

NRR-DR

Summary of Program Rules

The Nonresidential Retrofit – Demand Response (NRR-DR) program offers cash incentive payments for business energy efficiency projects involving the installation of high-efficiency equipment or systems. A project may consist of the retrofit of existing equipment/systems associated with same or increased load. The program is open to projects involving commercial, industrial and agricultural Customers. Customers can also apply for Demand Response (Technical Incentives) measures through this program (refer to Section 2.0).

A Calculated approach is used to estimate the energy savings and incentive. Customers use the Customized Energy Efficiency/Demand Response Incentive application forms to apply for Calculated and Demand Response measures. Itemized (Express Efficiency) type measures are available through Pacific Gas and Electric's Mass Market Program and may be applied for under this program using the Energy Efficiency Rebate forms. Refer to the following website for further details: <http://www.pge.com/mybusiness/energysavingsrebates>

Calculated Measures are paid based on the quantity of kWh or therm savings resulting from installation of the high efficiency equipment or system. This value is calculated by the Applicant and submitted to the Utility Administrator for review. Incentives are paid on the energy savings above and beyond minimum federal- and state-mandated energy efficiency performance. If there are no government standards for a particular measure, current industry practices are used to establish baseline performance.

Applicants are eligible to receive up to 50 percent of the total project costs for Calculated Measures, not to exceed a Customer Project Site cap of \$3,600,000.

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

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

The following sections briefly summarize the NRR-DR programs. For additional information refer to the 2008 NRR-DR Program Procedures Manual or contact your local Utility Administrator.

A. PROGRAM DEFINITIONS & ELIGIBILITY

Utility Administrator

Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric (SDG&E), and Southern California Edison (SCE) administer the NRR-DR (or SPC) programs in their respective service territories. While the programs may be marketed or packaged differently, the policies and procedures remain consistent.

Project Sponsor

The Project Sponsor is responsible for completing the application. The Project Sponsor may be the Customer for whom the energy saving equipment or systems are installed or may be a third-party authorized to act on behalf of the Customers. NOTE: The Project Sponsor is the primary contact with the Utility and will receive all correspondence regarding the project.

Customer / Applicant (Customer of Record/Business Owner)

The Customer is the Utility Customer whose site or sites is implementing the energy saving measure(s) and ultimately receives or designates the payment from the Utility Administrator. See Section 1.8 for more information. All non-residential Customers who: (1) receive electric and/or natural gas services from PG&E, SCE, or SDG&E and (2) pay the Public Purpose Programs (PPP) surcharge on their Utility bills are eligible for Program participation as a Customer.

Project

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

Any project measures included in your application may not have received rebates, incentives or services from another Utility, state or local program funded by the PPP surcharge. In addition, applicants cannot apply to two or more energy efficiency programs at the same time for the same measures. Other California end user energy efficiency programs include, but are not limited to, any end user program offered by or through Southern California Gas Company, Southern California Edison, Pacific Gas and Electric Company, and San Diego Gas & Electric, the California Energy Commission, and the California Public Utilities Commission, including, Local Programs / Third Party Programs / Local Government Partnerships funded by the PPP surcharge. Projects involving measures that qualify for the Early Retirement feature may be an exception to this rule. Contact the Utility Administrator for further details.

Customer Project Site

A Customer Project Site is defined by either a single free-standing building/structure; or an individual utility meter.

Energy Savings Measures

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

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

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

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

Table A-1. Eligible Fluorescent Lamp Characteristics

Lamp Type & Size	Ballast Type	CRI	Minimum Rated Lamp Life (3 hrs/start)
T8 – 2-ft, 3-ft, 4-ft	Programmed Start/ Programmed Rapid-start	>= 80	24,000 hours
T8 – All Sizes	Instant Start	>= 80	18,000 hours
T5 – All Sizes	Programmed Start/ Programmed Rapid-start	>= 82	20,000 hours

Early Retirement

The Early Retirement feature is designed to encourage the replacement of older, less efficient equipment with high efficient models, earlier than the customary replacement date. For qualifying equipment, the energy savings are calculated using the baseline efficiencies of the actual equipment rather than the current minimum standards. **This results in a larger incentive than would be possible using the traditional Calculated approach.** Currently the Early Retirement calculation procedure can be applied to chillers, packaged air conditioners, and motors. To use this feature, the savings must be calculated using the estimating software tools on the CD-ROM (this feature applies only to specific measures - see Section 1.4.6).

Eligibility

All non-residential Customers who: (1) receive electric and/or natural gas services from PG&E, SCE, or SDG&E and (2) pay the PPP surcharge on their PG&E Utility bills are eligible for Program participation as a Customer.

B. ESTIMATING ENERGY SAVINGS AND INCENTIVES

The Calculated Approach determines the amount of the incentive based on the annual kWh or therm saved. Energy savings may be estimated using the software estimating tools provided in the software or the Project Sponsor may elect to use their own engineering calculations.

Incentives are paid based on kWh or therm savings achieved above and beyond minimum industry or government standards. To calculate savings the applicant uses Title 24 or government minimum standards as the baseline. If there are no government standards for a particular measure, current industry practices are used to establish baseline performance.

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

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

Occasionally, energy savings cannot be substantiated to the satisfaction of the Utility. In these cases the Utility Administrator may require the Measured Savings approach or measurement and verification (M&V) of energy use before and up to 2 years after implementation of the energy saving measure. If the Utility determines that M&V is necessary to accurately determine the energy savings, the Project Sponsor must prepare and submit an M&V plan to the Utility Administrator for review and approval. Should M&V be required, then the Program incentive payment will be increased by 10 percent to help defray the M&V costs, not to exceed \$50,000 (See section 1.7.1).

C. INCENTIVES

The incentive payment amount is based on a flat incentive rate (per kWh or therm) applied to one year of energy (kWh or therms) savings. The final incentive amount for measures that require M&V is based on the measured performance and can therefore vary between 0 and 110 percent of the amount originally indicated on the contract.

Incentive Rates

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

Table C-1. Incentive Rates

Measure Category	Incentive Rate
Lighting (Fluorescent, Other Lighting, or Lighting Controls)	\$0.05 per kWh saved
Air Conditioning and Refrigeration (AC&R) I	\$0.14 per kWh saved
Air Conditioning and Refrigeration (AC&R) II	\$0.08 per kWh saved
Motors and Other Equipment	\$0.08 per kWh saved
Natural Gas	\$0.80 per therm saved

Project Costs Limitations

Calculated Measure incentives are limited to 50 percent of their total project costs.

Incentive Amount Limitations

The maximum incentive that can be paid is \$3,600,000.

Incentive Payment Schedule:

After project measure(s) are installed, either one or two incentive payments are made, depending on whether M&V is required. For projects without M&V, 100 percent of the approved incentive amount is paid after installation of the project measure(s) is confirmed (Installation Review is approved). For projects where M&V is required, 60 percent of the approved incentive is paid after the installation of the project measure(s) is confirmed. The balance of the incentive amount for the measure(s) installed is determined based on the M&V results and is paid upon receipt and approval of the final report (Operating Report). For approved seasonal measures, 60 percent is paid when the Installation Review is approved; the remainder is paid after the equipment is fully operating, measurements are complete, and the Seasonal Operating Report is submitted by the Project Sponsor and approved by the Utility Administrator.

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

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

First Milestone - Project Application

The Project Sponsor prepares and submits a Project Application, which includes Customer information, site information, data regarding specific measures to be installed and the estimated energy savings. The Utility Administrator reviews the Application and schedules an inspection of the existing equipment. **Pre-installation inspections are required for all Projects prior to approval unless waived by the Utility Administrator.** Once the Application is approved a contract is executed between the Project Sponsor and Utility Administrator and incentive money is reserved for the Project, pending timely installation of the Project measures. ***Note that neither decommissioning of existing equipment nor construction or implementation of an energy saving measure may begin prior to Application approval.***

Second Milestone – Installation

The Project Sponsor notifies the Utility Administrator and submits invoices after all project measure(s) have been installed **and are operational**. If any changes have occurred the Project Sponsor submits revised calculations as well. The Utility Administrator schedules an inspection of the installed equipment prior to approval. The Utility Administrator issues the incentive payment upon approval of the Installation Review for the project measure(s) installed.

Third Milestone - Operating Report – Projects requiring M&V ONLY.

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

E. IMPORTANT DATES AND DEADLINES:

- Program opens: January 1, 2008
- Application deadline: December 31, 2008 or before all of the Utility Administrator's NRR-DR incentive funds are committed.
- Installation deadline: June 1, 2009