2016 Statewide Customized Offering Procedures Manual for Business

Utility Administrators:

Pacific Gas and Electric
Southern California Edison
Southern California Gas Company
San Diego Gas & Electric

The 2016 Customized Offering (formerly known as "The 2013-2015 Customized Retrofit Offering") is a statewide energy efficiency program administered by Pacific Gas and Electric (PG&E), Southern California Edison (SCE), Southern California Gas Company (SCG), and San Diego Gas & Electric (SDG&E), and in their respective territories. The program rules, incentive rates, incentive limits, and program requirements are "very similar" for all four Utilities. The program packaging and individual offering may vary slightly between the Utilities.[1]

Subject to all applicable federal, state, and local laws, and CPUC rulings, the Utility Administrators reserve the right to approve otherwise eligible EE projects by waiving project steps and/or sequencing guidelines.

---

[1] Based on CPUC Decision 11-04-005 modified ordering paragraph in D.09-09-047

Offering Overview and Policies

1.1 Introduction

The 2016 Statewide Customized Offering provides financial incentives for the installation of high-efficiency equipment or systems for Non-Residential Customers based on calculated energy savings and permanent peak demand reduction. The financial incentive is provided to influence customers to achieve permanent energy efficiency measures that would otherwise be not implemented. The offerings of the program are not for customers who would have installed the measures without the program, not for negligent or deferred maintenance practice, or as a reward for established practices.

Incentives are paid on the energy savings and permanent peak demand reduction above and beyond baseline energy performance, which include state-mandated codes, federal-mandated codes, industry-accepted performance standards, or other baseline energy performance standards as determined by the Utility Administrator. Incentives for gas-related energy savings are eligible only in Pacific Gas & Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company natural gas service territories Non-Residential Customers who wish to receive Utility incentives must submit a project application for the installation of eligible energy efficiency measure(s) through the Statewide Customized Offering process. Third Party program administered under the Customized Offering generally follow the program eligibility and requirements and rules described in this manual. Individual third party programs utilize a different application process and may have additional requirements.

Program enrollment begins in early January 2016 (see Utility website for specific date). Applications for the 2016 enrollment period are accepted until December 31, 2016 or until the Utility's customized incentive funds are fully committed. Policies and procedures described in this manual are effective as of Utility program launch date. Please note: changes to the incentive structure may occur during this cycle. If and when this does occur a new Procedures Manual will be issued and it will supersede all previous versions. The new manual may include new dates and terms and conditions.

Administered by Utilities. The Statewide Customized Offering is administered by four of California's Investor-Owned Utilities — Pacific Gas & Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Gas Company (SCG), and Southern California Edison Company (SCE).

Designed for Non-Residential Customers. The Statewide Customized Offering serves Non-Residential Customers who receive energy services from Investor-Owned Utilities and pay into the Public Purpose Program (PPP) surcharge.

Offering Materials. Incentive payments are based on careful adherence to offering requirements, please read the entire Section 1: Offering Overview and Policies of the 2016 Customized Offering Statewide Procedures Manual for Business before starting a customized project.

Changes for 2016. Refer to Table 1-1 below for a list of specific Offering changes for 2016.

In the event of a conflict between sections of this manual, the guidance presented in Section 1 takes precedence.

1.2 How the Statewide Customized Offering Works

1.2.1 The Main Players

The Statewide Customized Offering involves three key parties:

- **Customer** — an eligible non-residential ratepayer who is applying for incentives through the Statewide Customized Offering.
- **Project Sponsor (Applicant)** — an entity that is authorized to enter into a Project Agreement with a Utility Administrator. The Project Sponsor is responsible for ensuring all the required paperwork is submitted correctly and for ensuring the project is completed.

  For PG&E and SDG&E, customers can serve as their own Project Sponsor, i.e. "self-sponsor", or may elect to have a third party enter into the agreement on their behalf.

  For SCE, a third party who enters into the agreement on the customer's behalf is known as the Authorized Agent.

  For SCG, the customer always acts as the Project Sponsor.
- **Utility Administrator (IOU)** — PG&E, SDG&E, SCE, or SCG whichever provides natural gas and/or electric services to the Customer Project Site.

1.2.2 The Basic Process

The Statewide Customized Offering process is linear; each numbered activity described below must be completed before the following activity may begin:

1. **Communication.** Either an account manager contacts the Applicant or the Applicant contacts the account manager to discuss measures or a potential project.
2. **Application Submission.** The Applicant submits an application to the IOU. The IOU's details such as energy use and installation costs for baseline and energy efficient equipment and any other supporting documentation as deemed necessary by the IOU.
3. **Application Review.** The IOU-assigned Reviewer/ Field Engineer evaluates the application and conducts a pre-installation site inspection. At the IOU's sole discretion the pre-installation site inspection may be waived. The Reviewer will evaluate and may revise the submitted energy savings and/or incentive calculation. The IOU may require the Customer or Project Sponsor to submit an M&V plan, if the IOU determines at its sole discretion that an M&V process is appropriate for the proposed project. On the first and third Monday of every month, CPUC staff selects a portion of projects to review in parallel with the Utility Administrator. The CPUC staff either selects a project for further review or waives the review. If selected, the project review timeline can be impacted along with the initial projected total energy savings for the project.

   Measure equipment may not be pre ordered, purchased or installed before the IOU has provided written notice to proceed. Approval to preorder long-lead-time equipment may be granted by the IOU before the Application Review and Application Approval is complete by exception at the IOU discretion.
4. **Application Approval.** Once the project review has been completed and the application is approved by the IOU, incentive funding for the project is reserved. The IOU and the Applicant enter into a Project Agreement that defines the energy savings and incentive payment. For SCE, SCG, and SDG&E, funding for the project is not reserved until a Project Agreement/Customer Incentive Reservation is fully executed by both parties.
5. **Project Installation.**

The Applicant may initiate installation, which includes preordering and purchasing equipment, demolition, installation, and commissioning. **After all project measures have been installed, commissioned, and are fully operational** the Applicant notifies the IOU as follows:

- For SCE: the Applicant submits a signed Installation Report and invoices. Permit information and contractor certification is required on the Installation Report for HVAC work requiring a permit.
- For SDG&E: the Applicant submits a signed Installation Report and invoices. The Applicant certifies that all applicable permitting requirements were followed. SDG&E participants can locate the invoice template and Installation report at http://www.sdge.com/rebates-finder/save-energy-earn-incentives.
- For PG&E: the Applicant notifies the IOU in writing and submits invoices and required permit/license certification form(s).
- For SCG: the Applicant notifies the Account Executive.

6. **Installation Review.** Upon receipt of Installation Report (SCE and SDG&E), or Installation notification (PG&E and SCG), the Reviewer will evaluate the submittal package and conduct a post-installation inspection to verify project installation and ensure the scope of work has not altered from the agreed-upon project. Based on special circumstances the IOU, at their sole discretion, may waive the post-installation site inspection.
7. **Incentive Payment.** Upon IOU's approval of the Installation Review, the indicated Payee receives the incentive payment.

1.2.3 Competitively Bid Programs Process

PG&E's competitively bid energy efficiency programs (Third Party Programs) have specialized processes for enrolling customers in their program and accepting customer applications. Third Party Programs pay the customer incentives to the customer. In all other respects, Third Party Programs comply with the Statewide Customized Offering procedures and rules.

1.3 Eligibility for Participation

1.3.1 Customer Eligibility

The Statewide Customized Offering is open to all Non-Residential Customers who (1) receive natural gas and/or electric services from PG&E, SCE, SCG, or SDG&E, and (2) pay the PPP surcharge on the gas or electric meter on which the energy efficient equipment is proposed. The IOU may require 12 months of billing history to establish PPP participation and an energy use baseline.

1.3.2 Project Sponsor and Authorized Agent Eligibility

Customers may 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. **The IOUs do not qualify Project Sponsors or Authorized Agents; the Customer bears full responsibility for selecting a Project Sponsor or Authorized Agent if one is desired. The customer always acts as the Project Sponsor for SCG.**

1.4 Project Eligibility

In order for the project to be eligible for the Statewide Customized Offering it must meet the following criteria:

1. Any existing equipment required to establish the project baseline must be available for inspection.
2. New equipment/systems must not be ordered, purchased or installed before written authorization has been issued by the IOU. Installation cannot begin until the IOU has the opportunity to inspect and has approved the project. For SDG&E, installation cannot commence until the contract is signed and a Notice to Proceed is issued.
3. When any energy supply other than IOU is involved (includes solar and self-generation), incentives are paid based only on the energy savings that are reflected on the electric grid or natural gas system. Non-IOU supply, such as cogeneration or deliveries from another commodity supplier, may not qualify as usage from the IOU (with the exception of Direct Access customers, customers paying departing load fees for which the utility collects PPP surcharges, or certain federal facilities). Please contact your IOU for further details. Additional information may be requested from the customer.
4. Projects in SCE and PG&E territories must achieve a minimum level of energy and/or peak savings. This threshold is determined based on the total project incentive as follows:
    a. PG&E – Project incentive must be greater than or equal to $2,000
    b. SCE – Project incentive must be greater than or equal to $2,200

    *SDG&E and SCG projects are not subject to this requirement.

Under special circumstances, the IOU, at their sole discretion, may waive certain project eligibility conditions.

1.5 Qualifying Energy Efficiency Measures

The Statewide Customized Offering accepts a wide variety of energy-saving projects All measures must meet the following criteria:

1. **Must Exceed Baseline Energy Performance.** Incentives are paid on the energy savings and demand reduction above and beyond baseline energy performance, which include state-mandated codes, federal-mandated codes, industry-accepted performance standards, existing baselines, or other baseline energy performance standards as determined by the IOU. Baseline is determined by Measure Type (NR, ROB, REA, ER, NEW).
2. **Must Be Permanently Installed.** Measures that are not permanently installed or can be easily removed, as determined by the IOU, are ineligible for Customized incentives.
3. **Cannot Overlap Other Incentive Programs.** Any measures included in the application cannot be applied through multiple California energy efficiency incentive or rebate programs. Gas and Electric components should be considered separately. Other California end user energy efficiency programs include, but are not limited to, any program offered by or through PG&E, SCE, SCG, SDG&E, California Energy Commission (CEC), and California Public Utilities Commission (CPUC), including PPP funded local programs, third-party programs, or local government partnerships. Applicants cannot receive incentives from more than one energy efficiency program for the same measures. Contact the IOU for further details.
4. **Existing Equipment Must Be Decommissioned and Removed.** Existing equipment must be decommissioned and removed from site prior to Installation Review approval. Under certain circumstances and subject to IOU discretion, existing equipment may be kept on site. Additional documentation or verification may be required in these cases to verify the need or the circumstances for retaining the existing equipment.
5. **No Equivalent Deemed/Express Offering.** Customized incentives are only available to the customer when the measure does not meet requirements of the Deemed Rebate programs, with other exceptions for Early Retirement projects. Customers applying for incentives through the Customized (calculated) program are not eligible for incentives if the measure(s) being installed has a corresponding Deemed (or Midstream Point of Purchase (MPOP) solution (SCE only). Once the measure has been moved to a Deemed program, qualifying measures are only eligible through that program, and all measure requirements must be met to be eligible. When a measure is discontinued from the Deemed program, that measure is no longer eligible for incentives.
6. **Must Include Installation of New Equipment.** Measures that, at the IOU's discretion, save energy primarily due to routine repair/maintenance do not qualify for the Customized Offering. Operational changes (e.g. control recoding, reprogramming, setpoint optimization) are considered Retrocommissioning measures; at PG&E these measures require a separate application under the Retrocommisioning program.

1.5.1 Examples of Eligible Measures

If a measure is not specifically excluded by the eligibility conditions and the Applicant can provide documentation supporting energy savings beyond baseline energy performance standards, then it may be eligible for Statewide Customized Offering incentives (subject to the approval of the 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 is important because the category determines the incentive rate that will be paid (see Section 1.9 of this manual).

Measures are classified as Lighting, Non-Lighting, or gas (PG&E, SCG, and SDG&E). Lighting and Non-Lighting measures are further organized into either Basic or Targeted categories. Targeted measures generally are newer, less-established technologies or have experienced market barriers in certain segments. The Targeted measures are paid at a higher incentive to encourage better market penetration. Generally, Targeted Non-Lighting measures are wholesale HVAC or Refrigeration system change-outs that result in improved overall system efficiency (e.g. kW/ton improvements), whereas Basic Non-Lighting measures are HVAC/Refrigeration, controls or process measures that involve add-ons or component replacements resulting in reduced operation or load. Individual utilities may classify technologies differently. These differences are noted in **Bold** in Table 1-2.

Table 1-2. Examples of Eligible Measures (need to demonstrate above code compliance to be eligible)

Basic Lighting **Energy - $0.03 / kWh** **Peak Demand - $150 / kW**	Contact IOU for details
Targeted Lighting **Energy - $0.08 / kWh** **Peak Demand - $150 / kW**	▪ LED products on the statewide Qualified Products List (QPL), http://caioulightingqpl.com/, that do not meet the Deemed/Express program criteria. ▪ Lighting Control Systems with at least three of the following controls strategies: (Scheduling, Daylighting, Occupant Sensing, Task Tuning, Demand Response) when not accompanied by a luminaire modification. Most control installations accompanying luminaire modifications are required by code and therefore ineligible. ▪ **SDG&E only**: Emerging Technologies

Basic Non-Lighting **Energy – $0.08 / kWh** **Peak Demand $150 / kW**	**HVAC** ▪ Cooling tower replacement (A/C or Refrigeration) ▪ Condenser replacement (A/C or Refrigeration) ▪ Controls and energy management systems for HVAC or refrigeration equipment ▪ Variable speed drives on pump motors and cooling tower pumps) ▪ Motor or fan upgrades ▪ Insulating cool air ducts **REFRIGERATION** ▪ Installation of high-speed cold storage doors (Rapid Close Doors) ▪ Refrigerated case doors ▪ **PG&E and SDG&E only**: Refrigeration scroll compressor replacements for bulk tanks **PROCESS** ▪ Industrial process applications ▪ Projects improving building hot water efficiency ▪ Water flow controls resulting in electric savings ▪ Exhaust hood and fan projects ▪ Dairy Vacuum Pumps/ Variable-speed drives (VSDs) ▪ Pulse cooling devices for injection molding machines ▪ Injection molding machines ▪ Professional wet cleaning equipment ▪ Thin Client Computing Architecture ▪ SCADA systems enabling electric savings ▪ **PG&E and SCE only**: Advanced Air Compressor Controls for two or more compressors ▪ **PG&E and SCE only**: VAV laboratory exhaust system installation ▪ **PG&E, SCE and SDG&E (Non Agriculture Sites only)**: Pump Replacements or Upgrades ▪ **PG&E only:** Building-wide EMS enabling electric savings ▪ Building shell improvements

Targeted Non-Lighting **Energy - $0.15 / kWh** **Peak Demand - $150 / kW**	**HVAC** ▪ High-efficiency water-cooled chiller replacements ▪ Variable Speed Drive installations on existing air conditioning or refrigeration compressor motors. ▪ **SDG&E and PG&E only:** Water source heat pumps (WSHP) of any size* ▪ Constant air volume to variable air volume conversions(depending on the age of the system) ▪ Chiller heat reclaim ▪ Evaporative cooling unit installations ▪ Evaporative pre-cooling unit installations ▪ 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 ▪ Air-cooled to evaporative condensers ▪ Oversized condenser installation ▪ Compressor replacement (A/C or Refrigeration) ▪ **SDG&E only:** VAV laboratory exhaust system installation ▪ **SDG&E and SCE only**: Whole Building EMS ▪ **SDG&E only:** Packaged air conditioner and heat pumps greater than 760,000 Btu/hr or 63.3 tons* **REFRIGERATION** ▪ Refrigeration floating head controller installations ▪ Variable Speed Drive installations on existing air conditioning or refrigeration compressor motors. ▪ Air-cooled to evaporative condensers ▪ Oversized condenser installation ▪ Compressor replacement (A/C or Refrigeration) **PROCESS** ▪ Air-cooled to evaporative condensers(only for ER) ▪ Oversized condenser installation ▪ Centrifugal to Vertical Turbine Pumps (for Agricultural only) ▪ **SCE only:** Refrigeration scroll compressor replacements for bulk tanks ▪ **SDG&E only:** Advanced Air Compressor Controls for two or more compressors ▪ **SDG&E Agriculture only:** Pump Replacements or Upgrades ▪ **SDG&E and PG&E only:** Water source heat pumps (WSHP) of any size

Natural Gas Measures** **$1.00 / Therm**	▪ Steam or hot water boiler water treatment ▪ Steam or hot water boiler economizers ▪ Steam or hot water boiler heat recovery ▪ Steam or hot water boiler controls and process improvements ▪ Steam or hot water boiler insulation ▪ Steam or hot water boiler combustion air preheating ▪ Condensate recovery ▪ Industrial Steam trap replacement (failed open) ▪ Process heating equipment replacement, reconfiguration, or upgrades ▪ Process heating controls and process improvements (e.g. blow-down improvements) ▪ Process heating unit refractory/insulation upgrade ▪ Process heat recovery ▪ Process heating unit pressure controls (Min open loss/Infil.) ▪ Heat cascading ▪ Thermal Oxidizer upgrades (Regenerative/Recuperative) ▪ Engine or Turbine replacement, process/equipment optimization, and pump upgrades

*** Natural Gas measures applicable only in PG&E, SCG, and SDG&E service territories*

1.5.2 Summary of Ineligible Measures

Table 1-3 summarizes the types of measures that do not qualify for program incentive funds, based on the eligibility criteria outlined in Section 1.4. This table provides an illustrative (not a comprehensive) list of ineligible efficiency measures.

Table 1-3. Ineligible Measures

LIGHTING

Linear Fluorescents

- Installation of T12 or standard efficiency T8 linear fluorescent replacement measures
- Four-foot T8 lamps not on the qualified products list of CEE High Performance lamps
- Four-foot T8 linear fluorescent ballasts not designated as NEMA Premium or on the qualified products list of CEE High Performance ballasts or NEMA Premium
- Dimming ballasts that are not on the CEE qualified products list

LED

- LED products that are not listed by the Utility Administrator on the statewide Qualified Products List (QPL), www.lightingfacts.com/ca.
- LED that meet the Deemed/Express program criteria (see Deemed section below)
- LED exit signs

CFL

- Compact fluorescent fixtures not equipped with electronic ballasts
- Any Screw-in CFLs

Incandescent to incandescent retrofits (including halogen incandescent or halogen infrared)

Xenon fixtures, unless:

- A test report from a UL-certified test lab shows a UL fixture listing, a verification of input watts, a total harmonic distortion of <= 10%, and a power factor >= 90%, AND,
- A manufacturer or distributor provides a technical data sheet and a 5 year ballast warranty for a ballast with efficiency >= 88%

Occupancy Sensors or other lighting controls required by code.

- Note: Most occupancy sensors that accompany luminaire modifications are code required and therefore ineligible. Most occupancy sensor installations that *do not* accompany luminaire modifications do not trigger code and are eligible as a Retrofit Add-on.

Deemed eligible retrofits, including, but not limited to:

- LED integral replacement lamps
- Compact fluorescent high bay replacement fixtures
- Linear fluorescent interior high bay replacement fixtures
- LED Interior high or low bay replacement fixtures replacing metal halide linear fluorescents
- LED Exterior Area Light replacement fixtures
- Induction fixture replacements
- **SCE & SDG&E only**: High performance 2'x2' and 2'x4' T5/T8 linear fluorescent recessed troffer fixture or retrofit kit replacements w/ ≤ 2 lamps/fixture
- LED accent, surface, pendant, track and recessed downlight fixture replacements

Ineligible Measures (continued)

REFRIGERATION

- One-for-one refrigerator display case replacements, Display case night covers
- Anti-sweat heater controls, Strip curtain air barriers
- Power controllers for non-perishable refrigerated coolers

BOILERS/WATER HEATING

- Process Boilers w/ input ratings <20,000 MBtu/h for industrial end-use customers
- Space heating boilers (water/steam/ condensing) Does not have a limit in the catalog, HV023 Eff>80% and input Rating >2,500 MBH
- Direct contact and domestic water heaters
- Natural gas storage or commercial electric heat pump water heaters
- **SCE, SCG, and PG&E Only:** Hot water pipe insulation, steam pipe insulation, or tank insulation
- **SCE Only**: Water source heat pumps of any size

HVAC/MOTORS

- Motors that don't exceed full load efficiencies described in NEMA Tables 12-11 and 12-12 shown in Appendix C. pp. 4-5.
- **SCE Only:** Space cooling packaged or split system air conditioning units and heat pumps of any size
- **PG&E Only**: High efficiency air-cooled chiller equipment
- **SDG&E Only:** Space cooling packaged or split system air conditioning units and heat pumps units less than 63.3 Tons
- Variable frequency drives (VFDs) on HVAC fans < 100 horsepower. Cooling tower VFDs are eligible for customized incentives regardless of size.
- Residential furnaces installed in a small commercial setting
- Cool roof systems

AGRICULTURE

Greenhouse heat curtains*, Greenhouse infrared film*, VFDs for irrigation pumps*

FOOD SERVICE

- Ovens*, Fryers*, and Griddles*
- Steam Cookers*, Insulating Holding Cabinets*
- Solid or Glass Door Refrigerators*, Solid Door Ice Machines*
- Kitchen Demand Ventilation Controls*

*Measures eligible under the Deemed/Express Efficiency program are not eligible in the Customized program. However, measures that do not qualify for the Deemed/Express Efficiency program, based on specific requirements for that program, may be eligible for the Customized program. Please check with your Utility Administrator to verify.

OIL FIELD MEASURES

- Pump-off Controls on Rod Beam Pump Artificial Lift Systems by Major** Oil Producers Only (Minors still eligible)
- VFD on Electric Submersible Pumps Artificial Lift Systems
- VFD on Progressive Cavity Pump Artificial Lift Systems
- VFD on Steam Generator Air Blower

MISCELLANEOUS

- Server virtualization
- Power correction or power conditioning equipment
- Plug load sensors
- Network desktop power management software

**Majors are customers producing 15,000 barrels of oil per day or more; minors are customers producing less than 15,000 barrels of oil per day.

1.5.3 Measure Classification

All customized projects require the selection of one of the following five measure classifications: Replace on Burnout (ROB), New Construction/New Load (NEW), Retrofit Add-on (REA), Normal Replacement (NR), and Early Retirement (ER). These categories will determine the baseline parameters set by Code or Standard requirements, industry standard practice, CPUC policy or other considerations.

Replace on Burnout (ROB)

The Replace on Burnout category includes retrofits where the existing equipment is non-functional. ROB measures use the annual energy consumption of industry standard practice or code equipment as the baseline for calculating incentives and savings. The baseline must use the existing equipment load and an appropriate minimum efficiency standard to establish baseline performance. The baseline should be the current industry practice at or above the government minimum efficiency standards. Industry standard practice (ISP) baselines reflect typical actions and standard operating scenarios that would be in-place absent the program. In cases where this is unclear; the Program Administrator will coordinate the establishment of this value.

New Load/New Construction (NEW)

New Load/New Construction measures include eligible projects where equipment is installed to serve new customer loads. The baseline for such measures is the energy use associated with the forecasted Industry Standard Practice equipment operation.

Projects that involve a gut rehab, expansion, complete remodel, demolition or renovation where architectural design assistance is involved and which can be modelled using approved Title 24 compliance typically fall under the Savings by Design program. Only those New Load/New Construction projects that do not qualify for the Savings by Design program may be reviewed by the Statewide Customized Offering.

Retrofit Add-on (REA)

The Retrofit Add-on category includes a control or other mechanism that is added to an existing operating piece of equipment that allows it to operate at higher system efficiencies. A typical case is adding a VSD/VFD to an existing motor driven process.

In cases where add-ons are neither required by code nor typically installed in existing buildings as Industry Standard Practice, the baseline is the existing piece of equipment. In the event that a code or policy requires the control, or in the event it is Industry Standard Practice (ISP) to install the add-on, then the code requirements or current ISP is used as the baseline.

Normal Replacement (NR)

The Normal Replacement category includes measure installations where the existing equipment is still functional but does not qualify for Early Retirement (see below). Normal Replacement also applies when replacement equipment has been installed due to normal remodeling or upgrading or replacement activities which are expected and undertaken in the normal course of business or ownership. In general, existing equipment that is still functional but has exceeded the proposed EUL, either from DEER or other sources, fall into this category. Normal Replacement is also referred to as normal/natural turnover. A code baseline energy savings calculation, incremental measure cost, and a measure EUL with justification is required for this installation type.

Early Retirement (ER)

The Early Retirement category includes the installation of high performance equipment to replace operational existing equipment in cases where it can be demonstrated that the Program induced or accelerated the equipment replacement. The existing equipment being replaced must be shown to have at least one year of Remaining Useful Life (RUL). If there is less than one year left of Remaining Useful Life, or if the program's influence on the customer's decision to retire their equipment early cannot be demonstrated, the measure is treated as an NR measure.

Early Retirement measures use the existing equipment annual energy use as the baseline for calculating the savings and customer incentive payment. Early Retirement measures also require the collection of code or industry standard practice annual energy for the purpose of establishing eligibility and internal “dual baseline” analyses. The second baseline is used for savings reporting purposes only and does not factor into the customer’s incentive payment calculation. While savings are calculated using existing equipment as the baseline, Early Retirement measures are required to provide savings above and beyond code or industry standard practice to be eligible for the program.

Early Retirement measures may be eligible for higher customer incentive payments than Normal Replacement measures by virtue of calculating savings relative to *existing conditions* rather than *code/standard* conditions. However, in order to claim a measure as Early Retirement, a Preponderance of Evidence is required to demonstrate program influence and that existing equipment would remain in operation otherwise. Below are suggestions of the type of evidence that should be collected to establish a valid Early Retirement claim.

To demonstrate a preponderance of evidence for Early Retirement measures (ER)

- Include dialogue from previous customer/Utility Administrator meetings showing how the Utility Administrator accelerated the early retirement of the existing measure. Include meeting dates and participant names. Provide details on the high efficiency measure(s) that were proposed by the Utility Administrator. State some of the program features that the Utility Administrator educated the customer on that they were previously unaware of.
- Provide simple payback calculations with and without the Utility Administrator incentive.
- Provide documentation of any additional drivers for the project not related to energy efficiency.
- Provide documentation of any preliminary measurements performed for the customer by the Utility Administrator.
- Document the known standard efficiency equipment alternatives that are available in the market or that were considered by the customer.
- Include existing equipment installation dates (and old existing equipment invoices if available).
- Provide a calculation of the remaining useful life (RUL) of the existing measure based on its previous installation date and/or other forms of evidence to support estimated RUL; a default RUL of 1/3 the DEER EUL should be considered for reference.
- Provide a customer statement that the existing equipment is still in proper working condition and will continue to operate through the larger of one year or the claimed RUL. Include readily available records of ongoing equipment maintenance and equipment performance.

1.5.4 Baseline Selection Guidelines

- Use the pre-existing equipment's annual energy use as baseline when:
  - The measure qualifies for Early Retirement. Code/Industry Standard Practice equipment energy use must also be established for Early Retirement measures, but does not figure into the customer incentive payment.
  - The measure is a Retrofit Add-on that is not required by code and not typically installed into existing buildings as Industry Standard Practice. (Please check Title 24 Additions and Alterations section.)
  - The measure is classified as Replace on Burnout or Normal Replacement *and the existing equipment being replaced is more efficient than code or industry standard practice.*
- Use Code/Industry Standard Practice equipment annual energy use as baseline when:
  - The measure is classified as Replace On Burnout or Normal Replacement *and the existing equipment being replaced is not more efficient than code or industry standard practice.*
  - The measure is classified as New Load.
  - The measure is a Retrofit Add-on that goes through code or is expected to be installed as Industry Standard Practice in existing buildings.
  - The baseline conditions or requirements were changed (e.g. production level changes). If the pre-existing equipment is not capable of reliably meeting the new requirement for its remaining life, then the savings baseline must be set at either minimum Code or Industry Standard Practice equipment, even if the pre-existing equipment would have otherwise qualified for Early Retirement.

In some situations, a measure for which savings might be claimed could be determined to be the only acceptable equipment for an application. In such cases, the baseline must be set at the minimum needed to meet the requirements, which may be the same as the equipment planned for installation. In such a case, the measure is ineligible for incentives.

1.5.5 Fuel Substitution Measures

Fuel substitution (fuel switching) measures involve retrofit projects where all or a portion of the existing energy use is converted from either "electricity to natural gas" or "natural gas to electricity".

Incentives for fuel substitution measures are calculated as the incentive associated with the **replaced** fuel measure (electricity or gas) *less* the incentive resulting from the installation of the **replacement** fuel measure (electricity or gas).

For example: If a raisin drying project switching from electricity to gas saves 100,000 kwh and 20 kw, but uses 4,000 therms additional, the incentive is (100,000 kwh * $.15/kwh) + (20 kw * $100/kw) – (4,000 therms * $1/therm) = $13,000,

For SCE service territory, only fuel substitution measures involving retrofit projects where all or a portion of the existing energy use is converted from "natural gas to electricity" are eligible; incentives are not paid for switching from gas to electric but for installing premium efficiency electric equipment.

Fuel-substitution measures must reduce the need for source energy use without degrading environmental quality. Fuel-substitution measures must pass a three-prong test, which evaluates whether the measures reduce overall environmental impact, to be eligible for customized incentives. These tests include a source-BTU comparison, a benefit-cost ratio calculation, and an environmental impact analysis. The Utility Administrator will perform these analyses.

1.5.6 DEER Peak Permanent Peak Demand Reduction Calculations

Peak demand reduction will be evaluated using the DEER peak approach. The DEER peak method is summarized from Version 4 of California's Energy Efficiency Policy Manual as "*the average grid level impact for a measure between 2:00 p.m. and 5:00 p.m. during the three consecutive weekday periods containing the weekday temperature with the hottest temperature of the year."*

The DEER Peak periods are further defined by individual climate zones. Because the definition is based on average grid-level impacts it has been determined that all measures must use the predefined "heat wave" periods in Table 1-4 below.

Table1-4. DEER Peak Periods by Climate Zone

Climate Zone	Start Date	End Date
1	16-Sep	18-Sep
2	8-Jul	10-Jul
3	8-Jul	10-Jul
4	1-Sep	3-Sep
5	8-Sep	10-Sep
6	1-Sep	3-Sep
7	1-Sep	3-Sep
8	1-Sep	3-Sep
9	1-Sep	3-Sep
10	1-Sep	3-Sep
11	8-Jul	10-Jul
12	8-Jul	10-Jul
13	8-Jul	10-Jul
14	26-Aug	28-Aug
15	25-Aug	27-Aug
16	8-Jul	10-Jul

The periods are based on a typical year using a 2009 calendar. If the peak period falls on a weekend, the following three day period will be utilized.

1.5 Direct Savings and Multiple Measures

1. **Direct Savings vs. Savings with Interactive Effects.** Only direct energy savings—not indirect energy savings or savings from interactive effects—count in determining a project's incentive. Direct savings occur as the primary purpose of the retrofit. Indirect energy savings or savings from interactive effects are savings that occur from other than the primary purpose of the retrofit. For example, high-efficiency lighting typically lowers the air conditioning load. However, 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.

1.6 Aggregating Customer Project Sites

A Statewide Customized Offering project may comprise of 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).

The following requirements apply:

- The same Customer must own and/or occupy the Customer Project Sites. Please refer to Section 1.9.3.3(Customer Project Incentive Caps) to review the maximum incentive available per Customer Project Site.
- There is 25 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 required). If it is determined by the IOU 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.
  - Project Sites for which the Customer is applying for incentives **must be in the same service territory as the Utility Administrator**.

When combining sites and measures into a single application, the Applicant 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. If the project is being implemented in phases, consider submitting individual applications.

1.7 Verification Requirements

As a performance-contracting offer, the Statewide Customized Offering may require additional means of determining the energy savings from a given project and verifying that those energy savings have been achieved. **Short-term monitoring, spot measurements, production data or other forms of verification may be requested to confirm savings estimates. These activities, while required, do not qualify as full Measurement & Verification (M&V) and are not eligible for additional incentives.**

The measured approach utilizing the M&V process is only required if the IOU determines that the energy savings cannot be reasonably substantiated without extensive pre-and post-installation measurements. If the IOU requires the M&V process, the Applicant is required to comply to remain eligible for incentives. To help defray the M&V cost, the Payee will then be eligible to receive an additional 10 percent of the approved incentive, not to exceed $50,000.

1.7.1 The Measurement & Verification Process (PG&E, SCE, and SDG&E only)

The M&V process begins after the IOU reviews the submitted application **and has determined that an extensive M&V process is appropriate for the proposed project.**

The M&V process proceeds as follows:

1. **M&V Requirement Notification.** The IOU contacts the Applicant and notifies them of the M&V requirement. The IOU sends the Applicant the M&V Guidelines.
2. **M&V Plan Development.** The Applicant working with the IOU develops an M&V plan based on the M&V Guidelines. The Applicant then submits the M&V plan, and any required baseline data to the IOU.
3. **M&V Plan Approval.** Once the M&V plan is submitted to the IOU, the M&V Plan will be reviewed to ensure the plan meets program requirements. If M&V plan is approved, the incentive funding for the project is reserved at application approval.
4. **Project Installation.** For SDG&E and SCE service territories, the Applicant submits a signed Installation Report and invoices after all project measure(s) have been **installed and are fully commissioned and fully operational**. For PG&E service territory, the Applicant notifies the Utility Administrator in writing and submits invoices after all project measure(s) have been **installed and are fully commissioned and fully operational**.
5. **Installation Review.** Upon receipt of Installation Report (SCE and SDG&E), or Installation notification (PG&E), the Reviewer will evaluate the submittal package and conduct a post-installation inspection to verify project installation and ensure the scope of work has not altered from the agreed-upon project.
6. **First Payment.** For SCE and SDG&E service territories, the designated Payee receives 60 percent of the Installation Report approved incentive along with a 10% M&V adder, upon approval of the Installation Report.

   For PG&E service territory, the designated payee receives the 10% M&V adder, to defray the M&V cost, upon approval of the Installation Review.

   The M&V adder is 10% of the Installation Review approved incentive amount, not to exceed the contracted M&V adder amount or $50,000.
7. **Project Performance Period.** The Applicant performs the agreed-upon M&V activities on the new operating equipment for a period up to two years (at discretion of Utility Administrator). At the end of the project performance period, the Project Sponsor submits the Operating Report.
8. **Operating Report**. The Applicant submits the Operating Report and operating data to the Utility Administrator. Upon receipt, the Utility Administrator reviews the report and data.
9. **Final Payment**. For SCE and SDG&E service territories, the designated Payee receives the remaining balance of the incentive based on the measured savings upon approval of the Operating Report. For Federal projects in SDG&E service territory, 100% of the incentive based on the measured savings is paid at the end of the project performance period when the Operating Report is approved.

   For PG&E service territory, 100% of the incentive based on the measured savings is paid at the end of the project performance period when the Operating Report is approved.

1.7.2 The Measurement & Verification Process (SCG only)

The M&V process begins after the Utility Administrator reviews the submitted application **and has determined at its sole discretion that an M&V process is appropriate for the proposed project.**

The M&V process proceeds as follows:

1. **M&V Requirement Notification.** The Utility Administrator contacts the Project Sponsor and notifies them of the M&V requirement. The Utility Administrator sends the Project Sponsor the Measurement & Verification Guidelines.
2. **M&V Plan Development.** The Project Sponsor develops an M&V plan based on the M&V Guidelines. The Project Sponsor submits the M&V plan, and any required baseline data to the Utility Administrator.
3. **Application and M&V Plan Approval.** If the application and the M&V plan are approved, incentive funding for the project is reserved and the Project Sponsor and Utility Administrator initiate the application approval review.
4. **Project Installation.** The Project Sponsor notifies the Utility Administrator in writing and submits invoices after all project measure(s) have been **installed and are fully commissioned and fully operational**.

1.8 Project Cost Documentation

The Utility Administrators require submission of both the Full Measure Cost and Incremental Measure Cost disaggregated for each measure within a project. Early Retirement Cost is also required for Early Retirement Measures. Eligible project costs are *only those costs directly related to the installation of the energy efficiency measure.* Costs unrelated to the energy efficiency measure should not be included within reported costs.

Allowable project costs may include: audits, design, engineering, construction, equipment, materials, removal, recycling, overhead, tax, shipping, and labor. Labor costs can be contractor or in-house if proof of direct project hours and costs are provided.

Eligible costs may ***not*** include: spare parts and maintenance supplies, maintenance contract, standby/backup equipment, and equipment that do not directly contribute to realization of energy savings.

Table 1-6. Project Costs

Cost	Includes
EE Equipment	Energy Efficiency equipment, materials, shipping, and tax
ISP Equipment	Code or Industry Standard Practice equipment, materials, shipping, and tax
Engineering	Audits, design, and engineering
Construction	Construction and associated labor and overhead
Disposal	Demolition, removal, and recycling
Permitting	Permit preparation and fees

Full Measure Cost (FMC) is the total amount paid by the customer to implement the energy efficiency measure.

FMC = EE Equipment + Engineering + Construction + Permitting + Disposal

Incremental Measure Cost (IMC) is *marginal* cost of implementing the energy efficiency measure. This is how much *more expensive* the energy efficiency measure is than a similar, industry standard measure, as defined by the Utility Administrator.

IMC = EE Equipment – ISP Equipment

Early Retirement Cost (ERC) is the full cost incurred to install the energy efficiency measure reduced by the net present value of the full cost that would have been incurred to install an ISP measure at the end of the remaining useful life period. This cost is considered for Early Retirement Measures only. D = Discount Rate (fixed per Utility Administrator); RUL = Remaining Useful Life, in years, of Existing Equipment.

ERC = FMC – (FMC-IMC) / (1+D)^RUL

1.8.1 Obtaining Measure Costs

The five recommended methods of obtaining measure costs are listed below in decreasing order of preference. Method 1 is preferred to Method 2, which is preferred to Method 3, etc.

Method 1: Actual (site specific) Costs (for IR phase only)

When possible, individual itemized measure costs from an invoice should be used. If the project is a stand-alone energy efficiency improvement, determining the project cost is relatively straight forward. If the project includes multiple technologies and the invoice(s) are itemized, then determining the measure costs would be straight forward as well. Splitting the costs without a disaggregated invoice could entail one of the following approaches:

- Use the energy savings to determine the relative weighting; or
- Use DEER to obtain the relative weighting.

Method 2: Contractor Quote
In some cases, it is appropriate to obtain measures cost values through a written bid, quote or proposal from a vendor, contractor, or manufacturer. The documentation should include a breakdown by technology that includes labor, material and other related costs (e.g., disposal costs, less salvage value).

Method 3: DEER Look-up
Lookup the specific technologies in the DEER measure cost tables. Individual cost values should be documented by referencing the DEER version and the respective DEER cost case ID value. All costs will be tracked and documented, electronically, in an Excel spreadsheet for easy reference.

Method 4: Cost Estimating Reference

Develop the measure costs for the proposed equipment using a cost estimating reference guide such as RS Means Building Construction Cost Data. Use the most current cost estimating reference applicable to the project application program year. Consistent with the other methodologies above, costs and assumptions should be tracked in an Excel spreadsheet. If necessary, the methodology may be documented in a separate document.

Method 5: DEER Approximation

If the DEER does not include the specific technologies that are included in the project, the DEER values may be used to approximate the measure costs when Methods 1 through 4 are not available. When using this method, a detailed workpaper is required to document the methodology and assumptions. Consistent with the DEER Look-up method, costs and assumptions should be tracked in an Excel spreadsheet. If necessary, the methodology may be documented in a separate document.

1.9 Incentive and Bonus Payments

The incentive payment amount is based on a flat incentive rate (per kWh and/or therm) applied to one year of energy savings (kWh and/or therm) savings, plus a flat incentive rate (per peak kW) applied to the resultant permanent peak demand reduction. Incentive payments for measures that result in both kWh and therm savings are calculated as the sum of the direct electricity (kWh and kW) and gas (therm) savings.

For measures that require Measurement and Verification (M&V), the final incentive amount is calculated based on the measured performance and can therefore vary from the originally indicated amount on the Project Agreement. The range of allowable variance is based on Utility Administrator:

- **PG&E, SDG&E, and SCE**: between 0 and 110 percent
- **SCG**: between 0 and 125 percent

For measures not requiring M&V in all territories, 100 percent of the incentive is paid after the Installation Review is approved.

For measures requiring M&V in SCE and SDG&E territories, 60 percent, along with the 10 percent M&V adder (not to exceed $50,000), 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.

For measures requiring M&V in PG&E service territory, the 10% M&V adder to defray the M&V cost is paid when the Installation Review is approved and 100% of the incentive based on the measured savings is paid at the end of the project performance period when the Operating Report is approved.

For measures requiring M&V in SCG service territory, up to 100% of the incentive based on the measured savings (0-125% of estimated energy savings) is paid at the end of the project performance period when the project is approved. The cost of M&V is an allowable item in the project cost calculation.

When reviewing the project application, the Utility Administrator will verify that the Applicant has designated the proper incentive category for each efficiency measure. As shown in Table 1-5, the incentive rate is dependent on the type of efficiency measure installed (Lighting Basic, Lighting Advanced/Targeted, Non-Lighting Basic, Non-Lighting Advanced/Targeted, or Natural Gas).

Table 1-5. 2013-15 Energy Savings Incentive Rates

Measure Category	Annual Energy Savings Incentive Rate	Permanent peak demand reduction Incentive Rate
Lighting Basic	$0.03 per kWh saved	$150 per peak kW
Lighting Advanced/Targeted	$0.08 per kWh saved	$150 per peak kW
Non-Lighting Basic	$0.08 per kWh saved	$150 per peak kW
Non-Lighting Advanced/Targeted	$0.15 per kWh saved	$150 per peak kW
Natural Gas*	$1.00 per therm saved	n/a

* *Applicable only in PG&E, SCG, and SDG&E service territories*

1.9.1 Incentive Payment May Vary from Contracted Value Based on Performance

PG&E and SCE determine allowable "contract value variation" differently for measures requiring M&V and those not requiring M&V. SDG&E and SCG use the same "contract value variation" approach for all measures regardless of M&V requirement.

<u>Measures not requiring M&V (PG&E and SCE) - All Measures (SDG&E and SCG)</u>: The incentive may differ from the contract amount, if actual equipment installation or operation varies from that described in the approved application. For example, if the indicated installed equipment efficiencies or operating schedules change, the incentive amount will be adjusted upward or downward. Each application will be reviewed on a case-by-case basis.

Generally the incentive amount cannot exceed the contracted amount however some exceptions may apply. The Utility Administrator may approve an incentive that exceeds the contracted amount if one of the following conditions occurs:

1. Increased Project Costs – The actual installed costs are higher than the application estimated costs approved at the application review and there are no other limiting customer project site caps. The incentive is capped at 50 percent of the *full measure costs* for Retrofit Add-on measures, 100 percent of the Early Retirement Costs (ERC) for Early Retirement measures, or 100 percent of the *incremental measure costs* for Replace on Burnout, New Load, and Normal Replacement measures (see section 1.9.3.3)
2. Installation of More Quantity – The Customer has installed a greater quantity of similar equipment than indicated on the application and approved at the application review.
3. Installation of More Efficient Equipment – The Customer has installed higher efficiency equipment than equipment indicated on the application and approved at the application review.
4. The Utility Administrator reserves the right to approve an incentive payment that exceeds the contracted amount in certain additional circumstances not specified above.

If the scope of work changes after the contract is issued, but before the work is completed, notify the Utility Administrator immediately. A revised contract may be required to capture the new scope.

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 Payee is responsible for reimbursement of the difference to the Utility Administrator.

<u>Measures requiring M&V (PG&E and SCE Only)</u>: The Energy Savings Incentive is based on actual performance and can vary between 0 and 110 percent of the approved incentive amount. In the event that actual energy savings are higher than projected, the final incentive amount may include an additional incentive amount (up to 10 percent) above the contracted amount.

1.9.2 Comprehensive Bonus (SCE & SDG&E only)

In order to encourage deeper, more comprehensive retrofits, the Utilities have introduced a new bonus structure for the 2013-14 program cycle. If a customer installs at least three measures in different end use categories (see below) at a premise, they may be eligible for a 20% bonus incentive payment (up to $25,000) in addition to the standard incentive. Both calculated and deemed measures may count as qualifiers toward the bonus, and the final incentive bonus is equal to 20% of the combined incentive from the qualifying calculated and deemed measures. At SCE the 3+ qualifying measures must be bundled on a single application. At SDG&E, the 3+ qualifying measures may come from different applications submitted after March 1, 2013.

Each of the 3+ qualifying measures must account for at least 10% percent of incentive payment associated with the total project. New participation in the Retrocommissioning (RCx) program or new enrollment in the Demand Response program satisfies one of the required measures (10% incentive savings is not required). The measure end use categories are listed below.

Table 1-7. 2013-14 Comprehensive Bonus End Use Categories

Measure Type	End Use Categories	Minimum Contribution
Electric	Lighting	10% Incentive
	HVAC	10% Incentive
	Smart Controls*	10% Incentive
	Building Envelope	10% Incentive
	Refrigeration	10% Incentive
	Process	10% Incentive
Programs	New Participation in RCx	Participation
	New Enrollment in Demand Response Program	Enrollment
Natural Gas**	Hot Water / Steam	10% Incentive
	Heat Recovery	10% Incentive
	Process Heat	10% Incentive

* *Smart controls provide comprehensive integrated control of electric or gas end uses to minimize overall system energy consumption. Smart controls employ algorithms and control sequences to optimize (minimize) energy consumption. In addition, smart controls may employ algorithms and control sequences to automatically regulate energy systems in response to demand response events.*

** *Applicable only in SCG and SDG&E service territories*

Please contact your utility to determine which specific measures (solutions) fall under each category.

For SDG&E, please visit http://www.sdge.com/rebates-finder/save-energy-earn-incentives or email businessenergysavings@sdge.com.

1.9.3 Incentive Limits

1.9.3.1 First Come, First Served

Program funds are available on a first-come, first-served basis. For SDG&E, PG&E and SCE Project incentive funds are reserved when a Project Agreement is fully executed by both the Project Sponsor and the Utility Administrator.

1.9.3.2 Incentives from other Programs

An incentive for any measure included in the application cannot be applied for through multiple California energy efficiency incentive or rebate programs offered by any other California utility program funded by the Public Purpose Program [PPP]. Gas and Electric components should be considered separately.

1.9.3.3 Customer Project Incentive Caps

The Customized measure incentives are limited to the lesser of the following:

1. The incentive based on the energy savings and permanent peak demand reduction resulting from the installation of the new equipment on the meter(s) for which the utility collects the PPP surcharge.
    a. kWh, kW and therm savings are limited to the net potential benefit provided to the Utility during the period of performance.
    b. Incentives for sites with a non-utility supply are tied to the savings reflected on the grid on an hourly basis for electricity and monthly for gas during the period of performance.
2. The sum of measure cost caps for the project; capping mechanisms vary by measure application type as described below:
    a. 50 percent of the *full measure costs* for Retrofit Add-on measures.
    b. 100 percent of the *early retirement costs* (ERC) for Early Retirement measures.

    c. 100 percent of the *incremental measure costs* (IMC) (i.e. the costs above similarly configured code or standard efficiency equipment) for Replace on Burnout, New Load, and Normal Replacement measures.
3. The maximum incentive per site for PG&E is $500,000 and $1,000,000 per site for SDG&E and SCG. SCE is 15 percent of the annual program incentive funds managed by the specific Utility Administrator. Please contact your Utility Administrator for details.
4. For SCE, the full project will be capped at the **lesser** of the sum of what is stipulated in item 2 or 50 percent of full project cost.

If applicable, the 10% measure savings adder to defray the M&V costs (not to exceed $50,000) is not used in the calculation of cost caps.

1.9.4 Payment Schedule

One hundred percent of the approved incentive amount is paid after the Utility Administrator approves the Installation Report. For measures requiring M&V, the payment schedule is different, and can be explained further in Section 1.7.

Payments are made only after the Utility Administrator has approved the necessary submissions (as discussed in Sections 1.12 and 1.13 of this manual).

1.9.5 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 in writing of the final approved incentive payment amount upon approval of the Installation Review or Operating Report, as applicable, and will begin processing the incentive check. If the Project Sponsor disputes the findings of the review, the Project Sponsor should notify the Utility Administrator as soon as possible. Once processed, the Utility Administrator will mail the incentive check to the Payee designated on the application.

1.10 How to Apply

The application process requires careful attention to detail. Incomplete or incorrect applications will be returned, so it is highly recommended to follow the program instructions carefully. Applicants can call their Utility Administrator for assistance in completing their applications and to obtain answers to specific program questions as well. Table 1-9 lists the Statewide Customized Offering contact information for each Utility Administrator.

Table 1-9. Utility Administrator

Utility Administrator	Program Contact Information
San Diego Gas & Electric http://www.sdge.com/rebates-finder/save-energy-earn-incentives	San Diego Gas & Electric 8335 Century Park Ct., CP12C San Diego, CA 92123-1569 Phone: (800) 644-6133 Fax: (619) 819-4206 businessenergysavings@sdge.com
Southern California Edison http://www.sce.com/customized_solutions	Southern California Edison Business Incentives & Services P.O. Box 800 Rosemead, CA 91770 Phone: General Assistance - (800) 736-4777 Technical Assistance - (626) 633-3393 Fax: (626) 633-4844 BusinessIncentives@sce.com
Pacific Gas and Electric www.pge.com/customized	Pacific Gas and Electric Company PG&E Integrated Processing Center P.O. Box 7265 San Francisco, CA 94120-7265 Phone: (800) 468-4743 businesscustomerhelp@pge.com
Southern California Gas Company http://www.socalgas.com/for-your-business/rebates/ *note – Please work with your Account Representative to navigate the program.	Southern California Gas Company Attn: C/I Energy-Efficiency Box 51329 ML GT 19A8 Los Angeles, CA 90051 Phone: (800) 427-2000 EERebatesforBusiness@socalgas.com

1.10.1 Overview of Paperwork

To receive Statewide Customized Offering incentives, the Applicant must perform certain actions and submit certain forms or applications/reports at specific project milestones:

1. **First milestone: Application**
   The application describes the project and estimates the energy savings and permanent peak demand reduction. Supporting documentation on calculations and program influence must accompany the application forms. Additionally, all measure costs must be outlined. Please refer to the utility websites referenced above for more information including but not limited to program application checklists.

2. **Second milestone: Project Approval**
   Once the application has been reviewed and documentation has been approved, the project is approved. The customer is now able to proceed with installation of approved equipment.

3. **Third milestone: Installation**
   For SCE and SDG&E service territories, the Project Sponsor submits an Installation Report to the Utility Administrator after the new equipment is installed and fully commissioned and fully operational. The Utility Administrator cannot schedule an inspection without a submitted and signed IR. For PG&E and SCG service territory, the Project Sponsor notifies the Utility Administrator after installation and commissioning are complete. For all Utilities, the Project Sponsor also submits invoices and any other materials deemed relevant by the Utility Administrator.

4. **Fourth milestone: Operating Report (Projects requiring the M&V process only)**
   This form is filed with the Utility at the end of the project performance period to confirm that the project is still in operation as installed and is submitted with M&V results. The Operating Report is the basis for the final incentive payment for measured savings.

1.10.2 Paper or Electronic Forms

There are two ways to fill out the Customized Program paperwork:

1. **On paper,** using hardcopy forms (a) obtained from your IOU or (b) downloaded from the Utility's energy efficiency website (please refer to Table 1-9 for website address).
2. **Electronically,** through interactive Statewide Customized Offering software or online application system accessed through the Utility's website[2] (please refer to Table 1-9 for website address).

The software and online versions 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 time.

1.11 Application Review

The project application (first submittal) consists of the application document and supporting attachments after the customer has discussed the project with the Utility Administrator. The application process is different between the Utilities so please consult with their websites for forms and instructions. Table 1-9 shows the website addresses.

The information required for the application consists of:

1. Incentive Application (information regarding Applicant, Project Type, and Payment, Customer Project Site, Property Type, and Project Sponsor)
2. Savings Summary (Information regarding Energy Savings)

[2] Downloadable software is available for SDG&E and PG&E service territories, an online application system is currently under development for SDG&E and PG&E.

3. Energy savings calculations showing how the energy and peak 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 the engineering calculation method is used, unprotected, electronic copies of the energy savings calculations are required. These calculations are required for all Customized projects.
4. Paperwork showing that the program had influence or a sufficient amount of influence on the customer participating in the program.
5. For SDG&E: EEBI Calculated Lighting Equipment Survey Table *(.xls); 2013-15 Non Residential Customer Programs Trade Professional Agreement; Specification sheets*

1.11.1 Project Application Review Schedule

Review of a Customized application with complete information provided not requiring the M&V process (including the site inspection) may typically be completed within 60 days. Complex and multiple-site projects may require more time. Projects can only be reviewed when documentation is complete.

If deemed necessary, the Utility Administrator will contact the Applicant for additional information or clarification. The quicker the response, the faster the application process can be reviewed and completed.

If the Utility Administrator determines that the M&V process is required (see Section 1.7), the Utility Administrator will advise the Applicant. The Applicant 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.

1.11.2 Pre-Installation Inspection

Upon receiving a complete Statewide Customized Offering application, the Utility Administrator-assigned Reviewer or field engineer may contact the Applicant to schedule a pre-installation site inspection as soon as possible. The purpose of this inspection is to verify:

1. The application accurately reflects the existing project baseline.
2. All existing equipment listed in the application is still operational (if not, the associated measures may be deemed ROB).
3. Installation has not yet occurred (if field preparations for installation have begun, the project may be deemed ineligible).
4. Take spot measurements, if applicable.

The Applicant should be flexible in scheduling such inspections and provide complete access to customer project sites.

A representative of the Applicant who is familiar with the project, e.g. the facility manager or other responsible representative of the Customer, should attend the inspection. When electrical measurements are necessary, the Customer may be required to disrupt equipment operation, open any electrical connection boxes, and/or install current and power transducers, as needed. If the inspection cannot be completed in a timely manner, the Customer Project Site may fail the inspection.

If the project fails the inspection, the Utility Administrator may decline the application.

1.11.3 Notice of Application Review Results

The Utility Administrator will provide the Project Sponsor written notice of the pre-installation inspection results and overall review of the project application as follows:

- **Approved.** The approval letter/email informs the Applicant that the project is accepted under the terms of the Statewide Customized Offering outlining the approved energy savings and incentive. Included with the letter/email is an official Program Agreement, which is to be signed and returned within 10 business days. For SDGE, after receipt of a signed Agreement SDG&E will issue a Notice to Proceed. At this point, the Project Sponsor/Customer can proceed with removal of equipment, purchase of equipment and installation. If the Applicant does not sign and return the Project Agreement within the designated time, the Utility Administrator reserves the right to rescind the Project Agreement. Sample Project Agreements are included in Appendix A.
- **On Hold.** The review may be placed on hold if circumstances do not allow for the project to proceed. Upon resolution of the issue(s), the Utility Administrator will resume the review process.
- **Suspended (Does not apply to SCG).** The review may be suspended when repeated attempts for information are ignored. At this point the Applicant has 30 days to respond or the application may be withdrawn and will need to reapply.
- **Declined.** An application may be declined if any of the following conditions apply:
  - lack of program influence;
  - the project fails inspection;
  - the application is missing information that the Applicant is unwilling or unable to provide;
  - the existing equipment has been removed prior to inspection;
  - the project otherwise fails to meet program criteria;
  - the application does not include an acceptable M&V plan (M&V process projects only).

  If declined, the Applicant may re-apply to the program, or the application may be reactivated once the information is provided.

1.12 Project Installation

1.12.1 Wait for Approval

The actual project installation shall not begin until after the project agreement is executed (SDG&E: until a Notice to Proceed is issued). It will be determined ineligible and will be declined if installation has begun prior to approval.

"Project Installation" includes, but is not limited to, decommissioning and removal of existing equipment, demolition, and facility alterations to prepare for new equipment, order of new equipment and installation of new equipment.

The Utility Administrator pre-approval does not mean the application has been approved and will receive funding, but rather that proceeding with installation will not impair the Applicant's chances for the application's approval. The Applicant is to request this notification in writing from the Utility Administrator. Verbal notification is not binding.

1.12.2 Change in Project Scope

If the scope of the project changes substantially from what was identified in the project application review, the project may require resubmittal. Substantial changes include significant modifications to the proposed equipment type, size, quantity, configuration, or the expansion of project to include additional retrofits. The revised project scope and supporting calculations are subject to an additional review and may require a new agreement – <u>prior</u> to the removal of existing equipment/systems or the installation of the replacement equipment/systems. <u>Exceptions may be granted as deemed reasonable by the Utility Administrator.</u>

1.12.3 Installation Deadline

All projects must be installed and *fully operational one year* from application approval. If project is not fully installed and operational by the specified installation deadline, the agreement is subject to cancellation. Extensions may be requested and granted at the Utility Administrator's discretion.

1.13 Installation Review

For SCE and SDG&E service territories, the Applicant submits an Installation Report (second milestone) to the IOU once the project has been installed and is fully commissioned and fully operational. The Installation Report must be submitted for a post-installation inspection to be scheduled. For PG&E service territory, the Project Sponsor notifies the IOU and submits project invoices once the project has been installed and is fully commissioned and fully operational. This Installation Report/notification should confirm the estimated energy savings, or identify any changes to the project that were made during installation. In this later case, the anticipated energy savings and demand reduction should be recalculated as necessary. The Applicant also attaches any required data and analysis from spot metering that may have been performed before or after installation.

The Installation Review approval is the basis for initiating the incentive payment.

1.13.1 Installation Review Timeline

The Applicant should submit the Installation Report (SCE and SDG&E) or notify the IOU (PG&E) within 30 days of equipment installation.

The Utility Administrator will typically review the form within 30 days for non-M&V projects and 45 business days for M&V projects. Complex and multiple-site projects may take longer.

1.13.2 Post-Installation Inspection

Upon receipt of the Installation Report (SCE and SDG&E) or installation notification (PG&E), the IOU will schedule a post-installation inspection at the customer project site as soon as possible. The Reviewer will verify that the new equipment (project) is completely installed and operational, and may conduct spot measurements, if applicable.

The Applicant should be flexible in scheduling such inspections and provide complete access to customer project sites.

A representative of the Applicant who is familiar with the project, e.g. the facility manager or other responsible representative of the Customer, should attend the inspection. When electrical measurements are necessary, the Customer may be required to disrupt equipment operation, open any electrical connection boxes, and/or install current and power transducers, as needed. If the inspection cannot be completed in a timely manner, the Customer Project Site may fail the inspection.

If the project fails the inspection, the IOU may decline the application. Also, the IOU may assess a re-inspection fee if multiple site inspections are conducted.

1.13.3 Notice of Installation Review Results

The IOU will provide the Applicant written notice of the post-installation inspection results and overall review of the project application, typically within 30 days of receipt of the completed Installation Report/Notification, as follows:

- **Approved.** The approval letter/email informs the Applicant that the project has been approved for incentive payment processing under the terms of the Statewide Customized Offering.
- **On Hold.** The review may be placed on hold if circumstances do not allow for the project to proceed. Upon resolution of the issue(s), the IOU will resume the review process.

- **Suspended (Does not apply to SCG).** The review may be suspended when repeated attempts for information are ignored. At this point the Project Sponsor has 30 days to respond or the application may be withdrawn and will need to reapply.
- **Declined.** An application may be declined if any of the following conditions apply:
  - the installation is not consistent with the Project Agreement;
  - the project fails inspection;
  - the project is missing information that the Applicant is unwilling or unable to provide;
  - the installed equipment is not fully commissioned and fully operational prior to inspection;
  - the project otherwise fails to meet program criteria.

If an Installation Review is not approved, the Utility Administrator may terminate the Project Agreement and release the incentive funding reserved for the project.

1.13.4 Incentive Payment

Upon approval of the Installation Review, the IOU will pay the Project Sponsor the approved incentive amount. For projects requiring M&V, refer to section 1.8.1.

1.14 Operating Report (Measured Savings only)

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

1.14.1 Operating Report Timeline

The Operating Report is due within 30 days following the end of the project performance period.

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

1.14.2 Operating Report 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 post-installation inspection. If the project fails the inspection, the IOU may decline the application. Also, the IOU may assess a re-inspection fee if multiple site inspections are conducted.

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

1.14.3 Notice of Operating Report Review Results

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

A project may be denied further incentive funds if:

- The installation is not consistent with the Project Agreement (fails inspection); or
- The project otherwise fails to meet program criteria.

If an Operating Report is declined, the Utility Administrator may terminate the Project Agreement and request that the previous payment be returned.

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

For SCE and SDG&E service territories, the Utility Administrator will pay the final installment of the Energy Savings Incentive (the remaining 40 percent or whatever adjusted amount is properly due) upon approval of the Operating Report. For PG&E service territory, the Utility Administrator will pay 100 percent of the incentive upon approval of the Operating Report.

If measurements show that the installation achieved greater energy savings than predicted, the IOU may 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 Applicant 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[3]. For SDG&E see section 1.9.3.

1.15 Other Important Terms and Conditions

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

1. All parties consent to participate in any evaluation of the program. The CPUC or its representatives may contact participants to answer questions regarding their Statewide Customized Offering 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 Statewide Customized Offering, as well as the unrestricted right to contract with others to perform the work or to perform any such work themselves. Utility Administrators may employee third-party engineering firms to conduct site inspections, review calculations, and make recommendations for project status. The information reviewed is considered confidential and is not shared with any party outside the application, other than the California Public Utility Commission as requested.

The CPUC has decided that the Utilities should continue to administer the program through the end of 2016. The CPUC has not decided who will administer the program thereafter. Thus, after December 31, 2016, existing program Agreements might be assigned to a new Administrator. In their program Agreements, Applicants must agree to terms and conditions allowing for such a transfer.

[3] Applicable in SCE and SDG&E service territories only.

1.15.1 Notice of Public Record

Participants should be aware that, because the program is funded by the PPP surcharge, Statewide Customized Offering projects are a matter of public record and may be reviewed and evaluated by the CPUC upon program commencement. The estimated total project costs will be part of the public record. The Utilities may discuss projects and disclose project information among program administrators (PG&E, SCE, SCG, and SDG&E) to ensure statewide consistency and eligibility, as necessary. However, projects are not shared or available for viewing by other customers or sponsors, and information about specific projects is not divulged to parties not included on the application.

The Utility Administrators are not liable to any Project Sponsor, Customer, Authorized Agent or other party as a result of any public disclosure to the CPUC for the purpose of Measurement and Evaluation.

1.15.2 Change in Sponsorship

If a change in sponsorship occurs after the application is submitted, a new Statewide Customized Offering application is required. Please indicate the change request in writing to the Utility Administrator, and resubmit the required forms. Written notification is also required from the original Project Sponsor or Authorized Agent/Customer. If written notification is not possible, (i.e. the sponsor is no longer in business or non-responsive) the Applicant must submit a letter in writing requesting termination of the Project Sponsor or Authorized Agent/Customer to act on their behalf.

1.15.3 Contract Termination

Statewide Customized Offering contracts may be terminated at the Utility Administrator's discretion, for reasons including but not limited to the following conditions:

- The Utility Administrator determines that significant information was purposely withheld or falsely stated in the Project Application.
- The project fails to be installed, fully commissioned, or fully operational prior to the installation deadline.
- The Project Sponsor formally requests withdrawal from the program, or requests the contract to be turned over to the Customer.
- For SDG&E, SCG, or SCE, the Customer requests withdrawal from the program.

For more information see sample Customized Offering agreements in Appendix A.