



March 1, 2005

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

Dear Secretary Brillling:

This letter and associated information are being sent in response to CASE 05-M-0090: In the Matter of the System Benefits Charge III. (NOTICE SOLICITING COMMENTS, Issued January 28, 2005).

ENrG Incorporated (ENrG) is a fuel cell engineering and manufacturing company located in an Economic Development Zone at the Buffalo Free Trade Center in Buffalo, NY. ENrG works with OEMs to design and manufacture ceramic components and stacks required for the commercialization of solid oxide fuel cell (SOFC) energy systems. The eight principals are an experienced, established, customer-focused team having worked together since 2000; initially for Tyco International where the team developed and manufactured fuel cell components for the Department of Energy's SOFC program. ENrG has collaborative partnerships and contracts with OEMs both inside and outside of New York. All of the New York based collaborations have resulted in or been a direct result of grants from NYSERDA focused on the development and commercialization of new energy systems.

In these collaborations and for the OEMs to achieve market entry costs for their fuel cell systems, it is a requirement that ENrG's components meet cost and performance targets. ENrG's experience in developing and producing SOFC components, along with ENrG's prior experience in ceramics, metals, multi-layer ceramic processing puts ENrG in prime position to work with strategic partners to resolve technical issues and introduce ceramic cell components into this market. All of this requires the right funding at the right time.

ENrG's strategy is to leverage private capital with government grant opportunities to achieve ceramic technology developments and manufacturing capability leading to commercial products. ENrG plans to introduce fuel cell components in 2005 through 2008. In support of this strategy, ENrG in 2003 was granted two NYSERDA grants of \$600,000 for the development of ceramic membrane manufacturing capability and a feasibility study to produce a ceramic fuel cell stack using a unique flow field supported design. In July of 2004, ENrG was awarded \$500,000 in NYSERDA funding to develop and implement large area ceramic membrane manufacturing capability and in October 2004 was awarded a \$3.3 MM National Institute of Standards and Technology (NIST) ATP grant on the same subject. While the NIST and NYSERDA awards were stand alone projects, the NIST award may not have occurred without the validation of already receiving the NYSERDA grant. ENrG is

currently seeking to raise its second round of financing of a minimum of \$1,000,000. A key part of ENrG's success with this last objective, will be the substantial relationship ENrG has with NYSERDA and the validation provided to us through the investment by NYSERDA and NIST into our company.

As a result of these grants and opportunities that are a direct result of the SBC II, ENrG has:

- Established a firm foundation for an early two year old start-up company focused on leading edge fuel cell technology.
- Maintained eight jobs in the Buffalo, NY area which has now grown to ten employees with plans for additions through the next two quarters.
- Brought a high technology industry based on SOFC and fuel cell energy systems to the Western New York region and specifically Erie County.
- Collaborated with other New York companies focused on SOFC technologies or related materials or technologies that are required for this industry. Fuel cells based on SOFC technology has shown that it can reach energy efficiencies far exceeding other energy systems based on oil and gas feeds. The SBC II has specifically funded ENrG Inc., Blasch Ceramics Inc., Acumentrics Inc., Xylon Inc., Refractron Corporation, and SenCer Inc. These companies with different technologies and market focus all feed into the fledgling ceramic fuel cell based industry in New York.

ENrG highly recommends a continuation of the SBC and looks forward as a result in continuing to deliver on technologies and products that are a direct result of grant funding from the SBC III.

Attached to this letter are answers to the specific questions. Thank you for the opportunity to respond to this issue.

Sincerely,

John A. Olenick
President

Answers to Specific Questions

1. To what extent have the goals and objectives established by the Commission been achieved?

SBC II funds have resulted in the direct funding of the solid oxide fuel cell industry in New York. As such goals related to funding of new or established high technology companies and the subsequent new jobs that come along with this have been met but additional funding is necessary in these fledging industries to firmly establish a foundation that will self-sustain itself.

2. Should the SBC program continue beyond its current expiration date of June 30, 2006? If so, for what duration should the SBC be extended and at what funding level?

The funding should be extended for another five years and the funding for high technology related programs needs to be increased to reach the point where new industries are self-sustaining through the revenues generated from the sale of products.

3. Have conditions changed since the establishment of the SBC that would necessitate a change in the overall goals and objectives of the SBC? If so, what changes are recommended?

The goals and objectives of the SBC are still valid.

4. If assuming continuation of the SBC, how should programs be prioritized to meet those goals and objectives?

I am not aware of how the prioritization is now based. The continued and enhanced funding of leading edge technologies will result in the creation of high-tech jobs here which will again make New York competitive.

5. How might the SBC programs be adjusted given the Commission's order, issued September 24, 2004, regarding a Renewable Portfolio Standard (Case No. 03-E-0188)?

No comment.

6. In what ways might the current SBC fund collection and allocation process be improved?

No comment.

7. What specific program(s) should be eliminated, expanded or created?

No comment.

8. How can future SBC funded programs be more responsive to the needs of New York's energy consumers?

Continuing with SBC III will result in advanced energy system technologies such as fuel cells to reach the forecasted potential for commercialization into the market. This will permit consumers to purchase higher efficiency energy systems for all aspects of their lives from business to personal. As such the SBC funded programs are very responsive to consumers.

9. How can SBC funded programs be marketed more effectively?

No comment.

10. In what ways can NYSEERDA improve its administration of the SBC?

No comment.

11. Is the current NYSEERDA program evaluation process adequate? How might it be improved?

The evaluation process is very fair to all parties.

12. Should SBC funds be extended to programs that encompass research and development into retail and/or wholesale electric market competitiveness issues, or transmission and/or distribution of the State's energy resources?

No

13. Should the scope of the SBC program be expanded to include programs for natural gas customers? If so:

No comment.

14. Do you have any other suggestions for improving the overall SBC program that are not addressed by the above questions?

No.