



No. 1 Altorfer Lane • East Peoria, IL 67611
Phone: 309-694-7418 • Fax: 309-694-3703

April 8, 2005

Jaclyn Brillling
Secretary
New York State Public Service Commission
3 Empire State Plaza
Albany, New York 12223-1350

Dear Secretary Brillling,

RE: Case 05-M-0090 – In the Matter of the System Benefits Charge III

The recently-proposed changes to the NYSERDA SBC funding are a significant step backwards, away **from** energy security, reliability and choice in the state of New York. The success of the last four years that NYSERDA has produced in the area of energy efficiency and cogeneration is unmatched in any other state. In terms of both the sheer number of projects **as well as** the economic impact of those projects, NYSERDA has had more positive impact on the market **than** even the federal Department of Energy. This is not an accident, but a clear result of the long-term **commitment** that NYSERDA is able to provide. This long-term commitment is directly related to the stability of NYSERDA funding, in the **form** of multi-year appropriations.

Why are **multi** year appropriations important?

Cogeneration opportunities are complex financially, technically, and **from** a regulatory perspective. They require coordinating the actions of multiple parties: equipment vendors, property owners, public utility companies, utility **and** environmental regulators, developers and financiers. A typical project development time line typically takes over 12 months and can take more than three years.

In this environment, developers and facility owners need to know with certainty that the commitments that NYSERDA makes to participate can be relied upon. A yearly appropriations process insert a level of uncertainty into the process, significantly increasing the risk of doing these projects. This will result in otherwise worthy projects not being **installed**. Grounding for this can be seen in the smaller number of projects under development in state of New Jersey where they have adopted a yearly appropriations process.

Based on the current level of funding that has been released, this program has leveraged private **investment** in a ratio of four to one. For every \$1 invested by NYSERDA there has been an additional \$4 of investment by private entities. This is a model of how public-private partnerships work to produce **win-win** situations for all parties.



Why is this important to New York power users and New Yorkers in general?

Reliable and affordable electrical power is a key element to making an area economically competitive and vibrant. In today's highly **interconnected** world power outages **have** more than just an economic impact, they have an impact on every aspect of our . One of the little-publicized events of the blackout in August 2003 was the lack of power available to Waste Water Treatment facilities (WWTP.) This resulted in the loss of the water **infrastructure** as well as the electrical **infrastructure**. WWTP's are typically owned by local municipalities, short on funding, and ideal for cogeneration: **24/7 operation** with a constant thermal load.

Cogeneration projects provide economic benefits for the facilities who install them as well as reliability and security of power supply. The higher efficiency of a cogeneration installation, **sometimes** more than **80%**, lowers the cost of energy for the facility. It benefits the environment by producing two **useful** forms of work out of one combustion process, thus lowering overall emissions. It provides benefit to the local utility in transmission or generation **constrained** areas by providing generation on the grid to support the flow of electricity (reactive power support.) Finally these facilities create jobs, **from 'Suits – to – Boots'!** These are jobs that **are** retained by providing more opportunities to developers, financiers, engineers and local contractors of all types. These are among the positive **secondary** ripple effects from such a project, creating jobs and room for new enterprises investing in the project's region.

In conclusion, the manner in which NYSERDA has so far administered this program – a model of how to do so – has fostered benefits that would not have been likely if it had been constrained to make commitments on no longer than a one-year basis.

Larry Tangel
Vice President
Enercon Engineering, Inc.
#1 Altorfer Lane
East Peoria, IL 61611
Tel: 309-694-1418
Fax: 309-427-4786
www.enercon-eng.com

Immediate Past Chair of the United States Combined Heat & Power Association (USCHPA)

Sean Casten
President
Turbosteam Corporation
161 Industrial Blvd.
Turners Falls, MA 01376
Tel: (413)-863-3500
Fax: (413)-863-3157
www.turbosteam.com

Chair of the Energy Committee, USCHPA
Chair of the Northeast Combined Heat and Power Initiative (NECHPI)