

FUELCELL ENERGY INC

FORM DEF 14A (Proxy Statement (definitive))

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12

FUELCELL ENERGY, INC.
(Name of Registrant as Specified In Its Charter)

Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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-



FuelCell Energy

3 Great Pasture Road
Danbury, CT 06813
203-825-6000

February 20, 2008

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of FuelCell Energy, Inc. ("FuelCell"), which will be held on Friday, April 4, 2008 at 10:00 a.m., at the Sheraton Danbury Hotel located at 18 Old Ridgebury Road, Danbury, Connecticut. The formal Notice of Annual Meeting and Proxy Statement, fully describing the matters to be acted upon at the meeting, appear on the following pages.

The Board of Directors recommends the approval of the proposal s being presented at the Annual Meeting of Shareholders as being in the best interest of FuelCell. We urge you to read the Proxy Statement and give these proposal s your careful attention.

Your vote is important regardless of the number of shares you own. Whether or not you plan to attend the meeting, please take the time to vote in one of these ways:

- Via Internet – visit the web site noted on your proxy card to vote via the Internet.
- By telephone – call the toll-free telephone number on your proxy card to vote by phone.
- By mail – fill in, sign and date the enclosed proxy card and return it promptly in the enclosed postage-paid envelope.

You may attend the meeting and vote in person even if you have previously voted by proxy in one of the three ways listed above.

Sincerely yours,

R. Daniel Brdar
*Chairman, President and
Chief Executive Officer*

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NOTICE OF 2008 ANNUAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS OF FUELCELL ENERGY, INC.:

NOTICE IS HEREBY GIVEN that the Annual Shareholders' Meeting of FuelCell Energy, Inc. (the "Company" or "FuelCell"), will be held at the Sheraton Danbury Hotel located at 18 Old Ridgebury Road, Danbury, Connecticut on Friday, April 4, 2008 at 10:00 a.m. Eastern Standard Time for the following purposes:

1. To elect ten (10) directors to serve for the ensuing year and until their successors are duly elected and qualified ;
2. To ratify the selection of the independent registered public accounting firm for fiscal year 2008; and
3. To transact such other business as may properly come before the Meeting or any adjournment thereof.

Shareholders of record at the close of business on February 20, 2008 are entitled to vote at the meeting.

If you plan on attending the meeting, please call FuelCell at (203) 825-6102. Directions to the Sheraton Danbury Hotel are available on the Company's web site at www.fuelcellenergy.com .

Your attention is directed to the attached Proxy Statement. If you do not expect to be present at the meeting, please vote your shares via the Internet, by touchtone telephone, or fill in, sign, date and mail the enclosed Proxy as promptly as possible in order to save the Company further solicitation expense. A pre-addressed U.S. postage-free envelope is enclosed with the Proxy.

BY ORDER OF THE BOARD OF DIRECTORS

**JOSEPH G. MAHLER
CORPORATE SECRETARY**

Danbury, Connecticut
February 20, 2008

PROXY STATEMENT

This Proxy Statement is furnished to the shareholders of FuelCell Energy, Inc. (the "Company") in connection with the solicitation of proxies by the Board of Directors of the Company to be voted at the 2008 Annual Meeting of Shareholders (the "Annual Meeting") and at any adjournment thereof. The Annual Meeting will be held at the Sheraton Danbury Hotel located at 18 Old Ridgebury Road, Danbury, Connecticut on Friday, April 4, 2008 at 10:00 a.m. Eastern Standard Time. The Company is a Delaware corporation.

The approximate date on which this Proxy Statement and the accompanying proxy card are first being sent or given to shareholders is February 29, 2008.

PROPOSAL NO. 1 - ELECTION OF DIRECTORS

Ten directors are to be elected at the Annual Meeting, each to hold office until the next annual meeting of shareholders and until a successor is elected and qualified. It is the intention of the persons named in the enclosed form of proxy to vote, if authorized, for the election of the ten nominees named below as directors. All of the nominees are present directors of the Company. If any nominee declines or is unable to serve as a director (which is not anticipated), the persons named as proxies reserve full discretion to vote for any other person who may be nominated.

Vote Required

The affirmative vote of a majority of holders of the Common Stock present in person or by proxy at the Meeting is required to elect each nominee as director of the Company for Proposal No. 1.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE PROPOSAL TO ELECT THE TEN NOMINEES LISTED BELOW AS DIRECTORS OF THE COMPANY.

The following table sets forth certain information for each nominee for election as a director.

NAME			DIRECTOR
PRINCIPAL			SINCE
OCCUPATION	AGE	BIOGRAPHY	
R. Daniel Brdar <i>President, Chief Executive Officer and Chairman of the Board of Directors</i>	48	Mr. Brdar has been Chairman of the Board of Directors since January 2007, Chief Executive Officer since January 2006 and President since August 2005. Mr. Brdar, previously FuelCell Energy's Executive Vice President and Chief Operating Officer, joined the Company in 2000. Mr. Brdar held management positions at General Electric Power Systems from 1997 to 2000 where he focused on new product introduction programs and was product manager for its gas turbine technology. Mr. Brdar was Associate Director, Office of Power Systems Product Management at the U.S. Department of Energy where he held a variety of positions from 1988 to 1997 including directing the research, development and demonstration of advanced power systems including gas turbines, gasification systems and fuel cells.	2005

NAME			DIRECTOR
PRINCIPAL			SINCE
OCCUPATION	AGE	BIOGRAPHY	
Christof von Branconi <i>Executive Vice President and Chief Operating Officer of Tognum's Onsite Energy Systems & Components Division</i>	47	Mr. von Branconi is Executive Vice President and Chief Operating Officer of Tognum AG's Onsite Energy Systems & Components Division. Prior to Tognum AG, Mr. von Branconi was the Chief Operating Officer for Lurgi AG, a Frankfurt, Germany company specializing in chemical plant engineering, including renewables, synthesis gas, hydrogen, carbon monoxide as well as sulfur recovery. Mr. von Branconi's prior roles at Lurgi included Manager of Controlling and Business Development. He was a regional director for ThyssenKrupp HiServe in Oberhausen, Germany as well as Chief Operating Officer and Chief Financial Officer on the Executive Board for Technology and Commercial at Polyamid 2000 in Brandenburg, Germany.	2007
Richard A. Bromley <i>Retired Vice President - Law and Government for AT&T</i>	73	Mr. Bromley recently retired as Vice President - Law and Government Affairs at AT&T. During his 38-year career at AT&T, he served as an attorney for Pacific Northwest Bell, Western Electric, Bell Labs, and as a general attorney in AT&T's New York headquarters. As VP-Law and Government Affairs, Mr. Bromley was responsible for all of AT&T's legal, regulatory and governmental matters west of the Mississippi. He is a member of the bar in California, New York, Washington, and Oregon, as well as the United States Supreme Court.	2007
Glenn H. Epstein <i>Former Chairman and Chief Executive Officer of Intermagnetics General Corporation</i>	49	Mr. Epstein was the Chairman and CEO of Intermagnetics General Corporation. He began his career as an engineer at General Electric before moving to the U.K. to take on progressive management roles with Oxford Instruments plc. Mr. Epstein joined Intermagnetics in 1997 as President and COO, took over as CEO in 1999 and was elected Chairman in 2002. Mr. Epstein led Intermagnetics through multiple years of high growth and expansion until negotiating the sale of Intermagnetics to Royal Philips for \$1.3 billion last year. He recently left Philips after leading an integration of both companies MR imaging businesses.	2007

NAME PRINCIPAL OCCUPATION	AGE	BIOGRAPHY	DIRECTOR SINCE
James D. Gerson <i>Private Investor</i>	64	Mr. Gerson is a member of the Board of several public and private companies and civic organizations including Ciprico, Inc., I-Light Technologies, Zipcar, Inc. and VE Enterprises. He is also Chairman of the Board of Evercel, Inc. Prior to its 2007 merger with Schneider Electric, Mr. Gerson served as a Director of American Power Conversion Corp. Mr. Gerson was previously a Vice President of Fahnestock & Co., Inc. (now Oppenheimer & Co.) where he held a variety of positions in corporate finance, research and portfolio management.	1992
Thomas L. Kempner <i>Chairman and Chief Executive Officer of Loeb Partners Corporation</i>	80	Mr. Kempner has been Chairman and Chief Executive Officer of Loeb Partners Corporation since 1979 and a general partner of Loeb Investors Co. LXXV, an investment partnership and an affiliate of Loeb Partners Corporation. Mr. Kempner is a Director of IGENE Biotechnology, Inc., Dyax Corporation, Intersections, Inc. and Director Emeritus of Northwest Airlines, Inc.	1988
William A. Lawson <i>Retired Chairman of the Board of Newcor, Inc.</i>	74	Mr. Lawson was the Chairman of the Board of Newcor, which designed and manufactured products principally for the automotive, heavy-duty, agricultural and industrial markets and focused on two core competencies: precision machined components and molded rubber and plastic products. Newcor operated six companies with 1,000 employees and now operates as part of EXX, Inc. Mr. Lawson was also President of W. A. Lawson Associates, an industrial and financial consulting firm.	1988
George K. Petty <i>Former President and Chief Executive Officer of Telus Corporation .</i>	66	Mr. Petty was the President and Chief Executive Officer of Telus Corporation, which is Canada's second largest telecommunications company. Previously, Mr. Petty was Vice President of Global Business Service for AT&T and Chairman of the Board of World Partners, the Global Telecom Alliance. Mr. Petty is a Director of Enbridge, Inc., Enbridge Energy Partners, L.P., Enbridge Energy Management, Inc. and Enbridge Energy Company, Inc. Enbridge is a global energy transportation and distribution company with \$C12 billion in sales and 4,900 employees.	2003

NAME			DIRECTOR
PRINCIPAL OCCUPATION	AGE	BIOGRAPHY	SINCE
John A. Rolls <i>Managing Partner Core Capital Group, a private investment partnership</i>	65	Mr. Rolls is Managing Partner of Core Capital Group, a private investment partnership. Previously, Mr. Rolls was the President and Chief Executive Officer of Deutsche Bank North America Executive Vice President and Chief Financial Officer of United Technologies, Senior Vice President and Chief Financial Officer of RCA and Treasurer, Monsanto Company. Mr. Rolls is a Director of AbitibiBowater Inc. and of MBIA Corporation.	2000
Togo Dennis West, Jr. <i>Chairman of Noblis, Inc. and the TLI Leadership Group</i>	65	Mr. West was U.S. Secretary of the Army and U. S. Secretary of Veterans Affairs. He has practiced law as a partner in the New York law firm of Patterson, Belknap, Webb and Tyler and was of counsel to the D.C. based law firm of Covington & Burling. Mr. West also served as General Counsel to the Departments of Defense and of the Navy. Prior to his appointment with the Army, he was Senior Vice President for Government Affairs with Northrop Corporation. More recently, he was President and CEO of the Joint Center for Political and Economic Studies. Mr. West serves on the boards of Krispy Kreme Doughnuts, Inc. and AbitibiBowater Inc.	2008

Director Changes in 2007

Jerry D. Leitman resigned as Chairman of the Board of Directors of the Company in January 2007.

Charles J. Murphy resigned as a Director of the Board of Directors of the Company in March 2007.

Warren D. Bagatelle served as a Director of the Board of Directors of the Company from 1988 until his passing in May 2007.

The Board acknowledges Messrs. Leitman's, Murphy's and Bagatelle's many years of service on the Board, and their commitment and contributions to the Company.

BIOGRAPHIES OF EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS

NAME <i>PRINCIPAL OCCUPATION</i>	AGE	BIOGRAPHY
Christopher R. Bentley <i>Executive Vice President, Government R&D Operations, Strategic Manufacturing Development</i>	65	Mr. Bentley has been responsible for Government Research and Development Operations and Strategic Manufacturing Development since January of 2005. He joined the Company in 1990 to develop manufacturing and operations capability in support of the DFC commercialization initiative. He served on the Board of Directors from 1993 to 2004. Prior to joining the Company, he was Director of Manufacturing (1985), Vice-President and General Manager (1985-1988) and President (1989) of the Turbine Airfoils Division of Chromalloy Gas Turbine Corporation, a major manufacturer of gas turbine hardware. From 1960 to 1985 he was with the General Electric Company. Mr. Bentley received a B.S. in Mechanical Engineering from Tufts University in 1966.
Bruce A. Ludemann <i>Senior Vice President of Sales & Marketing</i>	48	Mr. Ludemann joined the Company in April 2006. His responsibilities encompass the Company's business development activities across global markets. Prior to joining the Company, Mr. Ludemann was a senior marketing and sales executive with Siemens, where he oversaw sales and marketing efforts for the firm's Power Generation and Transmission & Distribution business units. Earlier, he had been with ABB Power Transmission & Distribution Inc.; the industrial control firm Square D; and Swiss electrical equipment manufacturer BBC Brown Boveri. He also served four years in the U.S. Navy specializing in electric power generation and distribution systems. Mr. Ludemann holds an Executive MBA from the University of Pittsburgh.
Joseph G. Mahler <i>Senior Vice President, Chief Financial Officer, Corporate Secretary, Treasurer, Corporate Strategy</i>	55	Mr. Mahler joined the Company in October 1998 as Vice President, Chief Financial Officer, Corporate Secretary, and Treasurer. Mr. Mahler's responsibilities include finance, accounting, corporate governance, strategy, treasury, information systems and human resources. Mr. Mahler was Vice President-Chief Financial Officer at Earthgro, Inc. from 1993 to 1998 and worked at Ernst & Young in the New York and Hartford offices from 1974 to 1992. Mr. Mahler was a partner in the Hartford office's Entrepreneurial Services Group. Mr. Mahler received a B.S. in Accounting from Boston College in 1974.

BOARD OF DIRECTORS AND COMMITTEES

The Board of Directors held nine meetings during the fiscal year ended October 31, 2007. Each director attended at least 85% of the meetings of the Board of Directors and Board committees of which he was a member during the period he served as director.

Lead Independent Director

The Board of Directors established the role of Lead Independent Director and appointed John Rolls to the position in January 2007.

Independent Directors

The Board of Directors has determined that the following members of the Board are independent directors, as such term is defined in Nasdaq Rule 4200(a)(15): Richard A. Bromley, Glenn H. Epstein, James D. Gerson, Thomas L. Kempner, William A. Lawson, George K. Petty, John A. Rolls and Secretary Togo Dennis West Jr. The independent directors meet from time to time in executive session.

Executive Committee

The Board of Directors has an Executive Committee comprised of Messrs. Petty (Chairman), Brdar and Kempner. The Executive Committee, which held no meetings during fiscal 2007, is authorized to exercise the general powers of the Board between meetings of the Board of Directors.

Nominating and Corporate Governance Committee

The Board of Directors has a Nominating and Corporate Governance Committee (the "Nominating Committee") comprised of Messrs. Kempner (Chairman), Gerson and Rolls. Mr. Murphy was a member until he resigned from the Board of Directors in March 2007. The members of the Nominating Committee are all independent directors under applicable Nasdaq rules. Members of the Nominating Committee are appointed by the Board of Directors. The principal duties of the Nominating Committee, in its capacity as a committee of the Board of Directors, are (i) to identify individuals qualified to become members of the Board of Directors and recommend the persons to be nominated by the Board of Directors for election as directors at the annual meeting of stockholders, (ii) to review the Company's corporate governance principles, assess and recommend to the Board any changes deemed appropriate, (iii) to periodically review, discuss and assess the performance of the Board and the Committees of the Board, (iv) to review the Board's committee structure and make recommendations to the full Board concerning the number and responsibilities of Board committees and committee assignments, (v) to periodically review and report to the Board any questions of possible conflicts of interest or related party transactions involving Board members or members of senior management of the Company and other matters required by its charter. The Nominating and Corporate Governance Committee has a Charter, which is available on the Company's website at www.fce.com.

The Nominating Committee will consider nominees for the Board of Directors recommended by stockholders. Nominations by stockholders must be in writing, and must include the full name of the proposed nominee, a brief description of the proposed nominee's business experience for at least the previous five years, and a representation that the nominating stockholder is a beneficial or record owner of the Company's common stock. Any such submission must also be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as director if elected. Nominations must be delivered to the Nominating Committee at the following address:

Nominating and Corporate Governance Committee
FuelCell Energy, Inc.
c/o Corporate Secretary
3 Great Pasture Road
Danbury, CT 06813

The Nominating Committee is required to review the qualifications and backgrounds of all directors and nominees (without regard to whether a nominee has been recommended by stockholders), as well as the overall composition of the Board of Directors, and recommend a slate of directors to be nominated for election at the annual meeting of stockholders, or, in the case of a vacancy on the Board of Directors, recommend a director to be elected by the Board to fill such vacancy. The Nominating Committee held six meetings during fiscal 2007.

Audit and Finance Committee

The Board of Directors has an Audit and Finance Committee comprised of Messrs. Gerson (Chairman), Bromley, Petty and Rolls. Mr. Bagatelle was a member until his passing in May 2007 and Mr. Murphy was a member until he resigned from the Board of Directors in March 2007. Mr. Rolls joined the committee in June 2007. The principal duties of the Audit and Finance Committee are to oversee (i) management's conduct of the Company's financial reporting process, including reviewing the financial reports and other financial information provided by the Company, and the Company's systems of internal accounting and financial controls, (ii) the Company's independent auditors' qualifications and independence and the audit and non-audit services provided to the Company, and (iii) the performance of the Company's independent auditors. The Audit and Finance Committee shall also assist the Board in providing oversight as to the Company's financial and related activities, including capital market transactions and other matters required by its charter. The Audit and Finance Committee has a Charter, which is available on the Company's website at www.fce.com. The Audit and Finance Committee held twelve meetings during fiscal 2007. The Audit and Finance Committee's report appears on page 24.

Each of the Audit and Finance Committee members satisfies the definition of independent director and is financially literate as established in the NASDAQ Listing Standards. In accordance with Section 407 of the Sarbanes-Oxley Act of 2002, the Board has identified John Rolls as the Audit and Finance Committee's "Independent Financial Expert."

Compensation Committee

The Board of Directors has a Compensation Committee comprised of Messrs. Lawson (Chairman), Epstein and Petty. Mr. Bagatelle was a member until his passing in May 2007 and Mr. Rolls served on this committee until June 2007. The members of the Committee are all independent directors under applicable Nasdaq rules. Members of the Compensation Committee are appointed by the Board of Directors.

The Compensation Committee is responsible for implementing and reviewing executive compensation plans, policies and programs in an effort to ensure the attraction and retention of executive officers in a reasonable and cost-effective manner, to motivate their performance in the achievement of the Company's business objectives and to align the interests of executive officers with the long-term interests of the Company's shareholders. To that end, it is the responsibility of the Compensation Committee to develop, approve and periodically review a general compensation policy and salary structure for executive officers of the Company, which considers business and financial objectives, industry and market pay practices and/or such other information as may be deemed appropriate. It is also the responsibility of the Compensation Committee to review and recommend for approval by the independent directors of the Board the compensation (salary, bonus and other incentive compensation) of the Chief Executive Officer of the Company and review and approve the compensation (salary, bonus and other incentive compensation) of the other executive officers of the Company; review and approve perquisites offered to executive officers of the Company; review and approve corporate goals and objectives relevant to the compensation of executive officers of the Company and evaluate performance in light of the goals and objectives; and review and approve all employment, retention and severance agreements for executive officers of the Company. The Compensation Committee reviews the management succession program for the Chief Executive Officer and selected executive officers of the Company.

The Compensation Committee acts on behalf of the Board in administering compensation plans approved by the Board, in a manner consistent with the terms of such plans (including, as applicable, the granting of stock options, restricted stock, stock units and other awards, and the review of performance target goals established before the start of the relevant plan year and determination of when performance goals have been achieved at the end of the plan year); the Committee also reviews and makes recommendations to the Board with respect to new compensation incentive plans and equity-based plans; reviews and recommends the compensation (annual retainer, committee fees and other compensation) of the Directors of the Board to the full Board for approval; and reviews and makes recommendations to the Board on changes in major benefit programs of executive officers of the Company and other matters required by its charter. The Compensation Committee has a Charter, which is available on the Company's website at www.fce.com. The Compensation Committee held five meetings during fiscal 2007. The Compensation Committee's report appears on page 14.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee was an officer or employee of the Company during the fiscal year ended October 31, 2007. No executive officer or director of the Company had a relationship with the Company or any other company during fiscal 2007 which the SEC defines as a compensation committee interlock and requires disclosure to shareholders. Mr. Petty, a member of the Compensation Committee, is a member of the Board of Directors of Enbridge, Inc., a distributor of the Company.

Mr. von Branconi is an executive officer of Tognum AG, parent company of CFC Solutions GmbH ("CFC" Solutions), a distributor of the Company (see "Certain Relationships and Related Transactions" below).

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The intent of this Compensation Discussion and Analysis (“CD&A”) is to identify and discuss in detail all components within the Company’s executive compensation policy and to explain the objectives and practices of the policy. Executive compensation tables are presented beginning on page 16 with respect to the executive compensation of the following Named Executive Officers (“NEOs”).

- R. Daniel Brdar - Chairman, Chief Executive Officer and President
- Joseph G. Mahler - Senior Vice President, Chief Financial Officer, Corporate Secretary, Treasurer, Corporate Strategy
- Christopher R. Bentley - Executive Vice President, Government R&D Operations, Strategic Manufacturing Development
- Bruce A. Ludemann - Senior Vice President of Sales and Marketing

Design of Compensation Package

Recruitment and retention of leadership to manage the Company requires a competitive compensation package. The Compensation Committee (the “Committee”) is responsible for implementing and reviewing executive compensation plans, policies and programs in an effort to ensure the attraction and retention of executive officers in a reasonable and cost-effective manner, to motivate their performance in the achievement of the Company’s business objectives and to align the interest of executive officers with the long-term interests of the Company’s shareholders. The Committee reviews the Company’s executive compensation on an annual basis and analyzes the various long-term incentive tools including stock options, restricted stock, performance-based equity and other alternatives that might be available.

The Committee’s compensation approach emphasizes (i) a fixed component, which includes a competitive base salary and health and retirement benefits and (ii) a variable component, which consists of an annual bonus award (based on a percentage of base salary and typically paid in cash and common stock), long-term incentive stock option awards used to align a portion of the executive’s compensation with the long-term success of the Company’s shareholders and an Employee Stock Purchase Plan (“ESPP”).

To ensure competitiveness of the Company’s executive compensation, the Committee relies on benchmarking data. Ernst & Young LLP performed a compensation study for the Company in 2003 and the Company has consulted with them since this date to update the benchmarking data. The Company has used various other resources for executive compensation benchmarking data, including information from Equilar Inc., as well as subscriptions to internet-based or other forms of executive compensation information. The Company also uses Mercer HR Consulting, primarily to assist with structuring the Company’s health, life and disability benefits offered to employees and has used compensation benchmarking data provided by Mercer.

The Committee considers benchmarking data of executive compensation values from a compensation peer group (“CPG”) of companies in the energy industry, primarily alternative energy companies. Actual compensation for NEOs will vary based on performance, job scope, abilities, tenure and retention risk. The CPG consists of the following companies Active Power, Inc., Advanced Energy Industries, Inc., Ballard Power Systems, Inc., Beacon Power Corp, Amercian Super Conductor Corp, Capstone Turbine Corp, Dionex Corp, Energy Conversion Devices, Impco Technologies, Inc, Plug Power, Inc, Satcon Technology Corp and Zygo Corp. The Committee periodically reviews and adjusts the compensation peer group.

The Committee uses information provided by management, including primarily the Chief Executive Officer, Chief Financial Officer and Vice President of Human Resources. Management assists with gathering benchmarking data and also provides information to the Committee relating to Company performance against annual milestones including product orders, cash use, product field performance and product cost-reduction. Management also makes recommendations to the Committee for annual merit increases, bonus pools and long-term incentive awards.

Fixed Compensation

Principal elements of fixed compensation not directly linked to individual or Company performance include a base salary and benefits (e.g., 401(k), health, life and disability insurance).

Base Salary

Base salaries are used to recognize the experience, skills, knowledge and responsibilities required of all of our employees, including our executive officers. Fiscal 2007 base salaries for the Company's executive officers were determined by the Compensation Committee after considering the base salary level of NEO's in the prior year. Increases in base salary are based on an annual review and evaluation of the performance of the operation or function for which the executive has responsibility, and is measured against defined performance criteria. The Committee has historically reviewed benchmarking data showing an average executive compensation in the 25th to 75th percentile of the market median from the CPG, with individual variations based on job scope, tenure, retention risk and other factors considered relevant by the Committee. Base salaries for the Company's NEOs for 2007 are consistent with this targeted range.

Benefits

The Company offers a 401(k) Plan as well as health, life and disability insurance to its NEOs. The level of benefits and premiums under these programs are offered on the same basis as those offered to the Company's non-executive employees. All 401(k) contributions are limited to an annual maximum amount as set periodically by the Internal Revenue Service. The Company provides matching contributions equal to the employee's deferred compensation, up to a maximum of 6 percent of annual compensation, subject to limitations imposed by the IRS. Participants are required to contribute a minimum of 3 percent in order to be eligible to participate and receive a Company match. Company contributions begin vesting after one year and are fully vested after five years. There is no option available in the 401(k) plan for the employee to receive or purchase the Company's common stock. The Company also offers medical and dental insurance and pays a portion of the premiums for these benefits consistent with other non-executive employees. Executive officers and non-executive employees also receive group life insurance and accidental death and dismemberment benefits; premiums for these benefits are paid by the Company. The Company also pays short-term disability premiums and supplemental long-term disability premiums for its executive officers and other eligible employees.

Variable Compensation

Annual Bonus

NEOs are eligible to participate in an annual bonus plan. The baseline bonus percentages for the NEOs as well as all salary grade levels within the Company are based on benchmarking data for the Company's CPG. The Committee has historically reviewed benchmarking data showing an executive annual bonus between the 50th and 75th percentile of the market median from the CPG. The Committee determines the level of awards under the bonus plan and considers input of the Chief Executive Officer with respect to the bonus to be awarded to the other executive officers. The size of the Company's overall bonus pool as well as each individual NEO's bonus reflects (i) baseline bonus percentages, (ii) performance against pre-established Company milestones, and (iii) adjustments for individual performance. The Committee retains the right to adjust the size of awards as it deems appropriate to take into account other factors that enhance or detract from results achieved relative to the established milestones, as well as unforeseen factors beyond management's control that affected performance. In this way, the Committee does not confine itself to a purely quantitative approach and retains discretion in determining awards based on its review of and assessment of results for the year. The Committee believes that linking bonus awards to pre-established milestones creates a performance-based compensation strategy consistent with shareholder interests.

Baseline bonus targets as a percentage of base salary for each NEO are as follows:

- Chief Executive Officer – 50 percent
- Other Named Executive Officers – 30 percent.

Each of the Company's milestones include pre-established levels of performance to obtain scores ranging from 0 percent to 125 percent. The threshold performance level of satisfactory is intended to be reasonable based on historical performance while performance measures above the threshold are intended as stretch goals to improve the Company's operating results or product performance. The Compensation Committee has the authority to review extraordinary events that impact the Company's performance and may adjust the final calculation. Each milestone is also assigned a weighting or level of importance of that milestone against the Company's other milestones. The aggregate weighted score (milestone weight multiplied by milestone score) for all milestones is used to determine the overall pool payout percentage of target using the following scale:

Scale	Weighted Score	Percentage Payout of Target
Satisfactory	50% - 69%	75%
Commendable	70% - 89%	100%
Outstanding	Greater than 90%	125%

The milestones for fiscal 2006 (paid in 2007) were to (i) secure product orders, (ii) limit cash use, (iii) maintain product field performance at a pre-defined power plant availability threshold, and (iv) achieve product cost-reduction of the DFC3000 power plant. Each of these four milestones was equally weighted at 25 percent.

The Company's actual performance was below target on secured orders (achieved 74 percent of the target), favorable for cash use (2 percent better than target), slightly unfavorable product field performance of 99 percent of the pre-defined threshold and favorable cost-reduction on the DFC3000 power plant (approximately 13 percent better than the target). This overall performance against the pre-established milestones resulted in a weighted score of greater than 90% resulting in a percentage payout of target of 125%. Due to the shortfall in orders, the Chief Executive Officer recommended, and the Committee approved, reducing the bonus pool to 100 percent of baseline target bonuses. Bonuses were paid 50 percent in cash and 50 percent in shares of Company stock equal to the bonus award amount divided by the fair market value of the stock on date of award. Bonus awards for each of the NEOs shown in the Summary Compensation Table on page 16 reflect the approved bonus pool percentage, adjusted for tenure, retention goals and individual performance.

Long-Term Incentive Compensation

Each of the NEOs are eligible to receive awards under the Company's Equity Incentive Plans. These Plans are used to align a portion of the NEO's compensation with shareholders' interest and the long-term success of the Company by providing a direct link to future earnings potential and the Company's stock price. The Committee does not and has not permitted backdating or re-pricing of stock options. Grant dates are the date the Committee approves the awards. Stock option exercise prices equal the closing price for the Company's common stock on the grant date and have a ten year term. These options provide value to the executive only if the Company's stock price increases after the grants are made.

The number of stock options granted annually to NEOs is based on pre-established grant guidelines calibrated to competitive standards and approved by the Compensation Committee. The Committee considers benchmarking data, peer group comparisons, as well as cost implications, in determining long-term incentive awards. The Committee has historically reviewed executive officer benchmarking data showing long-term incentive awards ranging from 75 percent to 400 percent of base salary for the CPG with option values determined using the Black-Scholes model. The Committee also limits the total pool of options available to Company employees including NEOs, based on a percentage of the Company's common stock outstanding targeting between the 50th and 75th percentile of Russell 2000 companies according to market data provided by Equilar Inc. For the shares granted in 2007, the percentage of new options granted less those cancelled during the period divided by total outstanding common shares was 1.64 percent. This percentage was within the targeted percentiles.

The number of options granted to each NEO during 2007 is consistent with the benchmarking data discussed above, adjusted for tenure with the Company, retention goals and individual performance. As a percent of base salary, long-term incentive awards ranged from 36 percent to 146 percent of base salary for the NEOs. Stock option awards for each of the NEOs are shown in the Summary Compensation Table on page 16.

Employee Stock Purchase Plan

NEOs can participate in the Company's shareholder approved Section 423 Stock Purchase Plan on the same terms as eligible non-executive employees, subject to legal limitations on contribution amounts or payments to executive officers under these plans. NEOs can participate in the Company's shareholder approved Section 423 Stock Purchase Plan (ESPP) on the same terms as eligible non-executive employees, subject to legal and plan limitations on contribution amounts and share limitations. Under the ESPP, eligible employees have the right to purchase shares of common stock at an exercise price for each offering period equal to the lesser of (i) 85 percent of the last reported sale price of the Company's common stock on the first business day of the offering period, or (ii) 85 percent of the last reported sale price of the common stock on the last business day of the offering period, in either case rounded up to avoid impermissible trading fractions.

Any shares issued pursuant to the ESPP shall contain a legend restricting the transfer or sale of such common stock for a period of six months after the date of purchase.

Chief Executive Officer Compensation

The compensation paid by the Company to its Chief Executive Officer, Mr. Brdar, who became Chief Executive Officer in January 2006, was based upon an employment agreement. The Committee conducts surveys of compensation packages of Chief Executive Officers in comparable companies, and believes, based upon the individual experience of its members, that the compensation package for Mr. Brdar for fiscal 2007 was reasonable based upon Mr. Brdar's experience, his level of responsibility and the contributions made and expected to be made by him to the Company. See the following section for a description of Mr. Brdar's employment agreement.

Employment Agreements and Change of Control and Severance

R. Daniel Brdar

On January 12, 2006, the Company entered into an employment agreement (the "Agreement") with Mr. Brdar upon his promotion to President and Chief Executive Officer. This Agreement supersedes Mr. Brdar's prior employment arrangement dated February 2005. Under the Agreement, which is terminable by either party upon 30 days notice, Mr. Brdar is entitled to an initial annual base salary of \$350,000, to be reviewed at least annually by the Board of Directors, and a bonus of up to 50% of Mr. Brdar's base salary also to be determined and approved by the Board of Directors. Mr. Brdar retained options to purchase 250,000 shares of Common Stock granted under the February 2005 employment arrangement and was granted options to purchase an additional 250,000 shares of Common Stock in December 2005. The Agreement also provides Mr. Brdar with the opportunity to participate in insurance plans and other employment benefits as may be generally available to other employees of the Company. The Agreement also contains non-disclosure provisions and prohibits Mr. Brdar from competing with the Company during the term of his employment and for a period of two years thereafter.

In the event of change in control of the Company resulting in voluntary termination by Mr. Brdar or, in the event of termination of Mr. Brdar's employment by the Company without cause, he is entitled to a severance payment in an amount equal to two (2) years of his base salary as of the date of termination plus the average of the bonuses paid to him since the inception of his employment agreement. In the event of termination of Mr. Brdar's employment by the Company for cause, the Company shall pay Mr. Brdar any base salary and vacation accrued but as yet unpaid on the effective date of such termination. Mr. Brdar's stock options and restricted stock granted shall accelerate and immediately vest upon a change of control.

Should Mr. Brdar be unable to fulfill his duties as a result of incapacity or disability, the Company may terminate his employment. In the event of such incapacity or disability, the Company shall continue to pay full compensation to Mr. Brdar in accordance with the terms of his employment agreement until the date of such termination. In the event of death, the Company shall pay Mr. Brdar's estate any base salary and other compensation or benefits accrued but as yet unpaid on the date of death.

Joseph G. Mahler

In October 1998, the Company entered into an employment agreement with Mr. Mahler upon hiring him as its Chief Financial Officer, Treasurer and Corporate Secretary. Under the agreement, which is terminable by either party upon 30 days notice, Mr. Mahler is entitled to a minimum annual salary and a bonus. In addition, upon entering into the agreement, the Company granted Mr. Mahler options to purchase 300,000 shares of Common Stock. The agreement also provides Mr. Mahler with the opportunity to participate in insurance plans and other employment benefits as may be generally available to other employees of the Company. The agreement also contains non-disclosure provisions and prohibits Mr. Mahler from competing with the Company during the term of his employment and for a period of two years thereafter.

In the event of change in control of the Company resulting in voluntary termination by Mr. Mahler, he is entitled to a severance payment in an amount equal to one (1) year of his base salary as of the date of termination plus an amount equal to his bonus if any, for the immediately preceding year and any incentive compensation awarded to him but not yet paid.

In the event of termination of Mr. Mahler's employment by the Company without cause, Mr. Mahler shall be entitled to a severance payment in an amount equal to one (1) year of his base salary as of the date of termination plus an amount equal to his bonus if any, for the immediately preceding year. In the event of termination of Mr. Mahler's employment by the Company for cause, the Company shall pay Mr. Mahler any base salary accrued but as yet unpaid on the effective date of such termination plus any incentive compensation awarded to him but not yet paid.

Should Mr. Mahler be unable to fulfill his duties as a result of incapacity of disability, the Company may terminate his employment. Mr. Mahler shall receive his base salary through the date of termination, provided, however, that to the extent of Mr. Mahler is receiving disability benefits pursuant to the Company's disability insurance policy, the amount of such benefits shall be credited against Mr. Mahler's base salary during the period prior to the date of termination. In addition, upon any termination based upon disability, the Company shall pay Mr. Mahler any incentive compensation awarded to him but not yet paid. In the event of death, the Company shall pay Mr. Mahler's estate any base salary through the last day of the calendar month plus any incentive compensation awarded to Mr. Mahler but not yet paid.

Messrs. Bentley and Ludemann do not have employment agreements.

Stock Ownership Guidelines

The Compensation Committee believes that the elements of compensation for NEOs discussed above provides for an appropriate level of correlation with shareholder interests and therefore the Committee does not require named executives officers or other senior executives to own specified amounts of FuelCell Energy common stock.

Tax and Accounting Considerations

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally prohibits public companies from taking a tax deduction for compensation in excess of \$1,000,000 paid to its named executive officers at the end of the year. Qualifying performance-based compensation is not subject to the deduction limitation if specified requirements are met. The Company structures its equity awards to comply with exemptions in Section 162(m) in order to ensure that the compensation remains tax deductible. The Company periodically reviews the potential consequences of Section 162(m) on the other components of its executive compensation program. Executive Compensation paid during 2007 complied with the Section 162(m) to the extent it was applicable.

Conclusion

The Committee believes that the elements of compensation delivered to each NEO is reasonable and appropriate and is in the best interest of the Company and its shareholders and that its decisions with respect to compensation paid to NEOs are in line with the goals and objectives as defined in this Compensation Discussion and Analysis.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed the Compensation Discussion and Analysis and has discussed it with management. Based on the review of the Compensation Discussion and Analysis, the Compensation Committee has recommended to the Board its inclusion in the Company's Annual Report on Form 10-K for fiscal year ended October 31, 2007 and its 2008 Proxy Statement filed in connection with the Company's 2008 Annual Meeting of Shareholders.

The Compensation Committee

William Lawson (Chairman)

George Petty

Glenn Epstein

Named Executive Officer Compensation

The following narrative, tables and footnotes set forth the annual and long-term compensation for services in all capacities to the Company for the fiscal year ended October 31, 2007 of those persons who were the chief executive officer during fiscal 2007 and all of the other most highly compensated executive officers (“Named Executive Officers” or “NEOs”) of the Company at October 31, 2007. Each component of the total compensation paid to NEOs during fiscal year 2007 is described below:

Salary – Mr. Brdar’s and Mr. Mahler’s base salaries were set pursuant to the terms of their employment agreements with the Company. For further information see employment agreements on page 13. Mr. Bentley and Mr. Ludemann do not have employment agreements with the Company. Salaries commensurate with position level, job responsibilities and benchmarking data as described on page 9.

Bonus –The value of the annual bonus for each NEO in fiscal year 2007 was paid 50% in cash and 50% in shares of common stock. The “Bonus” column of the Summary Compensation Table represents the cash portion of the bonus.

Stock Awards - The value of the annual bonus for each NEO in fiscal year 2007 was paid 50% in cash and 50% in shares of common stock. The “Stock Awards” column of the Summary Compensation Table represents the common stock value of the bonus. Shares were issued at their fair market value on the date of award. These amounts are included in the Summary Compensation Table on page 16 of this Proxy Statement.

Option Awards – The option awards disclosed in the Summary Compensation Table consist of options granted to each NEO during fiscal year 2007. The value of option awards is based on SFAS No. 123(R) “Share Based Payments” as required by the Securities and Exchange Commission. As a result, this amount does not reflect what was paid to the Company’s executives; rather it reflects the amount we must include as an expense on the Company’s financial statements.

All Other Compensation – The “All Other Compensation” column of the Summary Compensation Table includes employer contributions to the Section 401(k) Plan and relocation expenses paid during fiscal 2007.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus \$(1)	Stock Awards \$(1)	Option Awards (\$)	All Other Compensation \$(3)	Total (\$)
R. Daniel Brdar <i>President and Chief Executive Officer</i>	2007	\$ 364,130	\$ 87,500	\$ 87,500	\$ 400,644	\$ 13,500	\$ 953,274
Joseph G. Mahler, <i>Senior Vice President, Chief Financial Officer, Corporate Secretary, Treasurer, Corporate Strategy</i>	2007	\$ 263,240	\$ 38,250	\$ 38,250	\$ 160,257	\$ 13,724	\$ 513,721
Christopher R. Bentley <i>Executive Vice President, Government R&D Operations, Strategic Manufacturing Development</i>	2007	\$ 274,997	\$ 34,500	\$ 34,500	\$ 100,161	\$ 13,500	\$ 457,658
Bruce A. Ludemann <i>Senior Vice President of Sales and Marketing</i>	2007	\$ 206,464	\$ 25,000	\$ 25,000	\$ 300,483	\$ 16,098 ⁽²⁾	\$ 573,045

(1) The value of the 2007 annual bonus was paid 50% in cash and 50% in shares of common stock.

(2) Includes reimbursement of \$3,710 to Mr. Ludemann for relocation expenses.

(3) Represents employer contributions to the Section 401(k) Plan.

For further information on each compensation component of the Summary Compensation Table, refer to the Compensation Discussion & Analysis beginning on page 9.

Grants of Plan-based Awards

Options granted to NEOs in fiscal year 2007 as detailed in the table below were granted pursuant to the Company's 2006 Equity Incentive Plan. These options were made on the same terms as options granted to all other eligible employees. Material terms of stock options granted are as follows:

- Stock options vest at a rate of 25% per year beginning on the first anniversary of the date of grant.
- Stock options expire on the tenth anniversary of the date of grant providing that the NEO remains actively employed. The Board shall determine the effect on an Award of the disability, death, retirement or other termination of employment of a Participant and the extent to which, and the period during which, the NEOs legal representative, guardian or Designated Beneficiary may receive payment of an Award or exercise rights thereunder.
- The stock option price is 100 percent of the Fair Market Value of the Common Stock on the date of grant.

For further information on the stock option grants included in the Grants of Plan Based Award Table, refer to the Compensation Discussion & Analysis beginning on page 9.

Grants of Plan-based Awards Table

Name	Grant Date (1)	All Other Stock Awards: Number of Shares of Stock or Units (#) (2)	All Other Option Awards: Number of Securities Underlying Options (#) (1)	Exercise or Base Price of Option Awards (\$/Sh) (1)
R. Daniel Brdar	3/13/2007	13,483	100,000	\$ 6.49
Joseph G. Mahler	3/13/2007	5,894	40,000	\$ 6.49
Christopher R. Bentley	3/13/2007	5,316	25,000	\$ 6.49
Bruce A. Ludemann	3/13/2007	3,853	75,000	\$ 6.49

- (1) Option Awards - On March 13, 2007, the 2007 Long-term Incentive grants were approved by the Board of Directors for the Chief Executive Officer and by the Compensation Committee for the other NEOs at an option exercise price of 100% of the closing price of the Company's common stock on the NASDAQ on that date. For more information regarding the Company's option grant practices, see the Long-Term Incentive Compensation section of the Compensation Discussion and Analysis beginning on page 9 of this document.
- (2) Stock Awards - On March 13, 2007 the stock portion of Annual Bonuses (50 percent of total annual bonus is paid in stock) were paid to NEO's in shares of Company stock equal to the stock bonus award amount divided by the fair market value of the closing price of the Company's common stock on date of award.

Outstanding Equity Awards at Fiscal 2007 Year-End

The following table sets forth the outstanding equity awards held by the Company's Named Executive Officers as of October 31, 2007.

Name	Option Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)(2)	Option Expiration Date
R. Daniel Brdar	60,000	—	\$ 38.000	10/12/2010
	34,000	—	\$ 13.760	12/19/2011
	50,000	—	\$ 5.450	2/11/2013
	26,250	8,750	\$ 13.782	3/30/2014
	125,000	125,000	\$ 9.420	2/11/2015
	62,500	187,500	\$ 8.650	12/19/2015
Joseph G. Mahler	—	100,000	\$ 6.49	3/13/2017
	157,800	—	\$ 1.818	10/05/2008
	9,000	—	\$ 6.69	12/23/2009
	32,000	—	\$ 23.000	4/06/2011

Option Awards

Name	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price \$(2)	Option Expiration Date
	42,000	—	\$ 13.760	12/19/2011
	10,000	—	\$ 5.450	2/11/2013
	15,000	5,000	\$ 13.782	3/30/2014
	20,000	20,000	\$ 9.570	3/29/2015
	7,497	32,503	\$ 10.450	3/14/2016
	—	40,000	\$ 6.490	3/13/2017
Christopher R. Bentley	120,000	—	\$ 1.630	3/30/2009
	24,000	—	\$ 6.690	12/23/2009
	32,000	—	\$ 23.000	4/06/2011
	45,000	—	\$ 13.760	12/19/2011
	10,000	—	\$ 5.450	2/11/2013
	15,000	5,000	\$ 13.782	3/30/2014
	12,500	12,500	\$ 9.570	3/29/2015
	3,726	21,274	\$ 10.450	3/14/2016
	—	25,000	\$ 6.490	3/13/2007
Bruce A. Ludemann	8,125	24,375	\$ 12.860	4/17/2016
	8,125	24,375	\$ 8.630	7/17/2016
	—	75,000	\$ 6.490	3/13/2017

- (1) Options vest at a rate of 25% per year beginning on the first anniversary of the date of grant which is ten years prior to the expiration date.
- (2) Option exercise price is 100 % of the closing price of the Company's common stock on the date of grant as reported on the NASDAQ exchange.

There were no options exercised by the Company's NEOs during fiscal year 2007.

DIRECTOR COMPENSATION

The Board of Directors periodically reviews director compensation. The Board compensation and benefit program for non-employee directors described below was approved by the Board and went into effect in fiscal 2005. In recommending this program to the Board, the Compensation Committee was guided by the following goals: compensation should fairly pay directors; compensation should align directors' interests with the long-term interests of shareholders; and the structure of the compensation should be simple, transparent and easy for shareholders to understand.

The Company uses a combination of annual cash retainer, committee member and chair fees. The Directors can make a choice of cash, shares of the Company's common stock or stock options. An equity long-term incentive grant is also included in the annual Director Compensation package. Following is a description of the components of director compensation. For further information on director compensation, refer to The Non-Employee Director Compensation Table on page 20.

New Board Members

New Board members, not employed by the Company or an affiliate, are granted 40,000 non-qualified stock options upon acceptance to the Board.

Annual Director Compensation

Each Board member not employed by the Company or its affiliates, is paid a retainer fee of \$25,000 per annum. Committee fees are \$12,500 for the Chairman of the Compensation Committee and the Chairman of the Audit and Finance Committee, \$12,500 for the Chairman of the Executive Committee and Lead Independent Director and \$7,500 for the Chairman of the Nominating and Corporate Governance Committee. Non-Chairman committee fees are \$5,000 for the first committee of which the director is a member and \$2,500 for each additional committee of which the director is a member.

All Board and Committee fees are payable, at the option of the Board member, in cash, shares of the Company's common stock or options to purchase shares of the Company's common stock. To encourage long-term investment by Directors, a 20% premium is added to the fee schedules for directors electing to receive their fee in the form of common stock. If payments are made in the form of stock options, the number of stock options granted is three times the number of shares of common stock on the date of grant. Stock options vest at the rate of 25% per quarter from the date of grant.

Directors also receive an equity long-term incentive grant in the form of shares of the Company's common stock valued at \$28,000 per annum. The equity grant can be received, at the choice of the Board member, in options to purchase shares of the Company's common stock, which is calculated based on three times the number of shares of common stock on the date of grant. Stock options vest at the rate of 25% per quarter from the date of grant and have restrictions as to transferability.

Cristof von Branconi is employed by Tognum AG, parent company of CFC Solutions, an affiliate, and receives no compensation.

Directors Deferred Compensation Plan

Pursuant to the Company's Directors Deferred Compensation Plan, directors may elect to defer until they leave the Board of Directors, receipt of all or a portion of fees. The election to defer fees must be made by the director prior to the beginning of a fiscal year or with respect to a newly eligible director within (30) days after such director becomes eligible to participate in the Plan.

Reimbursement of Expenses

The Company reimburses directors for reasonable expenses incurred in connection with the performance of their duties as directors.

Non-Employee Director Compensation Table for Fiscal 2007

Directors	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	All Other Compensation (\$)	Total (\$)(2)
Richard Bromley (3)	—	—	\$ 241,168	—	\$ 241,168
Glenn Epstein (3)	—	—	\$ 241,168	—	\$ 241,168
James Gerson	—	—	\$ 146,581	—	\$ 146,581
Thomas Kempner	—	—	\$ 135,448	—	\$ 135,448
William Lawson	—	\$ 73,000	—	—	\$ 73,000
George K. Petty	—	—	\$ 124,315	—	\$ 124,315
John A. Rolls	—	—	\$ 156,266	—	\$ 156,266

Former Directors

Warren Bagatelle (4)	\$ 32,500	—	\$ 51,954	—	\$ 84,454
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- (1) The values of stock awards and option awards were calculated by using the aggregate grant date fair value computed in accordance with SFAS 123(R).
- (2) The aggregate dollar amount of all fees earned or paid in cash for services as a director, including annual retainer fees, committee and/or chairman fees.
- (3) Messrs. Bromley and Epstein joined the Board of Directors in Fiscal 2007 and received the initial director grant of 40,000 non-qualified stock options.
- (4) Warren Bagatelle passed away on May 31, 2007.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of February 20, 2008 with respect to: (a) the shareholders known to management to own beneficially more than 5% of the outstanding common stock of FuelCell; (b) each of FuelCell's directors; (c) each of the executive officers of FuelCell named below in the Summary Compensation Table under the heading "Executive Compensation"; and (d) in summary, all of FuelCell's directors and executive officers as a group.

Unless indicated otherwise the address of each holder is in care of FuelCell Energy, Inc., 3 Great Pasture Road, Danbury, Connecticut 06813-1305.

Name	Shares of Common Stock owned Beneficially ⁽¹⁾	Percentage of Outstanding Common Stock ⁽¹⁾
R. Daniel Brdar	538,504 ⁽²⁾	*
Christopher R. Bentley	394,045 ⁽³⁾	*
Richard A. Bromley	-0-	*
Glenn H. Epstein	-0-	*
James D. Gerson	1,281,985 ⁽⁴⁾	1.87
Thomas L. Kempner	813,351 ⁽⁵⁾	1.19
William A. Lawson	127,726 ⁽⁶⁾	*
Bruce A Ludemann	47,978 ⁽⁷⁾	*
Joseph G. Mahler	322,789 ⁽⁸⁾	*
George K. Petty	296,045 ⁽⁹⁾	*
John A. Rolls	109,403 ⁽¹⁰⁾	*
Christof von Branconi c/o CFC Solutions GmbH Postfach D-81663 München, Germany	2,746,548 ⁽¹¹⁾	4.02
Blackrock, Inc. 40 East 52 nd Street New York, NY 10022	3,658,882 ⁽¹²⁾	5.35
Invesco Ltd. 1360 Peachtree Street NE Atlanta, GA 30309	3,869,225 ⁽¹³⁾	5.66
POSCO Power DACOM Building, 10th Floor 706-1 Yeoksam-dong, Gangnam-gu Seoul 135-987, Korea	3,822,630 ⁽¹⁴⁾	5.59
The TCW Group, Inc. 865 South Figueroa Street Los Angeles, CA 90017	3,920,966 ⁽¹⁵⁾	5.73
All Directors and Executive Officers as a Group (12 persons)	3,931,826 ⁽¹⁶⁾	5.74

* Less than one percent.

- (1) Unless otherwise noted, each person identified possesses sole voting and investment power with respect to the shares listed.
- (2) Mr. Brdar's shareholdings include options to purchase 516,500 shares of Common Stock, which are currently exercisable or are exercisable within 60 days.
- (3) Mr. Bentley's shareholdings include options to purchase 203,452 shares of Common Stock, which are currently exercisable or are exercisable within 60 days. Mr. Bentley's shareholdings also include 100 shares held by his wife, Karen Bentley. Mr. Bentley disclaims beneficial ownership of the securities held by his wife.
- (4) Mr. Gerson's shareholdings include 241,800 shares held by a private foundation, of which Mr. Gerson is President and a Director. Mr. Gerson disclaims beneficial ownership of the securities held by the private foundation. Mr. Gerson's shareholdings also include options to purchase 64,196 shares of Common Stock, which are currently exercisable or are exercisable within 60 days.
- (5) Mr. Kempner's shareholdings include options to purchase 72,159 shares of Common Stock, which are currently exercisable or are exercisable within 60 days, 491,192 shares of stock owned by Loeb Investors Co. LXXV and 250,000 shares owned by Loeb Partners Corporation.
- (6) Mr. Lawson's shareholdings include options to purchase 43,009 shares of Common Stock, which are currently exercisable.
- (7) Mr. Ludemann's shareholdings include options to purchase 43,125 shares of Common Stock, which are currently exercisable or are exercisable within 60 days.
- (8) Mr. Mahler's shareholdings include options to purchase 167,996 shares of Common Stock, which are currently exercisable or are exercisable within 60 days.
- (9) Mr. Petty, by virtue of being a director of Enbridge, may be deemed to beneficially own 207,952 shares of Common Stock, which are issuable upon conversion of the FuelCell Energy, Ltd. Series I Preferred Stock held by Enbridge. Mr. Petty disclaims beneficial interest of these shares. Mr. Petty's shareholdings include options to purchase 86,607 shares of Common Stock, which are currently exercisable or are exercisable within 60 days.
- (10) Mr. Roll's shareholdings include options to purchase 101,403 shares of Common Stock, which are currently exercisable or are exercisable within 60 days.
- (11) These shares are held by MTU Friedrichshafen GmbH, a wholly owned subsidiary of Tognum AG of which Mr. von Branconi is Executive Vice President and Chief Operating Officer.
- (12) Based upon information contained in Schedule 13G/A filed on February 8, 2008
- (13) Based upon information contained in Schedule 13G/A filed on February 13, 2008
- (14) Based upon information contained in Schedule 13G filed on February 27, 2007
- (15) Based upon information contained in Schedule 13G/A filed on February 11, 2008
- (16) Includes options to purchase 1,298,447 shares of Common Stock, which are currently exercisable or are exercisable within 60 days and 207,952 shares of Common Stock issuable upon conversion of the FuelCell Energy, Ltd. Series I Preferred Stock.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers, directors and persons who own more than ten percent of the issued and outstanding shares of Common Stock to file reports of beneficial ownership and changes in beneficial ownership with the SEC and to furnish copies of all Section 16(a) forms to the Company.

Based solely on the Company's review of the copies of such forms received by it, or written representations from certain reporting persons that no filings were required for those persons, the Company believes that during the last fiscal year all required filings were timely made as required by Section 16(a).

Certain Relationships and Related Transactions

It is the Company's policy that related-party transactions are reviewed to ensure that the terms of such transactions are no less favorable to the Company than it could have obtained from an unaffiliated third party. The Audit and Finance Committee has responsibility for reviewing related party transactions.

MTU Friedrichshafen GmbH

MTU Friedrichshafen GmbH, a subsidiary of Tognum GmbH, owns 2,746,548 shares of FuelCell Energy common stock. Tognum GmbH ("Tognum"), through its subsidiary CFC Solutions, is a licensee of our technology and a purchaser of Direct FuelCell® products. Christof von Branconi, a member of the Board of Directors of the Company, is an Executive Vice President and Chief Operating Officer of Tognum's Onsite Energy Systems and Components Division.

We have two agreements with CFC Solutions, a Cell License Agreement and a Balance of Plant License Agreement. Under our current Cell License Agreement, which has been extended through December 2009, we license our DFC technology to CFC Solutions for use exclusively in Europe and the Middle East and non-exclusively in Africa and South America. We also sell our DFC components and stacks to CFC Solutions under this agreement. Under the Cell License Agreement, CFC Solutions also granted us an exclusive, royalty-free license to use any of their existing improvements to our Direct FuelCell that CFC Solutions developed as of December 1999 under a previous license agreement. In addition, CFC Solutions has agreed to negotiate a license grant of any separate carbonate fuel cell know-how it develops during the term of the current Cell License once it is ready for commercialization. Under our Balance of Plant Cross Licensing and Cross-Selling Agreement, we may sell to CFC Solutions our MW-class modules and CFC Solutions may sell their sub-MW class modules to us. The Balance of Plant License continues through July 2008 and may be extended for up to two additional 5-year terms, at the option of either CFC Solutions or us.

During fiscal year 2007, the Company recognized revenue of approximately \$5.2 million for fuel cell components sold to CFC Solutions. The Company believes that the terms of its transactions with CFC Solutions are no less favorable to the Company than it could have obtained from an unaffiliated third party.

POSCO Power

POSCO Power, a subsidiary of our South Korean strategic distribution partner, POSCO, holds 3,822,630 shares of the Company's common stock which it acquired in February 2007. In addition, the Company entered into a 10-year manufacturing and distribution agreement with POSCO Power. For the first two years of the agreement, the Company will sell complete DFC power plants to POSCO Power. Beginning in year three, POSCO Power will buy fuel cell modules manufactured by us in Connecticut and build its own BOPs in South Korea using its design, procurement and manufacturing expertise to achieve further cost savings. Under the terms of the agreement, the Company will receive a 4.1 percent royalty on sales made by POSCO Power payable in a combination of cash and common stock.

During fiscal year 2007, the Company recognized revenue of approximately \$6.4 million for power plant sales to POSCO. The Company believes that the terms of its transactions with POSCO are no less favorable to the Company than it could have obtained from an unaffiliated third party.

AUDIT AND FINANCE COMMITTEE REPORT

During fiscal year 2007, the Audit and Finance Committee of the Board reviewed the quality and integrity of the Company's consolidated financial statements, the effectiveness of its system of internal control over financial reporting, its compliance with legal and regulatory requirements, the qualifications and independence of KPMG LLP, its independent registered public accounting firm, the performance of KPMG LLP and other significant audit matters as required by the Company.

The Audit and Finance Committee has discussed with KPMG, during the 2007 fiscal year, the matters required to be discussed by Statement of Auditing Standards No. 61 (Communication with Audit Committees), as amended. The Audit and Finance Committee has received and reviewed the written disclosures and the letter from KPMG required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). The Committee also concluded that KPMG's provision of audit and non-audit services is compatible with KPMG's independence. Based on the review and discussions noted above, the Audit and Finance Committee recommended to the Board that the Company's audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007 and be filed with the U.S. Securities and Exchange Commission.

Submitted by:

Audit and Finance Committee

James D. Gerson (Chairman)

Richard Bromley

George Petty

John Rolls

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES

Audit Fees

Audit fees include the aggregate fees billed for the audit of the Company's annual consolidated financial statements, the effectiveness of internal controls over financial reporting and the reviews of each of the quarterly consolidated financial statements included in the Company's Forms 10-Q. The aggregate audit fees billed to the Company by KPMG LLP for the fiscal year ended October 31, 2007 were \$350,000. The aggregate audit fees billed to the Company by KPMG LLP for the fiscal year ended October 31, 2006 were \$510,400.

Audit-Related Fees

Audit-related fees represent accounting advisory services related to the audit of the Company's employee benefit plans and work performed in connection with SEC registration statements. The aggregate audit-related fees billed to the Company by KPMG for the fiscal year ended October 31, 2007 were \$61,634, including \$39,700 related to registration statements. The aggregate audit-related fees billed to the Company by KPMG for the fiscal year ended October 31, 2006 were \$21,894, which related to the Company's employee benefit plan.

Tax Fees

The Company did not use the tax services of KPMG LLP and no fees were paid to KPMG LLP for fiscal 2007. Fees paid to KPMG LLP for tax services for 2006 were approximately \$102,525. This included \$72,525 for tax return and compliance work and \$30,000 for tax consulting, assistance and advice.

Other Fees

Other than fees relating to the services described above under Audit Fees, Audit-Related Fees and Tax Fees, there were no additional fees billed by KPMG LLP for services rendered to the Company for the fiscal year ended October 31, 2007 or the fiscal year ended October 31, 2006.

As set forth in its charter, it is the policy of our Audit and Finance Committee to pre-approve all audit and non-audit services provided by KPMG. Our Audit and Finance Committee has considered whether the provision of KPMG LLP's services other than for the annual audit and quarterly reviews is compatible with its independence and has concluded that it is.

P R O P O S A L N O . 2 – R A T I F I C A T I O N O F S E L E C T I O N O F I N D E P E N D E N T R E G I S T E R E D P U B L I C A C C O U N T I N G F I R M

The Audit and Finance Committee of the Board has selected KPMG LLP as the independent registered public accounting firm to perform the audit of our financial statements for 2008. KPMG LLP was our independent registered public accounting firm for the fiscal year ended October 31, 2007.

KPMG representatives are expected to attend the 2008 Annual Meeting. They will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate shareholder questions.

We are asking our shareholders to ratify the selection of KPMG LLP as our independent registered public accounting firm. Although ratification is not required by our by-laws or otherwise, the Board is submitting the selection of KPMG LLP to our shareholders for ratification as a matter of good corporate practice. Even if the selection is ratified, the Audit and Finance Committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders.

Vote Required

The affirmative vote of a majority of the votes of holders of the Common Stock present in person or by proxy at the Meeting is required for adoption of Proposal No. 2.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR APPROVAL OF PROPOSAL NO. 2

EQUITY COMPENSATION PLAN AND WARRANT INFORMATION

The following table sets forth certain information with respect to the Company's equity compensation plans and warrants as of the end of the fiscal year ended October 31, 2007.

Plan Category	Number of Common Shares to be issued upon exercise of outstanding options, warrants and rights	Weighted- average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Plans approved by shareholders :			
Equity incentive plans	5,325,341	\$ 11.11	2,057,586
Employee stock purchase plan	25,716	\$ 5.67	282,554
Plans not approved by shareholders:			
Warrants issued to business partners	787,500	\$ 10.83	---
Total	6,138,557	\$ 11.05	2,339,640

ADDITIONAL INFORMATION AND OTHER MATTERS

General

The record date for the Annual Meeting is February 20, 2008. Holders of shares of the Company's common stock, par value \$.0001 per share ("Common Stock"), as of the close of business on the record date, are entitled to notice of, and to vote at, the Annual Meeting or any adjournments thereof. Each holder of Common Stock is entitled to one vote for each share held on the record date.

Code of Ethics

The Company has a code of ethics, which applies to the Company's Chief Executive Officer, Chief Financial Officer and Controller. The code of ethics provides a statement of certain fundamental principles and key policies and procedures that govern the conduct of the Company's business. The code of ethics can be found on the Company's website at www.fuelcellenergy.com.

Shareholder Proposals for the 2009 Annual Meeting

Shareholders who wish to present proposals for inclusion in the Company's proxy materials and for consideration at the 2009 Annual Meeting of Shareholders should submit the proposals in writing to the Secretary of the Company in accordance with all applicable rules and regulations of the SEC no later than November 10, 2008.

Quorum and Vote Required

As of the record date, there were issued and outstanding 68,401,832 shares of Common Stock. The holders of a majority of the shares of Common Stock entitled to vote as of the record date present in person or by proxy will constitute a quorum at the meeting. Under the Delaware General Corporation Law, any stockholder who submits a proxy and abstains from voting on a particular matter described herein will still be counted for purposes of determining a quorum. Broker non-votes will be treated as not represented at the meeting.

Voting by Proxy

In voting by proxy with regard to the election of directors, shareholders may vote in favor of all nominees, withhold their votes as to all nominees or withhold their votes as to specific nominees. Shareholders should specify their choices via Internet, by telephone, or on the accompanying proxy card.

All properly executed proxies delivered by shareholders to the Company and not revoked will be voted at the Annual Meeting in accordance with the directions given. If no specific instructions are given, the shares represented by a proxy will be voted "FOR" the election of all directors and "FOR" the ratification of the selection of KPMG as the independent registered public accounting firm for fiscal year 2008. Abstentions and broker non-votes will have the effect of a vote against each proposal. If any other matters properly come before the Annual Meeting, the persons named as proxies will vote upon such matters according to their best judgment.

Any shareholder delivering a proxy has the power to revoke it at any time before it is voted by giving written notice to the Secretary of the Company, by executing and delivering to the Secretary a proxy card bearing a later date or by voting in person at the Annual Meeting.

In addition to soliciting proxies through the mail, the Company may solicit proxies through its directors and employees in person or by telephone. Brokerage firms, nominees, custodians and fiduciaries also may be requested to forward proxy materials to the beneficial owners of shares held of record by them. All expenses incurred in connection with the solicitation of proxies will be borne by the Company.

Stockholder Communications with Directors

The Company has established a process by which stockholders can communicate with the Company's Board of Directors. Stockholders may communicate with the Board of Directors, or any of the Company's individual directors, by sending their communications to the Board of Directors, or to any individual director, at the following address:

Board of Directors of
FuelCell Energy, Inc.
c/o Corporate Secretary
3 Great Pasture Road
Danbury, CT 06813

All stockholder communications received by the Company's Corporate Secretary will be delivered to one or more members of the Board of Directors or, in the case of communications sent to an individual director, to such director.

Director Attendance at the Annual Meeting

The Company does not have a formal policy with respect to director attendance at annual meetings. In fiscal 2007, all directors attended the Company's annual meeting.

Annual Report and Form 10-K

ADDITIONAL COPIES OF THE COMPANY'S ANNUAL REPORT TO SHAREHOLDERS FOR THE FISCAL YEAR ENDED OCTOBER 31, 2007 AND COPIES OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED OCTOBER 31, 2007 AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ARE AVAILABLE TO SHAREHOLDERS WITHOUT CHARGE UPON WRITTEN REQUEST ADDRESSED TO: FUELCELL ENERGY, INC., 3 GREAT PASTURE ROAD, DANBURY, CONNECTICUT 06813 ATTN: SHAREHOLDER RELATIONS OR ARE ALSO AVAILABLE THROUGH THE COMPANY'S WEBSITE AT WWW.FUELCELLENERGY.COM.

Other Matters

As of the date of this proxy statement, the Board of Directors knows of no matters which will be presented for consideration at the Annual Meeting other than the proposals set forth in this Proxy Statement. If any other matters properly come before the meeting, it is intended that the persons named in the proxy will act in respect thereof in accordance with their best judgment.

By Order of the Board of Directors

Joseph G. Mahler
Corporate Secretary

Danbury, CT
February 20, 2008

PROXY FOR THE APRIL 4, 2008 ANNUAL MEETING OF SHAREHOLDERS
SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints R. Daniel Brdar and Joseph G. Mahler, and each of them, attorneys with full power of substitution, to vote as directed below all shares of Common Stock of FuelCell Energy, Inc. registered in the name of the undersigned, or which the undersigned may be entitled to vote, at the Annual Meeting of Shareholders to be held at the Sheraton Danbury Hotel located at 18 Old Ridgebury Road, Danbury, Connecticut on Friday, April 4, 2008 at 10:00 a.m. Eastern Standard Time and at any adjournment or postponement thereof.

1. Election of Directors

[] FOR all nominees listed below (except as marked to the contrary below)

[] WITHHOLD AUTHORITY to vote for all nominees listed below

(Instruction: To withhold authority to vote for any individual nominee strike a line through the nominee's name in the list below.)

R. Daniel Brdar, Christof von Branconi, Richard A. Bromley, Glenn H. Epstein, James D. Gerson, Thomas L. Kempner, William A. Lawson, George K. Petty, John A. Rolls, Togo Dennis West, Jr.

2. Ratification of Selection of KPMG LLP as Independent Registered Public Accounting Firm

[] FOR

[] AGAINST

3. As such proxies may in their discretion determine in respect of any other business properly to come before said meeting (the Board of Directors knowing of no such other business).

The directors recommend a vote FOR items 1 and 2.

UNLESS THE SHAREHOLDER DIRECTS OTHERWISE, THIS PROXY WILL BE VOTED FOR ITEMS 1 AND 2 AS PROPOSED. PLEASE DATE, SIGN AND RETURN IN THE ENVELOPE PROVIDED.

Dated _____, 2008

Signature of Shareholder (s)

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD APRIL 4, 2008.

(Please sign in the same form as name appears hereon. Executors and other fiduciaries should indicate their titles. If signed on behalf of a corporation, give title of officer signing).