

Department of Energy

Washington, DC 20585

June 28, 2013

Paul Cicio
President
Industrial Energy Consumers of America
1155 15th Street, NW, Suite 500
Washington, DC 20005

Dear Mr. Cicio:

The U.S. Department of Energy would like to invite your organization to contribute to the development of an industrial energy efficiency report, "Reducing Barriers to the Deployment of Industrial Energy Efficiency," that will be prepared for Congress. The report is being prepared in response to Section 7 of The American Energy Manufacturing Technical Corrections Action (H.R. 6582) that was passed in December 2012 (enclosed).

The report to Congress will describe the results of the study, as well as provide policy recommendations on the deployment of industrial energy efficiency and guidance to States and relevant Federal agencies to address barriers to deployment. The study will:

- Identify barriers, including legal, regulatory, and economic, that inhibit the deployment of combined heat and power (CHP) systems and other industrial energy efficiency technologies (e.g., electric motors, demand response activities, and waste heat recovery) in all electricity markets;
- Provide examples of successful state and Federal policies, successful private initiatives, and cost-effective policies used by foreign countries to foster greater use of industrial energy efficiency;
- Estimate the economic benefits of providing the industrial sector with Federal energy efficiency matching grants of \$5 billion for five and ten year periods;
- Estimate the energy savings from the increased use of recycled materials in energy intensive manufacturing processes.

DOE is convening a stakeholder group to contribute to the development of the report, as well as the recommendations and guidance. We invite your participation in this process to ensure the report makes a difference in accelerating the adoption of CHP and other energy efficient technologies in the industrial sector. The first in-person, half-day, stakeholder group meeting will be held at the U.S. Department of Energy in Washington, DC on July 15, 2013 to review the process and timing, discuss the report outline, goals and structure.

Please respond by **July 2, 2013** to Jessica Rackley, jrackley@icfi.com, with your organization's decision on this invitation. Questions can be directed to Katrina Pielli, Department of Energy, katrina.pielli@ee.doe.gov.

Sincerely,



Kathleen Hogan
Deputy Assistant Secretary – Energy Efficiency

Enclosure

American Energy Manufacturing Technical Corrections Act (H.R. 6582)

Section 7. Reducing Barriers to the Deployment of Industrial Energy Efficiency

(a) Definitions – In this section:

- 1) Industrial Energy Efficiency – The term “industrial energy efficiency” means the energy efficiency derived from commercial technologies and measures to improve energy efficiency or to generate or transmit electric power and heat, including electric motor efficiency improvements, demand response, direct or indirect combined heat and power, and waste heat recovery.
- 2) Industrial Sector – The term “industrial sector” means any subsector of the manufacturing sector (as defined in North American Industry Classification System codes 31-33 (as in effect on the date of enactment of this Act)) establishments of which have, or could have, thermal host facilities with electricity requirements met in whole, or in part, by onsite electricity generation, including direct and indirect combined heat and power or waste recovery.

(b) Report on the Deployment of Industrial Energy Efficiency

- 1) In General – Not later than 2 years after the date of enactment of this Act, the Secretary shall submit to the Committee on Energy and Commerce of the House of Representatives and the Committee on Energy and Natural Resources of the Senate a report describing:
 - (A) the results of the study conducted under paragraph (2); and
 - (B) recommendations and guidance developed under paragraph (3).
 - 2) Study —The Secretary, in coordination with the industrial sector and other stakeholders, shall conduct a study of the following:
 - (A) The legal, regulatory, and economic barriers to the deployment of industrial energy efficiency in all electricity markets (including organized wholesale electricity markets, and regulated electricity markets), including, as applicable, the following:
 - (i) Transmission and distribution interconnection requirements.
 - (ii) Standby, back-up, and maintenance fees (including demand ratchets).
 - (iii) Exit fees.
 - (iv) Life of contract demand ratchets.
 - (v) Net metering.
 - (vi) Calculation of avoided cost rates.
 - (vii) Power purchase agreements.
 - (viii) Energy market structures.
 - (ix) Capacity market structures.
 - (x) Other barriers as may be identified by the Secretary, in coordination with the industrial sector and other stakeholders.
- (B) Examples of—
- (i) successful State and Federal policies that resulted in greater use of industrial energy efficiency;

(ii) successful private initiatives that resulted in greater use of industrial energy efficiency; and

(iii) cost-effective policies used by foreign countries to foster industrial energy efficiency.

(C) The estimated economic benefits to the national economy of providing the industrial sector with Federal energy efficiency matching grants of \$5,000,000,000 for 5- and 10-year periods, including benefits relating to—

(i) estimated energy and emission reductions;

(ii) direct and indirect jobs saved or created;

(iii) direct and indirect capital investment;

(iv) the gross domestic product; and

(v) trade balance impacts.

(D) The estimated energy savings available from increased use of recycled material in energy-intensive manufacturing processes.

- 3) Recommendations and Guidance —The Secretary, in coordination with the industrial sector and other stakeholders, shall develop policy recommendations regarding the deployment of industrial energy efficiency, including proposed regulatory guidance to States and relevant Federal agencies to address barriers to deployment.