

GEM Energy
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April 15, 2013

The Honorable Kevin Brady
301 Cannon House Office Building
Washington, DC 20515

The Honorable Mike Thompson
231 Cannon House Office Building
Washington, DC 20515

The Honorable Jim Gerlach
2442 Rayburn House Office Building
Washington, DC 20515

The Honorable Linda Sanchez
2423 Rayburn House Office Building
Washington, DC 20515

Dear Representatives Brady, Thompson, Gerlach, and Sanchez:

As a distributor of microturbine systems, we are writing to urge the Committee to bring much-needed parity for clean energy technologies in the tax code.

We can attest to the great benefits that microturbine technology has to offer. We believe American consumers should be able to select distributed generation technologies based purely on their merits.

By way of background, a microturbine is a small gas turbine, typically sized one megawatt and below. It is fuel flexible, meaning it can operate using liquid or gaseous fuels including natural gas, biogas, diesel, biodiesel, methane, kerosene and propane. Because of its advanced technology and continuous combustion, no active treatment of the exhaust is needed to produce low particulate emissions. In this way, users are able to realize large reductions in greenhouse gas emissions.

Microturbines are an ideal solution for a wide range of customers such as commercial buildings, hospitals, manufacturing facilities, universities, oil and gas sites, military bases, landfills, farms and many others. Microturbines can offer businesses reliable base-load power independent of the power grid. For businesses concerned about the environmental impact of their energy consumption, microturbines are among the cleanest combustion technologies available, and are one of the few distributed generation technologies certified by the California Air Resources Board to meet its strict emissions standards.

An example of one of our customers who benefited from the installation of a Capstone Microturbine is Pearl Valley Cheese Co., an 80-year old family-owned business in central Ohio. They went green with an energy-saving power system that runs on cheese manufacturing waste

water and promises to save the company more than \$40,000 per year in electricity costs. By recycling waste to generate electricity, Pearl Valley Cheese has reduced its use of coal-generated electricity, as well as greenhouse gas emissions. These were important steps in meeting Pearl Valley's sustainability goals – because methane's greenhouse gas impact on the atmosphere is 21 times greater than carbon dioxide, and burning methane in a flare completely wastes its energy value. Pearl Valley's owners chose a Capstone Microturbine, with its ultra-low emissions, low maintenance cost, quiet operation and ability to handle gas with a high sulphur content as the best fit for their facility. Pearl Valley Cheese, manufactures 25,000 pounds of cheese per day and distributes natural cheeses throughout the eastern United States.

Microturbines can reduce energy costs while simultaneously reducing a site's carbon footprint. Nevertheless, the economics around the decision to purchase a microturbine system are not easy due to capital costs. Like any investment, there is an up-front capital expenditure, which combined with the current disparity in the tax code and other short-term financing challenges, effectively reduces the positive impact of the ITC.

As you are aware, the current tax code singles out microturbines and combined heat and power systems for a 10% investment tax credit (ITC) and limits overall project size eligibility—while other clean forms of power (including fuel cells powered by natural gas) receive a 30% tax credit with no project size limit. This unlevelled playing field creates a skewed environment in which customers cannot make the best decision possible.

We urge you to support legislation that would create parity for microturbines and, consequently, would promote energy efficiency, power reliability, and job creation. Thank you for your consideration.

Sincerely,

GEM Energy



David R. Blair
Senior Vice President