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Waltham-based Tecogen growing its business — thanks to marijuana

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Natural gas heating and cooling company Tecogen Inc. has been around for decades, but its recent explosive growth has been prompted in large part by a newer industry: marijuana.

The company (Nasdaq: TGEN), based in Waltham, develops what is known as cogeneration systems, combining heating and power by burning natural gas to make energy and using the heat byproduct for a business's heating needs.

The company also manufactures a similar system that uses natural gas to make energy more efficiently, and that in turn powers an AC generator. That technology — which gives the ability to power air conditioning without adding to the massive loads on already taxed electricity needs — is what has enticed marijuana cultivators into using the technology.

"In the last year, we've been ramping up in this business and just hitting the tip of the iceberg now," said Steven Lafaille, product development manager at Tecogen. "Most people are calling us because they have a limitation of electricity coming into their business."

The company's marijuana business, coupled with growth in the company's cogeneration sales, has meant revenue growth, from \$20 million a year to \$30 million a year. In the past, chiller systems were a quarter of the company's revenue. Now it's about half.

The company has equipment installed or is in the process of installing or designing chilling plants in 30 marijuana facilities in the U.S. and Canada — including Medical Marijuana of Massachusetts, UP Cannabis in Ontario, and Casimir-Ironton in Colorado. The company is in conversations with another 25 in Massachusetts that have reached a build-out stage.



Various varieties of marijuana plants growing at the Ermont Medical Marijuana Dispensary in Quincy. Cultivation facilities like these have large energy and cooling requirements, which Tecogen is helping address.

The company is looking to grow as a result, having hired a handful of people and with hopes to add another 10 in the next year. Tecogen currently has 94 employees, 51 of which are in Massachusetts.

Benjamin Locke, co-CEO at Tecogen, said the company had already been focused on the cultivation of crops such as tomatoes and cucumbers, as the lighting needs often create massive cooling requirements. But unlike other cultivation operations, which are typically put in states with low energy costs, the need for Tecogen's business has only been amplified by the high energy costs in states like California and Massachusetts.

"Large cultivation has been a natural for combined heat and gas," Locke said. "But nothing reached this scale in Massachusetts ... (until) marijuana came on."

Because marijuana can't be transported across state lines, each state is having to cultivate its own marijuana, adding to the

cooling needs and progressing Tecogen's business.

Growth is happening in a number of states, primarily in locations where medical marijuana has been legalized. It isn't just new marijuana facilities either, Lafaille said, but marijuana growers who are looking to save on energy costs by retrofitting existing facilities with Tecogen's product.

Having been on the market over 30 years has also appealed to customers, Locke said.

"People feel confident they aren't trying something new," Locke said. "It's just a new application. We're the only ones that make natural gas engine driven chillers. That's what we're talking about for marijuana."

Recreational marijuana will only increase the potential, Locke said.

"Everyone is waiting for that day in 2018 to be online and be able to produce," Locke said. "And HVAC is the number one worry for these folks."