

110TH CONGRESS
1ST SESSION

H. R. 2001

To amend the Internal Revenue Code of 1986 to apply the energy credit to combined heat and power system property.

IN THE HOUSE OF REPRESENTATIVES

APRIL 23, 2007

Mr. INSLEE (for himself, Mr. TERRY, Mr. GILCHREST, Mr. HIGGINS, Ms. MCCOLLUM of Minnesota, Ms. BERKLEY, Mr. DELAHUNT, Mr. PITTS, Mr. COHEN, Ms. SCHAKOWSKY, and Mr. McDERMOTT) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to apply the energy credit to combined heat and power system property.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Industrial Cogenera-
5 tion Act of 2007”.

6 **SEC. 2. ENERGY CREDIT FOR COMBINED HEAT AND POWER**
7 **SYSTEM PROPERTY.**

8 (a) IN GENERAL.—Section 48(a)(3)(A) (defining en-
9 ergy property) is by striking “or” at the end of clause

1 (iii), by inserting “or” at the end of clause (iv), and by
2 adding at the end the following new clause:

3 “(v) combined heat and power system property,”.

4 (b) COMBINED HEAT AND POWER SYSTEM PROP-
5 ERTY.—Section 48 is amended by adding at the end the
6 following new subsection:

7 “(d) COMBINED HEAT AND POWER SYSTEM PROP-
8 ERTY.—For purposes of subsection (a)(3)(A)(v)—

9 “(1) COMBINED HEAT AND POWER SYSTEM
10 PROPERTY.—The term ‘combined heat and power
11 system property’ means property comprising a sys-
12 tem—

13 “(A) which uses the same energy source
14 for the simultaneous or sequential generation of
15 electrical power, mechanical shaft power, or
16 both, in combination with the generation of
17 steam or other forms of useful thermal energy
18 (including heating and cooling applications),

19 “(B) which has an electrical capacity of
20 not more than 50 megawatts or a mechanical
21 energy capacity of not more than 67,000 horse-
22 power or an equivalent combination of electrical
23 and mechanical energy capacities,

24 “(C) which produces—

1 “(i) at least 20 percent of its total
2 useful energy in the form of thermal en-
3 ergy which is not used to produce electrical
4 or mechanical power (or combination
5 thereof), and

6 “(ii) at least 20 percent of its total
7 useful energy in the form of electrical or
8 mechanical power (or combination thereof),

9 “(D) the energy efficiency percentage of
10 which exceeds 60 percent, and

11 “(E) which is placed in service before Jan-
12 uary 1, 2011.

13 “(2) SPECIAL RULES.—

14 “(A) ENERGY EFFICIENCY PERCENT-
15 AGE.—For purposes of this subsection, the en-
16 ergy efficiency percentage of a system is the
17 fraction—

18 “(i) the numerator of which is the
19 total useful electrical, thermal, and me-
20 chanical power produced by the system at
21 normal operating rates, and expected to be
22 consumed in its normal application, and

23 “(ii) the denominator of which is the
24 higher heating value of the primary fuel
25 sources for the system.

1 “(B) DETERMINATIONS MADE ON BTU
2 BASIS.—The energy efficiency percentage and
3 the percentages under paragraph (1)(C) shall
4 be determined on a Btu basis.

5 “(C) INPUT AND OUTPUT PROPERTY NOT
6 INCLUDED.—The term ‘combined heat and
7 power system property’ does not include prop-
8 erty used to transport the energy source to the
9 facility or to distribute energy produced by the
10 facility.

11 “(D) CERTAIN EXCEPTION NOT TO
12 APPLY.—The first sentence of the matter in
13 subsection (a)(3) which follows subparagraph
14 (D) thereof shall not apply to combined heat
15 and power system property.

16 “(3) SYSTEMS USING BAGASSE.—If a system is
17 designed to use bagasse for at least 90 percent of
18 the energy source—

19 “(A) paragraph (1)(D) shall not apply, but

20 “(B) the amount of credit determined
21 under subsection (a) with respect to such sys-
22 tem shall not exceed the amount which bears
23 the same ratio to such amount of credit (deter-
24 mined without regard to this subparagraph) as

1 the energy efficiency percentage of such system
2 bears to 60 percent.

3 “(4) NONAPPLICATION OF CERTAIN RULES.—

4 For purposes of determining if the term ‘combined
5 heat and power system property’ includes tech-
6 nologies which generate electricity or mechanical
7 power using back-pressure steam turbines in place of
8 existing pressure-reducing valves or which make use
9 of waste heat from industrial processes such as by
10 using organic rankine, stirling, or kalina heat engine
11 systems, paragraph (1) shall be applied without re-
12 gard to subparagraphs (C) and (D) thereof.”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to periods after December 31,
15 2007, in taxable years ending after such date, under rules
16 similar to the rules of section 48(m) of the Internal Rev-
17 enue Code of 1986 (as in effect on the day before the date
18 of the enactment of the Revenue Reconciliation Act of
19 1990).

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