

2006 Business Energy Efficiency Program Procedures Manual

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Summary of Program Rules

This program offers cash incentive payments for business energy efficiency projects involving the installation of new, high-efficiency equipment or systems. The project can consist of the retrofit of existing equipment/systems or the installation of equipment associated with new construction. The program is open to projects involving commercial, industrial and agricultural Customers.

In SCE and SDG&E territories, an itemized (Express Efficiency) or a Calculated (SPC) approach is used to estimate the energy savings and incentive depending on the type of energy efficiency measure installed. In PG&E territory, a Calculated (SPC) approach is used to estimate the energy savings and incentive. Itemized (Express Efficiency) type measures may be eligible under PG&E's Mass Market Program.

The incentive for an itemized (Express Efficiency) measure is paid based on a pre-determined rate and kWh or therm savings calculations by the Project Sponsor are not necessary. For all other measures, the estimated payment is determined by the quantity of kWh or therm savings resulting from installation of the new equipment or system. This value is calculated by the Applicant. Applicants are eligible to receive up to a set percent of the total measure or project costs. The percentage cap and level to which the cap is applied varies by Utility. Table C-1 describes these values.

Under the program, a Project Sponsor follows a multi-step application process using forms supplied specifically for the program. The forms are submitted to the applicable Utility Administrator for evaluation and payment. Depending on the nature of the project, the application process may involve one or more site inspections by the Utility Administrator prior to payment. In all cases, the Utility Administrator will work closely with the Project Sponsor to facilitate the review and payment process.

Participation in the program is entirely voluntary. Applicants incur all costs associated with preparing an application, installing equipment, conducting measurement and verification (M&V) activities, and otherwise reviewing or executing the program agreement. Receipt of incentive funds depends on careful adherence to program policies. In return the Project Sponsor or otherwise indicated payee obtains cash payments while participating Customers acquire high-efficiency equipment that will help lower energy costs and reduce energy consumption.

The following sections briefly summarize the business energy efficiency program. For additional information refer to the 2006 Business Energy Efficiency Program Procedures Manual or contact your local Utility Administrator.

A. PROGRAM DEFINITIONS & ELIGIBILITY

Utility Administrator

Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric (SDG&E), and Southern California Edison (SCE) administer the business energy efficiency program in their respective service territories.

Project Sponsor

The Project Sponsor is responsible for completing the application and ultimately receives or designates the payment from the Utility Administrator. See Section 1.8 for more information. The Project Sponsor may be the Customer for whom the energy saving equipment or systems are installed or may be a third-party authorized to act on behalf of the Customers. NOTE: The

Project Sponsor is the primary contact with the Utility and will receive all correspondence regarding the project.

Customer (Applicant of Record)

The Customer is the Utility Customer whose site or sites is implementing the energy saving measure(s). All non-residential Customers who: (1) receive electric and/or natural gas services from PG&E, SCE, or SDG&E and (2) pay the public goods charge or demand-side management surcharge on their Utility bills are eligible for Program participation as a Customer.

Project

A project is defined as all of the measures included in a single application. The project may include multiple sites and multiple measures as long as they are all located within a single Utility service territory. Program payments are provided based on one-year project energy savings for the measures installed and therefore all measures to be installed in a project must be completed before any payment is made.

An Early Retirement feature allows the Project Sponsor to receive an incentive for equipment that is retired prior to its calculated useful life. Measures that are eligible for this feature are subject to an expanded definition of allowable energy savings. This results in a larger incentive than would be possible using the traditional Calculated (SPC) approach (this feature applies only to specific measures - see Section 1.4.3).

It is important to note that if any of the project measures are included in applications to any other California end user energy efficiency rebate program, the project may be ineligible for participation. Other California end user energy efficiency programs include, but are not limited to, any end user program offered by or through Southern California Gas Company, Southern California Edison, Pacific Gas and Electric Company, and San Diego Gas & Electric, the California Energy Commission, and the California Public Utilities Commission, including, Local Programs funded by the public goods charge (PGC). Projects involving measures that qualify for the Early Retirement feature may be an exception to this rule. Contact the Utility Administrator for further details.

Project Site

A project site is defined as a single free-standing building or all electric / gas load that is tied to an individual Utility meter.

Energy Savings Measures

An energy saving measure ("measure") is the installation of new, high-efficiency equipment or systems. This can involve installations associated with new construction or retrofits and replacements of existing equipment. **Measures involving, cogeneration, or fuel-switching projects are not eligible.** Measures cannot be removed or installed until the Utility can conduct an on-site inspection.

Measures must exceed applicable government and/or industry minimum efficiency standards to qualify and must operate and produce verifiable energy savings for at least five years.

Incentives are paid for direct energy savings only; energy savings due to interactive effects such as the reduced cooling load due to installing more efficient lamps are not eligible.

T8 and T5 Fluorescent Lamps must meet the Color Rendering Index and Rated Lamp Life standards listed in Table A-1 below:

Table A-1. Eligible Fluorescent Lamp Characteristics

Lamp Type & Size	Ballast Type	CRI	Minimum Rated Lamp Life (3 hrs/start)
T8 – 2-ft, 3-ft, 4-ft	Programmed Start/ Programmed Rapid-start	>= 80	24,000 hours
T8 – All Sizes	Instant Start	>= 80	18,000 hours
T5 – All Sizes	Programmed Start/ Programmed Rapid-start	>= 82	24,000 hours

Early Retirement

The Early Retirement feature is designed to encourage the replacement of older, less efficient equipment with new high efficient models, earlier than the customary replacement date. For qualifying equipment, the energy savings are calculated using the baseline efficiencies of the actual equipment rather than the current minimum standards. **This results in a larger incentive than would be possible using the traditional Calculated (SPC) approach.** Currently the Early Retirement calculation procedure can be applied to motors, chillers, packaged air conditioners and dry/wet cleaning equipment. To use this feature, the savings must be Calculated (SPC) Approach using the estimating software tools on the CD-ROM (see Section 2.3).

B. Estimating Energy Savings and Incentives

SCE and SDG&E

Depending on the energy efficiency measure installed, one of two approaches will be used to establish the incentive – Itemized (Express Efficiency) Incentive or Calculated (SPC) Approach.

1. The Itemized (Express Efficiency) Incentive Approach pays a set amount on a per item basis for certain well established measures. This approach requires less information on the measure and its operating parameters, and simplifies the application process. The energy savings for itemized (Express Efficiency) measures are pre-set; therefore, the Project Sponsor does not calculate the energy savings.
2. The Calculated (SPC) Approach determines the amount of the incentive based on the annual kWh or therm saved. Energy savings may be estimated using the software estimating tools provided in the software or the Project Sponsor may elect to use their own engineering calculations.

To calculate savings for Early Retirement, the Project Sponsor must use the software to determine the energy savings and incentive.

PG&E

The Calculated (SPC) Approach will be used to establish the incentive and energy savings. This approach determines the amount of the incentive based on the annual kWh or therm saved. Energy savings may be estimated using the software estimating tools provided in the software or the Project Sponsor may elect to use their own engineering calculations.

To calculate savings for Early Retirement, the Applicant must use the software to determine the energy savings and incentive.

All Utilities

All energy savings estimates are reviewed and approved by the Utility Administrator as part of the application process. Additional information may be required to verify the inputs and variables used to determine the incentive.

In a few cases the energy savings cannot be substantiated to the satisfaction of the Utility. In these cases the Utility Administrator may require measurement and verification (M&V) of energy use both before and up to 2 years after implementation of the energy saving measure. If the Utility determines that M&V is necessary to accurately determine the energy savings, the Project Sponsor must prepare and submit an M&V plan to the Utility Administrator for review and approval. Should M&V be required, then the Program incentive payment will be increased by 10 percent to help defray the M&V costs.

C. INCENTIVES

SCE and SDG&E

Incentives are determined in two ways for the business energy efficiency program. For the Itemized (Express Efficiency) Measure Approach, the incentive payment is made on a per item basis (see Appendix F for detailed requirements). For the Calculated (SPC) Approach, the incentive payment amount is based on a flat incentive rate (per kWh or therm) applied to one year of energy (kWh or therms) savings. For measures that require M&V, the final incentive amount is based on the measured performance and can therefore vary between 0 and 110 percent of the amount originally indicated on the contract.

PG&E

The incentive payment amount is based on a flat incentive rate (per kWh or therm) applied to one year of energy (kWh or therms) savings. For measures that require M&V, the final incentive amount is based on the measured performance and can therefore vary between 0 and 110 percent of the amount originally indicated on the contract. Itemized (Express Efficiency) Measures are not eligible in the business energy efficiency program but may be available in PG&E's Mass Market Program.

Incentive Rates

The incentive rate varies based on the measure category as shown in Table C-1 below.

Table C-1. Incentive Rates

Measure Category	Incentive Rate
Itemized (Express Efficiency) Incentive *	Per item basis
Lighting (Fluorescent, Other Lighting, or Lighting Controls)	\$0.05 per kWh saved
Motors and Other Equipment	\$0.08 per kWh saved
Air Conditioning and Refrigeration (AC&R)	\$0.14 per kWh saved
Natural Gas**	\$0.80 per therm saved

* Itemized (Express Efficiency) Incentives are available under the Mass Market Program in PG&E service territory.

** Incentives for natural gas savings are not available in SCE service territory.

Capital Costs Limitations

The eligible incentive is limited to a set percentage of the total capital costs. The percentage of capital cost and the level at which the rule is applied varies by Utility. When capital costs are evaluated at the project level, the total project incentive is capped at a percentage of the

combined measure costs. When the capital costs are evaluated at the measure level, the individual measure incentive is capped at a percentage of the individual measure cost. These values are summarized in Table C-2 below.

Table C-2. Capital Costs Caps

Utility	Itemized (Express Efficiency) Measures Cap	Calculated (SPC) Measures Cap	Level Applied
SCE	75% not to exceed 100% of incremental costs	75% not to exceed 100% of incremental costs	Project
SDG&E	100%	50%	Measure
PG&E	100%*	50%	Measure

* Itemized (Express Efficiency) Incentives are available under the Mass Market Program in PG&E service territory.

Incentive Amount Limitations

Total incentive amounts are capped at a set amount based on either project or project site. Project and Project site are defined in Section A. above.

SCE

Incentives in SCE territory are limited to \$1,500,000.00 per project.

SDG&E and PG&E

Incentives in SDG&E and PG&E territories are limited to \$350,000.00 per project site.

Incentive Payment Schedule:

After project measure(s) are installed, either one or two incentive payments are made, depending on whether M&V is required. For projects without M&V, 100 percent of the approved incentive amount is paid after installation of the project measure(s) is confirmed (Installation Report is approved).

For projects where M&V is required, 60 percent of the approved incentive is paid after the installation of the project measure(s) is confirmed. The balance of the incentive amount for the measure(s) installed is determined based on the M&V results and is paid upon receipt and approval of the final report (Operating Report).

D. HOW TO APPLY (SEE SECTION 1.9 FOR DETAILS)

To apply for incentives under the program, the Project Sponsor follows a multi-step process using forms specific to the program. These forms can be completed manually using the hand-written (PDF) forms, or can be completed electronically using either Excel forms or with the program software available on Program CD-ROM. (To obtain the CD-ROM, access the Utility Administrator's business energy efficiency website). The application process consists of the following two or three steps depending on whether M&V is required or not.

First Submittal - Project Application (PA)

The Project Sponsor prepares and submits a Project Application (PA), which includes Customer information, site information, data regarding specific measures to be installed and the estimated energy savings. The PA is signed by the Project Sponsor and becomes the contract once it is executed by the Utility Administrator. The Utility Administrator reviews the PA and will schedule

an inspection of the existing equipment. **Pre-installation inspections are required for all projects prior to approval unless waived by the Utility Administrator.** Once the PA is approved incentive money is reserved for the project, pending timely installation of the project measures. *Note that neither decommissioning of existing equipment nor construction or implementation of an energy saving measure may begin prior to PA approval.*

Second Submittal – Installation Report (IR)

For projects that include Calculated (SPC) Measures, The Project Sponsor prepares and submits an Installation Report (IR) after all project measure(s) have been installed and are operational. The Utility Administrator reviews the IR and schedules an inspection of the installed equipment prior to approval. The Utility Administrator issues the incentive payment upon approval of the IR for the project measure(s) installed.

Third Submittal - Operating Report (OR) – Projects requiring M&V ONLY.

For projects requiring M&V, the Project Sponsor must prepare and submit an Operating Report (OR). The OR is prepared using the results of the M&V activities during the first year of operation. The Utility Administrator reviews the OR and may choose to inspect the installed equipment prior to approval. The Utility Administrator calculates the final incentive amount based on the M&V results for the project measure(s) installed and issues the final incentive payment.

E. IMPORTANT DATES AND DEADLINES:

- Program opens: January 2006 (please check your Utility's website, listed in Table 1-9, for the exact date).
- Application deadline: December 31, 2006 or before all of the applicable Utility's energy efficiency incentive funds are committed.
- Installation deadline: June 1, 2007

Section 1: Program Overview and Policies

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1.1 Introduction

Welcome to 2006 business energy efficiency program for California. This program provides financial incentives for the installation of new, high-efficiency equipment or systems. The project may involve the retrofit of existing equipment or the installation of new equipment associated with new construction. Businesses that install energy-saving equipment are rewarded with cash payments, based on the actual annual kWh or therm savings that are achieved, or on an itemized basis, depending on the type of measure installed. The 2006 program opens January 2006 (please check your Utility's website, listed in Table 1-9, for the exact date). Applications are accepted until December 31, 2006 or until the entire applicable Utility Administrator program incentive funds are committed

Administered by Utilities. The program is administered by three of California's investor-owned Utilities — Pacific Gas and Electric Company, San Diego Gas & Electric, and Southern California Edison — and funded by Utility Customers through the public goods charge and demand-side management surcharge on their Utility bills.

Designed for All Business Customers. The program serves all business Customers — i.e., commercial, industrial, and agricultural Customers — of any size. In the 2006 program, all Utilities share the same rules and procedures, except in instances specifically noted.

Program Materials. Because incentive payments are based on careful adherence to program requirements, please read this entire *Program Overview and Policies* section of the *2006 Business Energy Efficiency Program Procedures Manual* before starting a project. Additional sections of the *Procedures Manual* — including forms and instructions — are available from your Utility Administrator both in hardcopy and on CD-ROM. Most of these materials are also available on Utility websites.

1.2 How the Program Works

1.2.1 The Main Players

The program involves three key parties:

1. **Customer (Applicant of Record)**—A business Utility Customer who conducts, or authorizes an outside Project Sponsor to conduct, an energy efficiency project at one or more sites.
2. **Project Sponsor**—An entity that submits a project application and executes a program Agreement with a Utility Administrator. Customers can serve as their own Project Sponsor, i.e. "self-sponsor", or may elect to have a third party execute the agreement on their behalf.

The Project Sponsors receive the incentives, unless they direct the Utility to pass them onto the Customers or other party. They are responsible for ensuring all required paperwork is submitted correctly and for ensuring the project is completed.

3. **Utility Administrator**—Pacific Gas and Electric Company, San Diego Gas & Electric, or Southern California Edison, whichever provides natural gas and or electric services to the project site.

1.2.2 The Basic Process

The business energy efficiency program works as follows:

1. **Application Submission.** The Project Sponsor submits an application to the appropriate Utility Administrator. The application describes the project and determines the incentives. The different energy-saving and incentive estimating approaches are discussed in Section 2.

2. Application Review. The Utility Administrator reviews the application and may conduct a pre-installation site inspection. **All existing equipment must be operating and available for inspection, or the project may be ineligible.** The Utility Administrator may revise the energy savings and /or incentive calculation as applicable. The Utility Administrator may also require the Project Sponsor to submit an M&V plan, if the Utility Administrator determines at its sole discretion that an M&V process is appropriate for the proposed project.
3. Application Approval. If the application is approved, incentive funding for the project is reserved and the Project Sponsor and Utility Administrator enter into a project Agreement that defines the energy savings and incentive payment.
4. Project Installation. Once the new equipment is installed and operational, the Project Sponsor submits an Installation Report. **In most cases, installation cannot begin until after the Utility Administrator approves the application and any needed baseline measurements are completed.**
5. Installation Report Review. Upon receipt, the Utility Administrator reviews the report and will schedule a post-installation inspection to verify completion and ensure the scope of work has not altered from the agreed-upon project.
6. Incentive Payment. Upon approval of the Installation Report, the Project Sponsor receives the incentive payment. Most Project Sponsors are paid 100 percent of the approved incentive upon project completion and approval. Projects that require M&V are paid 60 percent of the approved incentive at the time of installation.
7. M&V projects. If a project requires M&V, the equipment must be operated for one or two years (at discretion of Utility Administrator) with the Project Sponsor performing the agreed-upon M&V activities. At the end of one or two years, the Project Sponsor submits the Operating Report and receives the remaining balance of the incentive based on the measured savings, when the Utility Administrator approves the Operating Report.

1.3 Eligibility

1.3.1 Customer Eligibility

The program is open to all business Customers who (1) receive natural gas and or electric services from PG&E, SCE, or SDG&E and (2) pay the public goods charge or demand-side management surcharge on their utility bills. As long as these criteria are met, all business Customers — including those who purchase natural gas or electricity from another supplier — can apply for program incentives. Incentives for natural gas savings are not available in SCE service territory.

1.3.2 Project Sponsor Eligibility

Customers can self-sponsor their own projects or projects can be sponsored by outside parties such as energy efficiency service providers (EESPs), which include energy service companies (ESCOs), lighting installers, HVAC contractors, consulting engineers, energy management companies or other entities. Please note that the Utility Administrators do not qualify Project Sponsors; the Customer bears full responsibility for selecting a Project Sponsor if one is desired.

1.4 Qualifying Energy Efficiency Measures

The program accepts a wide variety of energy-saving projects, including a pre-defined list of common measures as well as custom-designed measures. All projects must meet the following criteria:

1. **Must Exceed Government Standards.** Incentives are paid only on the energy savings above and beyond minimum federal- and state-mandated energy efficiency performance.

If there are no government standards for a particular measure, current industry practices are used to establish baseline performance. The only exception to this policy is with the Early Retirement feature for qualifying equipment, which allows the efficiency standards of the existing equipment being replaced to determine the baseline.

2. **Must Operate at Least Five Years.** The program contract requires the new equipment to have a useful life of and be in operation for at least five years.
3. **Measures Cannot Overlap Other Incentive Programs.** It is important to note that if any of the project measures are included in applications to any other California energy efficiency rebate program, the project may be ineligible for participation. Other California end user energy efficiency programs include, but are not limited to, any program offered by or through Southern California Gas Company, Southern California Edison, Pacific Gas and Electric Company, and San Diego Gas & Electric, the California Energy Commission, and the California Public Utilities Commission, including PGC funded Local Programs. Applicants cannot receive incentives from more than one energy efficiency program for the same measures. projects involving measures that qualify for the Early Retirement feature may be an exception to this rule. Contact the Utility Administrator for further details.
4. **T8 and T5 Fluorescent Fixtures**

T8 and T5 Fluorescent Lamp Fixtures must meet the Color Rendering Index and Rated Lamp Life Standards described in Table 1-1 below.

Table 1-1 Eligible Fluorescent Lamp Characteristics

Lamp Type & Size	Ballast Type	CRI	Minimum Rated Lamp Life (3 hrs/start)
T8 – 2-ft, 3-ft, 4-ft	Programmed Start/ Programmed Rapid-start	>= 80	24,000 hours
T8 – All Sizes	Instant Start	>= 80	18,000 hours
T5 – All Sizes	Programmed Start/ Programmed Rapid-start	>= 82	24,000 hours

1.4.1 Examples of Eligible Measures

In general, if a measure is not specifically excluded by rules, and the Applicant can provide documentation supporting energy savings beyond state and federal standards, then it may be eligible for the program incentive, subject to the approval of your Utility Administrator. Table 1-2 provides an illustrative (not a comprehensive) list of qualifying efficiency measures. Please note that the category of a given measure — Lighting, Air Conditioning & Refrigeration (AC&R), Other equipment, or Natural Gas — is important because the category determines the incentive rate that will be paid (see Section 1.8 of this manual).

Table 1-2. Examples of Eligible Measures

<p>Lighting \$0.05 / kWh</p>	<ul style="list-style-type: none"> ▪ Interior and exterior lighting retrofits not covered under itemized ▪ Other lighting such as HID, T-5, LED, or compact fluorescent lamps (CFLs) not covered under itemized ▪ Lighting control systems ▪ LED traffic lights ▪ LED exit signs not covered under itemized ▪ Day lighting systems and dimmable ballast ▪ De-lamping measures performed as part of an integral lighting efficiency upgrade (eligible number of removed lamps cannot exceed 50% of the total number of installed lamps)
<p>Motors and Other Equipment \$0.08 / kWh</p>	<ul style="list-style-type: none"> ▪ Motor upgrades ▪ Variable-speed drives (e.g., on industrial fans and pumps, HVAC pumps, HVAC fans over 100 hp, and on air compressor motors) ▪ Industrial process applications ▪ Trimming impellers on industrial fans and pumps ▪ projects improving building hot water efficiency ▪ Water flow controls resulting in electric savings ▪ Controls and energy management systems for HVAC equipment ▪ Refrigeration evaporator fan controls ▪ Exhaust hood and fan projects ▪ Window films and glazing not covered under itemized ▪ Dairy Vacuum Pumps/ Variable-speed drives (VSDs) ▪ Pulse cooling devices ▪ Injection molding machines ▪ Professional wet cleaning equipment ▪ Air Conditioner air-side economizers ▪ Air Conditioner water-side economizers ▪ Refrigerated case doors not covered under itemized ▪ Cooling tower upgrades
<p>Air Conditioning and Refrigeration \$0.14 / kWh</p>	<ul style="list-style-type: none"> ▪ High-efficiency chillers ▪ Variable-speed drive (VSD) chiller retrofits ▪ Chiller heat reclaim ▪ Packaged air conditioners (>760,000 Btu/hr or 63.3 tons) ▪ Evaporative cooling ▪ Evaporative pre-cooling ▪ Indirect evaporative cooling (single stage and dual stage) ▪ Heat transfer (including heat pumps) to heat sinks, such as ground source cooling in air-conditioned buildings ▪ A/C compressors ▪ Refrigeration compressors ▪ Cooling tower replacements ▪ Variable air volume conversion
<p>Natural Gas Measures \$0.80 / Therm</p>	<ul style="list-style-type: none"> ▪ Thermal Oxidizers ▪ Boiler or furnace replacements ▪ Boiler heat recovery ▪ Boiler economizers

In 2006, the classification of the AC&R related measures that qualify for the AC&R incentive rate category includes those retrofits that improve the efficiency of the A/C system (i.e. kW/Ton improvements). Evaporative cooler and evaporative condenser retrofits are also classified under the AC&R incentive rate category. AC&R measures that involve reduced operation or reduced load such as controls, building shell retrofits, or components retrofits (i.e. motors, pumps, component VSDs or fans) are classified under the Other Equipment incentive rate category. Specific examples listed in Table 1-3 clarify the distinction between AC&R measures that are eligible for the AC&R rate and those that are eligible for the Other Equipment rate.

Table 1-3. Examples of Incentive Rate Classifications of AC&R Measures

AC&R Rate (\$0.14/kWh)	Other Equipment Rate (\$0.08/kWh)
<ul style="list-style-type: none"> ▪ Chiller replacements ▪ Packaged air conditioners/heat pump replacements over 760,000 Btu/hr (63.3 tons) ▪ Variable speed drive installations on existing chiller compressor motors. ▪ Air conditioning complete subsystem replacements (evaporative condensers, air-cooled condensers, cooling towers, or compressors) ▪ Refrigeration complete subsystem replacements (condensers, evaporators, or compressors) ▪ Constant air volume to variable air volume conversions ▪ Evaporative cooling unit installations ▪ Evaporative pre-cooling unit installations ▪ Indirect evaporative cooling unit installation (single stage and dual stage) ▪ Refrigeration floating head controller installations 	<ul style="list-style-type: none"> ▪ Controls and energy management systems for HVAC or refrigeration equipment ▪ Variable speed drives on fans (including supply fans over 100 HP, exhaust fans over 100 HP, and cooling tower fans) ▪ Variable speed drives on pump motors (including chilled water and cooling tower pumps) ▪ Fan, pump, and/or motor replacements ▪ Refrigeration evaporator fan controls ▪ Insulating chilled water, condenser water, or refrigerant pipes ▪ Insulating cool air ducts ▪ Insulating storage tanks ▪ Demand control ventilation installation (CO₂ sensors) ▪ Installation of high-speed cold storage doors ▪ Air Conditioner air-side or water-side economizer installations on units not already equipped with a 100% economizer ▪ Building shell improvements

1.4.2 Summary of Ineligible Measures

Table 1-4 summarizes the types of measures that do not qualify for program incentive funds.

Table 1-4. Ineligible Measures

<ul style="list-style-type: none"> ▪ T8 and T5 fluorescent lighting retrofits where the proposed equipment does not meet the CRI and Lamp Life requirements (Table 1-2) ▪ Compact fluorescent lamps not equipped with electronic ballasts. ▪ Incandescent to incandescent retrofits (including halogen incandescent) ▪ Measures that are installed before the Application is approved ▪ Technologies that fail to meet or exceed federal and state minimum standards ▪ Technologies with a useful life of less than five years ▪ Technologies where there is no significant replacement of equipment or modification to existing equipment ▪ Measures that are not permanently installed and can be easily removed, such as computer inactivity time-out controls or measures to decrease building plug loads ▪ Measures that save energy because of operational changes

- Fuel-switching measures
- Self-generation or cogeneration projects
- Repair or maintenance projects
- Re-commissioning activities
- Power correction or power conditioning equipment
- Used or refurbished replacement equipment
- Plug Load Sensors
- Power Controllers for Non-Perishable Refrigerated Coolers

1.4.3 Added Load and New Construction Project Eligibility

The 2006 program will pay incentives for projects that install new, high efficiency equipment to meet the expanded process needs of an existing facility or to accommodate new production loads. All new construction type projects in PG&E's territory, including both whole building and systems approach types are eligible under this program. New Construction Systems Approach type projects in SCE's and SDG&E's territories are eligible for this program. New Construction Whole Building type projects in SCE's and SDG&E's territories are not eligible for this program but may be eligible for the Savings By Design program. The demarcation for eligibility between this program and Savings By Design is described below.

SCE and SDG&E

Projects that involve modifying an existing operation, structure or process due to growth or expansion that do not qualify for Savings By Design will be reviewed under this program's guidelines. This includes projects that are not direct, one-for-one replacements and enables the calculated process to capture and account for efficient increases in electric and/or gas load. The following guidelines will designate projects that fall under this programs rather than Savings By Design:

- no walls are removed or no significant impact to existing structures are affected, and/or
- the footprint of the facility remains the same, but a new piece of equipment is added to account for increased production

Examples of added load projects:

- A building owner replaces an old package rooftop HVAC unit with a larger more efficient unit to accommodate a new computer room.
- A refrigerated warehouse owner adds cold rooms to increase capacity, and replaces old compressors and condensers.
- A hospital energy manager replaces a 300 ton chiller with a high efficiency 450 ton chiller to accommodate and meet increased cooling needs.
- A plastics manufacturer installs a new injection molding machine to accommodate a new product run. The equipment exceeds minimum efficiency standards.

All equipment must meet all other requirements of the program, and exceed Title 24 or minimum industry standards to be eligible.

1.4.4 Early Retirement Feature

This feature is designed to accelerate the retirement of older, less efficient equipment with new, high efficiency replacements. Measures that are eligible for this feature are subject to an expanded definition of energy savings resulting in a larger incentive than would be possible using the traditional Calculated (SPC) Approach. This approach can be applied to air

conditioning units (packaged AC, heat pumps and chillers), electrical motors, and professional wet cleaning equipment with five or more years of remaining useful life. The new units are still required to exceed the current standards.

As compared to the traditional method of calculating the incentive, the early retirement feature credits savings from the original efficiency to the current minimum efficiency or the proposed efficiency (depending on size and type). This will normally result in greater savings and a larger incentive than through the traditional SPC method (See example at end of this section).

Applicants MUST use the estimation software to determine the energy savings and incentive calculations. Manual forms are not available for this type of measure. If you need assistance with the software, please contact your Utility Administrator. For the HVAC equipment, DOE-2 hourly simulation will be used to account for the weather variations. For the motor replacement, the Motor Master algorithms will be used. The remaining useful life for motors and HVAC is determined from ASHRAE’s published data on equipment life (see below). This table lists the earliest year equipment must have been built or

overhauled to qualify for the Early Retirement feature. A table of efficiencies for the various types and sizes is included in Appendix C. (The table has an average efficiency for each year which is an average for a typical unit for that year, not the highest or lowest, but a mean efficiency.) The baseline efficiencies for air conditioning equipment are developed from earlier versions of Title 24, while the baseline efficiencies for motors are developed from earlier NEMA standards.

Equipment	Useful Life	Year Built or Later**	Overhauled Useful Life	Overhauled Since
Motor	18	1993	13	1998
Packaged Units*	15	1996	11	2000
Chillers - Reciprocating	20	1991	15	1996
Chillers - Centrifugal	23	1988	17	1994
Wet Cleaning	13	1998	n/a	n/a

*Useful life from ASHRAE, **For equipment not overhauled or rewound

To evaluate a project for Early Retirement, the Applicant uses the program software. Upon selecting one of the measure types eligible for the Early Retirement feature, the participant enters the age of equipment, its size and other parameters which the software uses to determine if the measure qualifies for Early Retirement. If the measure qualifies for Early Retirement, the participant enters the necessary inputs for the measure, such as the operating hours, location (HVAC measures), electrical spot measurements (motors) and other parameters that are currently required. The program will then estimate the energy savings and the incentive amounts. The incentive rates will remain the same as retrofits, the motors and professional wet cleaning using the Other rate of \$0.08 and air conditioners using the AC&R rate of \$0.14. Below is a simplified energy savings calculation for 10-year old, 350 ton water cooled centrifugal chiller.

Assumptions

Existing Chiller 350 Ton, Eff. = 5.612 COP, 8,760 hrs per year

Proposed Chiller 350 Ton, Eff. = 6.39 COP, 8,760 hrs per year

Title 24 Standard Efficiency = 6.1 COP Useful Life = 12 years

Calculations

Baseline Energy Usage = 568,826 kWh

Energy Usage at Standard Efficiency = 484,901 kWh

Proposed Energy Usage = 462,894 kWh

kWh savings = 568,826 kWh – 462,894 kWh = 105,932 kWh

$$\text{Incentive} = 105,932 \text{ kWh} \times \$0.14 / \text{kWh} = \mathbf{\$14,830.48}$$

Using the Calculated (SPC) Approach, this measure would have earned an incentive of \$3,080.98, compared to an incentive of \$14,830.48 using Early Retirement.

1.5 Direct Savings and Multiple Measures

A project must achieve significant energy savings, subject to the following provisions:

1. **Direct Savings Only.** Only direct energy savings—not indirect energy savings due to interactive effects—count in determining a project's energy savings. Direct savings occur as the primary purpose of the retrofit. Indirect energy savings from interactive effects are those savings that occur from other than the primary purpose of the retrofit. For example, high-efficiency lighting typically lowers the air conditioning load. But only the avoided lighting energy, not the avoided air conditioning energy, would count as energy savings in determining the energy savings and incentives for a lighting project.
2. **Either Single or Multiple Measures.** A project may comprise a single energy efficiency measure (e.g., a boiler replacement or chiller plant upgrade) or a variety of measures (e.g., an air handler motor upgrade and a variable-speed drive, plus a day lighting measure).

1.6 Aggregating Project Sites

A Project Sponsor may choose to combine individual projects of a single Customer at different sites into a single project using one program application form. Program rules for 2006 are extremely flexible:

- The same Customer must own and/or occupy the project sites. Please refer to Section 1.8.2.4 (Incentive Amount Limitations) to review the total incentive amount available per Customer.
- There is no limit on the number of sites that can be aggregated.
- The sites can have entirely different measures, operating hours, energy use profiles, and M&V plans. If it is determined by the Utility Administrator that a measure needs to use the M&V Process, it will be separated from the non-M&V measures on a second application for processing.
- If the same measure is applied for at different sites, they must be considered separate measures, one for each site. The measure cost must be determined for each individual site.
- Customer sites **must be in the same Utility service territory**. Although the program operates statewide, a given project application can be submitted to only one Utility Administrator.

When combining sites and measures into a single application, a Project Sponsors should be aware that such projects will not be reviewed, or approved, or receive payment until paperwork on all the individual sites and measures is complete.

1.7 Verification Requirements

As a performance-contracting program, the program requires some means of determining the energy savings from a given project and verifying that those energy savings have been achieved. The verification requirements have been greatly simplified over the years, so that for many straightforward retrofits, the Project Sponsor can use the Itemized Incentive (Express Efficiency) (SDG&E and SCE) or Calculated (SPC) Approach (SDG&E, SCE, and PG&E) to validate the energy savings instead of measuring them directly.

The Utility Administrator determines if a measure requires the measured savings approach. The Project Sponsor does not have the option of choosing to perform the M&V process. All calculations are provided using the program software or through engineering calculations. The M&V process is only required if the Utility determines that the energy savings cannot be substantiated without pre-and post-installation measurements. If the Utility requires the M&V process, the Applicant is required to comply. To help defray the M&V cost, the Applicant will then be eligible to receive an additional 10 percent of the estimated incentive.

1.8 Incentive Payments

All incentives are paid directly to the Project Sponsor unless otherwise indicated. For projects located within SDG&E and SCE territories, incentive payments can be determined using the Itemized (Express Efficiency) or the Calculated (SPC) Approach. For projects located within PG&E territory, incentive payments are determined using the Calculated Approach. Itemized (Express Efficiency) type measures may be available in PG&E's Mass Market Program.

SCE and SDG&E

Incentives are determined in two ways for the program. For the Itemized (Express Efficiency) Measure Approach, the incentive payment is made on a per item basis (see Appendix F for detailed requirements). For the Calculated (SPC) Approach, the incentive payment amount is based on a flat incentive rate (per kWh or therm) applied to one year of energy (kWh or therms) savings. For measures that require M&V, the final incentive amount is based on the measured performance and can therefore vary between 0 and 110 percent of the amount originally indicated on the contract.

PG&E

The incentive payment amount is based on a flat incentive rate (per kWh or therm) applied to one year of energy (kWh or therms) savings. For measures that require M&V, the final incentive amount is based on the measured performance and can therefore vary between 0 and 110 percent of the amount originally indicated on the contract. Itemized (Express Efficiency) Measures are not eligible in the business energy efficiency program but may be available in PG&E's Mass Market Program.

All Utilities

For measures not requiring M&V, 100 percent of the incentive is paid after the Installation Report is approved. For measures requiring M&V, 60 percent, along with the 10 percent M&V adder, is paid when the Installation Report is approved; the remainder is paid at the end of the project performance period when the Operating Report is submitted by the Project Sponsor and approved by the Utility Administrator.

As illustrated in Table 1-5, the incentive rate depends on what category of efficiency measure is being installed (Itemized, Lighting, Other equipment, AC&R, or Natural Gas). When reviewing the project application, the Utility Administrator will make sure that the Project Sponsor has designated the proper incentive category for each efficiency measure.

Table 1-5. 2006 Energy Savings Incentive Rates

Measure Category	Incentive Rate
Itemized (Express Efficiency) Incentive *	Per item basis
Lighting (Fluorescent, Other Lighting, or Lighting Controls)	\$0.05 per kWh saved
Motors and Other Equipment	\$0.08 per kWh saved
Air Conditioning and Refrigeration (AC&R)	\$0.14 per kWh saved
Natural Gas**	\$0.80 per therm saved

* Itemized (Express Efficiency) Incentives are available under the Mass Market Program in PG&E service territory.

** Incentives for natural gas savings are not available in SCE service territory.

1.8.1 Incentive Payment May Vary from Contracted Value Based on Performance

Measures not requiring M&V: The incentive may be less than contract amount, if actual equipment installation or operation differs from that described in the approved application. For example, if the installed equipment or operating schedule is different from the approved application, the incentive amount must be adjusted. However, the incentive amount cannot exceed the contracted amount.

Measures requiring M&V: The Energy Savings Incentive is based on actual performance and can vary between 0 and 110 percent of the contracted amount. The amount in the program Agreement includes an additional incentive amount (up to 10 percent) in the event that actual energy savings are higher than projected. If at the time the Installation Report is approved, the estimated energy savings are less than 70 percent of the contracted amount, the program contract shall be amended to reflect the lower amount.

In some cases, the amount of the adjusted Operating Report incentive could drop below the amount that was paid out at installation. In such a situation, the party who received the payment (the Project Sponsor, the Customer, or the designated third party) is responsible for reimbursement of the difference to the Utility Administrator.

1.8.2 Incentive Limits

1.8.2.1 First Come, First Served

Program funds are available on a first-come, first-served basis. Incentive funds are reserved for a particular project when the project application is approved. Applications received after total funds have been committed will be placed on a waiting list in the event that more funding becomes available. Projects on a waiting list that do not receive funding in 2006 will be invited to re-apply under the 2007 program.

1.8.2.2 Incentives from other Programs

It is important to note that if any of the project measures are included in applications to any other California energy efficiency rebate program, the project may be ineligible for program participation. Other California end user energy efficiency programs include, but are not limited to, any program offered by, or through Southern California Gas Company, Southern California Edison, Pacific Gas and Electric Company, and San Diego Gas & Electric, the California Energy Commission, and the California Public Utilities Commission, including Local Programs funded by public good charge. (Projects involving measures that qualify for the Early Retirement feature may be an exception to this rule. Contact the Utility Administrator for further details).

1.8.2.3 Capital Costs Caps

The eligible incentive is limited to a set percentage of the total capital costs. The percentage of capital cost and the level at which the rule is applied varies by Utility. When capital costs are evaluated at the project level, the total project incentive is capped at a percentage of the combined measure costs. When the capital costs are evaluated at the measure level, the individual measure incentive is capped at a percentage of the individual measure cost. These values are summarized in Table 1-6 below.

Table 1-6. Capital Costs Caps

Utility	Itemized (Express Efficiency) Measures Cap	Calculated (SPC) Measures Cap	Level Applied
SCE	75% not to exceed 100% of incremental costs	75% not to exceed 100% of incremental costs	Project
SDG&E	100%	50%	Measure
PG&E	100%*	50%	Measure

* Itemized (Express Efficiency) Incentives are available under the Mass Market Program in PG&E service territory.

1.8.2.4 Project and Project Site Caps

To help ensure available funds throughout the year, there is a cap on the incentives that may be paid per projects and per individual project site. Table 1-7 shows the annual limits for these entities by Utility. These caps apply whether the applications are self-sponsored or third party sponsored.

A project is defined as all of the measures included in a single application. The project may include multiple sites and multiple measures as long as they are all located within a single Utility service territory.

A project site is defined as a single free-standing building or all electric / gas load that is tied to an individual Utility meter.

Table 1-7. Project and Site Caps

Utility	Project Cap	Project Site Cap
SCE	\$1,500,000.00	–
SDG&E	–	\$350,000.00
PG&E	–	\$350,000.00

1.8.3 Payment Schedule

For the Itemized (Express Efficiency) and Calculated (SPC) Approaches, 100 percent of the approved incentive amount is paid after the Utility Administrator approves the Installation Report. For measures requiring M&V, the first incentive payment, 60 percent of the anticipated total energy (kWh or therm) incentive and the M&V adder, is disbursed after the Installation Report has been approved. The second payment, the remainder of the verified energy savings incentive is paid at the conclusion of the project performance period of one or two years. Payments will be made only after the Utility Administrator has approved the necessary paperwork (the Installation Report and Operating Report, as discussed in Sections 1.12 and 1.13 of this manual).

1.8.4 Payment Disbursement

The Utility Administrator will calculate the incentive payment based on its review of the submitted paperwork or site inspection. The Utility Administrator will notify the Project Sponsor of the incentive payment amount upon approval of the Installation Report or Operating Report, as applicable, and will begin processing the incentive check. As soon as the check is processed, the Utility Administrator will mail it to the Project Sponsor or the Customer/third party (if designated as the payee by the Project Sponsor). If the Project Sponsor disputes the findings of the review, the Project Sponsor should notify the Utility Administrator as soon as possible. This should be done before the Project Sponsor receives the incentive payment.

1.9 How to Apply

The application process requires careful attention to detail. Incomplete or incorrect applications will be returned, so it saves time to follow instructions carefully. Project Sponsors can call their Utility Administrator for assistance in completing their applications and to obtain answers to specific program questions as well. Table 1-8 lists the program representatives for each Utility.

Table 1-8. Utility Administrators

Pacific Gas and Electric www.pge.com/spc	San Diego Gas & Electric www.sdge.com	Southern California Edison www.sce.com/spc
<p>Ms. Susan Yee Senior Program Manager</p> <p>Pacific Gas and Electric Company PG&E Integrated Processing Center P.O. Box 7265 San Francisco, CA 94120-7265</p> <p>For overnight delivery: PG&E Integrated Processing Center 77 Beale Street, Mail Code BOB1U San Francisco, CA 94105-1814</p> <p>Phone: (800) 468-4743 energymgmtprograms@pge.com</p>	<p>Mr. Walter Bracy Associate Program Manager</p> <p>San Diego Gas & Electric 8335 Century Park Ct., CP12C San Diego, CA 92123-1569</p> <p>Phone: (858) 654-1752 wbracy@sempraUtilities.com</p>	<p>Ms. Marci Burgdorf Program Manager</p> <p>Southern California Edison Program Services Center P.O. Box 800 Rosemead, CA 91770</p> <p>Phone: General Assistance - (800) 736-4777 Technical Assistance - (626) 302-8214 Fax: (626) 302-3185 spc@sce.com</p>

1.9.1 Overview of Paperwork

To receive program incentives, the Project Sponsor must submit certain forms, or applications/reports (created by the program software) at specific project milestones:

1. First submittal: Application Forms 1, 2, and 3, and Calculated Measure Form 4 (for Calculated Measures) and Itemized Measures Form 5 (for Itemized Measures).

The application describes the project and estimates the energy savings. Supporting documentation and calculations must accompany the application forms. Additionally, all project costs must be outlined.

2. Second submittal: Installation Report for Calculated Measures.

This form (s) is filed with the Utility after the new equipment is installed and operational. The Utility cannot schedule an inspection without a submitted and signed IR.

3. Third submittal: Operating Report (Projects requiring the M&V process only)

Due at the end of the year-long or two year-long performance period, this form confirms that the project is still in operation as installed and provides M&V results. The Operating Report is the basis for the final incentive payment for Measured Saving.

1.9.2 Paper or Electronic Forms

There are two ways to fill out the program paperwork:

1. **On paper**, using hardcopy forms (a) obtained from your Utility Administrator, (b) downloaded from the program CD-ROM, or (c) downloaded from the Utility's energy efficiency website
2. **Electronically**, through interactive software on the Program CD-ROM

The software version of the forms allows for easier editing and can save time in preparing multiple project applications. The software also checks to make sure that necessary information is not missing, a feature that can speed processing of your paperwork. However, the forms may **not be faxed or submitted via email**. Even with the electronic forms, you will need to print out hardcopies and mail them to your Utility Administrator.

1.10 Application

The project application (first submittal) consists of the following forms and supporting attachments:

1. Forms 1, and 2, Application (information on Customer, Project Sponsor, Payee, project site)
2. Form 3, Calculated (SPC) Measures Savings Summary (if applications contain measures using the Calculated Approach)
3. Form 4, Itemized Incentive (Express Efficiency) Measure Summary (if applications contain measures using the Itemized Incentive Approach)
4. Energy savings calculations showing how the energy savings were determined; a printout of the estimation software results if you use the software method; and custom calculations if you use the engineering calculation method. If possible, please provide an electronic copy of the energy savings calculations. Required if applications contains measures using the Calculated (SPC) Approach.
5. M&V plan (Submitted only after Utility Administrator determines the M&V process is required).

1.10.1 Utility Administrator Review Schedule

Utility Administrator review of an application not requiring the M&V process (including the site inspection) can often be completed within 10 business days. Complex and multiple-site projects may require more time and will be reviewed only when documentation is complete.

Typically, the Utility Administrator needs to contact the Project Sponsor for additional information or clarification. The quicker the response, the faster the application can be approved.

If the Utility Administrator determines that the M&V process is required (see Section 1.7), the Utility Administrator will advise the Project Sponsor. The Project Sponsor will then be required to develop and submit a Measurement & Verification (M&V) plan within 30 days. The application will not be approved until the M&V plan has been received and approved.

1.10.2 Utility Inspection

Upon receiving a project application, the Utility Administrator will contact the Project Sponsor to schedule a pre-installation site inspection as soon as possible, usually within five business days. The purpose of this inspection is to verify that:

- The application accurately reflects the intended project.
- All existing equipment listed in the application is still operational (if not, the associated efficiency measures could become ineligible).

- Construction has not yet occurred (if field preparations for installation have begun, the project could become ineligible).

The Project Sponsor and Customer must be flexible in scheduling such inspections and provide complete access to project sites. Pre-installation inspections are required for all projects prior to approval unless waived by the Utility Administrator.

A representative of the Project Sponsor who is familiar with the project, as well as the facility manager or other responsible representative of the Customer, should attend the inspection. When electrical measurements are necessary, the Customer is required to disrupt equipment operation, open any electrical connection boxes, or install current and power transducers, as needed. If the inspection cannot be completed in a timely manner because inspection representatives are unfamiliar with the facility or the project, the project site will fail the inspection.

If the project fails the inspection twice, the Utility Administrator may decline the application. If the Utility Administrator allows a third inspection, the Project Sponsor must pay the cost incurred by the Utility Administrator for conducting the additional inspection.

1.10.3 Notice of Review Results

The Utility Administrator will give the Project Sponsor written notice of the results of the inspection and overall review of the project application:

- **Approved.** The approval letter will alert the Project Sponsor that the project is acceptable under the terms of the program outlining the approved energy savings and incentive funds that will be reserved.
- **On Hold.** The review may be placed on hold if information was omitted or further clarification is needed. Upon receipt of the Project Sponsor's response, the Utility Administrator will resume the review process. Remember, funds are limited and are not reserved until the application is approved and a contract is signed.
- **Declined.** An application may be declined if:
 - the project fails inspection twice;
 - the application is missing information that the Project Sponsor is unwilling or unable to provide;
 - the existing equipment has been removed prior to inspection.
 - the project otherwise fails to meet program criteria; or
 - the application does not include an acceptable M&V plan (M&V process projects only).

If declined, the Project Sponsor may re-apply to the program.

1.11 project Installation

1.11.1 Wait for Approval

As a general rule, actual project implementation should not begin until after the project application has been approved. However, sometimes the Utility Administrator, at their discretion, may allow construction to begin immediately after the pre-installation inspection. This Utility

Administrator "go ahead" does not mean the application has been approved and will receive funding, but simply that proceeding with construction will not impair the application's chances for approval. The Project Sponsor should request this notification in writing from the Utility Administrator. Verbal notification is not binding.

"Construction" includes, but is not limited to, decommissioning and/or removal of existing equipment, demolition, facility alterations to prepare for new equipment, and installation of new equipment.

1.11.2 June 1st, 2007 Deadline

All projects must be installed and must be fully operational by June 1, 2007. If project is not fully installed and operational by this date the agreement is subject to cancellation.

1.12 Installation Report

Once the project has been installed and checked to make sure it is operating properly, the Project Sponsor submits an Installation Report (second submittal) to the Utility Administrator. This form confirms the estimated energy savings, or notes any changes to the project that were made during installation and recalculates the anticipated energy and demand savings as necessary. The Project Sponsor also attaches data and analysis from any spot metering that may have been performed before or after installation.

For measures using the Itemized Incentive (Express Efficiency) Approach, the Project Sponsor is required to submit invoices for the purchase and installation of those measures. The revised incentive cannot exceed the approved incentive amount from the original application.

The Installation Report is the basis for the first incentive payment.

1.12.1 Timeline

The Project Sponsor should submit the Installation Report within 30 days of equipment installation.

The Utility Administrator will typically review the form within 10 business days for non-M&V projects and 45 business days for M&V projects. Complex and multiple-site projects may take longer.

1.12.2 Utility Administrator Inspection

Upon receipt of the Installation Report, the Utility Administrator will schedule a post-installation inspection of the project site. This inspection is subject to the same provisions as the pre-installation inspection. If the inspection fails two times, the Project Sponsor must pay the cost incurred by the Utility Administrator for conducting any further inspections.

1.12.3 Notice of Review Results

The Utility Administrator will provide the Project Sponsor with written notice of the results of the inspection and review, typically within 14 days of receipt of the Installation Report. The Utility Administrator will provide the Project Sponsor with written notice of the review results. If approved, the notice will include the approved incentive amount based on the Utility Administrator's review of the Installation Report and indicate that an incentive check is being processed.

If the Installation Report is not approved, the Project Sponsor has 30 days to resubmit a revised Installation Report providing the Utility Administrator with the requested information. Even after installation, a project may be denied incentive funds if:

- The installation is not consistent with the program Agreement; or
- The Project Sponsor causes unreasonable delays in scheduling an inspection; or
- The Utility Administrator must ask for clarifying information more than three times.

If an Installation Report is not approved, the Utility Administrator may terminate the program Agreement and release the incentive funding that had been reserved for the project.

1.12.4 First Incentive Payment

Upon approval of the Installation Report, the Utility Administrator will pay the Project Sponsor the approved incentive amount. For projects not requiring the M&V process this is 100 percent of the Approved Energy Savings Incentive and for projects requiring the M&V process it is 60 percent of the Approved Energy Savings Incentive plus the 10 percent M&V adder. This is the final submittal for the projects not requiring the M&V process.

1.12.5. Installation Deadline

The deadline for project installation of all 2006 projects is June 1, 2007. Any projects not installed by this date will be dropped from the program, unless another agreement is made prior to this deadline and the Project Sponsor receives a written extension from the Utility Administrator.

1.13 Operating Report (Measured Savings only)

For the projects requiring Measurement & Verification (M&V), the third and final paperwork submittal comes at the end of the project performance period. After the new equipment has been operating for one year, the Project Sponsor submits the Operating Report (Form 4). This form confirms that the equipment is still in operation as installed or notes any changes (e.g., equipment pulled out of service or changed operating hours). The Project Sponsor should attach M&V data and analyses to the Operating Report.

1.13.1 Timeline

The Operating Report is due within 30 days following the one-year anniversary of the Utility Administrator's approval of the Installation Report.

The Utility Administrator will typically finish reviewing the Operating Report within 45 business days, the process will take longer for complex and multiple-site projects.

1.13.2 Utility Administrator Inspection

Upon receipt of the Operating Report — or at any time during the performance period — the Utility Administrator may request a site inspection, subject to the same provisions as the pre-installation inspection. If there are two failed inspections, the Project Sponsor must reimburse the Utility Administrator for conducting any further inspections that may be granted.

If the inspection reveals that the M&V activities are different from those described in the M&V plan, the Utility Administrator may deny any further incentive payments and may request repayment of the first incentive payment.

1.13.3 Notice of Review Results

The Utility Administrator will provide the Project Sponsor with written notice of the review results. If approved, the notice will include the approved incentive amount based on the Utility Administrator's review of the Operating Report and indicate that an incentive check is being processed.

A project may be denied further incentive funds if:

- The installation is not consistent with the program Agreement (fails inspection); or
- The Project Sponsor causes unreasonable delays in scheduling an inspection; or
- The Utility Administrator must ask for clarifying information more than three times.

If an Operating Report is declined, the Utility Administrator may terminate the program Agreement and request that the initial payment is returned.

1.13.4 Final Incentive Payment (Projects requiring the M&V process)

Upon approval of the Operating Report, the Utility Administrator will pay the final installment of the Energy Savings Incentive (the remaining 40 percent or whatever adjusted amount is properly due).

If measurements show that the installation achieved greater energy savings than predicted, the Utility Administrator will pay up to 10 percent higher than the Energy Savings Incentive amount estimated on the approved project application, or the applicable percent of the measure cost, whichever is the lesser amount. Similarly, if the installation achieved lower energy savings than anticipated, the Project Sponsor will not receive the full incentive, and is responsible for returning to the Utility Administrator any overpayment that may have been made in the first installment.

1.14 Other Important Terms and Conditions

By virtue of participation in the program, Customers and Project Sponsors agree to the following terms and conditions:

1. All parties consent to participate in any evaluation of the program. The California Public Utilities Commission (CPUC) or its representatives may contact participants to answer questions regarding their program experience and/or request a site visit. All participants agree to comply with such program evaluations.
2. Utility Administrators expressly reserve all their rights, which include, but are not limited to, the right to use others to perform or supply work of the type covered by the program, as well as the unrestricted right to contract with others to perform the work or to perform any such work themselves.

The CPUC has decided that the Utilities should continue to administer the program through the end of 2008. The CPUC has not decided who will administer the program thereafter. Thus, after December 31, 2008, existing program Agreements might be assigned to a new Administrator. In their program Agreements, Project Sponsors must agree to terms and conditions allowing for such a transfer.

Notice of Public Record

Participants should be aware that, because the program is funded by the public goods charge and the demand-side management surcharge, program submittals are a matter of public record and may not be kept confidential. The estimated total project costs will be part of the public record. The Utility Administrators are not liable to any Project Sponsor, Customer, or other party as a result of any public disclosure of any submittals.

Contract Termination

Program contracts may be terminated under the following conditions:

- The project fails to be installed and operational prior to the June 1, 2007 deadline.
- The project sponsor formally requests withdrawal from the program, or requests the contract to be turned over to the Customer.

For more information see the sample agreement in Appendix A.