



Agricultural Internal Combustion (IC) Engine Conversion Incentive Program Questions and Answers

Q1. Who is eligible to sign up for an AG-ICE program?

- A. In order to be eligible for the PG&E AG-ICE program, all of the following conditions must be met:
- Customers must be located in the service territory of Pacific Gas & Electric Company (PG&E)
 - As of September 1, 2004, the customer must have installed an internal combustion (IC) engine for the purposes of pumping water for irrigation. The engine must be powered by one of the following fuels:
 - Diesel
 - Gasoline
 - Butane
 - Propane
 - The IC engine being replaced must have a rated brake horsepower equal to or greater than 50 hp
 - Customer must meet PG&E's definition of an "agricultural customer"
 - The customer must take bundled electric service from PG&E. The AG-ICE program is not open to Direct Access customers
 - The customer must provide PG&E with documentation of destruction of the IC engine within 60 days of electric service being energized
 - The customer must complete an application and sign the associated extension agreement when provided
 - Any related emission reductions will be transferred to PG&E.

AG-ICE RATES

Q2. What is the rate that will be offered to AG-ICE customers?

- A. Beginning in 2005, the average rate will have approximately a 20% discount from the AG-5B/C rates offered by PG&E in 2004 when we made our filing to the California Public Utility Commission.

The table at the end of this document compares AG-ICE to the June 2005 AG5B and AG5C rates.

Q3. How was the price of 7.5 cents/kWh determined?

- A. The AG-ICE rate level was designed to be competitive with the average cost of owning and operating a diesel-driven irrigation pump.

In calculating the rate, the 5-year average diesel price of \$1.15/gallon was used to determine the amount of discount needed from PG&E's agricultural rates to properly incite growers to convert back to electricity. Other operational costs, including labor, engine rebuilds, and maintenance was included in the calculation of the average diesel operation cost.

Q4. Why is the discount made primarily in the fixed charges instead of the energy charges?

- A. The rate was designed to be similar to the costs of owning and operating an IC engine. Since there are minimal annual fixed costs associated with the operation of IC engines, the AG-ICE rate was designed to have very low fixed costs to mirror the operational costs of the diesel engine.

Additionally, the AG-ICE rates will have no "ratcheted" demand charge, so customers will not pay demand charges in the months that the pump is not operated.

Q5. Why is the rate designed to have three time-of-use periods?

- A. Electric reliability forecasts indicate there continues to be some risk of shortages during the summer. The AG-ICE program represents new electricity load on the utilities' systems. In approving these rates, the California Public Utilities Commission insisted that the conversion rates recognize peak-demand constraints, and offer effective incentives to encourage off-peak usage.

The rates were designed to reward off-peak usage, while at the same time not penalizing those who are required to pump through peak periods. The rates were designed to provide a "revenue neutral" average price of 7.5 cents/kWh. If a customer pumps in a pattern typical of general agricultural use, the rate would average to that price. As load is shifted off-peak, the average price to the customer will decrease, and the savings that can be achieved is even greater. It is important that customers considering signing up for the rate know their usage patterns and analyze the usage in order to assess the likely cost of the rate.

Q6. How will the rates change in the future?

- A. Other than a standard annual increase every January, the rates will not be subject to change, even when other electricity rates rise. On January 1 of every year, PG&E will increase the rates by 1.5% each year.

The AG-ICE rates will expire on December 31st, 2015, at which time the customer will be placed on the default applicable agricultural rate.

Q7. Do I have to stay on the AG-ICE rate for the whole 10 years?

- A. No. You will only be required to stay on the AG-ICE rate for 12 months under Electric Rule 12. However, if you elect to leave the AG-ICE rate for a different PG&E electric tariff, you may not return to the AG-ICE rate.

After the program expires on December 31, 2015, nothing in the AG-ICE program precludes a grower from leaving PG&E to disconnect or choose an alternative power source such as an IC engine, although there is no certainty as to the air quality regulations that will be in place at that time. The customer would still be responsible for non passable charges if going to an alternate electrical source provided those charges are in existence at the time of departure.

Q8. Can I keep my diesel engine for back up use?

- A. No, the engine must be disposed of (See questions 1 and 12 for details).

Similar to the Carl Moyer program, any customer who chooses to sign up for an AG-ICE rate must destroy the current IC engine within 60 days of the electric service being energized. The application describes the manner in which the engine must be destroyed. Tier II or cleaner burning engines are to await district and/or California Air Resources Board (ARB) disposition. In either event, the engine will not be available for use by the customer applying for the AG-ICE rate.

Q9. Are there any required steps to enroll on an AG-ICE rate?

- A. In addition to destroying or surrendering the engine and completing the application and line extension agreement, the customer must agree to have a pump efficiency test conducted to maximize energy efficiency.

Q10. How soon may I submit an application?

- A. You have from August 1, 2005 through July 31, 2007 to submit your application. Limited funding is available.

Q11. How do I submit my application?

- A. Completed applications need to be mailed or faxed to the central location identified in the application, where they will be date and time stamped upon receipt.

Q12. My Carl Moyer Diesel is still under contract. Can I still sign up for an AG-ICE rate?

- A. The local air districts wish to convert as many IC engines to electricity as possible. They are currently working on various ways growers will be able to convert to electricity through the AG-ICE program without breaching any Carl Moyer Program contracts.

In the case of Tier II or cleaner engines previously funded by Carl Moyer money, you must contact the local air district for disposition of the engine. The air districts and ARB are currently determining how these engines will be disposed or utilized.

Q13. If I sign up for the AG-ICE rate, can I still apply to Carl Moyer for funding to convert to electricity?

- A. Yes!

Various parts of the conversion are still eligible for Carl Moyer funding. They include at least the electric motor. Contact the air district for other information.

Sacramento Metropolitan Air Pollution Management District

(916) 874-4848

San Joaquin Valley Air Pollution Control District

(559) 230-6000

Q14. How many engines will be able to take advantage of the AG-ICE program?

- A. The CPUC will most likely authorize limited funding for the program. Applications will be monitored for the dollar amount of line extension allowances and adders that are approved under the program.

LINE EXTENSIONS

Q15. How will line extensions work?

- A. The normal line extension allowance will first be calculated similar to any new hook-up. Then, in return for the air quality improvements that will be made by the retirement of the internal combustion engine, the utilities will provide a “line extension adder” that will increase the net allowance that the utilities will provide to the customer, minimizing or even eliminating hook-up costs.

The adder will be based on the size of the replacement electric motor as follows:

<u>Replacement Motor Size</u>	<u>Additional Allowance</u>
Less than 125 kW	\$7,500
125 to 224 kW	\$15,000
Greater than 225 kW	\$32,395

16. Will there be any other changes to the line extension rules?

- A. Yes. Instead of requiring a one-time payment for any remaining costs to the customer for connecting a new pump, the customer may make four consecutive interest-free quarterly installment payments, the first being due at contract signing.

Additionally, the utility will not require a “true-up” audit of usage after a few years. Thus, there will be no deficiency payments required of customers after the initial connection in the event actual usage was different than the estimate.

Q17. What happens if I disconnect my electric service and return to an alternate energy source/provider before the expiration of the program?

- A. There is a special departed load charge to recoup adder costs and rate differential of applicants that subsequently depart PG&E electric Service.

Q18. Will engineering deposits be required?

- A. No.

Q19. Will I be able to connect a 3 wire, 3 phase service?

- A. No, Only 4 wire services will be installed. Under the provisions of Electric Rule 2, 480 volt service is closed to new installations, and 240 volt service is only available where it currently exists.

Q20. Can I install an underground service?

- A. Yes.

PG&E AG-ICE RATE COMPARISON

	AG-5B	AG-5C	AG-ICE	Difference (5B-ICE)	Difference (5C-ICE)
Customer Charge (\$/meter/day)	\$ 0.52567	\$ 1.77413	\$ 1.31417	150%	-26%
TOU Meter Charge (\$/meter/day)	\$ 0.19713	\$ 0.19713	\$ 0.19713	0%	0%
Demand Charge (\$/kW)					
Peak Summer	\$ 2.87	\$ 9.77	\$ 0.41	-86%	-96%
Part-Peak Summer	-	\$ 5.95	-	-	-
Maximum Summer	\$ 6.94	\$ 1.64	\$ 1.43	-79%	-13%
Part-Peak Winter	-	\$ 0.75	-	-	-
Maximum Winter	\$ 4.67	\$ 0.11	\$ 0.00	-	-
Energy Charge (\$/kWh)					
Peak Summer	\$ 0.14498	\$ 0.08702	\$ 0.12092	-17%	39%
Part-Peak Summer	-	\$ 0.06124	\$ 0.09432	-	54%
Off-Peak Summer	\$ 0.05336	\$ 0.05117	\$ 0.04837	-9%	-5%
Part-Peak Winter	\$ 0.05850	\$ 0.07086	\$ 0.09674	65%	37%
Off-Peak Winter	\$ 0.04994	\$ 0.05912	\$ 0.04837	-3%	-18%

AG-5B & AG-5C rates effective June 1, 2005