

### **Energy Industry Fundamentals**

#### **Combined Heat & Power 101**

Eric Burgis, Energy Solutions Center

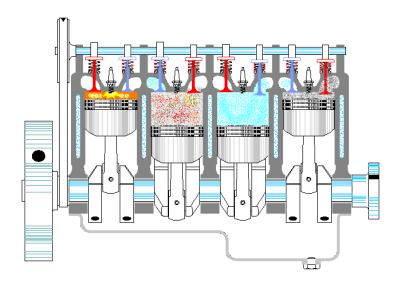
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#### **Presentation Outline**

- Combined Heat & Power Terminology
- CHP Market Overview
- Energy Cost and CHP Efficiency
- Why CHP?
- Power Generation Equipment
- Heat Recovery
- Economics and Incentives
- Resources



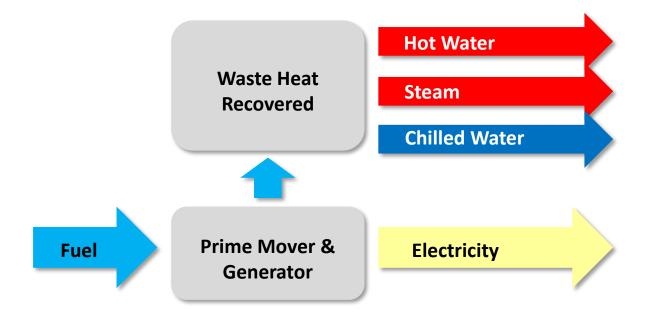
https://www.michigan.gov



## **CHP Terminology**

#### What is CHP?

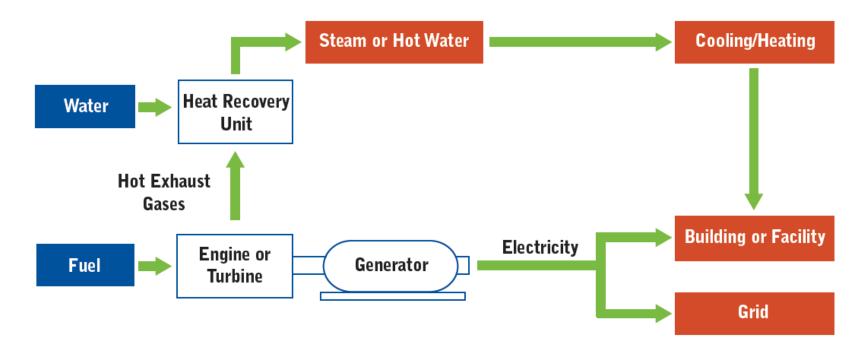
Combined Heat and Power (CHP) by definition is the generation of two forms of energy from one common source of fuel also known as Cogeneration.





#### **How CHP works**

Combined Heat & Power systems provide power independence with around 75% - 85% overall system efficiency





#### **Known by Many Names**

- CCHP (Combined Cooling, Heating & Power)
- CHPB (CHP for Buildings)
- Cogen (Cogeneration)
- DE (Distributed Energy)
- DG (Distributed Generation)
- IES (Integrated Energy Systems)
- TES (Total Energy Systems)
- Trigen (Trigeneration)
- Today we will use CHP (Combined Heat and Power) to reinforce the importance of recovering the waste heat!



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#### "Cogeneration"

- "CHP" has come to replace the word "Cogeneration" in many modern applications
- "Cogeneration" is specifically listed in the Public Utility Regulatory Policies
   Act of 1978 (PURPA)
  - This act further defines a Qualifying Facility (QF)
  - Electric Utilities must allow interconnection from QFs
  - There is lots of paperwork to become a QF
- The term "CHP" is often used to distance a project from PURPA rules



#### **Components of CHP**

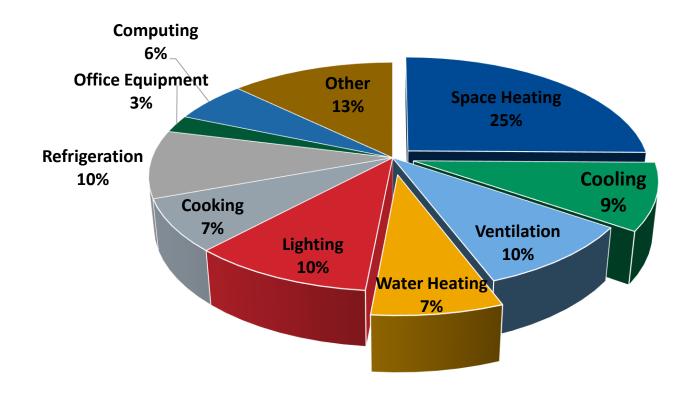
- CHP systems consist of an integrated package
  - Prime mover engine, turbine or fuel cell
  - Generator
  - Heat recovery system
  - Electrical interconnections

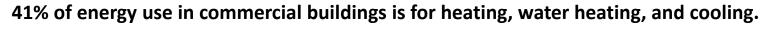


# Combined Heat and Power Market Overview

#### **Typical Commercial Building Energy Profile**

Energy Use in Commercial Buildings (Electric, hot water, heating, & cooling be supplied through CHP)

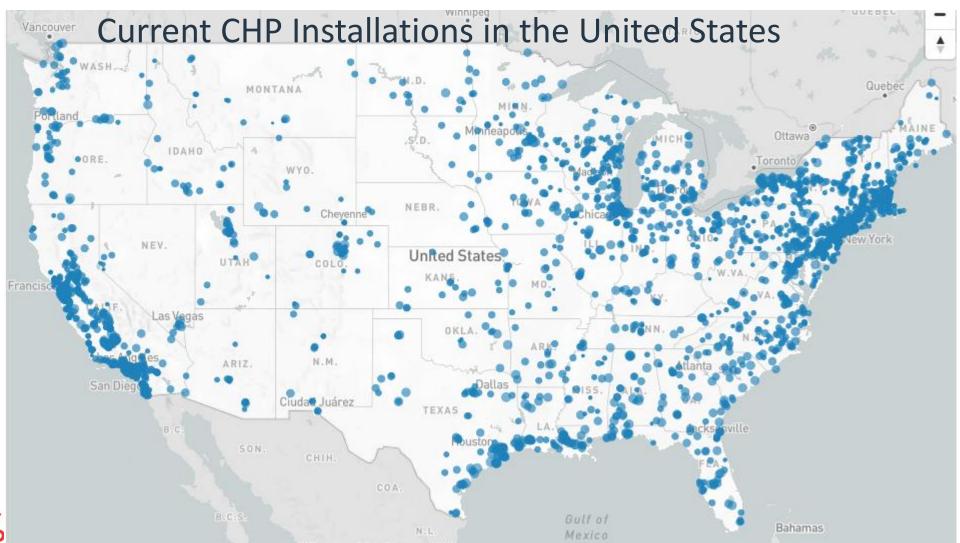






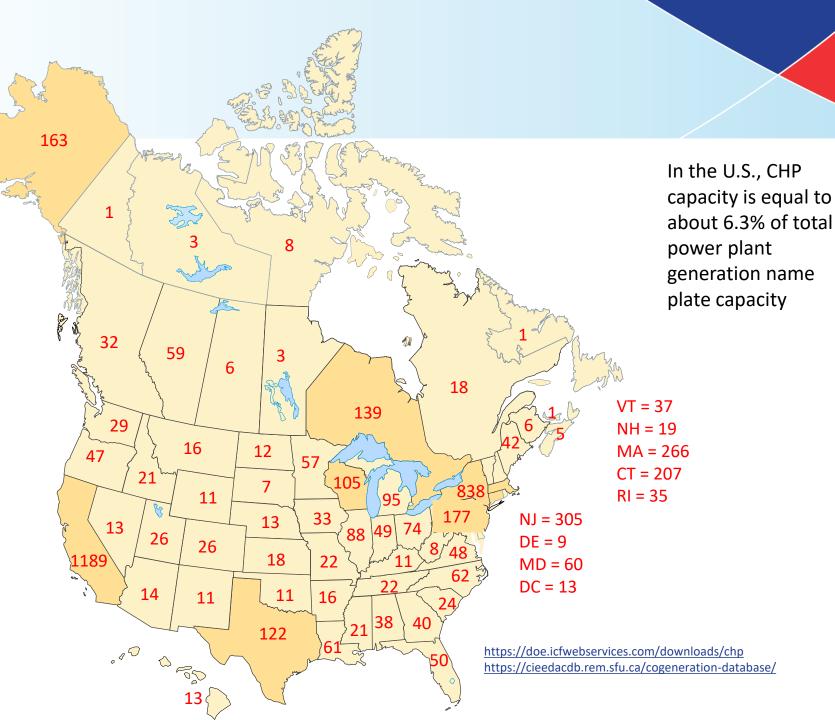
Source: EIA CBECS Table 5

#### **Combined Heat & Power (CHP)**



# of CHP Sites

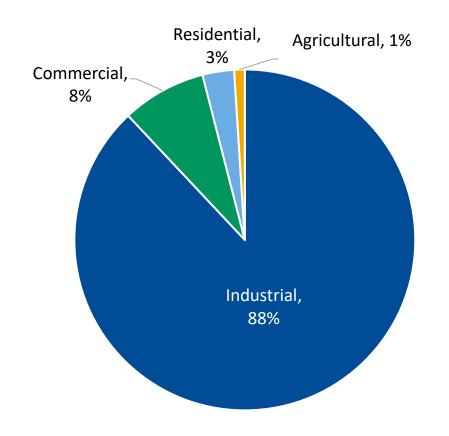
There are over
5,000 sites using
CHP across North
America with more
than 84,000 MW of
CHP Capacity.

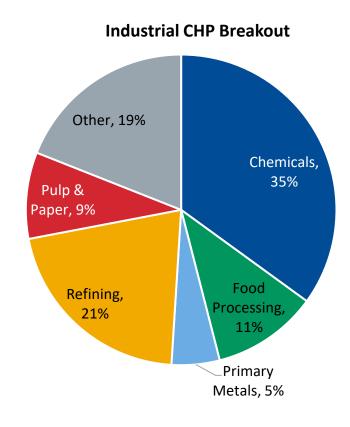




#### **Existing CHP Capacity by Market**

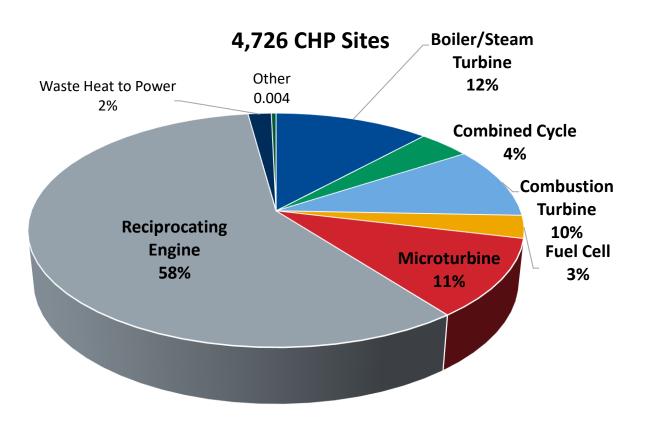
#### **Installed Cogeneration Capacity by Market Segment**

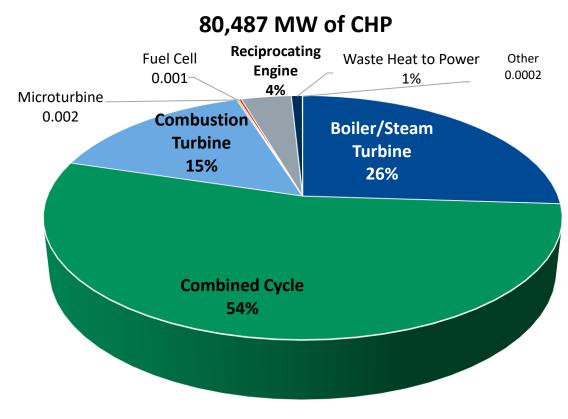






#### **CHP Installations by Technology (U.S.)**

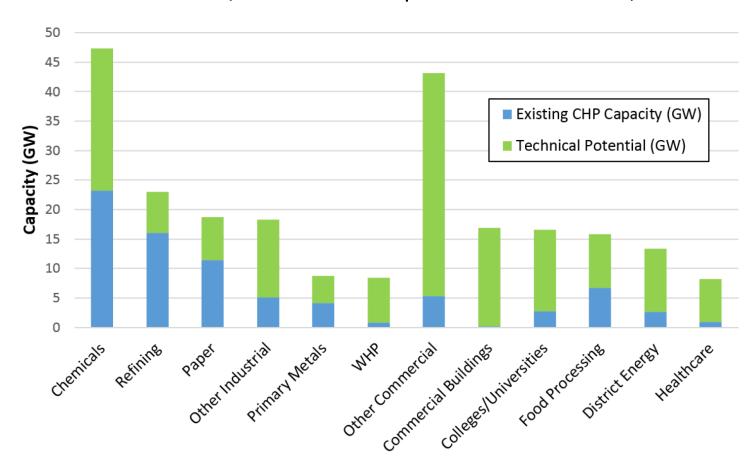






#### **Technical Potential for CHP**

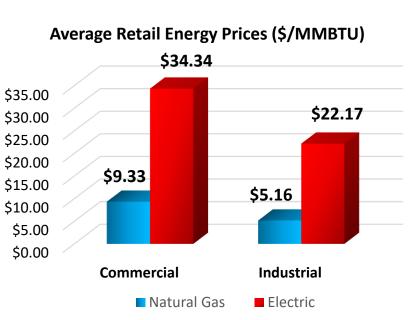
More than 149 GW of CHP/WHP technical potential at over 291,000 sites in the U.S.

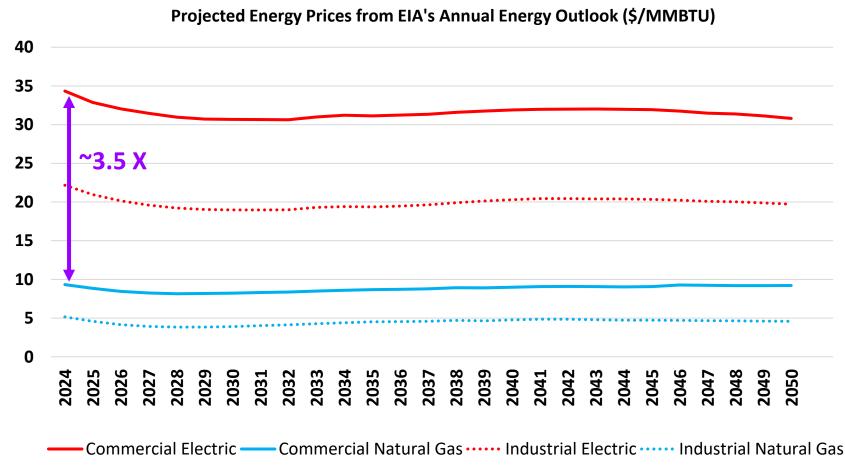




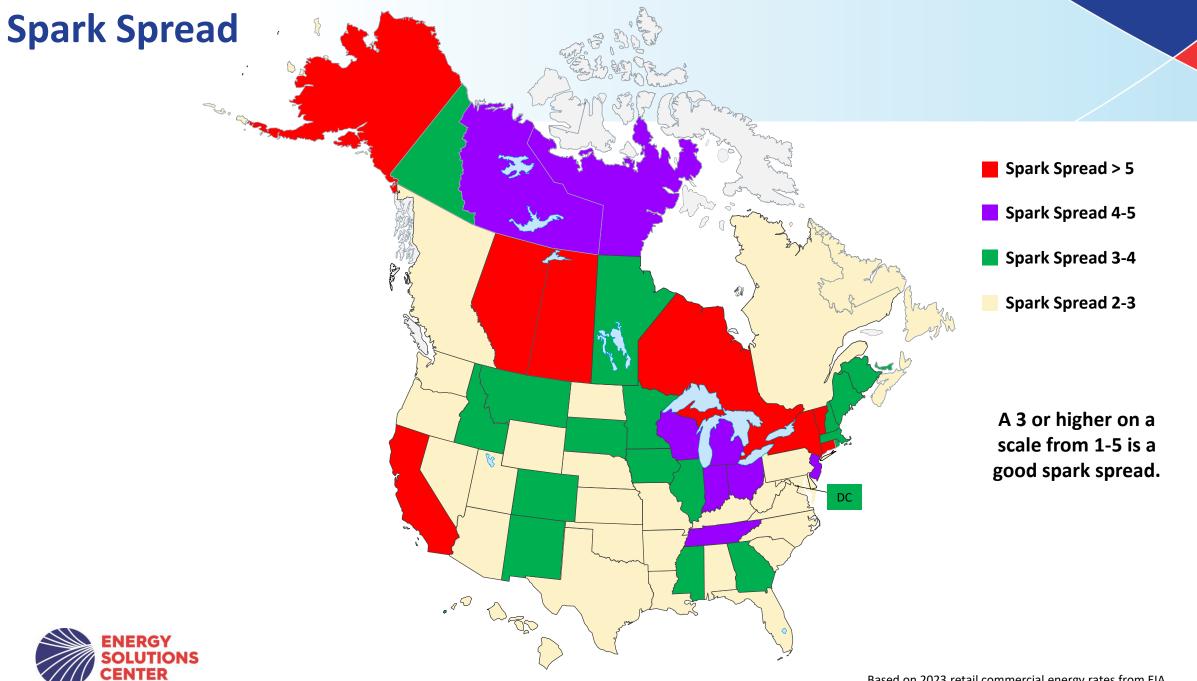
# **Energy Costs & CHP Efficiency**

#### **Source Efficiency Impacts Retail Costs**

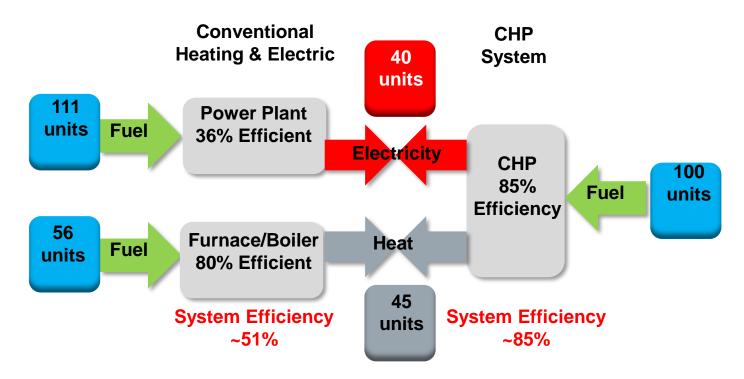








#### **CHP** is more Efficient



Compared to purchasing electric from the grid and producing heat with a furnace or boiler for the home or business, CHP is much more efficient.



# Why Consider CHP?

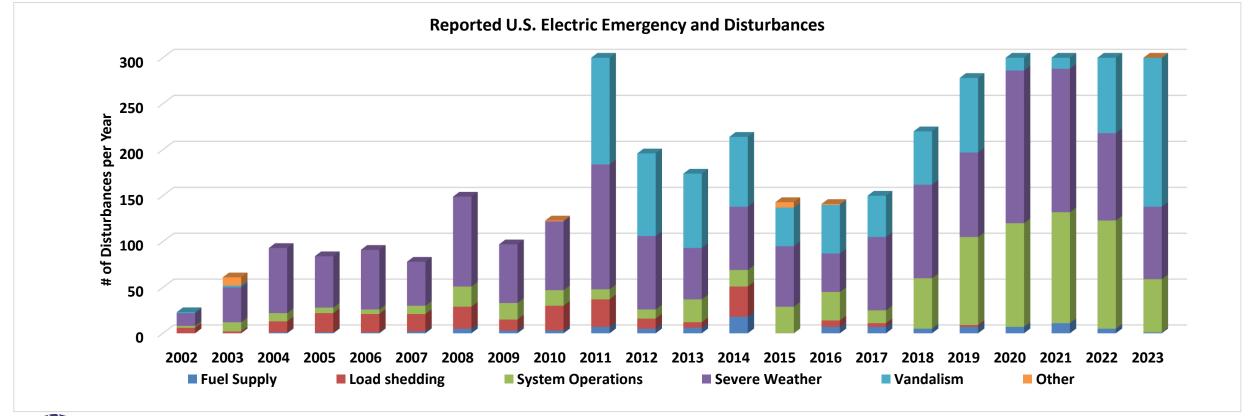
#### Why Consider Combined Heat & Power?

- Help Stabilize the Grid
- Economical
- Efficient
- Power Quality
- Environmentally Responsible
- Least Cost Electric Storage Option



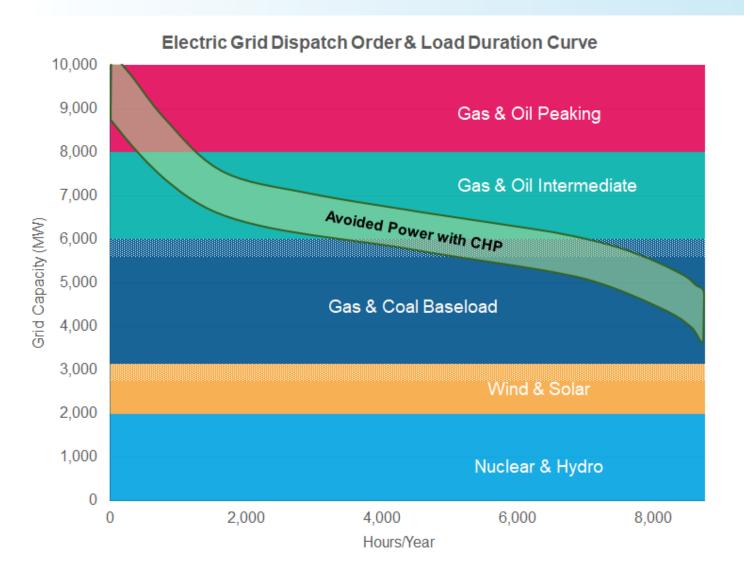
#### **CHP Systems Reduce Grid Demand and Help Stabilize it**

- The electric grid is stressed with congestion and constraints leading to more outages
- Offers reliability during outages less downtime





#### **Avoided Power with CHP Example**

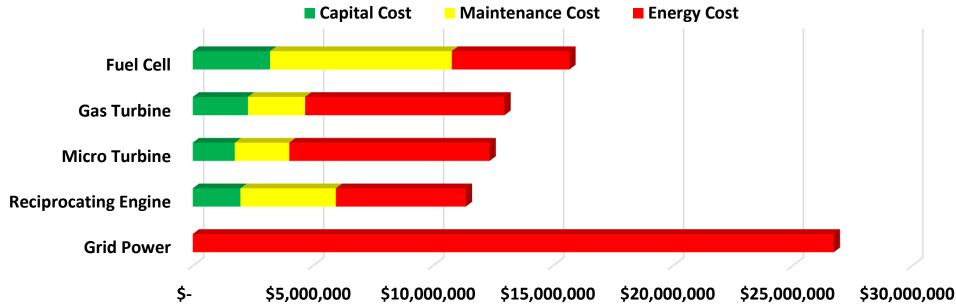




#### **Combined Heat & Power is Economical**

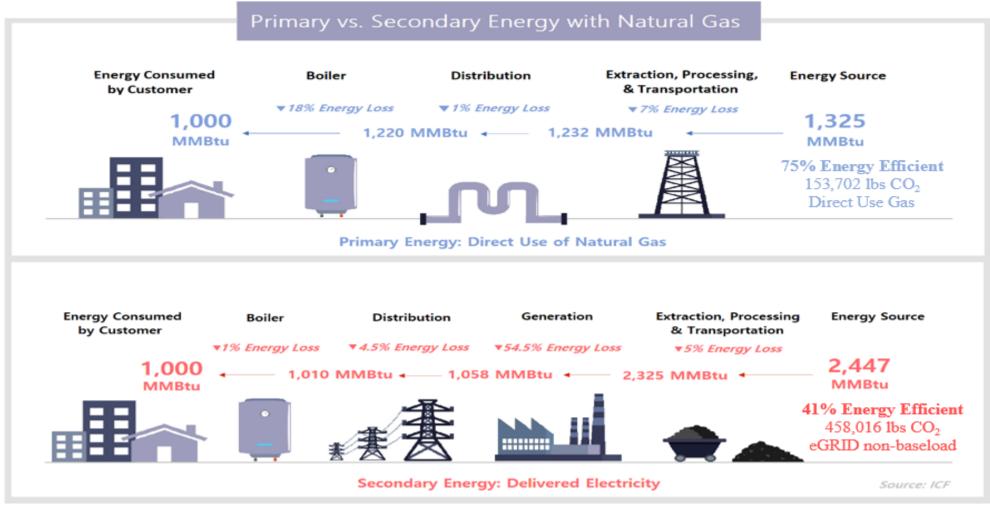
- Improves overall energy efficiency and fuel utilization thereby lowering electric and overall energy costs
- CHP systems generally have lower life cycle costs compared to buying power from the grid







#### **CHP** is more Efficient than Source Energy





#### Improved power quality with CHP

#### Power Quality

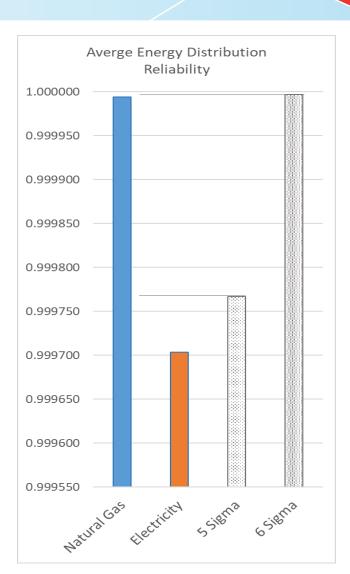
- Very consistent power quality
- Avoids outages from transmission and distribution problems
- Alleviates electric grid congestion & constraints
- Decentralized CHP locations less vulnerable to major system problems

Table 1: Summary Energy Distribution Reliability and Outage Rate Results

	Natural Gas	Electric
Metric	Distribution	Distribution
Average Reliability/Availability (Planned and Unplanned)	0.999957	0.999703
Average Reliability/Availability (Unplanned)	0.9999991	
Average Outage Rate – Planned and Unplanned (Event Per Customer Per Year)	0.00895	1.017
Estimated Unplanned Outage Rate (Event Per Customer Per Year)	0.00125	

Data from GTI Topical Report: Assessment of Natural Gas & Electric Distribution Service Reliability—7/19/18.



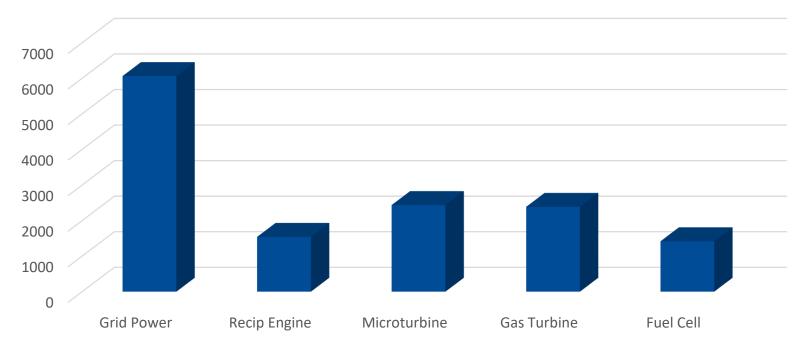


#### **Lower Emissions**

#### Environmentally Responsible

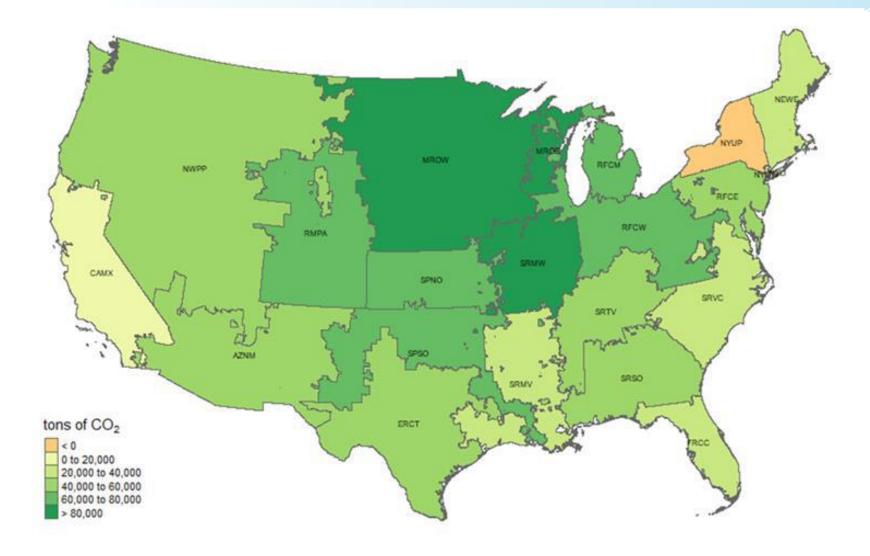
- Produces lower emissions compared to separate power and heat production
- Conserves natural resources

1 MW Life Cycle CO2 Emissions (Tons)





# Lifetime Carbon Emission Reductions for 1 MW 24/7 CHP System on Natural Gas, installed in 2020 and retired in 2035

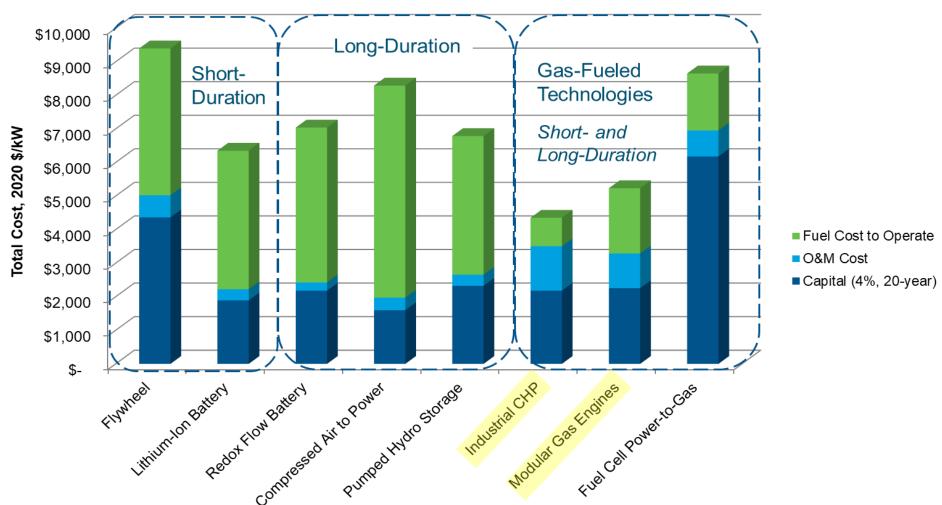




#### **Cost of Electric Storage**

(CHP has lowest Life cycle cost compared to other forms of electric storage)

#### 20-Year Life Cycle Cost Analysis





#### **Combined Heat & Power**

#### Best Applications for CHP

- High coincidental thermal and electric loads
- Long operating hours
- Central heating and cooling system
- Minimal electric distribution connections
- Favorable cost of natural gas relative to cost of buying electric power from grid (Good Spark Spread)
- Reasonable installed cost differential between conventional and CHP systems
- Special electrical, cooling or heating needs



# **CHP** is a Crowd Pleaser Compared to the Alternative

- Groups you typically run into when trying to build a new power plant:
  - NIMBY: Not in My Back Yard
  - Banana: Build Absolutely Nothing Anywhere or Near Anybody
  - Cave: Citizens Against Virtually Everything

Neighbors don't generally challenge a business looking to install CHP.



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### **Prime Movers**

Internal Combustion Engine
Turbines
Microturbines
Fuel Cells

#### **Engine Driven Generators**





#### **Engine Drives**

- Reciprocating internal combustion engines
- Products are available for a range of power generation market applications and duty cycles
  - Standby and emergency power
  - Peaking service
  - Intermediate and base load power
  - Combined Heat and Power (CHP)
- $^{\circ}$  Reciprocating engines are available for power generation applications in sizes ranging from  $^{\sim}$  5 kW to over 8+ MW

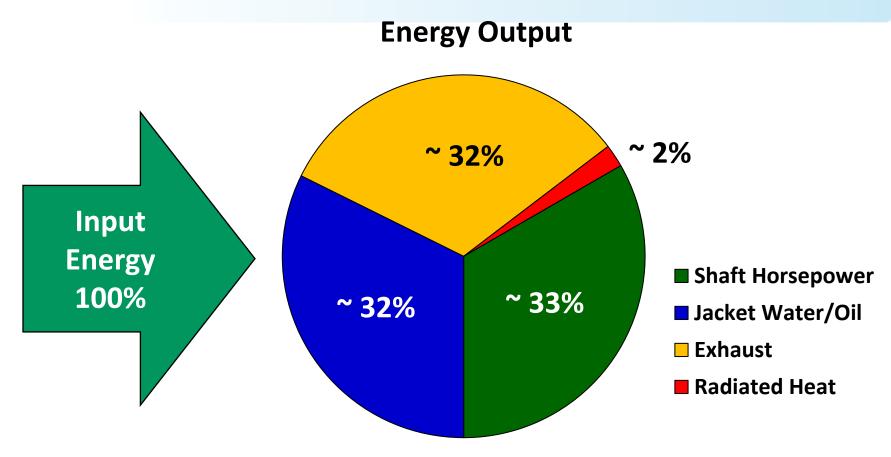


#### **Engine Drives – Facts**

- Reciprocating Engines
  - Two basic types
    - Spark ignition natural gas preferred for CHP
    - Compression ignition: bi-fuel and diesel fueled
  - Low first cost
  - Fast start-up
  - Proven reliability when properly maintained
  - Excellent load-following characteristics
  - Significant heat recovery potential
  - Most engines are water cooled. Smaller packaged systems may be air cooled



#### **Engine Drive Energy Use**



Engines these days can be in the range of 42 to 46 % efficient LHV



# **Black Start Capability**

- Black-Start (not available on all units)
  - The use of a permanent magnet generator and inverter together can provide the CHP unit with added "black-start" capability to come online when the utility grid is down
  - Generator units without "black-start" capability can only operate when the electric utility is online.
  - Provides the facility with "supplemental/stand-by" generation during utility outages



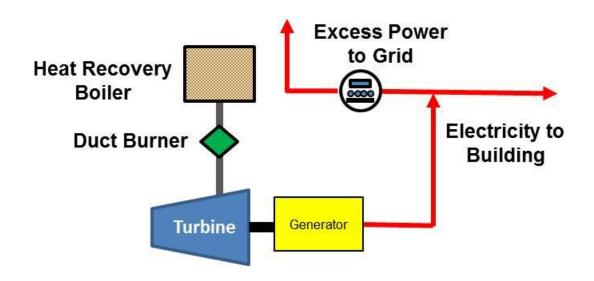
### **Turbine Generators**





#### **Turbines**

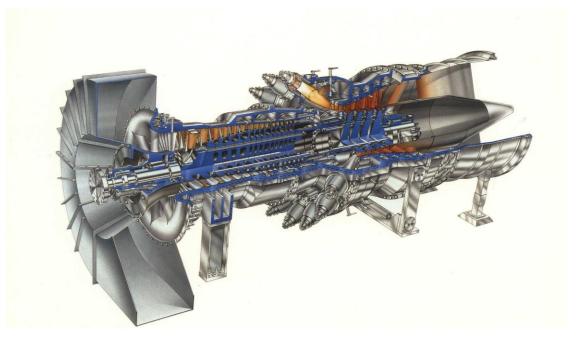
- A turbine is a rotary engine that extracts energy and converts it into useful work
- Excellent heat recovery opportunities
- Minimal working parts
- Run at high speed





# **Turbine Types**

- Natural Gas Combustion Turbines
- Steam Turbines
- Microturbines



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#### **Natural Gas Turbine Generator**



One large packaged unit will provide power and engineered heat recovery

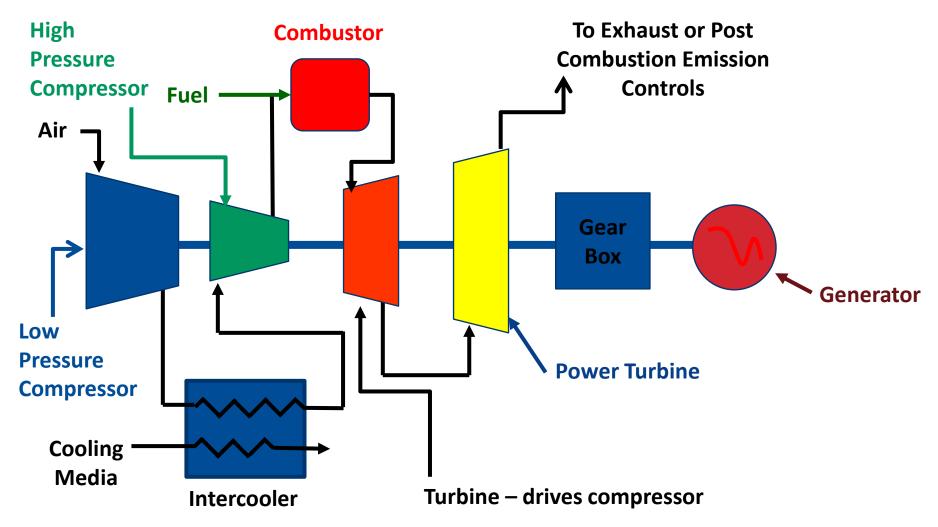


#### **Gas Turbine**

- Gas Turbines several hundred kilowatts to over several hundred megawatts
  - Run at high speeds
  - Used in power-only generation or in combined heat and power (CHP) systems
  - Produce high quality heat
  - Lower maintenance compared to engines
    - Requires higher skilled maintenance person

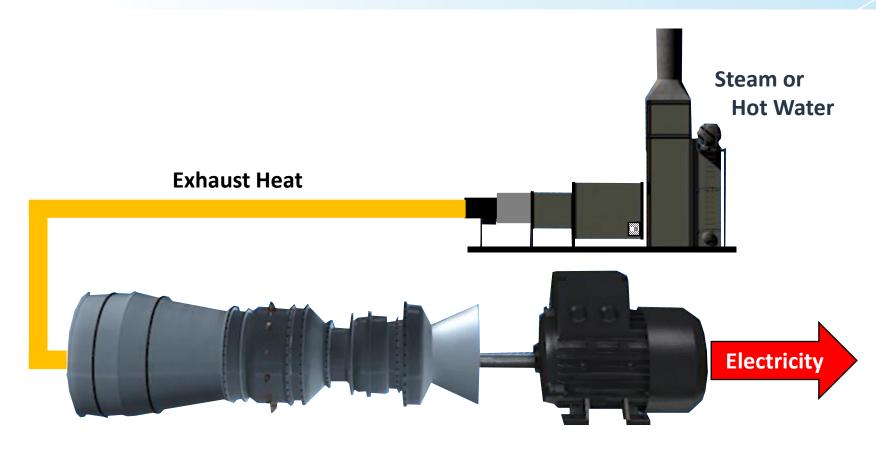


# **Schematic of Gas Turbine System**





# **Turbine CHP – Simple Cycle**



Use Natural gas and produce electricity and hot water or steam



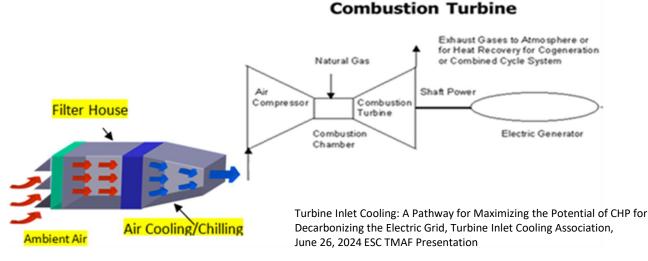
#### **Gas Turbines**

- High reliability
- Low emissions
- Able to produce high quality steam for:
  - Building heat or absorption chillers and process heating/consumption
  - District heating steam
  - Steam turbines in combined-cycle plant configurations
- Well suited for larger continuous duty CHP applications
- No cooling required (except in inlet cooling applications)



# **Gas Turbines – Efficiency Gains**

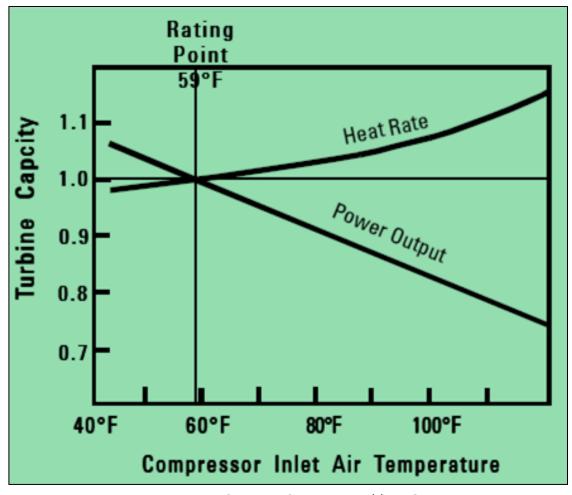
- Turbine inlet cooling
- Cooling the turbine inlet air -- even by a few degrees increases power output
  - Cooled air is denser, giving the turbine a higher mass-flow rate
  - Produces increased turbine output and efficiency -- as much as 0.4% per degree
     Fahrenheit





# Optimizing Inlet Air Temperature Increases Power Output

A gas turbine generator with cooling system installed at a site having an ambient temperature of 100°F (37.7 °C) and a relative humidity of 30% could deliver up to 7.6% more power than a gas turbine without inlet cooling





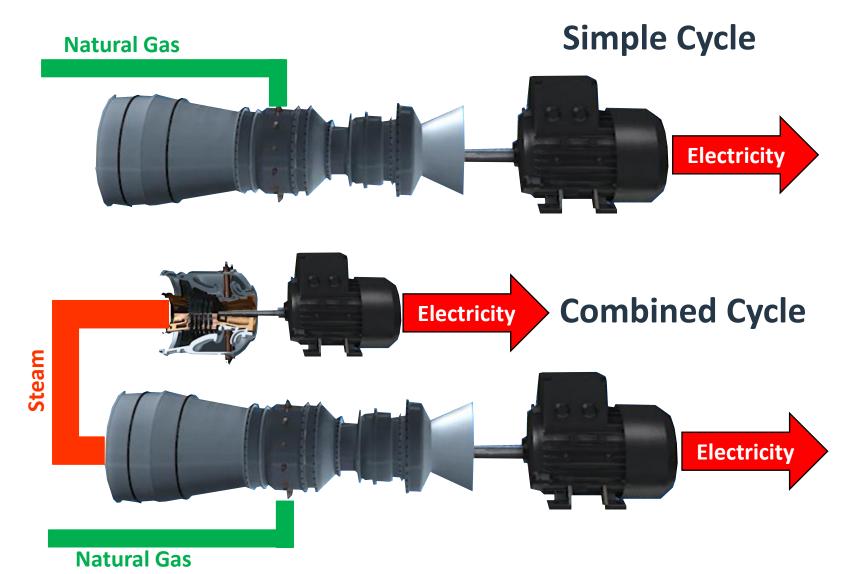
Source: ASHRAE, Donaldson Co.

# **Combined Cycle Plants**

- Combines Gas Turbine with a Steam Turbine
  - Gas Turbine driven Generators with Heat Recovery Steam Generator (HRSG) to provide steam to drive a Steam Turbine Generator
  - Offers all advantages of two prime movers, plus large amounts of power on short notice
- Sizes: Very large



# Turbine CHP – Simple vs. Combined Cycle





#### **Steam Turbines**

- Energy transferred from boiler to turbine through high-pressure steam that powers the turbine and generator
- Ideal in situations where large amounts of steam relative to electricity are needed
- Offers extremely long life and simple maintenance



#### **Steam Turbine Generator**

- Power range from 50 kW to 50 MW
- Synchronous or induction generator options
- Able to meet more than one site heat grade requirement
- Power to heat ratio can be varied
- Optional back-pressure turbine can be incorporated to reduce steam pressure in high pressure steam systems and generate electricity





#### **Microturbines**

- Microturbines 65 200 kW
- Run at high speeds
- Able to operate on a variety of fuels, including natural gas, sour gases (high sulfur, low Btu content), and liquid fuels such as gasoline, kerosene, and diesel fuel/distillate heating oil
- Several small units can be ganged together to provide power and engineered heat recovery



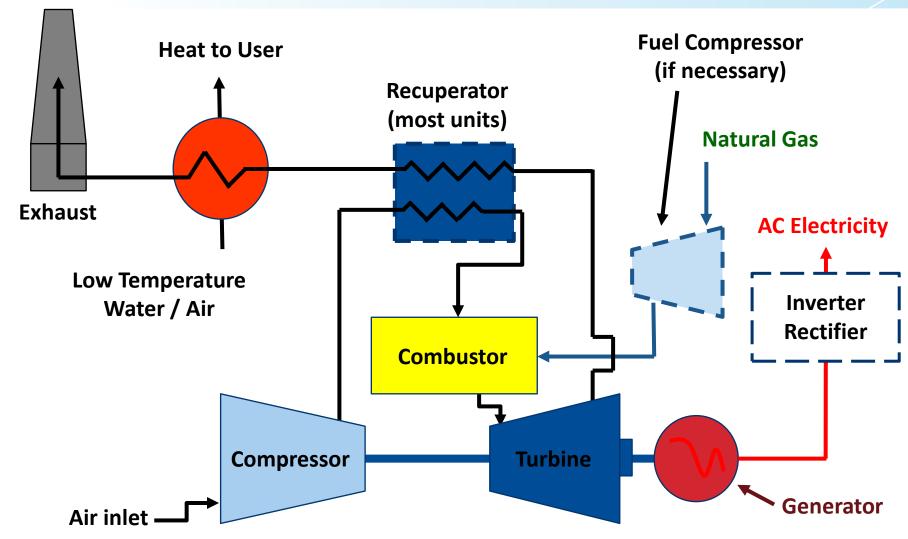


#### **Microturbines**

- Small, compact and lightweight packaged systems
- High grade heat available
- Known for installation flexibility
- Low emissions
- No cooling required
- Sizes: 65 to 200 kW
- More than one unit can be connected together to meet larger power requirements.

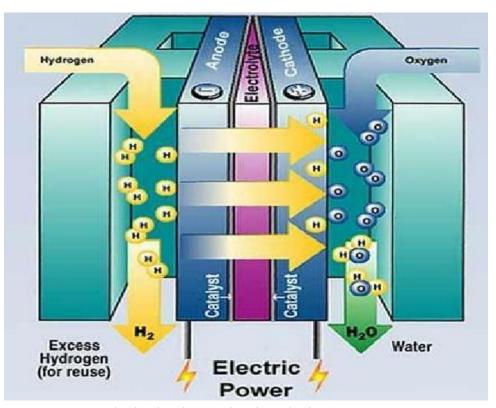


# **Schematic of Microturbine System**





# **Fuel Cells**



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#### **Fuel Cells**

- Fuel cell systems are composed of three primary subsystems:
  - Fuel cell stack that generates direct current electricity
  - Many include a Fuel processor that converts the natural gas into a hydrogen rich feed stream
  - The power conditioner that processes the electric energy into alternating current or regulated direct current
- Can be fairly quiet
- Produce no pollutants if run on hydrogen
- Have few moving parts
- Have potentially high system fuel efficiencies



# **Fuel Cell Technologies**

- Fuel cells produce power electrochemically from hydrogen delivered to the negative pole (anode) of the cell and oxygen delivered to the positive pole (cathode)
- The hydrogen can come from a variety of sources, but the most economic method is by reforming of natural gas or liquid fuels

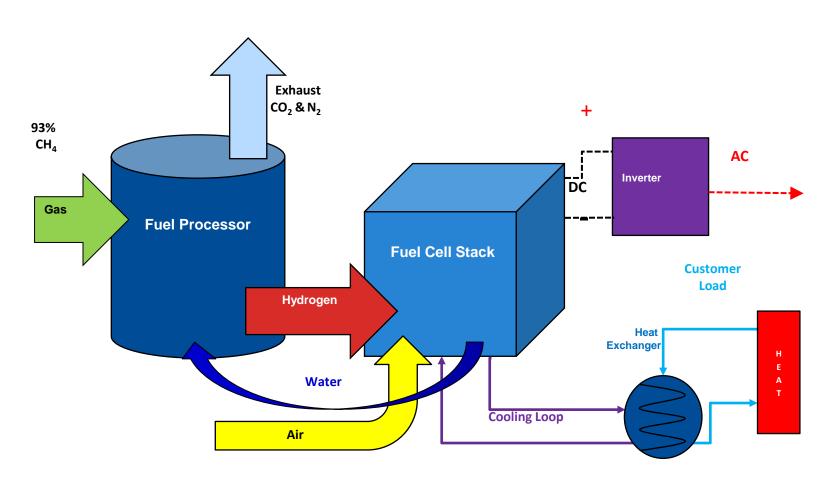


# **Fuel Cell Technologies**

- Several liquid and solid media support the electrochemical reactions:
  - Phosphoric acid (PAFC)
  - Molten carbonate (MCFC)
  - Solid oxide (SOFC)
  - Proton exchange membrane (PEM)
- Each type comprises a distinct fuel cell technology with its own performance characteristics and development schedule



# **Schematic of Fuel Cell System**





# Micro CHP (mCHP)





# Micro CHP (mCHP)

- Small scale cogeneration system for small commercial use
- Converts fuel to heat and electricity
- Micro-CHP units are sized up to 50 kWe
- Types Available
  - Engine driven
  - Fuel Cell
- Potential future technologies: ORC, Stirling Engine, TAC, small scale microturbines

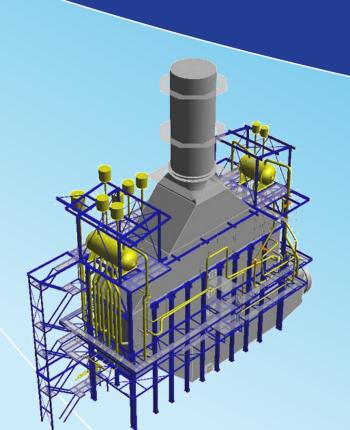


#### mCHP versus Standard CHP

- In many cases large commercial & industrial CHP systems are **Electricity-led** 
  - Electricity is the main output and heat is the by product
- Micro-CHP systems in smaller commercial applications are often <u>Heat-led</u>
  - Heat as the main output and electricity as the by-product
  - We generally size Micro-CHP to not exceed heat & hot water requirements



# **Heat Recovery**



# **Thermal Output**

- Simple Cycle Combustion Turbine:
  - High Volume, High Temp Exhaust (900 1000°F)
- Recuperated Microturbine:
  - High Volume, Medium Temp Exhaust (500 600°F)
- Reciprocating Engine:
  - Low Volume, High Temp Exhaust (900 1000°F)
  - → Hot Water (200 220°F)
- Fuel Cell (SOFC):
  - Low Volume, Medium Temp Exhaust (600 700°F)



### **Heat Recovery**

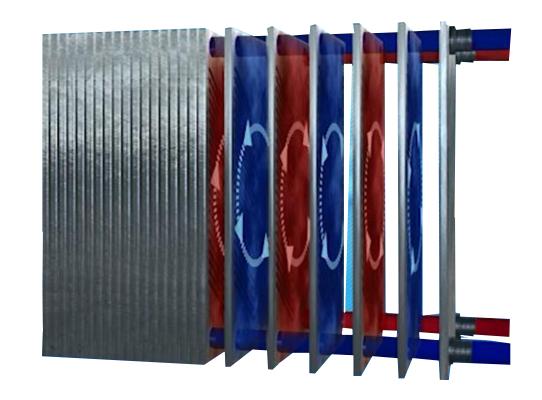
- Heat recovery is an essential element for CHP
- Options exist for cooling water and exhaust heat depending on prime mover technology
- Packaged/optimized systems available based on project requirements



# Heat Recovery Plate and Frame Heat Exchanger

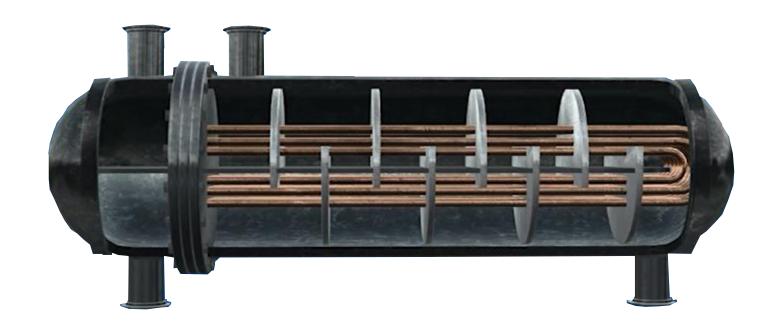


- Multiple thin slightly separated plates
- Large surface area
- Fluid flow passages allow heat transfer between two fluids





# Heat Recovery Shell & Tube Heat Exchanger



- Series of tubes that contain fluid to be heated
- Second fluid is located in shell and pumped around tubes transferring heat to fluid in tubes



# Heat Recovery Steam Generator (HRSG)

- Steam Flows can be from ~10,000 to ~300,000 #/hr.
- Pressure > 2000 PSI



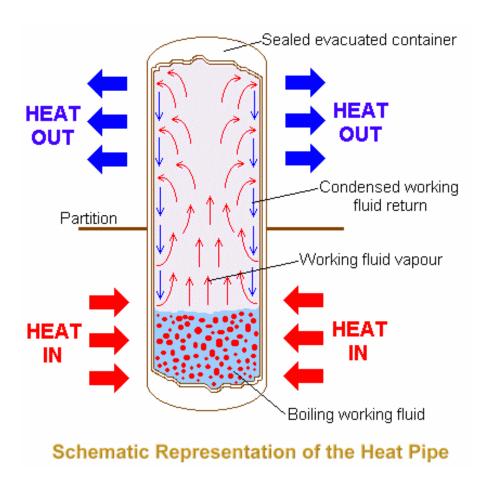


# Heat Recovery Heat Pipe Heat Exchanger (HPHX)

- Thermosyphon Technology
- High thermal recovery rates
- Gas to Water models
  - Good for absorption
- Gas to Steam models
- Exhaust Gas to Super heated Steam







Photos courtesy of AMS Energy

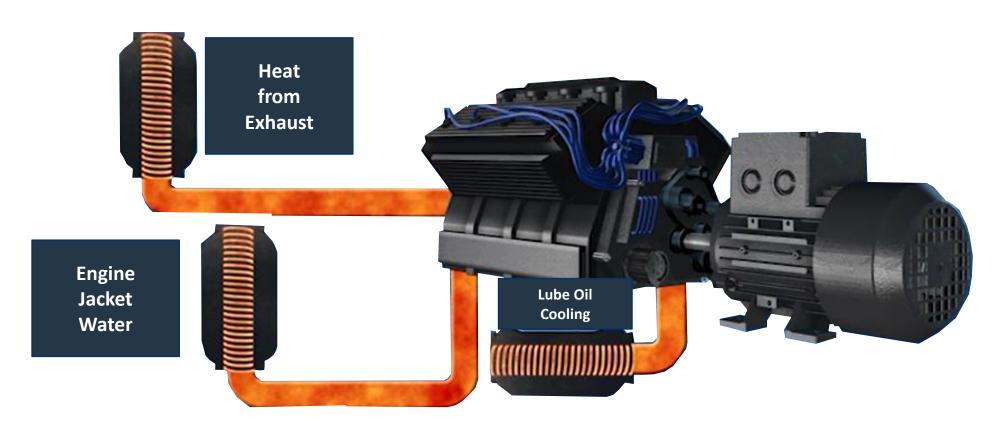
# **Heat Recovery on Engines**

- Four sources of usable waste heat from a reciprocating engine:
  - Exhaust gas
  - Engine jacket cooling water
  - Lube oil cooling water
  - Turbocharger cooling
- Heat can be recovered in the form of hot water or low pressure steam (<30 psig)</li>
- Medium pressure steam (up to about 150 psig) can be generated from the engine's high temperature exhaust gas



# **Engine Heat Recovery**

(Heat Recovered from Exhaust, Cooling Jacket and Lube System)





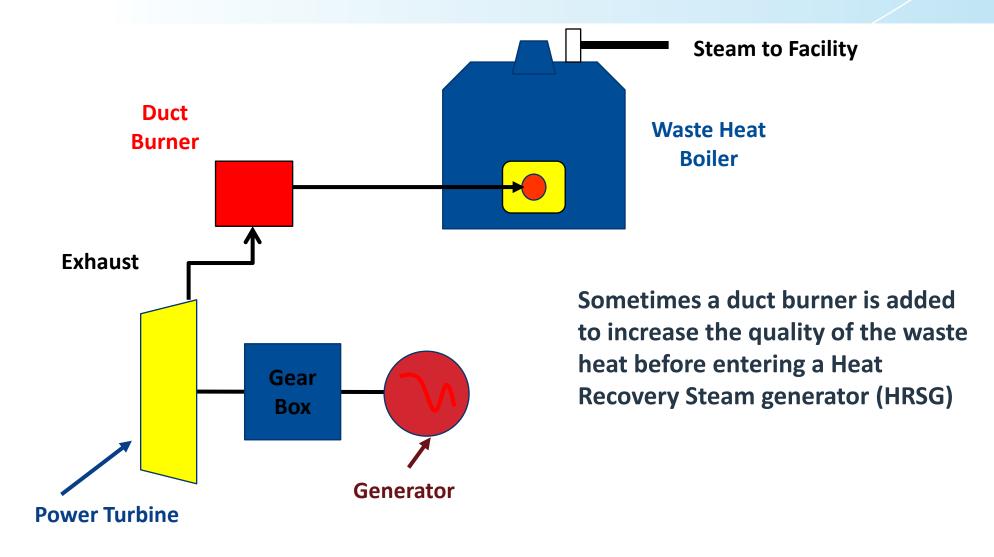
# **Heat Recovery Turbines & Micro Turbines**

- Heat recovery is from the turbine combustion exhaust
- Recovered in the form of hot air, water or steam
- May add a duct burner to raise exhaust temperature and supplement steam production





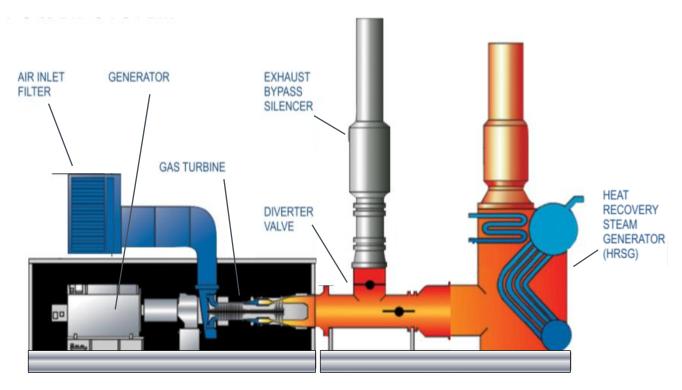
## **Gas Turbine System Heat Recovery**





# **Heat Recovery – Turbines Produce Steam**

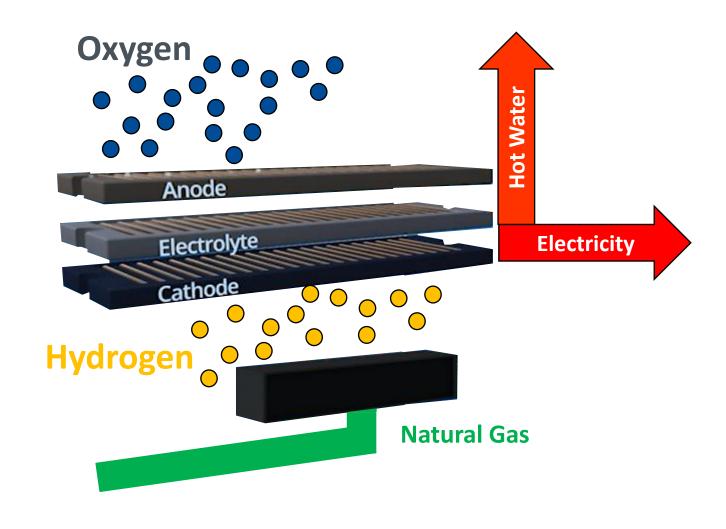
- Hot exhaust gases from the turbine pass through the HRSG - producing steam for steam turbine drives, heating, cooling, or process uses
- Can add supplemental firing if exhaust does not provide enough heat



http://www.epa.gov/chp/documents/presentations/forum\_wd/NCHPTTRFLyonsFinal.pdf



## Fuel Cell Heat Recovery (Hot water is byproduct of process)





## **Using Waste Heat for Cooling**

• Thermal Technologies for CHP are able to produce cooling from waste heat

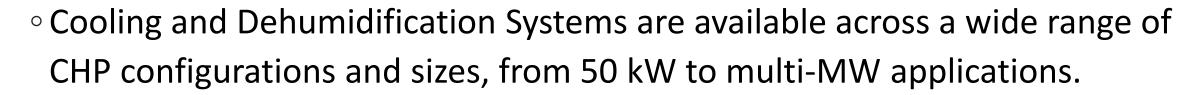
and include:

E f f i c i e n c

Steam Turbine Chillers

Double Effect Absorbers

- Single Effect Absorbers
- Desiccants
- Adsorbers







## **Economics and Incentives**

A detailed Life Cycle Cost Analysis is essential for evaluating a CHP project at any facility

### **Economic Analysis**

Life cycle costing is the process that compiles all expected costs that the owner of an asset will incur over its lifespan of the equipment. These costs include the initial investment (capital cost for equipment & installation), Operating and Maintenances Costs and Energy Costs. When comparing the life cycle cost of two options, the one with the lower life cycle cost is recommended.

- Capital costs are amortized of the life of the equipment at the interest rate able to be obtained by the borrower.
- O&M costs are X on Day 1, and are expected to increase each year by some %.
- Energy Costs are expected to escalate or increase over time as well.



## **Life Cycle Cost & Emissions Calculator**



HOME ightharpoonup Overview ightharpoonup Technologies ightharpoonup Waste Heat ightharpoonup Resources ightharpoonup Installations ightharpoonup Blog ightharpoonup

## Combined Heat & Power - CHP Calculator Tool A Simple ROI Analysis Calculator for CHP Technology

This ROI calculator provides a simple payback calculation for various CHP technologies based on the size and energy rates. The calculations use average pricing, efficiencies, & maintenance costs provided in the CHP Technology Catalogs available from the Combined Heat and Power partnership of the EPA. This calculator also shows the carbon emissions reductions from a CHP system based off of eGRID data.

The results produced by use of this tool are intended solely as a preliminary evaluation of a potential CHP installation. For a more detailed and exact evaluation, you should seek the assistance of a qualified engineering firm with input from the appropriate manufacturers of power generation equipment.

Simple Payback Analysis Tool (Excel)

LAUNCH
CALCULATOR













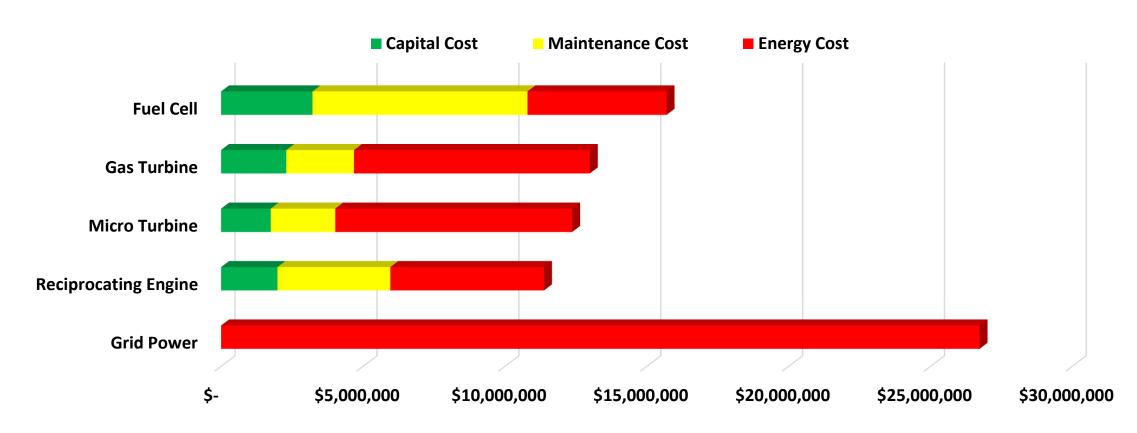
## **Tool Assumptions & Simple Payback**

	Combined Heat & Power (CHP) Simple Payback Analysis Use this tool to review various CHP equipment simple payback options.	FOR MORE INFORMATION VISIT OUR WEBSITE
The same of the sa		

Company/Customer Name		Facility/Site Location	n	
User Inputs:				
1. Size CHP Electric Generator (KW)	1,000	8. Ave. Electric U	Jsage Rate (\$/KWH)	\$ 0.14
2. Hours of Cogeneration ( /Year)	8,600	9. Electric Demand Charge (\$/KW)		\$ 10.00
3. Number of months generating power	12.00	10. Ave. Natural Gas Rate (\$/MMBTU)		\$ 7.00
4. # Years CHP Plant will be Financed	20			\$ 6.00
5. Interest Rate on Loan for Installed Cost	5%			US Average Fossil
6. Investment Tax Credit	30%	and state/province/region		US Average
7. CHP Incentive (\$)	\$ -	e-GRID Sub-Region Map		
Simple Payback (Years)	2.2	2.1	2.7	4.3
	Recip. Engine	Micro Turbine	Gas Turbine	Fuel Cell
CHP Size (KW) Installed Cost Federal CHP Investment Tax Credit Cost Less CHP Incentive(s) Ave. Annual Maintenance Cost Power Produced (KWH) Annual Electric Saved on Demand Annual Electric Savings on Usage	1,000 \$2,837,000 \$851,100 \$1,985,900 \$180,600 8,600,000 \$120,000 \$1,204,000	1,000 \$2,500,000 \$750,000 \$1,750,000 \$103,200 8,600,000 \$120,000 \$1,204,000	1,000 \$3,281,000 \$984,300 \$2,296,700 \$108,360 8,600,000 \$120,000 \$1,204,000	1,000 \$4,600,000 \$1,380,000 \$3,220,000 \$344,000 8,600,000 \$120,000 \$1,204,000
Annual Gas Cost for Cogeneration Recovered Heat (MMBTU/Year) Annual Gas savings from waste heat use	\$510,294 37,762 \$264,332	\$660,208 40,163 \$281,139	\$735,581 51,184 \$358,289	\$412,800 27,176 \$190,232
Annual O&M cost CHP Plant Electric and gas utility savings from CHP Total Savings per year from CHP System	\$690,894 \$1,588,332 <b>\$897,438</b>	\$763,408 \$1,605,139 <b>\$841,730</b>	\$843,941 \$1,682,289 <b>\$838,348</b>	\$756,800 \$1,514,232 <b>\$757,432</b>

## **CHP Life Cycle Cost Analysis**







#### **U.S. CHP Tax Credit**

#### **Investment Tax Credit**

- The incentive is an Investment Tax Credit, which is a reduction in either overall individual or overall business tax liabilities
- 30% of the project cost for projects incorporating CHP equipment, that begin construction before January 1, 2025.
- Possible 10% more if equipment meets domestic content requirements
- Possible 10% more if site is located in an Energy Community

#### **General qualification rule:**

- The CHP system efficiency must exceed 60%
  - Electric must be >= 20% & Thermal Energy must be >= 20%



## **Federal Tax Code: Bonus Depreciation**

- Section 179 of the Tax code allows for 100% depreciation in the 1<sup>st</sup> year of capital expenses.
- Most businesses pay approx. 21% federal tax.
- Assuming the business has income greater than the cost of the CHP system, the entire cost of the system can be written off against income the first year and the net effect is you get 21% of the cost back.
  - Add to that the ~30% ITC for CHP the business gets 51% of the cost returned in the first year.



## **CHP Resources**

Numerous Trade Associations and web resources are available to assist and provide you additional market information and resources

#### **CHP Resources**



TECHNOLOGIES V VENDORS V INSTALLATIONS V NEWS WASTE HEAT V

#### Understanding Combined Heat and Power (CHP)

Distributed Generation is an efficient on-site power system that produces electric power and thermal energy for heat, steam or air conditioning.

This form of power generation is known today by many names and acronyms. Cogeneration, or combined heat and power (CHP) are two. CHP is not a single technology, but an integrated energy system that can be modified depending upon the needs of the energy end user. These systems simply capture and utilize excess heat generated during the production of electric power. CHP systems offer economic, environmental and reliability-related compared to power generation facilities that produce only electricity.

By capturing and using the waste heat, these systems normally consume 50 percent of the fuel burned by a central power station to provide an equivalent amount of energy. Because greenhouse gas emissions are related to the amount of fuel burned, CO2 production can also cut in half using a distributed generation system.

This website will provide you information on the various technologies available to produce your own power with recoverable heat. By making continuous use of both electricity and thermal energy, you can save up to The real key to an efficient and economical CHP system 35 percent on overall energy costs.



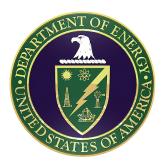
is having the need for simultaneous use of both electricity and heat.



www.understandingchp.com

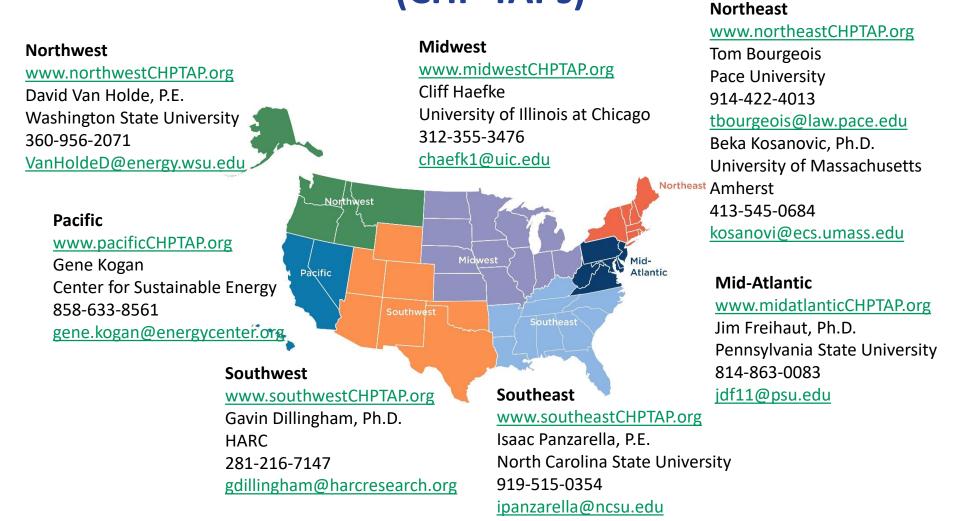
## **Department of Energy**

- ∘ DOE U.S. Department of Energy
  - Located in Washington, DC
  - Numerous resources available
  - https://www.energy.gov/eere/amo/chp-deployment





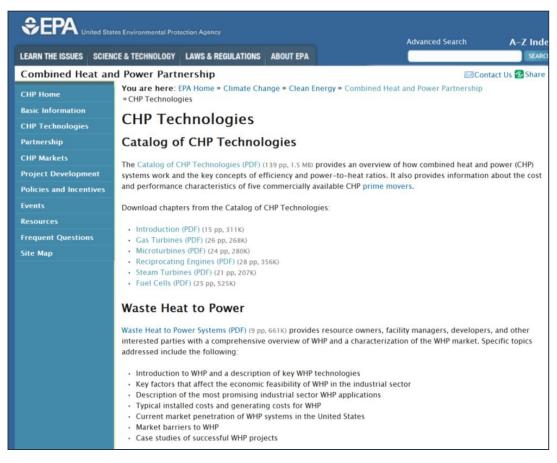
# DOE CHP Technical Assistance Partnerships for CHP (CHP TAPs)



For more information visit https://energy.gov/eere/amo/chp-technical-assistance-partnerships-chp-taps

#### **EPA Web Site – CHP Information**

#### https://www.epa.gov/chp/chp-technologies







#### **CHPA**

- Coalition of businesses, labor, contractors, non-profit organizations, and educational institutions with the common purpose to educate all Americans about CHP and WHP, and how CHP and WHP can make America's manufacturers and other businesses more competitive, reduce energy costs, enhance grid reliability, and reduce emissions.
- Located in Arlington, VA
- www.chpalliance.org





# Thank You

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escenter.org