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Midwest CHP Initiative Semi-Annual Report March 2003

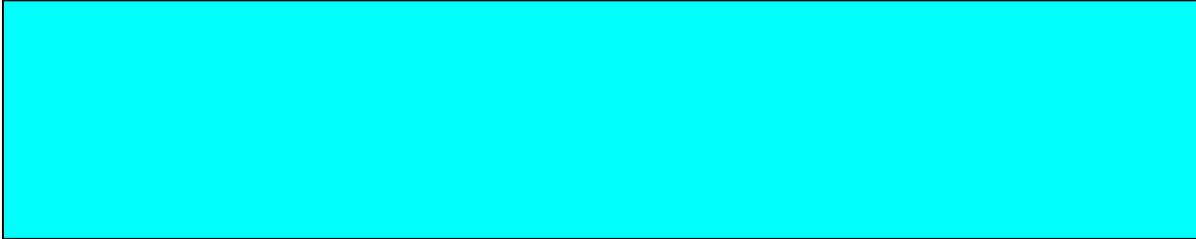
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Executive Summary

Though CHP is recognized as a major element of the National Energy Policy, it is not expected that the rate of deployment will change until regulatory and institutional changes are developed and implemented on the State level. Over the past 2½ years, the Midwest CHP Initiative (MWCHPI) and the Midwest CHP Application Center (MAC) have been actively pursuing activities to reduce and eliminate barriers to CHP. Their actions have been cited by several sources as the model for the country in building industry – government partnerships to support DOE’s CHP Challenge goal of doubling CHP in the U.S by 2010.

This document, the October '02- March '03 semi-annual report presents the overall activities of the Midwest CHP Initiative, its organization, key accomplishments, and plans for the future addressed during that time period.



The mission of the MW CHP Initiative is as follows: 1) lead the region in encouraging the use of and in implementation of CHP technologies; 2) drive CHP roadmap action items for the Midwest Region in support of DOE’s goal of doubling CHP use by 2010, and; 3) provide a central point for coordination and communications among the various stakeholder organizations in the region. The group is acting to promote CHP in the region to help implement an energy mix that will build the bridge to the new economy electricity requirement that will improve the environment, improve electric power reliability and security, improve energy efficiency, and reduce end user costs and risks.

The thinking, planning and actions provided by the diverse membership of the Initiative, combined with the focused resources of the Application Center, have resulted in the completion of several key actions over the past six months, discussed fully in the report. Some of these accomplishments include the following:

- Meeting with Illinois Commerce Commission on CHP Benefits and Barriers to Implementation
- Input to Illinois Governor’s Transition Team on Energy and Environmental Policy
- Illinois CHP Communications Strategy Development
- Michigan CHP Stakeholder Meeting
- DER Road Show Coordination
- Illinois Permitting Guideline
- Education and Outreach Presentations

Based on the positive response received for our efforts, the Initiative and Application Center have been contacted and become instrumental in the startup of other Regional

Initiatives through our support of U.S. DOE's Regional Offices. These initiatives include the Northeast CHP Initiative, the Northwest CHP Initiative, and the Southeast CHP Initiative. Recently, the MW CHP Initiative has also aided startup of a Southwest CHP Initiative and a Central CHP Initiative. GTI is also now providing direct support for direction and facilitation of the Northeast CHP Initiative, and have provided a similar offer to the Southwest CHP Initiative.

The Midwest CHP Initiative plans on continuing its efforts over the long term. For the next 6 months, the following key activities are being planned in conjunction with the MAC:

- State Public Utilities Commission Distributed Generation Tariff Workshop, May 14th, 2003 (Minneapolis, Minnesota),
- Meeting with the Wisconsin Public Service Commission,
- Participation in USCHPA Regional Council to Coordinate efforts between Initiatives,
- DER Roadshow Coordination,
- Planning for 4th Annual U.S. DOE/U.S. CHP/U.S. EPA CHP Roadmapping Workshop in conjunction with the MW Cogen Association Annual Meeting,
- State Specific Planning Efforts (Missouri), and
- Execute Michigan and Wisconsin Development Plans.

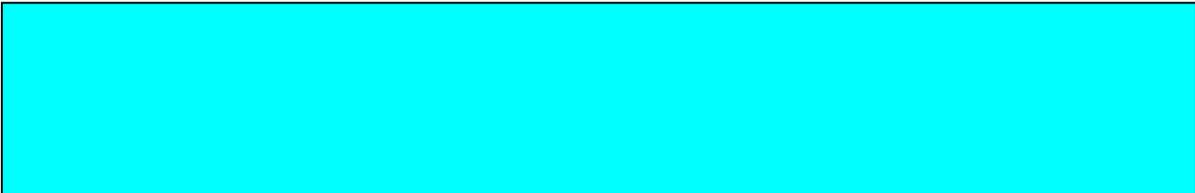


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Attachment: *Meeting Notes from November 19th, 2003, January 28th, 2003, and March 25th, 2003.*

1. Introduction

Since early 2001, the Midwest CHP Initiative and the Midwest CHP Application Center have been cited by several sources as the model for the country in building industry – government partnerships to support DOE’s CHP Challenge goal of doubling CHP in the U.S by 2010. Together with strong support from U.S. DOE’s Chicago Regional Office (Nowakowski), the GTI/UIC team who chair the Midwest CHP Initiative (GTI – Bronson), and direct the Midwest CHP Application Center (UIC - Cuttica) have presented our successes and actions for the future at numerous conferences, including:

- U.S. DOE’s Peer Review Conference “Power to Choose”, November 2001
- U.S. CHPA’, U.S. DOE, and U.S. DOE’s CHP Roadmap Workshops – October, 2001, and October 2002.

The success of these groups has also led to the formation of similar regional initiatives throughout the country, including the Northeast, Southeast, Northwest, Southwest, and Central regions. The structure and practices of the Midwest CHP Initiative and the Midwest CHP Application Center have been the models for the establishment of these Initiatives.

This document, the Midwest CHP Initiative October 2002 – March 2003 semi-annual report presents the organization’s key accomplishments, and plans for the future addressed during that time period.

1.1 Background

In December 1998, the Assistant Secretary for Energy Efficiency and Renewable Energy issued a CHP Challenge calling on industry and government to work together to double the capacity of CHP in the United States by 2010. The initial steps taken by U.S. DOE to implement this challenge were the holding of several regional and national workshops to develop the “Roadmap” to meet the goal of the CHP Challenge. One of the first regional meetings, the Lake Michigan Regional CHP Roadmap Workshop was held in Chicago, IL in November 1999. The results of the workshop were captured in a Roadmap document, issued in March of 2000. Over 40 organizations were represented.

In October 2000, U.S. DOE sponsored the first National CHP Roadmap Session in Baltimore, MD. As part of this session, regional updates were provided, however, it appeared that little had been done as far as implementing the regional roadmaps. At the conference, five Midwest companies had lunch and discussed their disappointment with the lack of progress on the regional roadmap. These organizations committed to getting together with U.S. DOE’s Chicago Regional Office to develop a plan for implementing these roadmap actions, and promoting the implementation of CHP in the region. As such, the Midwest CHP Initiative was born. After a few initial planning meetings, this group evolved into the Midwest CHP Initiative – an ad-hoc consortium of over 20 regional industrial, government, educational, and environmental organizations committed to spearheading the deployment of CHP in the region. The initial activities of the Initiative were focused on Illinois, Indiana, Michigan, and Wisconsin, and recently the initiative has included participation from Minnesota, Missouri, Iowa, and Ohio.

With the introduction of the Midwest CHP Application Center in the Spring of 2001, both organizations have worked hand-in-hand to own the action items from the Roadmap sessions and promote CHP in the region. Based on our successes, the MWCHPI and

the MAC worked with U.S. DOE Regional Offices across the country to establish other Regional Initiatives, including the Northeast, Southeast, Northwest, Southwest, and Central.

1.2 Mission

The mission of the MW CHP Initiative is as follows: 1) lead the region in encouraging the use of and in implementation of CHP technologies; 2) drive CHP roadmap action items for the Midwest Region in support of DOE's goal of doubling CHP use by 2010, and 3) provide a central point for coordination and communications among the various stakeholder organizations in the region. The group also noted that it is acting to promote CHP in the region to help implement an energy mix that will build the bridge to the new economy electricity requirement that will improve the environment, improve electric power reliability and security, improve energy efficiency, and reduce end user costs and risks.

2. Organization

2.1 Chair and Subcommittees

The Midwest CHP Initiative reviewed the actions of the two roadmap sessions and determined they fell into what was termed five key elements of CHP deployment: Policy, Interconnection, Market Development, Education, and Outreach and Permitting. The Initiative is organized around these five key elements with a Chair, and Subcommittee Chairman for each of the key elements. The current chairs are as follows:

Midwest CHP Initiative Chair:	Ted Bronson, GTI
Subcommittees:	
Education and Outreach	John Cuttica, UIC, Energy Resources Center
Market Development	Gary Nowakowski, U.S. DOE Chicago RO
Policy	John Moore, Environmental Law and Policy Center
Interconnection	Art Smith, NiSource
Permitting:	Laura David, John Anglebeck, U.S. EPA, Region V

As noted above the Midwest CHP Initiative is closely integrated with the Midwest CHP Application Center. Please note that the Chair of the Education and Outreach Subcommittee is the Executive Director of the Application Center, and that the Chair of the Initiative, is GTI's Project Manager for its support of the Application Center.

2.2 Participants

The Midwest CHP Initiative is an ad-hoc consortium of over 20 regional industrial, government, educational, and environmental organizations committed to spearheading the deployment of CHP in the region. The initial activities of the Initiative were focused on Illinois, Indiana, Michigan, and Wisconsin, and recently the initiative has included participation from Minnesota, Missouri, Iowa, and Ohio. Because of legal reasons, many companies and government organizations cannot be "members" of the Initiative, and as such, those who have attended and provided input to meetings are classified as participants. In the past six months, participation has increased approximately 25% based primarily on rising awareness of the Initiative activities and successes. This new participation includes two electric utilities, Alliant Energy and WE Energies, who are actively involved in pursuing CHP projects. Existing participants are listed as follows:

Midwest CHP Initiative Participant List

Alliant Energy	Missouri Department of Natural Resources
Delta Institute	Monsanto Enviro-Chem Systems, Inc
Enercon Engineering	NiSource
Environmental Law and Policy Center	Northeast-Midwest Institute
Equity Office Properties	Ohio Department of Development
Gas Technology Institute	Peoples Energy
Illinois Clean Energy Community Foundation	RLD Resources
Illinois Department of Commerce and Community Affairs	Underwriters Laboratory
Indiana Department of Commerce	University of Illinois at Chicago, Energy Resources Center
Iowa Department of Natural Resources	URS Corporation
Koffman Electric	U.S DOE, Chicago Regional Office
Laclede Gas Company	U.S. EPA (Headquarters and Region 5)
Michigan Clean Energy Cluster	WE Energies
Michigan Department of Commerce	Wisconsin Bureau of Energy
Michigan Public Service Commission	Wisconsin Energy Center
Midwest Cogeneration Association	Wisconsin Focus on Energy
Midwest Energy Efficiency Alliance	Wisconsin Public Service Commission
Minnesota Department of Commerce	

2.3 Meetings

Currently, the Midwest CHP Initiative meets approximately every two months. Typical meetings consist of a morning session on emerging issues, and an afternoon session focusing on subcommittee breakout session. Recently, the Initiative is taking a more direct approach at addressing specific state concerns, with meeting held to develop specific plans and actions for Wisconsin and Michigan.

Meetings notes from the November, '02, January '03, and March '03 are in the Appendix to this document.

3. Key Accomplishments

The thinking, planning and actions provided by the diverse membership of the Initiative, combined with the focused resources of the Application Center, resulted in the completion of several key actions that served to raise CHP awareness, begin the process towards eliminating regulatory, institutional and technical barriers and develop CHP markets. Key accomplishments from October '02 through March '03 are as follows:

3.1 Midwest

Meeting with Illinois Commerce Commission – On October 2, 2002, the Midwest CHP Initiative and the Midwest CHP Application Center met with the Illinois Commerce Commission (ICC) – all Commissioners were present, other than one, who connected via phone from Springfield. The purpose of the meeting was to present to the ICC the benefits that CHP can bring to Illinois, some examples of specific barriers that are preventing these benefits from happening, and specific recommendations and actions to address these barriers. The presentation “The Role of Combined Heat and Power In Illinois Energy Future”, prepared primarily by Mr. John Moore, was presented by Mr. John Moore, Mr. Ted Bronson, and Mr. John Cuttica. The presentation was well received by the ICC and is available at <http://www.chpcentermw.org/home.html>.

During the presentation two requests were made by the MWCHPI: 1) to expedite the adoption of interconnection rules and conditions, and 2) to convene a workshop on tariff and standby issues relative to CHP. As a result of the presentation, Commissioner Harvill committed to asking for a staff report on interconnection, which is the initial step towards development and adoption of Distributed Generation (DG) Interconnection Standards in Illinois.

With the election of a new governor in Illinois, and a change of two of the ICC Commissioners, the Midwest CHP Initiative is continuing to followup with the ICC, to ensure commitments are carried through the transition of administrations.

Input to Illinois Governor’s Transition Team on Energy and Environmental Policy:

On December 9th, 2002, Ted Bronson testified on behalf of the Midwest CHP Initiative to the Governor’s Transition Team. Mr. Bronson summarized the benefits that CHP can provide to Illinois, noted the meeting above, and requested that the actions taken in the ICC meeting be carried on. Mr. John Cuttica also testified on behalf of the Midwest CHP Application Center.

Illinois CHP Communications Strategy Development: With funding from the Illinois Clean Energy Community Foundation, GTI hired Scheibel-Halaska, a communications firm from Wisconsin to develop a communications strategy for Illinois. Much of the communications to date has been technical in nature and developed by engineers, and the intent here was to develop a plan that could be used to entice policy makers and the general public to have a positive disposition towards CHP. For the initial research, Scheibel-Halaska contacted over 50 firms involved with CHP and presented their findings to the Midwest CHP Initiative – based on input from this meeting it was apparent that a tag-line and branding strategy were needed for the program to be completely successful. Additional funding from the MWCHP Application Center and GTI led to the development of taglines, and a branding strategy as well as some initial messaging and artwork. This effort was presented to key national members of the USCHPA, GTI, AGA, US DOE, EPA, and EMA, in Washington, DC in January, and was very well received.

An online survey is being developed and will be conducted to obtain feedback on the proposed tag lines. The survey and different tag-lines will be tested on members of EPA's CHP Partnership at their upcoming meeting in April, 2003. Following the survey and selection of a tag-line, the project will then move into finalizing the brand, integrating the communications message into the hospital market in Illinois, and looking for other funding sources to broaden the scope of the communications effort to a national level.

Michigan CHP Stakeholder Meeting: Based on the Michigan Development Plan developed by the Midwest CHP Initiative at Michigan's Microgeneration to Power Parks Conference, a key action was to develop a conference devoted to CHP in Michigan. As such, resources from the MW CHP Application Center, and the Initiative worked with local representatives from the Michigan Clean Energy Cluster and the Michigan Public Service Commission towards development of this conference. Discussions indicated a need for stakeholders to first get together to identify issues and priorities in Michigan with the results of the meeting resulting in a conference for end users later this year. The initial stakeholder workshop was held in January 2003, and included over 50 companies. There were excellent discussions regarding what should be done in the state regarding CHP, how big the CHP market is, what are the opportunities and barriers for CHP, and what should be included in the Michigan CHP Roadmap. The group also went through a process of prioritizing CHP actions, listing most significant barriers, and developing an action plan. Stakeholders meetings are continuing to execute the action plan; the second workshop was conducted in February. The status of these activities is reported on during MWCHPI meetings.

DER Road Show Coordination: The Initiative (effort headed by the U.S. DOE Chicago Regional Office) and Application Center are working with US DOE headquarters to coordinate this activity to educate local building and code authorities throughout the Midwest. Meetings have been coordinated and established as follows:

April 29, 2003 – Indianapolis, Indiana

May 1, 2003 – Chicago, Illinois

May 6, 2003 – Milwaukee, Wisconsin

May 8, 2003 – Madison, Wisconsin

May 15, 2003 – Minneapolis, Minnesota

Illinois Permitting Guideline: One of the Initiative's first efforts, this action is being led by UIC's Energy Resource Center through a DOE and State of Illinois grant. UIC has engaged the participants of the Initiative, including those of regional EPA, GTI, and ELPC to develop this guideline to streamline the permitting process in Illinois. The document was completed in early 2003, and is being used as a model for other states in the Midwest.

Education and Outreach Presentations

The Initiative and Application Center have made numerous presentations on CHP and the Application Center at both local and national conferences to further the development of the CHP market. Some of these presentations include:

- U.S. CHPA', U.S. DOE, and U.S. DOE's CHP Roadmap Workshops – October, 2002: Regional CHP Activities: Midwest Initiative and Application Center for CHP, Ted Bronson and John Cuttica

- U.S. CHPA', U.S. DOE, and U.S. DOE's CHP Roadmap Workshops – October, 2002: City of Chicago Energy Plan, Ted Bronson and John Cuttica
- U.S. DOE's Northwest CHP Workshop – October 2002, "Regional Initiatives and Application Centers
- U.S. DOE's Northwest CHP Workshop – Chaired Policy Session
- U.S. DOE's Southeast CHP Workshop – November, 2002 - Combined Heat and Power: U.S. Status and Overview, Ted Bronson
- GTI-NICOR CHP Symposium – February, 2003 - Combined Cooling, Heating and Power Technologies (CHP): An Overview, Ted Bronson
- GTI-NICOR CHP Symposium – February, 2003 – Supporting CHP Applications in Illinois, Leslie Farrar
- Participated in USCHPA Board of Director Meeting- March, 2003 - Including planning for National CHP Roadmap Meeting for September 2003 in Chicago, Ted Bronson

These and numerous other presentations made by the Application Center can be found on the Application Center website (www.CHPCenterMW.org)

3.2 Support of other Regions

Over the past two years, the Midwest CHP Initiative and the Midwest CHP Application Center have been cited by several sources as the model for the country in building the industry – government partnerships to support DOE's CHP Challenge goal of doubling CHP in the U.S by 2020. Initiative participants and Application Center members have presented our successes and actions for the future at numerous conferences, which has sparked significant interest in the startup of initiative and application centers in other regions.

Based on the positive response received for our efforts, the Initiative and Application Center has been contacted and become instrumental in the startup of other Regional Initiatives, most notably the Northeast CHP Initiative, the Northwest CHP Initiative, and the Southeast CHP Initiative through our support of U.S. DOE's Regional Offices. Recently we have also been contacted by U.S DOE Regional Offices to provide support to the development of a Southwest CHP Initiative, as well as a Central CHP Initiative. The Initiative and Application Center have provided substantial support to these regions by providing guidance and structure to the development of these Initiatives, helping identify participants, meeting planning, and meeting support. It is noted that many of these initiatives have similar organizations to that of the Midwest CHP Initiative, with Steering Committees established for the key elements of CHP deployment. At this point in time, each of these initiatives is a voluntary ad-hoc group, working to develop plans and take action. Some Initiatives are currently developing proposals to U.S. DOE for Application Centers.

In addition to the above noted support, at the request of US DOE's Boston Regional Office, GTI has made the services of Paul Armstrong available since January 2003 to facilitate and direct the activities of the Northeast CHP Initiative, modeled after the Midwest CHP Initiative. In addition GTI has offered the services of Mr. Tod O'Connor to provide similar support to the Southwest CHP Initiative.

Participation in USCHPA Regional Council to Coordinate efforts between centers:

As well as direct involvement with the startup and operation of Regional initiatives across the country, the Midwest CHP Initiative has participated in a Regional CHP Council, recently started by the US Combined Heat and Power Association. Continued involvement in these calls provides idea generation and information sharing for other regions to follow.

4. Next Steps

The Midwest CHP Initiative plans on continuing its efforts over the long term. For the next 6 months, the following key activities are being planned”

Followup with the Illinois Commerce Commission: See above for details. Followup will take place to ensure actions are acted upon, and CHP is maintained as a clean energy source in the new administration’s energy plan. In addition, key followup is required to address issues being raised by ComEd’s refusal to allow anyone to interconnect to their “network” system in the Chicago Loop.

State PUC Tariff Workshop: Based on the success of the Interconnection workshop held in February 2002, Initiative and Application Center personnel have organized a Distributed Generation Tariff Workshop to be held at the Minnesota Department of Commerce on May 14, 2003. The purpose of this meeting is for PUC staff people from the eight Midwest States to hear firsthand key information on emerging tariff issues in other states from industry experts, and to create an environment where the staff feels free to exchange information and ideas on these issues.

Meeting with the Wisconsin Public Service Commission: Based on the success of our meeting with the Illinois Commerce Commission (discussed above), the Initiative and the Application Center have been requested to make a similar presentation to the Wisconsin Public Service Commission in the near future. An initial letter requesting an audience has been sent out.

Participation in USCHPA Regional Council to Coordinate efforts between centers: The Midwest CHP Initiative will continue its involvement with the Regional Council in its efforts to continue our support of the other Regions.

DER Roadshow Coordination: Participants of the Initiative will continue to work to coordinate DER roadshows in the Region.

Planning for 4th Annual U.S. DOE/U.S. CHP/U.S. EPA CHP Roadmapping Workshop in conjunction with the MW Cogen Association Annual Meeting: The Midwest CHP Initiative and Application Center will continue to coordinate efforts with USCHPA and Energetics to plan and develop a strong conference by identifying key speakers and tour sites for the conference.

State Specific Planning Efforts: The Initiative will work to develop at least one additional State specific planning effort in the next six months, most likely Missouri, and continue to execute those plans developed for Wisconsin and Michigan.

Midwest CHP Initiative Meetings – Hold approximately three meetings over the next six months to further planning and activity execution efforts.