into electric grids; (2) identify issues requiring additional research or regulatory development; and (3) make grants for research proposals addressing technical barriers identified in the study. The Alliance sent a [letter](#) to Congresswoman Castor and the bill’s original cosponsor, Congressman Richard Hanna (R-NY) endorsing the proposal.

FY 2017 House Energy & Water Appropriations (H.R. 5055) and Senate Energy & Water Appropriations (S. 2804)

In separate letters, the Alliance urged [House](#) and [Senate](#) appropriators to adopt adequate funding to support the Department of Energy’s Advanced Manufacturing Office and Industrial Technical Assistance Program. The House bill provides for \$214 million for Advanced

¹ The Senate engrossed bill text lists this section as 2311 in the table of contents and 2312 in the text. Following the correct order, it should be 2311.



Manufacturing, which is \$14.5 million below FY2016 and \$47 million below the President's budget request. The House bill designates \$20 million of the Advanced Manufacturing funds for CHP activities. The Senate bill provides \$254.2 million for Advanced Manufacturing with no specific level recommended for CHP—although the report encourages the Department to develop micro-CHP for light commercial applications.

National Defense Authorization Act (S.2943, H.R. 4909) and Defense Appropriations (S. 3000, H.R. 5293)

The House adopted an amendment from Rep. John Fleming (R-LA) (H. Amdt. 1030) to its National Defense Authorization Act (H.R. 4909), which would exempt the Defense Department from President Obama's executive orders and laws mandating energy efficiency improvements, renewable energy deployment, and climate change resiliency measures throughout the federal government. The Alliance coordinated an effort to oppose this amendment. A coalition of clean energy trade associations, advocacy groups, businesses, and the American Security Project sent a [letter](#) opposing the inclusion of this provision in the final bill to the leaders of the Senate Armed Services Committee.

Rep. Ken Buck (R-CO) also introduced an amendment to the House's National Defense Authorization Act that would have prohibited the Department of Defense from purchasing alternative energy unless it is equivalent to conventional energy in price and capability. The amendment was defeated under opposition from the Alliance, alternative energy groups, and key Republican allies. The Alliance worked with other clean energy groups to ensure that Congress did not act on other problematic amendments.

The House adopted a similar amendment by Rep. Tom McClintock (R-CA) to their Defense Appropriations bill (Sec. 10017) which prohibited the use of appropriated funds to fulfill these executive orders and legal mandates. The same coalition [wrote](#) to the leaders of the Senate Defense Appropriations Subcommittee urging them not to allow these provisions in the final bill. The Alliance is continuing to work with allies inside and outside Congress to ensure that the Fleming and McClintock amendments are not adopted in the final authorization or appropriations legislation during the lame duck session.

Senate's National Defense Authorization Act Report (S. Rept. 114-255)

The Senate Armed Services Committee's report accompanying the national defense authorization bill included the following statement:

Resiliency through improved utilization of CHP and WHP

The committee strongly supports the U.S. Army's Energy Security & Sustainability strategy and the use of heat recovery technologies, such as CHP and WHP, to improve its current and future capabilities and enhance mission effectiveness. CHP and WHP technologies help make critical infrastructure more resilient, and--when interconnected



with energy storage systems or onsite renewable generation assets through micro-grid and smart grid technologies--can provide standby power during grid outages.

To reduce risks posed by a vulnerable energy grid and, in accordance with Executive Orders 13624 ("Accelerating Investment in Industrial Energy Efficiency") and 13693 ("Planning for Federal Sustainability in the Next Decade"), the committee encourages the Department of Defense (DOD) to expand deployment of CHP and WHP on military property. The committee also directs the DOD to convene a forum to identify ways to encourage further use of these technologies on military bases to better enhance mission assurance and to leverage the use of existing and new renewable energy generation investments.

Unless contrary language is inserted into the final report of the House and Senate, which we do not expect, these will be considered the instructions of Congress to the Department of Defense.