COMBINED HEAT & POWER (CHP) ADDITIONAL TERMS AND CONDITIONS

Potomac Edison Company – Maryland

The Combined Heat and Power Incentives Program is offered to Maryland commercial, industrial, governmental and institutional customers of Potomac Edison for the design, installation and production of qualified Combined Heat and Power (CHP) projects.

Effective Dates

To qualify for incentives through the Combined Heat and Power Incentive Program, all projects must be pre-approved by December 31, 2023. The deadlines to qualify for the commissioning (final construction) incentives are through December 31, 2025, and production incentives through December 31, 2027.

Eligible Measures

Eligible CHP projects must meet the following requirements:

1. Generators will be driven by turbines or internal combustion engines coupled to generators, where waste heat is used to support the customer's process.
2. The thermal output must be used within the customer's process and/or building systems. The design of the system shall take into consideration the application of a technology (e.g., absorption chillers) that will use the thermal output to further reduce the customer's electric load.
3. CHP design must achieve at least 65 percent operating efficiency (relationship of useful electric and thermal output verses the fuel input). The customer must install the required metering (kWh, MMBTU/hr, fuel consumption/hr) to support the measurement and verification process for the project (i.e., to assess electric energy output and annual performance).
4. The preferred fuel source is natural gas or biogas.
5. All CHP electricity generated is intended solely for on-site use by the customer.
6. Incentives are not available to CHP systems that serve off-site customers, export to the grid, or are not located on the customer's property.
7. All installations must be determined to be cost effective, with a score greater than 1.0 using the Total Resource Cost (TRC) test. Contact Potomac Edison for TRC assistance.
8. The design of the system shall be such that the generation equipment is controlled to meet the on-site energy requirements, thus providing no continuous or incidental electrical energy export. The recommended design would be that the CHP system is designed to not exceed approximately 80% of the facility's electrical energy usage requirements.
9. Generator size will be limited to 10 megawatts (MW) per location and application, and subject to Potomac Edison retail tariff(s), including interconnection and net metering requirements.

Pre-Approval Requirements

All Combined Heat and Power Incentives Program applications received by Potomac Edison require pre-approval before the purchase and installation of equipment. The Program

Administrator will issue a formal pre-approval letter for all projects within a reasonable time period upon receipt of all required program forms and documentation.

Minimum Requirements Document (Project Requirements Document)

All Combined Heat and Power applicants must work with program implementer to develop a Minimum Requirements Document which includes:

1. Project Plan Schedule
2. Equipment
3. Interconnection Plan
4. Schedule AGS
5. Warranty
6. Permitting Plan
7. Measurement & Verification Data
8. Monthly Progress Reports (ATTACH EXAMPLE)
9. Customer Acknowledgment

PE CHP ADDITIONAL TERMS AND CONDITIONS

All Combined Heat and Power applicants must review and sign PE Additional Terms and Conditions.

Incentives

Incentives are offered as follows:

- 50 kW or less: $2,000/kW
- 51 kW to 200 kW: $1,600/kW
- 201 kW to 1000 kW: $1,200/kW
- Larger than 1000 kW: $800/kW

Three Payment Structure

1. Design Incentive: 10% incentive at project approval
2. Commissioning Incentive: 30% incentive at installation and commissioning
3. Production Incentive: Remaining incentive will be paid after receiving 12 consecutive months of actual kWh generation within 24 months of project commissioning. Payment will be based on the following ratio: kWh actual generation/kWh proposed generation; Payment will be capped at 60% of total incentive.

Incentives are capped at $2.5 million per customer and limited to one project per customer per plan cycle.

How Do I Apply for Incentives?

Step 1 – The participant should complete and submit a Combined Heat and Power Incentive application online and upload required documents through the application portal. The following documents are required for pre-approval:

1. Completed and signed W-9 tax form for the incentive payee. The W-9 form must be current and dated within the last 24 months.

2. Copy of utility bill to confirm account number and service address. If desired, the participant may obscure all cost and rate related information.
3. Executive summary including project scope and intended use for heat output.
4. Pre- and post-installation equipment specifications and operating assumptions, including replaced heating equipment as well as proposed backup boiler and fuel conditioning equipment.
5. All energy calculations associated with the project, including hourly heat and electric load analysis for facility.
6. Manufacturer's specification cut sheets to verify size, technology and efficiency levels of proposed/installed equipment including generator, engine, and backup heating/fuel conditioning.
7. Provide Potomac Edison with required information/documentation, refer to CHP Project Data Form. Potomac Edison will evaluate the project based on a Total Resource Cost Test (TRC) calculator and review of proposed design efficiency.
8. Please include a checklist of the following key information provided, along with location address (e.g., file name or page):
    a) Executive summary detailing general description of the total project.
    b) Facility hourly load analysis
    c) Calculation of annual proposed, gross generation (kWh)
    d) Calculation of annual auxiliary equipment usage such as (fans, pumps, compressors, and backup systems (kWh)
    e) Calculation of annual generation to be used on site (kWh)
    f) Estimated peak kW offset at the facility ***(Peak kW savings are defined as the facility load offset in the hour ending 5 p.m. on the hottest summer weekday)***
    g) Manufacturer's specification cut sheets
    h) CHP Project Data Form

Step 2 – The Program Administrator will notify the applicant via email when the review is complete, and Project is pre-approved.

Step 3 – The applicant will then be required to provide a letter of intent to move forward with the approved project. Upon receipt of the signed letter, the design incentive will be disbursed to the customer.

Step 4 – During construction and prior to commissioning of the CHP project, a pre-inspection will be conducted.

Step 5 – Participants should review their pre-approved project for any changes and submit the following documents to the Program Administrator for review:

a) Revised engineering and related energy savings analysis/calculations (if changes were made during construction)
b) Detailed, itemized invoices or proofs of purchase for the equipment installed.
c) Completed letter of attestation on customer letterhead, signed by the customer

Step 6 – After CHP Project is commissioned

1. Within 24 months of project commissioning, provide 12 months of metered data (kWh, MMBTU/hr, fuel consumption/hr) of the CHP system to verify the energy efficiency performance of the new CHP system.

Supporting technical documentation will be reviewed by the Program Administrator, and an on-site inspection to verify the installation may be conducted. Upon receipt and verification of all required documentation, the incentive check will be processed and mailed to the applicant or to an authorized representative, if requested on the application.

Apply online or contact us at 855-801-5803 for assistance.

EmPOWER Maryland programs are funded by a charge on your energy bill. EmPOWER programs can help you reduce your energy consumption and save you money. To learn more about EmPOWER and how you can participate, go to energy.maryland.gov/Pages/Facts/empower.aspx.

By participating in energy efficiency and peak demand reduction programs, customers agree to allow their utility to retain ownership of all Capacity Rights, which refers to the demand reduction associated with any energy efficiency or peak demand reduction measures for which incentives were provided by the Company.