



NEWSLETTER

Midwest Cogeneration Association, Inc.

September/October, 2003

Vol. 18, No. 4

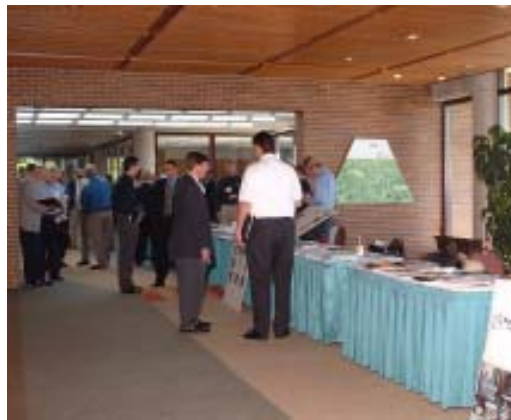


William O'Shea,
MCA President giving
the opening remarks.

MCA 2004 Annual Conference Highlights



**Lieutenant Governor,
Pat Quinn** giving the
Keynote Address.



Exhibitor Viewing Area



Presentation of Sixth Annual Cogeneration Recognition Award to Stanley Consultants for the University of Illinois-Chicago Cogeneration System. From lt. to rt., Jeff Jamison, Majid Zargar and Ken Jacobs and Gary Ephraim, MCA Committee Chairman.



Barbecue dinner following conference.

MEMBER NEWS

MIDWEST COGENERATION ASSOCIATION

P.O. Box 283
Western Springs, IL 60558-0283
Voicemail: (630) 323-7909
Website: www.cogeneration.org

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MEETING ANNOUNCEMENT

Electrical Deregulation in Illinois: Where do we go from here?

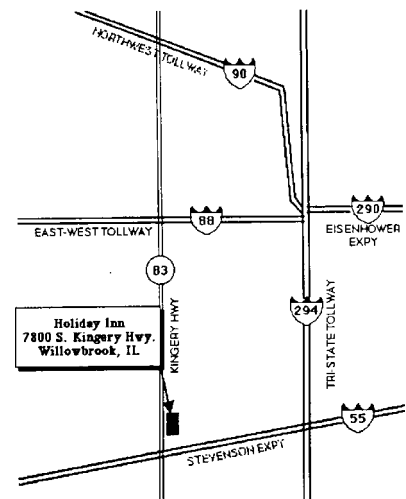
November 19, 2003
Holiday Inn - Willowbrook

Join us for this exciting and intriguing presentation by Jim Brett of Peoples Energy Services. Jim's presentation will provide the latest options and costs available to end users regarding market power.

- **Place:** Willowbrook Holiday Inn
7800 S. Kingery Hwy.
Willowbrook, Illinois
(630) 325-6400
- **Speaker:** Jim Brett
Director of Sales
Peoples Energy Services
- **Time:** Social Hour: 5:30 p.m.
Dinner 6:30 p.m.
Presentations: 7:30 p.m.
- **Cost: \$30.00**
- **Reservations:** Call the MCA voicemail at (630) 323-7909 or e-mail your reservation to mca@cogeneration.org by **10:00 a.m. Monday, November 17, 2003.**

If your plans change after you have made a reservation, please cancel your reservation. If your cancellation is not received on or before 11/18/03, the MCA reserves the right to invoice you for the cost of the dinner.

Those wishing to address specific questions or topics for the meeting may contact Ray Protich, Reliable Energy at (630) 396-0608 or rprotic@aol.com.



MW CHP INITIATIVE UPDATE

The following is the testimony given by **Ted Bronson**, owner of Power Equipment Associates and Chair of the Midwest CHP Initiative, to Lt. Governor Pat Quinn and the Illinois Special Task Force on the Condition and Future of the Illinois Energy Infrastructure, on October 23, 2003; he was accompanied by John Cuttica of the Resource Center at UIC, David Martindale of Ballard Engineering, and Tom Smith of Equity Office Properties, all of whom made important contributions during the question and answer period following Ted's testimony. They were responding to an invitation made by the Lt. Governor, while making his keynote address at the MCA Annual Conference in September.

The MW CHP INITIATIVE is an ad-hoc coalition of over 40 companies in the Midwest formed to remove marketplace barriers and accelerate clean CHP deployment to improve the reliability of our future energy infrastructure, and better the environment. The MW CHP Initiative works hand in hand with the MW CHP Application Center, a US DOE funded Education and Outreach organization, and members of the Midwest Cogeneration Association to achieve these objectives. [Illinois participants in the Initiative include the Delta Institute, Enercon Engineering, the Energy Resource Center of the University of Illinois at Chicago, the Environmental Law and Policy Center of the Midwest, Equity Office Properties, the Gas Technology Institute, the Illinois Department of Commerce and Economic Opportunity, and Peoples Energy – other influencers include the US DOE, Chicago Regional Office, and the U.S EPA – Headquarters and Region 3.]

The recent blackout in the Northeast has heightened our awareness of the challenges inherent in meeting fluctuating and increasing energy. As we move into the future for power generation, innovation will be needed to identify ways to complement the central power system with more of a distributed model – with more cost effective, reliable, secure, and environmentally friendly solutions than simply building new wires and peaker plants – the solutions of the past. One way to begin to provide for this future now is by fostering the development of CHP – Recycled Energy in Illinois. As stated in the report on Distributed Resources to the ICC Electric Policy

Committee in March, 2000, CHP (as a form of Distributed Energy) “can effectively provide line loading relief for transmission and distribution lines...” and “reduce the need for upgrades to existing distribution equipment.”

To lead the deployment of clean CHP, distributed energy and renewable energy technologies in developing a more sustainable and reliable energy infrastructure, it is respectfully requested that the Lt. Governor's Taskforce consider taking the following four (4) legislative actions:

- Legislate the adoption of uniform interconnection standards (including network issues) by June 30th, 2004. This will support the strong efforts that the ICC has begun in this area, and is consistent with its current schedule. Establishing uniform interconnection standards with provisions for study fees and costs, approval timeframes, and networks, will remove uncertainties inherent in existing proposed projects, and provide for accelerated CHP deployment. In addition, providing uniform interconnection standards will facilitate deployment of renewable energy technologies as they become more cost effective in the future.
- Legislate a goal of 20% new power generation capacity for Recycled Energy. In addition to the goals for Renewable Portfolio Standards, setting this goal will stimulate market activity, providing further economic development opportunity for Illinois, as well as setting

the infrastructure in place that will facilitate the deployment of renewable technologies as they become more economically feasible and available. This goal is consistent with those set for the Chicago Energy Plan.

- Legislate the elimination of fixed standby charges for three years for efficient CHP systems and the development of standby tariffs that incorporate benefits of DG/CHP in supporting the to the grid. Standby tariffs currently do not address any benefit that CHP/DG can provide to the local utility. Eliminating the fixed charge for standby services is consistent with efforts by other states (NY, CA) to stimulate the deployment of clean CHP technologies. In addition, CTC fees should continue to be waved for CHP.
- Legislate a Tax Credit and make low interest loans available for CHP, or Recycled Energy. These financial incentives will encourage companies to lead the way in deploying CHP and Renewable Energy Technologies.

We will be happy to help develop proposed legislative language for the above requests.

These legislative recommendations will create good jobs for Illinois citizens: from finance to manufacturing and installation, the job impact will be wide and the development of these skills and industries can make Illinois a leader in the energy business in the 21st century. ELPC's Job Jolt forecasts 56,000 net new jobs

MW CHP INITIATIVE UPDATE

in Illinois by 2020 from EE and renewable energy and CHP investments, and 6.2 billion in net economic output.

Combined Heat and Power (CHP), or Recycled Energy can and should be an important part of the State's future energy mix. Combined Heat and Power is a form of distributed generation that **recycles** valuable waste heat produced in electricity generation and industrial processes. By recycling energy, CHP is environmentally superior and can be over twice as efficient as centralized power generation. This doubling of efficiency cuts pollution emissions in half, representing a fast way to improve the environment and public health while creating jobs. This commercially ready, proven technology is already installed in hospitals, universities, office buildings, and manufacturing facilities in Illinois and throughout the world. CHP provides over 60 MWs to the University of Illinois at Chicago, and provides reliable power for the Museum of Science and Industry, McCormick Place, the Brookfield Zoo, Hoffer Plastics, and 30 North LaSalle (*Over 100 CHP sites exist in Illinois. For more information on some of the more prominent sites, please see www.chpcentermw.org and www.cogeneration.org*). Its importance to our future Energy needs is noted by CHP's prominence in our National Energy Policy, our Illinois State Energy Policy, and the Chicago Energy Plan.

Designed to complement central power generation and provide for sustainable healthy utilities, CHP is particularly advantageous in situations where there is high electric demand, a need for reliable, high quality power, and where opportunities exist for thermal recovery (i.e. building heating and cooling or industrial process). Businesses, industries, cities, and municipalities that build CHP enjoy energy cost savings, improvements in

power reliability, as well as opportunities for "greening our communities". In fact, many progressive electric utilities are now evaluating, and some are installing DG and CHP to support their electric grid as opposed to other costly infrastructure upgrades.

Though many companies in Illinois are reaping the benefits of CHP, its application has been limited at best. Many legal, regulatory, information, and perceptual barriers block development of CHP and other innovative renewable energy technologies. Because of these barriers the State is missing out on an available solution to our energy and environmental goals.

One aspect that appears unique to Illinois is difficulties interconnecting to the "network" grid in the Chicago Loop. We understand that network interconnection issues are more challenging than connecting to a radial system; however, it appears that only in Chicago are all attempts to interconnect to the "network" routinely disapproved by the utility. In the case of Equity Office Properties, the largest commercial office real estate company in the country - and an Illinois Company - they have scaled back their Illinois CHP initiative and is focusing on markets that are supporting the implementation of CHP - why? - because other markets offer many CHP incentives such as: installed capacity credits for grid constrained areas (such as Chicago), reduced standby by fees, and uniform state interconnection standards with cooperative electric utilities. EOP has safely interconnected with network grid systems in downtown San Francisco and is close to finalizing interconnection agreements with ConEd's network system in Manhattan. Barriers here in Chicago have prevented EOP from interconnecting CHP to the network grid in Chicago. Addressing net work issues and the general CHP environment here in Illinois will be key to the

successful deployment of clean on-site energy technologies.

The MWCHP Initiative and Application Center met with the Illinois Commerce Commission on October 2nd 2002 and presented "The Role of Combined Heat and Power in Illinois' Energy Future". The presentation presented benefits and obstacles to CHP in Illinois and recommended the following actions:

- Expedite the adoption of uniform interconnection standards for small distributed generation in Illinois (including network issues)
- Convene workshops to study standby charge issues and tariffs to recognize the benefits of CHP and distributed generation

As a result of the ICC hearing on October 2nd, 2002, and recent letters to the Commission from the CHP and Renewable Energy community, the ICC has developed a timetable for the adoption of uniform interconnection standards. We are encouraged by their efforts to date.

To summarize, CHP offers distinct opportunities to strengthen Illinois's power infrastructure, improve conservation of our natural resources, improve our environment by cutting pollution from energy generation, and increase energy security and independence, all the while creating jobs for Illinois citizens. The legislation proposed above will help Illinois capitalize on these opportunities.

The MW CHP Initiative appreciates this opportunity to provide input to the Lt. Governor's Taskforce to address this very important issue. We are encouraged by the action oriented nature of your efforts and the sincerity you've shown in your recent speaking engagement at the Midwest Cogeneration Association annual meeting. Thank you for your time.

AROUND THE MIDWEST

COMED BRINGS GREEN POWER TO ST. CHARLES

Residents and businesses in St. Charles became the first in Illinois to be able to buy "green power." Officials from the City of St. Charles, ComEd and wind marketer Community Energy Inc. launched the St. Charles Green Power Program today at City Hall. At the event, officials unveiled a 115-foot long wind turbine blade — identical to the blades that will be installed on the turbines at the Crescent Ridge wind project in Bureau County.

Under an agreement with ComEd, St. Charles' commercial and residential electricity customers will have a unique option to support renewable energy.

"This agreement allows St. Charles residents and businesses to support the use of green power if they wish, and will help promote the development of renewable energy resources in Illinois," said Sue Klinghammer, Mayor of St. Charles. "St. Charles is proud to partner with ComEd and Community Energy to bring this innovative product to our customers."

ComEd will supply St. Charles with renewable energy certificates in quantities that meet the green power demand of the City's retail customers. Customers can purchase certificates in various amounts representing the environmental benefits of the renewable energy resource. The certificates will represent power generated first from landfill gas to energy, and ultimately wind power as it becomes available. Customers can participate in the program by completing a green power enrollment form provided by the St. Charles Electric Utility. Community Energy will assist St. Charles in marketing the program to its customers.

Renewable energy is often referred to as "green power" because of the environmental benefits it provides. Renewable resources include landfill gas to energy, wind, solar, small hydro and geothermal. They create environmental benefits in the form of reduced impacts on the air, water and land by replacing the use of electricity produced by fossil fuels.

PEOPLES ENERGY SERVICES NAMES PREFERRED GAS SUPPLIER FOR ILLINOIS MANUFACTURERS' ASSOCIATION MEMBERS

Peoples Energy Services, a subsidiary of Peoples Energy, announced that it has entered an agreement to become the preferred natural gas supplier of the Illinois Manufacturers' Association (IMA).

"Through this partnership, Peoples Energy Services will bring competitive and reliable natural gas supplies to Illinois' strong manufacturing community," said Ann DeBortoli, vice president of Peoples Energy Services. "We, like the IMA, believe that controlling energy costs can stimulate the growth of the manufacturing base, resulting in an increase in jobs for Illinois."

Under the agreement, Peoples Energy Services will provide IMA members a preferred rate for natural gas purchases and a free analysis of their natural gas costs. In addition, IMA members may attend informational meetings regarding the outlook for natural gas prices and supply hosted by Peoples Energy Services.

The program will initially focus on IMA members in the Peoples Gas, North Shore Gas and Nicor Gas service territories.

Peoples Energy Services Corporation is one of the largest unregulated energy marketers in the northern Illinois retail energy marketplace. Launched in 1996, Peoples Energy Services has more than 15,000 customers, providing a portfolio of products to manage the energy needs of both business and residential consumers in today's volatile and complex energy market.

Peoples Energy Services is also the preferred natural gas supplier for the Illinois Energy Consortium, an organization seeking to reduce energy costs for Illinois schools, and the Illinois Retail Merchants Association.



For up-to-the-minute information on the Midwest Cogeneration Association visit our website at:

www.cogeneration.org

AROUND THE MIDWEST

DTE ENERGY TECHNOLOGIES PROVIDES COMBINED HEAT AND POWER ENERGY SOURCE FOR MEDWAY PLASTICS CORP.

DTE Energy Technologies, a non-regulated subsidiary of DTE Energy Co. has completed a custom installation of three ENI 415 on-site energy systems providing a combined heat and power energy source for Medway Plastics Corp., an advanced custom injection molding plastics company in Long Beach, California.

During the recent California energy crisis, Medway rented portable generators, shed energy load, and worked odd shifts and weekends in order to balance productivity requirements against rising power costs, outages and random blackouts.

To ensure that MPC never has to organize production around energy supply availability, DTE Energy Technologies installed three energy|now(TM) ENI 415 units, which have the dual benefit of generating lower-cost power and allowing Medway to utilize the heat from the engine jacket water to drive a 151-ton, absorption chiller, which is used for cooling operations related to the injection molding process.

The higher efficiency and reliability of the ENI 415 combined heat and power system enables Medway to reduce its energy usage, thus reducing energy costs with short-term payback. The units will run around the clock as a base load electric power generation system and will be remotely monitored by DTE Energy Technologies' proprietary energy|now System Operations Center(TM) (SOC). The SOC is able to provide Medway with continuous monitoring to help ensure system reliability.

"Medway, as a custom-designed combined heat and power installation, demonstrates the tangible benefits of on-site energy systems," said Peter Armstrong, director of Product Marketing at DTE Energy Technologies. "Medway is not only able to substantially reduce its annual energy expenses, it also is able to achieve significantly greater electric supply reliability, which is essential to the successful operation of its business."

Medway's Gerald Hutchinson added, "We knew that the energy|now products would help increase our reliability and will save us on our energy bills in the long run. Plus, we could be more environmentally friendly about the way we use electricity."

DTE Energy Technologies is a leading supplier of integrated on-site energy systems and services, with sales and support offices located throughout North America, and a growing network of distribution partners in Europe and Asia. DTE Energy Technologies has shipped more than 1,500 standby and continuous duty energy systems since its founding in 1998. For more information on DTE Energy Technologies, visit <http://www.dtetech.com>.

NORTHERN ILLINOIS SETS ALL-TIME RECORD FOR ELECTRICITY USE

Chicago and Northern Illinois set an all-time record for electricity use breaking last year's record of 21,804 megawatts (MW). At 4 p.m. the demand record was set at just over 22,000 MW. Electricity use typically peaks late in the afternoon when businesses are still operating, and people are returning home and turning on their air conditioners.

"Even though we're experiencing electric demand beyond what we've ever seen before, ComEd's electric system continues to perform well," said Frank Clark, president of ComEd. "The extensive efforts ComEd has made to improve the reliability of the system are resulting in better electric service, especially on days like today."

ComEd officials said that hot weather does place additional stress on the electric system, however the company is prepared to respond to any outages that may occur. With a 15-percent reserve margin, ComEd has enough electricity under contract to meet demand and keep its customers cool this summer.



In an effort to control expenses, the MCA would like to distribute this newsletter to members via e-mail.

Please send us an e-mail to mca@cogeneration.org with a subject line of "newsletter" and we will add you to the list of members receiving the newsletter via e-mail only.

If at anytime you would prefer to revert back to a hard copy, received via U.S. mail, just let us know and we will be happy to accommodate you.



Midwest Cogeneration Association
P.O. Box 283
Western Springs, IL 60558-0283

RETURN SERVICE REQUESTED



November 19, 2003 MCA Membership and Board of Directors Meeting

Location: Willowbrook Holiday Inn
Contact: Robin Pelsis (630) 323-7909
or mca@cocogeneration.org

December 3-4, 2003 - Fundamentals of Energy Management

Location: Radisson Deauville Rosort
Miami Beach, FL
Sponsor: AEE
Contact: www.aeecenter.org

December 8-12, 2003 - Comprehensive 5-Day Training Program for Energy Engineers

Location: Omni Park West, Dallas, TX
Sponsor: AEE
Contact: www.aeecenter.org

December 9-10, 2003 - Energy Auditing 101: Identifying Cost Saving Opportunities in Plants & Buildings

Location: Morial Convention Center
New Orleans, LA
Sponsor: AEE
Contact: www.aeecenter.org

December 9-11, 2003 - Fundamentals of Power Quality

Location: Hilton Garden Inn
New Orleans, Louisiana
Sponsor: AEE
Contact: www.aeecenter.org

December 9-11, 2003 - Fundamentals of Lighting Efficiency

Location: Morial Convention Center,
New Orleans, LA
Sponsor: AEE
Contact: www.aeecenter.org

December 9-11, 2003 - Power-Gen International 2003

Location: Las Vegas Convention Center, Las Vegas, NV
Sponsor: PennWell
Contact: 918-831-9440

January 20-22, 2004 - DistribuTECH

Location: Orange County Convention Center, Orlando, FL
Sponsor: PennWell
Contact: 918-831-9160

January 22, 2004 - MCA Membership Meeting - Joint Meeting with AEE (Note the Thursday night date)

Topic: Renewable Energy
Location: Willowbrook Holiday Inn
Contact: Robin Pelsis (630) 323-7909
or mca@cocogeneration.org

January 26-27, 2004 - Outsourcing for Electric Utilities

Location: Miami, FL
Sponsor: CBI
Contact: 800-817-8601

January 29-30, 2004 - Fuel Management

Location: Miami, FL
Sponsor: CBI
Contact: 800-817-8601

February 25-26, 2004 - Retail Power Market Summit

Location: Lake Buena Vista, FL
Sponsor: CBI
Contact: 800-817-8601

Any opinions or positions contained in the MCA newsletter are solely the opinions or positions of the author of the article in which it appears; and does not necessarily represent the opinion or position of the MCA, its Membership or its Board of Directors.