2013-14 Statewide Customized Retrofit Offering Procedures Manual for Business

Utility Administrators:

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

The 2013-14 Customized Offering is a statewide 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

Contents of This Manual

Section 1:
Offering Overview and Policies

1.1 Introduction

The 2013-14 Statewide Customized Offering provides financial incentives for the installation of high-efficiency equipment or systems. Non-Residential Customers that install energy-saving technology are eligible for energy efficiency incentives based on calculated energy savings and permanent peak demand reduction. (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.)

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. 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.

Program enrollment begins in early 2013 (see Utility website for specific date). Applications for the 2013-14 enrollment period are accepted until October 15, 2014 (December 31, 2014, for SCG only) 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 (CIOU)— 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 CIOUs 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 2013-14 Customized Offering Statewide Procedures Manual for Business before starting a customized project.

Changes for 2013-14. Refer to Table 1-1 below for a list of specific Offering changes for 2013-14.

In the event of a conflict between sections 1 and 2 of this manual, the guidance presented in Section 1 takes precedence.

Table 1-1. What's New for 2013-2014

- **Measure Classifications -** Under the program rules, all measures must be classified as Early Retirement, Normal Replacement, Replace on Burnout, Retrofit Add-On, or New Load upon application submission.
    - Measures should be claimed as Early Retirement if the existing equipment is operational and has been shown to have a Remaining Useful Life (RUL) > 1 year, and compelling evidence exists showing the program induced replacement of the equipment.
    - Measures should be claimed as Replace on Burnout in all circumstances where the equipment being replaced is non-operational.
    - Measures should be claimed as Normal Replacement if the existing equipment is operational but there is insufficient evidence of Early Retirement (e.g. there is no evidence to show the existing equipment has an RUL > 1 year and the program induce early replacement of the equipment).
    - Measures should be claimed as Retrofit Add-On if the measure is 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 would be adding a VSD/VFD to an existing motor driven process).
    - Measures should be claimed as New Load if the measure results in new customer load (and is eligible for the retrofit program as defined in Section 1.4.3).

  Early Retirement and Retrofit Add-On measures require collection of the existing equipment annual energy use in addition to the code/baseline and installed equipment annual energy use. Replace on Burnout and New Load measures require only the code/baseline and installed equipment annual energy use.

- **CPUC Project Review -** If the CPUC requests review of your project, the Utility will provide the CPUC with all of the information requested without further notification to you. If you refuse to allow the CPUC, its staff or its contractors and/or consultants to have access to your data, you will not be allowed to participate, and you will be ineligible to receive any program incentives. In the event your project is selected for review, the Utility will mark your data as confidential before submitting your files to the CPUC in accordance with California Public Utilities Code Section 583 and CPUC General Order 66-C.
- **Regressive Baselines -** For Replace on Burnout measures (and for the second baseline of Early Retirement measures), the baseline must be the *more efficient* of existing equipment or code or industry standard practice.
- **Peak Incentive Rate (Effective July 1, 2014) –** The incentive for DEER Peak Demand reduction will increase from $100/peak kW to $150/peak kW.
- **Customized and Deemed (Express Efficiency) Measure Exclusivity -** Measures that are identified as deemed measures in PG&E's or SDG&E's Deemed/Express Efficiency Program must use this method for rebate and cannot be incentivized through the Customized Retrofit program. This policy will take effect for SCE and SCG on July 1, 2014. Please check for deemed measures at these sites:
    - PG&E: http://www.pge.com/en/mybusiness/save/rebates/index.page
    - SCE: http://www.sce.com/wps/portal/home/business/savings-incentives/express-solutions/
    - SCG: http://www.socalgas.com/for-your-business/rebates/
    - SDG&E: http://www.sdge.com/rebates-finder/save-energy-earn-incentives
- California's 2013 Title24 Changes (Effective July 1, 2014 – The 2013 Title 24 part 6 will supercede the previous 2008 version on July 1st of this year. The new code will become the basis for the allowable efficiency values and eligible system configuration/control for all ROB, NEW, and RET 2nd Baseline determinations.
- Please check with your Utility's website for additional updates:

  SCE – http://www.sce.com/customized_solutions/

  SDG&E – http://www.sdge.com/rebates-finder/save-energy-earn-incentives

  PG&E - http://www.pge.com/mybusiness/energysavingsrebates/

  SCG - http://www.socalgas.com/for-your-business/energy-savings/

1.2 How the Statewide Customized Offering Works

1.2.1 The Main Players

The Statewide Customized Offering involves three key parties:

- **Customer (Applicant)** — an eligible non-residential ratepayer who is applying for incentives through the Statewide Customized Offering.
- **Project Sponsor**— 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, SDG&E, and SCG, 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.
- **Utility Administrator**— 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 works as follows:

1. **Application Submission.** The Project Sponsor submits an application to the Utility Administrator. The application submission contains project details and any other supporting documentation as deemed necessary by the Utility Administrator.
2. **Application Review.** The Utility Administrator-assigned Reviewer evaluates the application and conducts a pre-installation site inspection. At the Utility Administrator’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 Utility Administrator may require the Project Sponsor to submit an M&V plan, if the Utility Administrator determines at its sole discretion that an M&V process is appropriate for the proposed project.
3. **Application Approval.** If the application is approved by the Utility Administrator, incentive funding for the project is reserved and the Project Sponsor and Utility Administrator enter into a Project Agreement that defines the energy savings and incentive payment. **For SCE and SDG&E, funding for the project is not reserved until a Project Agreement is fully executed by both parties.**
4. **Project Installation**.

- For SCE service territory, the Project Sponsor submits a signed Installation Report and invoices after all project measure(s) have been **installed, are fully commissioned, and fully operational**. Permit information and contractor certification is required on the Installation Report for HVAC work requiring a permit.
- For SDG&E service territory, the Project Sponsor submits a signed Installation Report and invoices after all project measure(s) have been **installed, are fully commissioned and fully operational**. The Project Sponsor 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 service territory, the Project Sponsor notifies the Utility Administrator in writing and submits invoices and required permit/license certification form(s) after all project measure(s) have been **installed, are fully commissioned, and fully operational**.

5. **Installation Review.** Upon receipt of Installation Report (SCE and SDG&E), or Installation notification (PG&E, 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 Utility Administrator, at their sole discretion, may waive the post-installation site inspection.
6. **Incentive Payment.** Upon Utility Administrator's approval of the Installation Review, the indicated Payee receives the incentive payment. In most circumstances, Applicants are paid 100 percent of the approved incentive upon project completion and Installation Review approval.

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.

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 Utility Administrators 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.**

1.3.3 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. The existing equipment may be either operational or non-operational.
2. New equipment/systems must not be installed. Installation cannot begin until the Utility Administrator has the opportunity to inspect and approve the project. For SDG&E, installation cannot commence until the contract is signed and a Notice to Proceed is issued.
3. When non-Utility supply is involved, any energy savings for which incentives are paid cannot exceed the net potential benefit provided to the Utility. Non-utility supply, such as cogeneration or deliveries from another commodity supplier, may not qualify as usage from the utility (with the exception of Direct Access customers or customers paying departing load fees for which the utility collects PPP surcharges). Please contact your utility for further details. Additional information may be requested from the customer.

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

1.4 Qualifying Energy Efficiency Measures

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

1. **Must Exceed 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, or other baseline energy performance standards as determined by the Utility Administrator.
2. **Must Meet CPUC Mandated DEER Peak Demand Definition.** Incentives for demand reduction (kW) are paid only on permanent electrical demand which is reduced during peak periods, as defined by Database for Energy Efficiency Resources (DEER) (Refer to Manual Section 1.4.5).
3. **Must Operate at Least Five Years.** The Project Agreement requires that the new equipment or system retrofit must guarantee energy savings for the effective useful life of the product or for a period of five years, whichever is less.
4. **Must Be Permanently Installed.** Measures that are not permanently installed or can be easily removed, as determined by the Utility Administrator, are ineligible for Customized Retrofit incentives.
5. **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 Utility Administrator for further details.
6. **Baseline Equipment Must Be Decommissioned and Removed.** The baseline equipment must be decommissioned and removed from site prior to Installation Review approval. Under certain circumstances and subject to Utility Administrator discretion, baseline 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 baseline equipment.
7. **No Equivalent Deemed/Express Offering.** Customized Retrofit incentives will only be available to the customer when the measure does not meet requirements of the Deemed Rebate program and if the project has not been installed.
8. **Must Include Significant Installation of New Equipment.** Measures that, at the Utility Administrator's discretion, save energy primarily due to operational changes (e.g. control recoding, reprogramming, setpoint changes) or routine repair/maintenance do not qualify for the Customized Retrofit program. These measures are better suited to utility Retrocommissioning programs.

1.4.1 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 1.8 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. Basic measures are generally well-established and broadly implemented. 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 parentheses in Table 1-2.

Table 1-2. Examples of Eligible Measures

Basic Lighting **Energy - $0.03 / kWh** **Peak Demand - $150 / kW**	▪ Interior and exterior lighting retrofits including xenon, linear fluorescent, HID, induction, cold cathode and compact fluorescent fixtures (not including screw-in lamps) that do not meet the Deemed/Express program criteria. ▪ High efficiency signage or architectural lighting ▪ Standard controls including Occupancy Sensors, Photocells, and Timers when not accompanied by a luminaire modification. Most control installations accompanying luminaire modifications are required by code and therefore ineligible. ▪ Dimming ballast with less than three of the strategies identified in advanced / targeted.
Targeted Lighting **Energy - $0.08 / kWh** **Peak Demand - $150 / kW**	▪ LED luminaire retrofits (utilizing qualified fixtures or retrofit kits listed on Appendix E or lamps in Appendix F) 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. ▪ Emerging Technologies (**SDG&E**)

<table>
<tr>
<td>Basic Non-Lighting

Energy –
$0.08 / kWh

Peak Demand
$150 / kW</td>
<td>
HVAC

Cooling tower replacement (A/C or Refrigeration)
Condenser replacement (A/C or Refrigeration)
Controls and energy management systems for HVAC or refrigeration equipment
Demand control ventilation installation (CO2 sensors)
Air Conditioner air-side or water-side economizer installations on units not already equipped with a 100% economizer
Variable speed drives on fans (including supply fans, exhaust fans, and cooling tower fans)
Variable speed drives on pump motors (including chilled water and cooling tower pumps)
Motor or fan upgrades
Insulating cool air ducts

REFRIGERATION

Refrigeration scroll compressor replacements for bulk tanks (Only Eligible in SDG&E and PG&E Territories)
Refrigeration evaporator fan controls
Insulating chilled water, condenser water, or refrigerant pipes
Installation of high-speed cold storage doors (Rapid Close Doors)
Refrigerated case doors
Refrigeration scroll compressor replacements for bulk tanks (PG&E and SDG&E)

PROCESS

Variable-speed drives (e.g., on industrial fans, industrial pumps, and on air compressor motors)
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
Air Compressor system upgrades including compressor replacement, intermediate flow control, and added receiver capacity
Advanced Air Compressor Controls for two or more compressors Variable-speed drives (e.g., on industrial fans, industrial pumps, and on air compressor motors)
(PG&E and SCE)
VAV laboratory exhaust system installation (PG&E and SCE)
Whole Building EMS enabling electric savings (PG&E)
Pump Replacements or Upgrades (PG&E and SCE; SDGE Non Agriculture Sites)

ENVELOPE

Building shell improvements
Window films and glazing

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Targeted Non-Lighting **Energy - $0.15 / kWh** **Peak Demand - $150 / kW**	**HVAC** ▪ High-efficiency water-cooled and air-cooled chillers replacements ▪ Packaged air conditioner and heat pumps greater than 760,000 Btu/hr or 63.3 tons (**Only eligible in SDG&E and PG&E service territories**) ▪ Variable Speed Drive installations on existing air conditioning or refrigeration compressor motors. ▪ Constant air volume to variable air volume conversions ▪ 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 ▪ VAV laboratory exhaust system installation (**SDG&E**) ▪ Whole Building EMS (**SDG&E and SCE**) ▪ Variable Refrigerant Flow (VRF) system ▪ Air-cooled to evaporative condensers ▪ Oversized condenser installation ▪ Compressor replacement (A/C or Refrigeration) **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** ▪ Process cooling packaged or split system air conditioning units and heat pumps of any size. ▪ Water source heat pumps (WSHP) of any size (**Only eligible in SDG&E and PG&E service territories)** ▪ Data center free cooling ▪ Air-cooled to evaporative condensers ▪ Oversized condenser installation ▪ Centrifugal to Vertical Turbine Pumps (for Agricultural only) ▪ Advanced Air Compressor Controls for two or more compressors (**SDG&E**) ▪ Refrigeration scroll compressor replacements for bulk tanks (**SCE**) ▪ Pump Replacements or Upgrades (**SDG&E Agriculture only**)
Natural Gas Measures* **$1.00 / Therm**	▪ Thermal oxidizers ▪ Boiler or furnace replacements ▪ Boiler heat recovery ▪ Boiler economizers

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

1.4.2 Summary of Ineligible Measures

Table 1-3 summarizes the types of measures that do not qualify for program incentive funds. This table provides an illustrative (not a comprehensive) list of ineligible efficiency measures.

Table 1-3. Ineligible Measures

<u>LIGHTING</u>

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 luminaires that are not listed in Appendix E, the Pre-Approved List of LED Fixtures/Luminaires
- LED replacement lamps, lamp-style retrofit kits, or light bar retrofit kits intended to replace linear fluorescent or high intensity discharge (HID) lamps
- LED exit signs

CFL

- Compact fluorescent fixtures not equipped with electronic ballasts
- Any Screw-in CFLs (**SDG&E** and **PG&E**)
- Screw-in CFLs not replacing high bay HID lamps (**SCE**)

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 one-for-one retrofits, including:

- 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
- High performance 2'x2' and 2'x4' T5/T8 linear fluorescent recessed troffer fixture or retrofit kit replacements w/ ≤ 2 lamps/fixture **(SCE & SDG&E only)**
- LED accent, surface, pendant, track and recessed downlight fixture replacements

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 < 10,000 MBtu/h for industrial end-use customers
- Space heating boilers (water/steam/ condensing) with input ratings ≤ 5,000 Mbtu/h
- Direct contact and domestic water heaters
- Natural gas storage or commercial electric heat pump water heaters
- Hot water pipe insulation, steam pipe insulation, or tank insulation
- Water source heat pumps of any size (**SCE**)

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.
- Space cooling packaged or split system air conditioning units and heat pumps of any size **(SCE)** or units less than 63.3 Tons (**SDG&E** and **PG&E**)
- Variable frequency drives (VFDs) on HVAC fans < 100 horsepower. Cooling tower VFDs are eligible for customized retrofit incentives regardless of size.
- Residential furnaces installed in a small commercial setting
- Cool roof systems

AGRICULTURE

- Greenhouse heat curtains
- Greenhouse infrared film

FOOD SERVICE

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

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

*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.

MISCELLANEOUS

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

1.4.3 Measure Classification

All customized projects require the selection of one of the following five measure types: 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 (ROB) 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 forecasted 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 Added Equipment (NEW)

New Load measures include eligible projects where equipment is installed to serve new customer loads. The baseline for such projects is determined using the forecasted equipment load and an appropriate minimum efficiency standard. An acceptable minimum efficiency standard must be a government minimum efficiency standard or, if a minimum standard efficiency is not available, the current industry practice. In cases where this is unclear, the Program Administrator will coordinate the establishment of this value.

Projects that involve modifying an existing operation, structure or process due to growth or expansion that do not qualify for Statewide New Construction Offering may be reviewed by the Statewide Customized Offering. This includes projects that are not direct, one-for-one replacements and enables the calculated process to capture and account for efficient increases in electric load.

The following guidelines designate projects that fall under the Statewide Customized Offering. In special circumstances, exceptions may be granted as deemed reasonable by the Utility Administrator:

- No walls are removed or constructed, or no significant impact to existing structures are affected to accommodate the new equipment
- No change in facility function/occupancy type
- Footprint of the facility remains the same
- Process enhancements where equipment or operations are moved, and minimal accommodations are made (e.g. building a new workstation to accommodate for a process change)

Projects that involve a gut rehab, expansion, complete remodel, demolition or renovation where architectural design assistance is involved would fall under the Statewide New Construction Offering.

Retrofit Add On (REA)

The Retrofit Add-on (REA) 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. Savings are based upon equipment being controlled at the time of the install.

In most cases the add-on would not trigger code, and thus the baseline is the existing piece of equipment. However, in the event that a code or policy exists that covers the control then the government minimum efficiency standard or current ISP must be utilized.

Normal Replacement (NR)

The Normal Replacement (NR) 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 the new or 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 single 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 (ER) category includes the replacement of operational existing equipment with similar high performance units. Replacement can include improvements to equipment efficiency, performance, control, and configuration. If the existing equipment being replaced has at least one year of Remaining Useful Life (RUL) left then the measure may be eligible for Early Retirement and two baselines will need to be determined. 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, it is treated as a ROB 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 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.

Early Retirement measures may be eligible for higher customer incentive payments than Replace on Burnout 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, all of the following requirements must be thoroughly documented and included within the project application.

To demonstrate a preponderance of evidence for early retirement measures (ER/RET)

- Include dialogue from previous customer/IOU meetings showing how the IOU 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 IOU. State some of the program features that the IOU educated the customer/s on that they were previously unaware of.
- Provide simple payback calculations with and without the IOU 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 IOU
- 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.
- 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.

1.4.3.1 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 must also be collected for Early Retirement measures, but does not figure into the customer incentive payment.
  - The measure is a Retrofit Add-On that does not trigger code. (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 triggers code.
  - 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.

1.4.4 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.

1.4.5 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 below.

Table1-4. DEER Peak Periods by CZ

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 due to interactive effects—count in determining a project's incentive. Direct savings occur as the primary purpose of the retrofit. Indirect energy savings from interactive effects are those savings that occur from other than the primary purpose of the retrofit. For example, high-efficiency lighting typically lowers the air conditioning load. 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.

2. **Either Single or Multiple Measures.** 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).

1.6 Aggregating Customer Project Sites

A Statewide Customized Offering application may comprise of a single energy efficiency measure or a variety of measures. A Project Sponsor may choose to include multiple project sites in a single project application.

The following requirements apply:

- The same Customer must own and/or occupy the Customer Project Sites. Please refer to Section 1.10.2.3(Customer Project Incentive Caps) to review the maximum incentive available per Customer Project Site.
- There is no limit on the number of sites that can be aggregated.
- The sites can have entirely different measures, operating hours, energy use profiles, and M&V plans (if required). If it is determined by the Utility Administrator that a measure needs to use the M&V Process, it will be separated from the non-M&V measures on a second application for processing.
- If the same measure is applied for at different sites, they must be considered separate measures, one for each site. The measure cost must be determined for each individual site.
    - 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. The verification requirements have been greatly simplified over the years so that for many straightforward retrofits, the Applicant may simply use the Customized Approach to validate the energy savings instead of measuring them directly for a specified period of time. However, 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 Utility Administrator determines that the energy savings cannot be reasonably substantiated without pre-and post-installation measurements. If the Utility requires the M&V process, the Project Sponsor is required to comply. 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 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.** For SDG&E and SCE service territories, the Project Sponsor 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 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**.
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 is10% of the IR approved incentive amount, not to exceed $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.** For SDG&E and SCE service territories, the Project Sponsor 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 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 Incentive 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 electricity (kWh/kW) and gas (therm) savings, provided that the savings are direct and not the result of interactive effects (see Section 1.5). For measures that require M&V (Measurement and Verification), the final incentive amount is based on the measured performance and can therefore vary between 0 and 110 percent of the amount originally indicated on the Project Agreement (SDG&E excepted).

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.

When reviewing the project application, the Utility Administrator will verify that the Applicant has designated the proper incentive category for each efficiency measure. As illustrated 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. 2013-14 Energy Savings Incentive Rates

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

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

1.8.1 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 uses the same “contract value variation” approach for all measures regardless of M&V requirement.

Measures not requiring M&V (PG&E and SCE) - All Measures (SDG&E and SCG): 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. 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% of the actual aggregated measure costs for the project.
2. Installation of More Quantity – The Customer has installed a greater quantity of 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.

Note: 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 will 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.

Measures requiring M&V (PG&E and SCE Only): 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 Project Cost Documentation

The IOUs require submission of both the Full Measure Cost and Incremental Measure Cost disaggregated for each measure within a project. 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.

Full Measure Cost is the total amount paid to implement the energy efficiency measure. Incremental Measure Cost is the *marginal* cost of implementing the energy efficiency measure – in other words, how much *more expensive* the energy efficiency measure is than a similar, standard efficiency measure.

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.

1.9.1 Obtaining Measure Costs

The six 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

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: 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 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.

Method 5: 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 6: Using IMC Factors

When it is not possible or practical to establish incremental cost using the above protocols, *and* the project's energy savings does not exceed the threshold values of 500,000 kWh or 200,000 therms and the measures are not Energy Division's "measures of interest" and are non-DEER measures, then the IMC estimation factors listed in Appendix H (to be released soon) can be utilized.

The factors listed in Appendix H are used to derive estimated IMC values from the FMC values. In the early stages of the project, IMC values may be derived from estimated costs provided in the application process. Later in the process (after measure implementation) when actual invoices are provided, the IMC values will be revised to reflect the final installed measure cost(s). Final incremental measure cost using IMC factor is calculated by multiplying total installed measure cost(s) by the IMC factor (listed in Appendix H).

IMC factors are not appropriate to use for certain technologies. Refer to Appendix H for a complete list of technologies for which IMC factors may not be used.

1.10 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 electricity (kWh/kW) and gas (therm) savings, provided that the savings are direct and not the result of interactive effects (see Section 1.5). For measures that require M&V (Measurement and Verification), the final incentive amount is based on the measured performance and can therefore vary between 0 and 110 percent of the amount originally indicated on the Project Agreement (PG&E and SCE only).

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 for SCG service territory, incentives are paid based on actual performance, limited to a cap of 125% of the pre installation approved amount.

When reviewing the project application, the Utility Administrator will verify that the Applicant has designated the proper incentive category for each efficiency measure.

1.10.1 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. The bonus is not yet available at PG&E at this time.

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

1.10.2 Incentive Limits

1.10.2.1 First Come, First Served

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

1.10.2.2 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 Goods Charge [PGC]. Gas and Electric components should be considered separately.

1.10.2.3 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;

Note: kWh, kW and therm savings are limited to the net potential benefit provided to the Utility during the period of performance.

2) 50 percent of the *full measure costs* for Early Retirement, Retrofit Add-On or Normal Replacement (PG&E only) measures. The 10% measure savings adder to defray the M&V costs (not to exceed $50,000), if applicable, is not used in the calculation of the 50 percent cost cap.

The Project Sponsor shall provide the project cost and a detailed description of the cost items with the application.

3) 100 percent of the *incremental measure costs* (i.e. the costs above similarly configured code or standard efficiency equipment) for Replace on Burnout, New Load, and Normal Replacement (SCE, SCG, and SDG&E only) measures.

4) The maximum incentive per site is 15 percent of the annual program incentive funds managed by the specific Utility Administrator. Please contact your Utility Administrator for details.

1.10.3 Payment Schedule

For most projects, 100 percent of the approved incentive amount is paid after the Utility Administrator approves the Installation Report. For measures requiring M&V, refer to section 0.

Payments are made only after the Utility Administrator has approved the necessary submissions (as discussed in Sections 1.13 and 1.14 of this manual).

1.10.4 Payment Disbursement

The Utility Administrator will calculate the incentive payment based on its review of the submitted paperwork or site inspection. The Utility Administrator will notify the Project Sponsor 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. As soon as the check is processed, the Utility Administrator will mail it to the Payee designated on the application. If the Project Sponsor disputes the findings of the review, the Project Sponsor should notify the Utility Administrator as soon as possible. This should be done before the Payee receives the incentive payment.

1.11 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 http://www.pge.com/mybusiness/energysavingsrebates/	Pacific Gas and Electric Company PG&E Integrated Processing Center P.O. Box 7265 San Francisco, CA 94120-7265 For overnight delivery: PG&E Integrated Processing Center Mail Code B3B, 77 Beale Street - 3rd Floor San Francisco, CA 94105-1814 Phone: (800) 468-4743 businesscustomerhelp@pge.com
Southern California Gas Company http://www.socalgas.com/for-your-business/energy-savings/	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

1.11.1 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 and calculations 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: 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 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.

3. **Third 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.

1.11.2 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 Utility Administrator 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.

1.12 Application Review

The project application (first submittal) consists of the application document and supporting attachments. 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)

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.

[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.

4. For SDG&E: EEBI Calculated Lighting Equipment Survey Table *(xls); 2013-14 Non Residential Customer Programs Trade Professional Agreement; Specification sheets*

1.12.1 Project Application Review Schedule

Review of a Customized application not requiring the M&V process (including the site inspection) may be completed within 30 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 Project Sponsor 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 1.8), the Utility Administrator will advise the Project Sponsor. The Project Sponsor will then be required to develop and submit a Measurement & Verification (M&V) plan within 30 days. The application will not be approved until the M&V plan has been received and approved.

1.12.2 Pre-Installation Inspection

Upon receiving a complete Statewide Customized Offering application, the Utility Administrator-assigned Reviewer may contact the Project Sponsor 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 ineligible).
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 Project Sponsor should be flexible in scheduling such inspections and provide complete access to customer project sites.

A representative of the Project Sponsor 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. Also, the Utility Administrator may assess a re-inspection fee if multiple site inspections are conducted.

1.12.3 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 Project Sponsor 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 Project Sponsor 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 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 project fails inspection;
  - the application is missing information that the Project Sponsor is unwilling or unable to provide;
  - the existing equipment has been removed prior to inspection;
  - the project otherwise fails to meet program criteria;
  - the application does not include an acceptable M&V plan (M&V process projects only).

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

1.13 Project Installation

1.13.1 Wait for Approval

The actual project installation should not begin until after the project agreement is executed (SDG&E: until a Notice to Proceed is issued).
"Project Installation" includes, but is not limited to, decommissioning and removal of existing equipment, demolition, and facility alterations to prepare for new equipment, purchase of new equipment and installation of new equipment.

Occasionally, based on special circumstances PG&E and SCE, at their discretion, may allow installation to begin immediately after the pre-installation inspection. 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 Project Sponsor's chances for the application's approval. The Project Sponsor is to request this notification in writing from the Utility Administrator. Verbal notification is not binding.

1.13.2 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>

1.13.3 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.

1.14 Installation Review

For SCE and SDG&E service territories, the Project Sponsor submits an Installation Report (second milestone) to the Utility Administrator 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 Utility Administrator 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 Project Sponsor 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.

1.14.1 Installation Review Timeline

The Project Sponsor should submit the Installation Report (SCE and SDG&E) or notify the Utility Administrator (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.

1.14.2 Post-Installation Inspection

Upon receipt of the Installation Report (SCE and SDG&E) or installation notification (PG&E), the Utility Administrator 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 Project Sponsor should be flexible in scheduling such inspections and provide complete access to customer project sites.

A representative of the Project Sponsor 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. Also, the Utility Administrator may assess a re-inspection fee if multiple site inspections are conducted.

1.14.3 Notice of Installation Review Results

The Utility Administrator will provide the Project Sponsor 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 Project Sponsor 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 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 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 Project Sponsor 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.

1.14.4 Incentive Payment

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

1.15 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.

1.15.1 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.

1.15.2 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 Utility Administrator may decline the application. Also, the Utility Administrator 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 Utility Administrator may deny any further incentive payments and may request repayment of the previous incentive payment.

1.15.3 Notice of Operating Report Review Results

The Utility Administrator 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.

1.15.4 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 Utility Administrator will pay up to 10 percent higher than the Energy Savings Incentive amount estimated on the approved project application, or the applicable percent of the measure cost, whichever is the lesser amount. Similarly, if the installation achieved lower energy savings than anticipated, the 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 1.10.2.

1.16 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 2014. The CPUC has not decided who will administer the program thereafter. Thus, after December 31, 2014, 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.

1.16.1 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.

1.16.2 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.

1.16.3 Contract Termination

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

- 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 or SCE, the Customer requests withdrawal from the program.

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