



An Exelon Company

COMBINED HEAT AND POWER (CHP) PROJECTS

Program Guide

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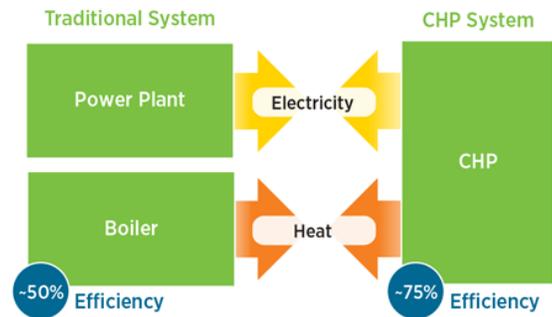
INTRODUCTION

ABOUT CHP

CHP is a clean and efficient approach to generate power and thermal energy from a single fuel source. Typical CHP systems:

- Are located in close proximity to the energy consumer's building, campus, or industrial processes
- Provide at least a portion of a facility's electrical load
- Capture thermal energy from hot exhaust gases for use in space heating, cooling, domestic hot water, dehumidification, and/or process heating
- Improve a facility's operational efficiency, cut energy costs, and reduce emissions

Figure 1. CHP Process Flow Diagram



(Source: US Department of Energy)

PROGRAM DESCRIPTION

Qualified projects are encouraged to submit a project submission form (available at www.peco.com/chp) to ensure CHP incentive funding is reserved. To obtain CHP incentives a full CHP project application (also available at www.peco.com/chp, will be required once a project become commercially operable. This will trigger a project certification review by PECO. Upon completion the CHP Project will be eligible to receive financial incentives as noted below:

1. Capacity incentives (up to 10 MW max) on a declining tier basis
2. Performance incentive

The capacity incentive is based on the operational capacity of the system and is capped at 40% of the total project cost. The performance incentive is based on net electric generation of the CHP system. The combination of the capacity and performance Incentives is capped at \$2,000,000, or 50% of total project cost. PECO reserves the right to deny any project submission that may result in PECO exceeding its approved program requirements. For qualified projects (under 1,000 kW in size) PECO may offer a design incentive. Design incentives are limited. To become eligible for a design incentive, interested parties must first validate and document the viability of their project prior to contacting PECO. This can be done using the tools available by the [U.S. Department of Energy CHP Technical Assistance Partnerships Mid-Atlantic Region found at http://www.midatlanticchptap.org/](http://www.midatlanticchptap.org/). Such analysis must be demonstrated prior to the award reservation of any design incentives.

PROJECT SUBMISSION

After completion of a viability analysis of the project, the Applicant can apply for a design incentive by submitting the documentation described in Step 2 of the Instructions for PECO staff to review. The design incentive is \$30/kW and is limited to projects having an increase in capacity of up to 1000 kW or less, thereby capping the maximum design incentive at \$30,000. Payment of the full amount of the design incentive will be made on or following the project's Commercial Date of Operation (CDO). Prior to the CDO, there will be no reimbursement by PECO under any circumstances. Which includes project abandonment.

Funding for the design incentive is limited and eligibility of applicants to receive the design incentive is at the sole discretion of PECO staff. Further criteria and requirements for the design incentive such as the date by which a project has to achieve its CDO are being developed by PECO and will be published when completed.

For questions or additional clarifications regarding an Applicant's eligibility for a design incentive, Applicants may reach out to Paul Miles, PECO via phone (866-850-0357) or e-mail (pecochp@exeloncorp.com).

To get the most current program information visit the CHP website at www.peco.com/chp or reach out via email pecochp@exeloncorp.com or via phone 866-850-0357.

Table 1. CHP Program Incentives

Incentive Type	Incentive Award
Capacity Incentive	<p>\$300/kW: Projects up to 500 kW</p> <p>\$150/kW: Projects between 500 kW up to 1.5 MW</p> <p>\$75/kW: Projects between 1.5 MW and 10 MW <i>Capacity incentives must not exceed 40% of the project cost.</i></p>
Performance Incentive	<p>\$20/MWh in the first year.</p> <p><i>The performance incentive is based on net electric generation of the CHP system.</i></p>
Maximum Total Incentive	<p><i>No more than 50% of the project cost or \$2,000,000, whichever is lower.</i></p>

PROJECT ELIGIBILITY AND QUALIFICATION

Any PECO commercial and industrial customer with a valid non-residential electric account may participate in the program.

PECO is seeking CHP-qualified projects utilizing various types of CHP configurations including, but not limited to: steam turbine, reciprocating engine, gas turbine, microturbine, and fuel cells. Primary focus is on new CHP generation projects, however, consideration will be given to projects (example coal fired cogen plants) that are being reconfigured to satisfy evolving clean air legislation (Clean Air Act of 2015 or successor regulatory acts) to improve efficiency and reduce greenhouse gas emissions.

All projects must be fully commissioned with a commercial date of operation (CDO) within the approved program phase to be eligible for financial incentives, allowing for full verification of the project in order to comply with regulatory requirements. While the CHP program may be suspended at any time, under no circumstances will financial incentives be paid for performance or installation or certification that occurs after May 31, 2021.

As part of the initial screening, customers are required to comply with the criteria noted below:

- The proposed project site location is in PECO's service territory.
- Submitted forms do not contain intentionally false or misleading information.
- Project Submission Form is complete and signed by the customer.
- The project must satisfy all utility regulation and environmental requirements.
- The CDO is within the approved program phase.

The customer may be contacted by PECO for formal project submission clarification.

NOTIFICATION OF QUALIFIED PROJECTS

PECO will notify customers that offer project submission forms the outcome of their project submissions and advise on next steps in the process. PECO will send a preliminary reservation letter to the customer indicating the maximum total amount of the incentives that could be paid for the project. The incentive reservation letter is not binding, and actual incentives will be based on the formal project certification and performance following the commercial date of operability (CDO).

PROJECT SUBMISSION

Completed Project Submission Forms may be submitted by email at any time.

Email: pecochp@exeloncorp.com
Phone: 866-850-0357
Web: www.peco.com/chp

DETERMINATION OF INCENTIVES

Upon preliminary acceptance of a project submission, the customer will submit, as part of the formal CHP application, a planned schedule of milestones, measurement and verification, interconnection, operational requirements (inclusive of planned CDO), and any additional required documentation via the CHP Project Submission form. This submission provides necessary details for PECO to adequately reserve CHP project incentive funding based on the current program guidelines, but is non-binding by either party until the project has been completed, a final project application has been submitted, and the project has been formally certified by PECO. Final details and requirements are fully contained in the program application. The application will include submission of formally engineered and certified design documents and additional attestations as applicable on a project-specific basis. Examples include but are not limited to design drawings, equipment specifications, permitting applications, OEM warranty, maintenance contracts, interconnection application, etc.

RESERVATION LETTER

Qualified projects will receive a reservation letter indicating the maximum amount of incentives that could be paid for a submitted project. Submitted projects must be completed and fully commissioned (achieve CDO) within 18 months of the issuance of the reservation letter or reserved funding may be reduced or lost all together. Provisions exist for requested extensions, but same will be granted on a case by case basis and are not guaranteed (subject to timing and available program funding). In any event, no extension will be issued that allows for a CDO beyond the Act 129 Phase III program end date of May 31, 2021.

The incentives for qualified projects shall be as follows: The incentives shall be a combination of the capacity incentive related to operating capacity of the CHP system once in service, and a \$0.02/kWh performance incentive for net electricity produced for a period of 12 months after the CHP system is fully commissioned, operational, and substantially verified by PECO. The combination of the capacity incentives and the performance incentive is capped at the lesser of \$2 million or 50% of the total project cost. PECO has sole and final determination of the annual energy savings to be used in calculating the incentive amount. PECO also reserves the right to require specific measurement and verification activities including monitoring before, during and after the retrofit and to base the incentive payment on the results of these activities. Under no instances will incentives be paid until a project has been deemed commercially operational by PECO or its agents.

METERING AND PROJECT DATA

Once the system is fully commissioned and operational, the customer shall be responsible for providing the necessary data to PECO electronically (preferably via access to real time telemetry) or minimum monthly basis during the certification period following the establishment of the certified date of commercial operability (CDO) to establish a stable pattern of system operation before the final incentive is computed by PECO. All metering and telemetry must meet industry guidelines relative to accuracy and data retention. All costs associated with the metering including labor, materials, and electronic communication are the customer's responsibility. Please contact PECO for greater detail on metering requirements, which includes information on the minimum trend data interval and required trend points.

PECO REQUIREMENTS

INTERCONNECTION

The customer is responsible for understanding and complying with the PECO interconnection agreement.

The CHP system must adhere to the PECO interconnection agreement guide lines as applicable. The cost and installation of the hardware and software to assure compliance shall be the customer's responsibility. PECO shall require the customer to provide design details of this aspect of the system and the review of this information shall be part of the interconnection approval process. The steps to implement this process can be found at <https://www.peco.com/SmartEnergy/MyGreenPowerConnection/Pages/SmallerGenerators.aspx> .

To contact the PECO Interconnection team, you may e-mail them at NetmeterInterconnects@exeloncorp.com.

OTHER PECO REQUIREMENTS

1. Under the PECO CHP program, PECO is entitled to 100% of the energy benefits associated with the energy-saving measures (for regulatory reporting purposes).
2. The customer is responsible for obtaining and paying for all necessary permits associated with their CHP project.
3. PECO has the right to publicize the customer's participation in this program and share information such as energy and total cost. PECO, however, understands that information such as financing and detailed cost breakdowns may be sensitive to the customer and will keep such details confidential unless it is required by the public utility commission to disclose it.
4. CHP project owners may be subjected to additional rate impacts (aka standby charges) under PECO's capacity reservation rider (CRR). Such impacts can be modeled by PECO at customer or designate

request in advance to determine a good faith estimate of financial impacts (if any) which may be assessed to a future CHP installation. Further information can also be obtained by reviewing PECO's "Pilot Capacity Reservation Rider" Tariff CRR.