



An Exelon Company

Combined Heat and Power (CHP)

En Banc Hearing

PECO Energy

May 5, 2014

PECO Incentives for CHP

PECO provides incentives for combined heat and power (CHP) projects through its Smart Ideas energy efficiency programs

- ✓ To date, incentives paid on seven (7) CHP projects totaling **\$3.6 M**
 - Represents 9.5 MW of capacity and over 56,000 MWh net energy generation
- ✓ Currently have five (5) active projects ranging from pre-application to final data collection
 - Includes reserved incentives of **\$6.5 M**, representing nearly 12 MW of capacity and 97,000 MWh of energy generation potential
- ✓ Twenty two (22) additional project leads identified with estimated capacity potential up to 18 MW

Celebrating CHP Successes

Abington Memorial Hospital installed a 4.5 MW combustion turbine CHP system in 2012

Project expected to save over 33 GWh of energy annually

- ✓ System provides electricity to the hospital and offsets thermal heating requirements



PECO Smart On-Site Program

Provides incentives for the installation of base-load CHP technologies, including turbines, micro turbines, reciprocating engines and fuel cells

Projects must meet minimum equipment efficiencies to qualify

✓ Incentives paid on combination of capacity and net energy generated

- The current capacity incentives are:

| | |
|---|----------|
| First 500 kW | \$300/kW |
| Added capacity between 500 kW and 1.5 MW | \$150/kW |
| Added capacity between 1.5 MW and 10.0 MW | \$ 75/kW |
| Added capacity above 10 MW | \$0/kW |

* *Capacity incentives are additive, but capped at 40% of total project cost*

- Performance incentives are paid at \$0.02/kWh generated in the first year of operation
- ✓ Maximum incentive is 50% of the total project cost up to \$1,000,000

Key Considerations

Recognize that investment in CHP requires a significant capital expense and installations are complex

- ✓ PECO has worked to provide a transparent process for interconnection standards
 - Comprehensive customer website that provides interconnection guidelines, outlining all necessary applications and documents required for approval
 - Process designed to ensure distributed generation installations are safely and reliably interconnected to PECO's system

- ✓ Ensure customers are paying the fair value of grid services

Continuing the CHP Conversation

- ✓ PECO recognizes the potential benefits that combined heat and power can offer customers
- ✓ Stakeholders should recognize the unique role of the grid as an enabling platform for a broad range of economic and societal benefits that are made available on a universal basis
- ✓ All parties should work together to ensure that regulatory and policy decisions are equitable for all stakeholders