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Tecogen to Develop New Generation of Ultra-Efficient Commercial Heat Pumps with California Utility

*Heat Pump Reduces Boiler Global Warming Emissions by Half and
Operates as a 50-Ton Chiller in Summer Months*

Waltham, Mass., September 26, 2006. Tecogen Inc., a leading manufacturer of commercial and industrial natural gas-powered chillers and cogeneration systems, has signed a cooperative agreement with Southern California Gas Company to develop a gas engine-driven heat pump that will produce hot water at efficiencies nearly twice those of conventional gas water heaters.

During the hottest times of the year, the dual-purpose heat pump will also be capable of producing chilled water for space or process cooling, thereby displacing precious (and expensive) on-peak electricity use.

The air-source unit will nominally deliver one million Btu per hour of usable heat, suitable for low- to medium-temperature applications, or 50 tons of cooling when operated as a chiller. In temperate and warm climates, available heat recovery from the engine can boost the efficiency (coefficient of performance) to around 150% (delivered heat output divided by the heat content of the gas input to the engine). It will be capable of delivering hot water temperatures up to 160°F. The gas engine-driven heat pump is a derivative of Tecogen's currently available and proven 50-ton air-cooled chiller product.

The gas engine-driven heat pump will be environmentally beneficial, meeting South Coast Air Quality Management District (SCAQMD) strict requirements for natural gas engines and for gas boilers on an output basis. Due to its extremely high efficiency, the heat pump will also produce *only about half* the greenhouse gas emissions than comparably sized water heaters would have.

Potential applications for the heat pump include furnishing space heating and cooling, domestic hot water, pool heating, and process hot water. Such applications may be found throughout the commercial, institutional and light industrial sectors, including nursing homes, hospitals, hotels, schools, colleges, athletic clubs, YMCA's, municipal swimming pools, greenhouses, dairies, and food processing.

"We are excited about this product as it gives Tecogen customers two ways to save. It offers an excellent hedge against high gas prices, by doubling the efficiency of a customer's water heating. And, as an extra benefit, in the optional cooling mode, it reduces expensive electricity use during summer afternoons. The heat pump will give our customers another energy and cost saving option," notes Bob Panora, President of Tecogen.

Once started, the development project can be done quickly because the basic design and components are proven. Test results of the prototype heat pump are expected in the spring of 2007.

About Tecogen

Tecogen Inc. operates in the distributed generation market and is a leading manufacturer of natural gas fueled commercial and industrial cooling and cogeneration systems. Tecogen has an installed base of more than 1,600 units, which it supports through an established network of engineering, sales, and service support. Tecogen is based in Waltham, Massachusetts with service centers located in nine regions of the United States. For more information, please visit www.tecogen.com.