

## HVAC Retrofits

Heating, ventilation, and air conditioning (HVAC) systems are typically the largest source of electricity use and peak demand in offices, retail spaces, medical clinics, and restaurants. HVAC upgrades provide long-lasting energy and demand savings while improving occupant comfort and system reliability.

### What qualifies

A wide range of high-efficiency HVAC projects and improvements commonly found in small commercial facilities are eligible and include the following:

- Air conditioners (central AC, air-cooled DX, split systems)
- Air source heat pumps
- Packaged terminal air conditioner (PTAC) and package terminal heat pump (PTHP)
- Ground Source Heat Pumps
- Economizers, guest room occupancy sensors, programmable and connected thermostats
- HVAC tune-ups and refrigerant charge corrections

### How are savings calculated

Annual savings are calculated using deemed or algorithmic methods based on equipment efficiency improvements (e.g., SEER, IEER, or kW reduction), operating hours, and system type.

### Measure life & value

Many HVAC retrofits have a measure life of 15 years meaning savings persist well beyond initial installation and are long term participants in the PA AEPS. This long effective life improves project cost-effectiveness and makes HVAC retrofits an attractive option for building owners.

### Applying to the PA AEPS

Please refer to the attached document to learn more about the PA AEPS program and Tier II credits. HVAC retrofits can qualify for a utility rebate and are also eligible in the PA AEPS. If a utility rebate is received, the easiest means to apply to the PA AEPS is to submit the utility rebate paperwork to the PA AEPS Program Administrator. Additionally, we recommend saving energy audits, spec sheets and invoices as reference materials.

### Questions

Feel free to contact the PA AEPS Program Administrator to learn more about the PA AEPS or to ask questions specific to your project.



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InClimate, Inc. is the Third-Party Program Administrator for the Pennsylvania Alternative Energy Portfolio Standards Program

## PA AEPS Tier II Credits – Energy Efficiency

### AEPS Program

The [Pennsylvania Alternative Energy Portfolio Standards Program](#)(AEPS) requires electric utilities and electric suppliers to purchase a percentage of alternative energy resources to meet annual AEPS compliance. The utilities and suppliers meet their AEPS percentage requirements by purchasing alternative energy credits (AECs) from qualified alternative energy systems.

### AECs

An AEC is created for each 1,000 kWhrs or 1 MWh of electricity produced or saved from a qualified source. The AEC can then be sold or traded. AECs are bought and sold on an open market, and [AEC prices](#) are determined by supply and demand. AEC prices do fluctuate in value. AECs are eligible to be transacted up to 3 years after issuance.

### Eligibility

Energy efficiency improvements such as lighting retrofits, HVAC upgrades including chillers, efficient motors and VFDs, and certain compressed air and refrigeration projects can apply to earn Tier II AECs. Tier II AECs for energy efficient measures are generated based on the savings between an inefficient technology and the new efficient technology. The eligibility period for energy efficiency measures varies by measure and could generate Tier II AECs for up to 15 years.

### Apply

Facility owners or their representatives can apply to the AEPS Program through the PA AEPS Program Administrator’s website, [PennAEPS](#). If the facility has received a rebate from their utility, the facility can provide the utility savings document or energy audit with the application. The Program Administrator will review the application and issue an AEPS certification number and Tier II AEC generation schedule.

### Receive AECs

After an AEPS certification number is issued, the facility owner or their representative registers an account in [PJM-GATS](#) where the AECs are created and transacted. The facility enters monthly savings from the savings schedule into the platform. Once a month, the platform issues Tier II AECs which can then be transacted.

### Tier II AEC Market & Pricing

Facilities often utilize a [broker](#) or [aggregator](#) to manage the entry of savings into the [PJM-GATS](#) and transact the selling of Tier II AECs for a commission. Pricing for Tier II credits varies. The average price per Tier II AEC for 2025 was \$26.92 and can trade up to \$45. Historical pricing is available on the [PennAEPS](#) website.

### Example

A warehouse completes a lighting retrofit with an annual savings of 500,000 kWh. An AEPS certification and a generation schedule is issued for 42 Tier II AECs per month to total 500 Tier II AECs annually:

$$500 \text{ Tier II AECs} * \$26.92 \text{ average Tier II AEC price for 2025} = \$13,460$$



To learn more about the AEPS, contact us at [877-333-0573](tel:877-333-0573) or [customerservice@pennaeps.com](mailto:customerservice@pennaeps.com).