



Waste Heat to Power: What's Happening in DC, and How You Can Help

Presentation to Waste Heat to Power Workshop

Sean Casten,

President & CEO

Recycled Energy Development, LLC

September 26, 2007

Houston, TX

Good news from DC

- House energy bill one of the most significant changes to electric policy in a century
 - Would allow recycled energy to (finally!) earn location-specific \$/kWh revenue; rewards sizing to waste heat flow, rather than to behind-the-meter load.
 - Would remove ability of distribution monopolies to block market access for recycled energy projects.
 - Would provide additional revenue streams (as much as \$100/MWh) to recognize societal benefits of clean energy.
- BUT...

House Energy Bill ≠ Federal Law

- No equivalent language in Senate bill
- President has threatened veto
- Not yet clear who will lead conference negotiations
- Conference negotiations are really, really, really important.

Bottom line: we're in a great position, but the race isn't over – and this is a perfect time for you to weigh in with your Senator and/or Representative.

Details of House Bill

- Subtitle E
 - Requires EPA to identify all opportunities, nationwide to produce “recycled energy”. (>60% efficiency, incl. RE.)
 - Projects can self-certify
 - Qualified projects eligible for:
 - To the extent project has excess power, states “encouraged to consider” one of the following:
 1. Repeal existing ban on private wires, to allow generating facility to sell power directly to neighbor.
 2. Require utility to take excess at a rate equal to the all-in c/kWh retail rate, less the utility’s profit margin
 3. In restructured states, require utility to take excess at “commodity net” rate (essentially wholesale rate + transmission)
 - \$10/MWh revenue for first 3 years
 - May split with utility \$5/\$5 if project utilizes utility wires (options 2 or 3 above)

Details of House Bill (2)

- RPS
 - Requires percent of all IOU sales to come from renewable sources
 - Tiered increase, reaching 15% by 2020
 - Up to 27% of RPS obligation (4% of total power) can come from energy efficiency, CHP or recycled energy
 - Interesting horse-trading: RPS needed CHP/RE/EE to pass.
 - REC price capped at \$30/MWh
 - Provision for 3X credits if electricity is used behind fence
 - Many details added at 11th hour; expect structural changes to this bill in conference
 - 3X provision may not last
 - CAFE could affect outcome

There is no meaningful Senate energy bill (yet).

- Fun with Senate rules: Since Tim Johnson (D-SD) had a brain aneurysm and Barbara Boxer (D-CA) had a wedding, Harry Reid (D-NV) voted against the Electricity title.
- Behind the scenes: because Senate couldn't agree on oil & gas provisions their energy bill has no electricity title, nor any tax title.
 - Senate "energy bill" as presently worded is really a transportation bill, plus a sprinkling of building efficiency.
- What this means: Everything comes down to conference

Wildcards

- Investment Tax Credit for CHP/Recycled Energy
 - House Bill (Inslee/Terry) had ITC that did not survive final markup: 10% ITC on all CHP/RE projects up to 50 MW
 - Senate Bill (Bingaman), had ITC in electricity/tax title, but was lost with other elec provisions: 10% ITC up to 15 MW, but drafting errors inadvertently omitted RE
- Production Tax Credit for CHP at Ethanol Plants
 - Draft legislation sent to leg. council by Senator Durbin (no sponsor yet)
 - Would provide 1.5 c/kWh to high-efficiency CHP in ethanol mills
 - Energy bill? Farm bill? Rumors.

Details of Conference

- Getting from House bill → Law requires 4 votes and a little luck
 - Vote 1: Senate needs a bill with reconcilable provisions,
 - Vote 2: Joint house/senate conference reconciles
 - Vote 3/4: House & Senate both vote on modified bills
- President has threatened veto over oil & gas provisions. Not yet clear if he's bluffing.
- Multiple "touch-points" at each vote are multiple chances for devilish details to sneak into bill.

Where we are today

- Conferees being named
 - Energy & Commerce Committee members most likely members, but Pelosi/Dingell spats could have unpredictable results.
- Lots of backchannel negotiations afoot; hard to make firm predictions about what will happen, or when
- Energy bill has slipped a bit as a political priority, but hard not to see it being completed before year end given electoral politics
- Some discussion (Boucher) of deferring energy bill to be rolled up in Climate bill; most don't expect this to happen.

What you can do

1. Let your Rep/Senator know that (a) you support the Subtitle E and RPS provisions in the house bill and (b) you have jobs & projects in their district.
 - Reps Barton (R-TX) & Hall (R-TX) will both be on conf committee.
 - Outreach to R senators especially important to minimize politicalization of these provisions.
2. Let your Rep/Senator know that you like the ITC, but to use the Inslee/Terry (House) language, not the Bingaman (Senate) language.
3. Invite your Rep/Senator (and their staff) out to see your factories and projects.
 - They know what solar and wind looks like; need visuals of the jobs and economic benefits from recycled energy
 - Great media opportunity, especially in an election year...



Thank you for your time.