



FuelCell Energy Receives \$2.5 Million Contract from the Office of Naval Research to Advance High-Efficiency Ship Service Fuel Cell Power Plant

Project to Operate High-Efficiency Direct FuelCell® Power Plants on Liquid Fuels--Improving the Power Generation Efficiency on Board Ships; Increases Fuel Flexibility of Company's Plants

DANBURY, Conn., Aug 16, 2006 (BUSINESS WIRE) -- FuelCell Energy, Inc. (NasdaqNM: FCEL), a leading manufacturer of ultra-clean electric power plants for commercial, industrial and government customers, today announced that the U.S. Office of Naval Research (ONR) has awarded the company an additional \$2.5 million to complete a land-based demonstration of its ship service fuel cell (SSFC) power plant and begin design work on a next generation ship-based prototype. The goal of this project is to improve the power generation efficiency on board ships also known as ship hotel power, by using high-efficiency fuel cell technology. To meet the Navy's ship board power requirements, FuelCell Energy is adapting its Direct FuelCell (DFC®) power plants to run on naval liquid fuels (diesel and jet fuel).

These liquid fuels, while convenient for storage on board ships, need to be de-sulfurized before being used as fuel in the DFC plant. As a result, FuelCell Energy has developed a fuel processing system that seamlessly removes the sulfur and converts the liquids into methane gas, which can be used as a fuel in the power plant -- providing secure, 24/7 firm reliable power.

This award funds a proof-of-concept land-based demonstration of a carbonate SSFC power plant that will operate at much greater efficiencies than the Navy's traditional power plants such as diesel generators. In addition, DFC power plants offer the additional advantage of maintaining their high efficiencies at reduced operating outputs, unlike diesel generators which lose efficiency when operated at partial load. The next generation of ship service fuel cell power plants will feature modular architecture, expected to result in lower costs and increased compatibility with more types of Navy and cruise ships.

"Fuel Cell Energy has demonstrated the ability to process Navy logistics fuel and generate power from a fuel efficient fuel cell system. This is a significant step forward in placing fuel cells systems on Navy ships. We are pleased our work with FuelCell Energy is continuing based on this contract modification," said Anthony D. Nickens, Program Officer at the ONR. "This is an important initiative aimed at significantly increasing the efficiency of electric power generation in future naval vessels."

In addition to their high efficiency, DFC power plants are an ideal solution for generating hotel power on ships and on islands that generate electricity from diesel fuel because of their ultra-clean and quiet profile. The power plants are among the cleanest, quietest forms of generation possible and by generating power without combustion, minimal levels of harmful pollutants are produced, such as nitrogen oxides, sulfur oxides and particulates.

"By enabling our DFC power plants to run on Navy logistics fuel, we continue to expand our fuel flexibility and allow additional markets like marine applications and island locations to use their existing diesel infrastructure to realize the benefits of ultra-clean and reliable fuel cell power," said Bruce Ludemann, Senior Vice President Sales and Marketing, FuelCell Energy.

FuelCell Energy has created an innovative means of extracting hydrogen from hydrocarbon fuels through its internal reforming process which provides the highest electrical efficiencies of any fuel cell system. The SSFC with its advanced reformer expands this capability allowing the DFC to run seamlessly on Navy logistics fuel. The next generation SSFC will focus its advanced concept design work on making the reforming process scalable for easy storage and transportation on a ship.

The project is part of an ongoing ONR vision for developing and deploying a megawatt size ship service fuel cell power plant. The company completed conceptual design and supporting testing of critical components for the marine module which federal formed the basis of the demonstration power unit. The unit is scheduled to complete testing in Danbury and be delivered to Naval Sea Systems Command's Philadelphia Detachment for further on-site testing and validation.

About FuelCell Energy, Inc.

FuelCell Energy develops and markets ultra-clean power plants that generate electricity with higher efficiency than distributed generation plants of similar size and with virtually no air pollution. Fuel cells produce base load electricity giving commercial and industrial customers greater control over their power generation economics, reliability and emissions. Emerging state, federal and international regulations to reduce harmful greenhouse gas emissions consider fuel cell power plants in the same environmentally friendly category as wind and solar energy sources -- with the added advantages of running 24 hours a day and the capacity to be installed where wind turbines or solar panels often cannot. Headquartered in Danbury, Conn., FuelCell Energy services over 45 power plant sites around the globe that have generated more than 108 million kilowatt hours, and conducts R&D on next-generation fuel cell technologies to meet the world's ever-increasing demand for ultra-clean distributed energy. For more information on the company, its products and its worldwide commercial distribution alliances, please see www.fuelcellenergy.com.

This news release contains forward-looking statements, including statements regarding the Company's plans and expectations regarding the development and commercialization of its fuel cell technology. All forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Factors that could cause such a difference include, without limitation, the risk that commercial field trials of the Company's products will not occur when anticipated, general risks associated with product development, manufacturing, changes in the utility regulatory environment, potential volatility of energy prices, rapid technological change, and competition, as well as other risks set forth in the Company's filings with the Securities and Exchange Commission. The forward-looking statements contained herein speak only as of the date of this press release. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any such statement to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based.

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