2012 Statewide Customized Offering Procedures Manual for Business

Utility Administrator:

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

The 2012 Customized Offering is a statewide program administered by Southern California Edison (SCE), San Diego Gas & Electric (SDG&E), and Pacific Gas and Electric (PG&E) in their respective territories. The program rules, incentive rates, incentive limits, and program requirements are identical for all three Utilities. The program packaging and individual offering may vary slightly between the Utilities.

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. If the Utility Administrators determines program influence and can establish appropriate baseline and post operating conditions, with or without a pre- or post-inspection and including energy savings calculations, the Utility Administrators reserve the right to make appropriate and reasonable business decisions regarding project eligibility and approvals

Contents of This Manual

Section 1:

Offering Overview and Policies

1.1 Introduction

The 2012 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 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.

The 2012 enrollment begins January 1st 2012. Applications for the 2012 enrollment period are accepted until December 31, 2012 or until the Utility's customized incentive funds are fully committed.

Administered by Utilities. The Statewide Customized Offering is administered by three of California's Investor-Owned Utilities (CIOU)— Pacific Gas & Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), 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 2012 Customized Statewide Procedures Manual for Business before starting a customized project.

Changes for 2012. Refer to Table 1-1 below for a list of specific Offering changes for 2012.

Table 1-1. What's New in 2012

- Effective July 2011, California Public Utilities Commission (CPUC) enacted new program rules requiring the review of randomly selected **Custom** projects. Generally, the selection process will incur additional days to the overall duration of the review. If a project is selected for review, a CPUC representative will accompany the utility's inspection team on pre- and post-installation inspections. This will require additional coordination effort to arrange the site visit and may increase the duration of the inspection to allow for CPUC-specific investigations. Detailed information is available through your Account Representative (SCE and PG&E) or through your Program Representative (SDG&E).
- Effective September 14, 2009 new US Department of Energy standards for certain general service fluorescent lamps were established, and compliance was required by July 14, 2012 (DOE 10 CFR Part 430). Multiple T12 and T8 lamp types are impacted by the new performance standards. In conjunction with the standard compliance date, T12 lamps are being phased-out as an eligible baseline lighting technology for the purpose of calculating energy savings for lighting retrofit projects. Projects using T12 fixtures as the baseline technology in SCE service territory must be completed and the Customized Installation Forms received by SCE by June 30th, 2012; and in PG&E service territory the tentative phase out date for T12 fixtures as baseline technology is December 31, 2012. After these sunset dates have passed, facilities with T12 fixtures will be required to use the wattage of a standard T8 fixture (with the same lamp/ballast configuration), as the baseline wattage. Please reference Appendix B for the Table of Standard Fixture Wattages. Please note that SDG&E processes T12 retrofits through their Deemed Rebate Program which will also phase out T12 retrofits by December 31, 2012.
- In late 2011, The Early Retirement Process was modified to meet CPUC requirements. Please see section 1.4.7 for details.
- Please check with your Utility's website for additional updates:

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

  SDG&E – http://www.sdge.com/business/

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

1.2 How the Statewide Customized Offering Works

1.2.1 The Main Players

The Statewide Customized Offering involves three key parties:

1. **Customer (Applicant)** — An eligible non-residential ratepayer who is applying for incentives through the Statewide Customized Offering.
2. **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 and SDG&E, customers can serve as their own Project Sponsor, i.e. "self-sponsor", or may elect to have a third party enter into the agreement on their behalf.

   For SCE, a third party who enters into the agreement on the customer's behalf is known as the Authorized Agent.
3. **Utility Administrator**— PG&E, SDG&E, or SCE, 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 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. 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, 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 operating and available for inspection.
2. New equipment/systems must not be installed. Installation cannot begin until the Utility Administrator has the opportunity to inspect and approve the project.
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, does 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).

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 1.4.8).
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. **Measures 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 Southern California Gas Company, PG&E, SDG&E, SCE, 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.
5. **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.

6. **Other Energy Efficiency Program Eligibility (SDG&E Only).** Customers applying for Rebates or Incentives from any of the SDG&E CORE Energy Efficiency programs will be directed to the most appropriate for the measure for which they are applying. For example if a Deemed Rebate has already been established for a specific measure that is the only eligible route. Customized (Customer Calculated) Incentive measures will be available to the customer when the measure does not meet requirements of the Deemed Rebate program.

7. **LED Fixtures.** LED fixtures must be listed in Appendix E, EnergyStar, or DesignLights Consortium (DLC). Table E1 of Appendix E includes approved EnergyStar rated, DLC qualified, and Utility qualified LED fixtures. Please refer to the respective sites for an up-to-date list of qualified LED fixtures:

   EnergyStar - http://www.energystar.gov/index.cfm?c=ssl.pr_commercial

   DesignLights Consortium - http://www.designlights.org/solidstate.about.php

8. **Integral LED Lamps.** Integral LED lamps must be listed in Appendix F or EnergyStar. Table F1 of Appendix F includes EnergyStar qualified integral LED lamps. Please refer to the EnergyStar site for an up-to-date list of qualified LED lamps:

   EnergyStar -
   http://www.energystar.gov/index.cfm?fuseaction=find_a_product.showProductGroup&pgw_code=LB

   At this time, LED tubes intended to replace linear fluorescent or high intensity discharge (HID) lamps are not eligible for incentives.

9. **T8 and T5 Fluorescent Lamps and Ballasts.** T8 and T5 Fluorescent Lamps must meet the Color Rendering Index (CRI) and Rated Lamp Life Standards described in Table 1-2. Additionally, T8 and T5 fluorescent ballasts must exhibit total harmonic distortion (THD) less than or equal to 20% and a power factor greater than 0.9.

Table 1-2 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

10. **Xenon Fixtures.** Xenon fixtures must meet the criteria from the qualified data sources listed in Table 1-3. Submission should include the Test Report and Technical Data Sheet.

Table 1-3 Basic Requirements Necessary to Approve Xenon Products

Requirement	Data Source
UL Fixture Listing	Test Report from UL Certified Test Lab
Verification of Input Watts	Test Report from UL Certified Test Lab
Total Harmonic Distortion: <=10%	Test Report from UL Certified Test Lab
Power Factor: >= .90	Test Report from UL Certified Test Lab
Technical Data Sheet	Manufacturer or Distributor
5 Year Ballast Warranty	Manufacturer or Distributor
Ballast Efficiency: 88%	Manufacturer or Distributor

11. **Dimming Ballasts.** Ballasts must be on the CEE Qualifying Products (dimming ballasts) list. Ballasts must have continuous dimming. Stepped dimming ballasts are not eligible. Tuning level (20%) must be factory set or set on-site and must be locked in.

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 1-4 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).

Air conditioning and refrigeration related measures that qualify for the AC&R I incentive rate category generally include those retrofits that improve the efficiency of the A/C system (i.e. kW/Ton improvements). Evaporative cooler and evaporative condenser retrofits are also classified under the AC&R I incentive rate category. Air conditioning and refrigeration measures that involve reduced operation or reduced load such as controls, building shell retrofits, or components retrofits (e.g. motors, pumps, component VSDs or fans) are classified under the AC&R II incentive rate category. System retrofits involving both AC&R I and AC&R II measures will be incented at $0.15/kWh for the complete system measure.

Table 1-4. Examples of Eligible Measures

Lighting **Energy - $0.05 / kWh** **Peak Demand - $100 / kW**	▪ Interior and exterior lighting retrofits including linear fluorescent, HID, induction, cold cathode and compact fluorescent lamps (not including screw-in lamps) ▪ LED luminaire retrofits utilizing qualified fixtures (see Appendix E for qualification process and table of current qualified fixtures) ▪ Screw-in cold cathode and Integral LED Lamp retrofits utilizing qualified lamps - see Appendix F for LED qualification process and table of current qualified LED lamps ▪ High efficiency signage or architectural lighting ▪ Lighting control systems ▪ LED exit signs (SCE and PG&E only) ▪ Day lighting controls and dimmable ballast ▪ De-lamping measures performed as part of an integral lighting efficiency upgrade
Motors and Other Equipment **Energy - $0.09 / kWh** **Peak Demand - $100 / kW**	▪ Motor upgrades (all sizes) ▪ Variable-speed drives (e.g., on industrial fans, industrial pumps, and on air compressor motors) ▪ Industrial process applications ▪ Industrial fan replacements ▪ Industrial pump replacements ▪ Trimming impellers on industrial fans and pumps ▪ Projects improving building hot water efficiency ▪ Water flow controls resulting in electric savings ▪ Exhaust hood and fan projects ▪ Window films and glazing ▪ Dairy Vacuum Pumps/ Variable-speed drives (VSDs) ▪ Pulse cooling devices for injection molding machines ▪ Injection molding machines ▪ Professional wet cleaning equipment ▪ CO sensors for parking garages ▪ Rapid Close Doors ▪ Thin Client Computing Architecture

Air Conditioning and Refrigeration I **Energy – $0.15 / kWh** **Peak Demand $100 / kW**	▪ 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 in SDG&E and PG&E service territories ▪ Process cooling packaged or split system air conditioning units and heat pumps of any size. ▪ Water source heat pumps (WSHP) of any size in SDG&E and PG&E service territories ▪ Variable Speed Drive installations on existing air conditioning or refrigeration compressor motors. ▪ Air conditioning complete subsystem replacements (evaporative condensers, air-cooled condensers, cooling towers, or compressors) ▪ Refrigeration complete subsystem replacements (condensers, evaporators, cooling towers, or compressors) ▪ 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 ▪ A/C compressor replacements ▪ Data center free cooling ▪ Refrigeration floating head controller installations
Air Conditioning and Refrigeration II **Energy - $0.09 / kWh** **Peak Demand - $100 / kW**	▪ Controls and energy management systems for HVAC or refrigeration equipment ▪ 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) ▪ Fan, pump, and/or motor replacements ▪ Refrigeration evaporator fan controls ▪ Insulating chilled water, condenser water, or refrigerant pipes ▪ Insulating cool air ducts ▪ Insulating storage tanks ▪ Demand control ventilation installation (CO_2 sensors) ▪ Installation of high-speed cold storage doors ▪ Air Conditioner air-side or water-side economizer installations on units not already equipped with a 100% economizer ▪ Building shell improvements ▪ Cooling tower upgrades ▪ Refrigerated case doors
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 and SDG&E service territories*

1.4.2 Summary of Ineligible Measures

Table 1-5 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 1-5. Ineligible Measures

▪ T8 and T5 fluorescent lighting retrofits where the proposed equipment does not meet the CRI and Lamp Life requirements (Table 1-2)
▪ Compact fluorescent lamps not equipped with electronic ballasts.
▪ LED luminaires that are not listed or do not comply with the testing standards and requirements described in Appendix E. (The table of approved fixtures includes EnergyStar rated, DLC approved, and Utility Approved fixtures)
▪ *Screw-In CFLs (SDG&E and PG&E)*
▪ *Screw-In CFLs not replacing high bay HID lamps (SCE)*
▪ LED lamps that are not listed in Appendix F. (LED lamps intended to replace linear fluorescent or high-intensity discharge (HID) lamps are not eligible at this time).
▪ LED tube lamps intended to replace linear fluorescent or high intensity discharge (HID) lamps.
▪ Incandescent to incandescent retrofits (including halogen incandescent)
▪ Space cooling (human comfort) 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)
▪ Water source heat pumps (WSHP) of any size (SCE)
▪ Technologies where there is no significant replacement/installation of equipment or modification to existing equipment, as determined by the Utility Administrator
▪ Measures that are not permanently installed and can be easily removed, as determined by the Utility Administrator
▪ Measures that save energy because of operational changes
▪ Cool roof systems
▪ Wine Tank Insulation
▪ Sever Virtualization (SDG&E and PG&E; SCE to phase out by 12/31/12)
▪ Motors that don't exceed full load efficiencies described in NEMA Tables 12-11 and 12-12 shown in Appendix C. pp. 4-5.
▪ Fuel-switching measures that do not meet the Utility's three-prong test
▪ Self-generation or cogeneration projects (i.e. measures that are replacing or installing self-generation or cogeneration equipment)
▪ Repair or maintenance projects. Exceptions are granted for specific measures listed in section 1.4.3.
▪ Re-commissioning activities
▪ Power correction or power conditioning equipment
▪ Pre-owned equipment that doesn't meet specific conditions (please contact the Utility Administrator for eligibility)
▪ Plug Load Sensors
▪ Power Controllers for Non-Perishable Refrigerated Coolers
▪ Plasma Lighting Technologies

1.4.3 Non-Operational Existing Equipment Eligibility

Non-operational, existing equipment replaced with higher efficiency equipment will be eligible for incentives, if:

1. All proposed equipment meets all other requirements of the program and exceed Title 24 or industry standards;
2. The baseline is Title 24 or industry standards of the proposed equipment type; and
3. Measure costs are the incremental costs above similarly configured standard efficiency equipment.

The following measures are also eligible for incentives if the equipment has not been fully operational for at least one year. Measure costs are the total costs associated with the installation of the measure.

Table 1-6. Eligible Non-Operational Measures

▪ Failed Steam traps (not available in SCE territory)
▪ Failed HVAC air-side economizers
▪ Failed Boiler economizers (not available in SCE territory)

1.4.4 New Load Project Eligibility

The 2012 Statewide Customized Offering pays incentives for the installation of new, high-efficiency equipment to meet the expanded process needs of an existing facility or to accommodate new production loads. New Construction projects will continue to be eligible for the Statewide New Construction Offering.

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. In general, Customers are required to have an existing Utility service account with at least 12 months of billing and usage history. Under certain circumstances, at Utility Administrator discretion, exceptions can be made to the 12 month requirement.

The following guidelines designate projects that fall under the Statewide Customized Offering. In special circumstance, 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

Examples of new load projects:

- A refrigerated warehouse owner adds compressors and condensers to increase cooling capacity.

- A plastics manufacturer installs a new injection-molding machine to accommodate a new production run.
- An industrial facility adds additional air compressors to facilitate a new production line in the existing site.
- A drilling company installs a new, state-of-the art oil well to pump oil into an existing pipeline.

All eligible equipment must meet all other eligibility conditions set forth by the Utility Administrator. Measure costs are evaluated as the incremental costs above and beyond similarly configured standard-efficiency equipment.

1.4.5 Increased Load / Production Measures Project Eligibility

The 2012 Statewide Customized Offering may pay incentives for retrofit of existing equipment/systems with larger high-efficiency equipment/systems to accommodate increased load/production. In general, the incentives for these measures will be based on the post-installation load/production rate. The energy savings will be calculated as:

Eligible Energy Savings = (Baseline Efficiency – Proposed Efficiency) * Proposed Production Rate or Load * Proposed Operating Hours

Examples of increased load measures:

- A building owner replaces a dedicated package rooftop HVAC unit with a larger more efficient unit to accommodate increased load of an existing computer room.
- A hospital energy manager replaces a 300 ton chiller with a high efficiency 450 ton chiller to accommodate and meet increased cooling needs.
- A water district replaces a 150 HP pump/motor with a premium efficiency 200 HP pump/motor to respond to increased system demand.

All equipment must meet all other requirements of the program, set forth by the Utility Administrator, and exceed Title 24 or minimum industry standards to be eligible. The baseline is calculated at Title 24 or current minimum standards.

1.4.6 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”. Fuel substitutions measures are calculated using a baseline energy performance of the replacement fuel. Incentives are paid on the energy savings above and beyond the baseline energy performance standards as determined by the Utility Administrator.

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 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.

1.4.7 Early Retirement Feature

The early retirement feature is designed to accelerate the retirement of older, less efficient equipment with new, high efficiency replacements. Eligible measures are subject to an expanded definition of energy savings which may result in a larger incentive than would be possible using the traditional approach. The Early Retirement calculation procedure can be applied with one or more years of remaining useful life. Compelling evidence must exist that the program induced replacement of pre-existing equipment. **The new units must exceed baseline energy performance standards as determined by the Utility Administrator.**

The early retirement feature credits savings using a dual baseline approach. This dual baseline approach requires two savings calculations to be performed, RUL and EUL savings using an existing and code/industry standard baseline respectively. RUL savings are calculated using the full reduced energy use between the measure equipment efficiency and the pre-existing equipment efficiency (depending on size and type). EUL savings are calculated using the incremental energy use difference between the measure and code/regulations or industry standard practice baseline technologies. If minimum production/service requirements exist for a baseline and no regulations/code compliance or CPUC policy applies, an industry standard baseline is used that meets these minimum production/service requirements. RUL is fixed to 1/3 of existing equipment EUL for all projects.

Separate project costs must be provided under the early retirement feature. A project cost figure consistent with the description in 1.8.2.3.1 will be provided, as well as the cost of the code/industry standard baseline technology.

Applicants MUST use the Statewide Customized Offering software to determine the energy savings and incentive calculations for early retirement projects. Manual forms are not available for this type of measure. If you need assistance with the software, please contact your Utility Administrator. For the HVAC equipment, DOE-2 hourly simulation will be used to account for the weather variations. For the motor replacement, the Motor Master algorithms will be used.

A table of efficiencies for various types and sizes of motors (based on averages for a typical unit) is included in Appendix C. The baseline efficiencies for air conditioning equipment are developed from earlier versions of Title 24, while the baseline efficiencies for motors are developed from earlier NEMA standards. To evaluate a project for Early Retirement, the Applicant uses the Customized program software. Upon selecting one of the measure types eligible for the Early Retirement feature, the participant enters the age of equipment, its size and other parameters, which the software uses to determine if the measure qualifies for Early Retirement. If the measure qualifies for Early Retirement, the participant enters the necessary inputs for the measure, such as the operating hours, location (HVAC measures), electrical spot measurements (motors) and other required parameters. The Customized software will then estimate the energy savings and the incentive amounts. The incentive rates are the same as the standard approach.

Below is a simplified energy savings calculation for 10-year old, 350-ton water-cooled centrifugal chiller.

Assumptions

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

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

Title 24 Standard Efficiency = 6.1; COP Useful Life = 23 years

Calculations

Pre-Existing Equipment Energy Usage = 2,167,292 kWh

Code/Regulations or Industry Standard Energy Usage = 2,108,115 kWh

Proposed Energy Usage = 2,077,122 kWh

RUL kWh savings = 2,167,292 kWh – 2,077,122 kWh = 90,170 kWh

EUL kWh savings = 2,108,115 kWh - 2,077,122 kWh = 30,993 kWh

Energy Savings Incentive = 90,170 kWh x $0.15 /kWh = $13,526

Permanent demand reduction Incentive = determined by the Customized estimation tool, based on chiller operation

Using the standard approach, this measure would have earned a kWh incentive of $4,648, compared to a kWh incentive of $13,526 using Early Retirement.

1.4.8 DEER Peak Permanent peak demand reduction Calculations

The CPUC has determined that peak demand reduction will be evaluated using the DEER Peak approach. The CPUC mandated approach more closely ties demand reduction to grid level impact. The complexity of estimating CPUC Mandated Peak varies based on the measure type, measure operation, and level of data available. The Statewide Customized Offering software offers the most accurate DEER calculations for weather dependant measures, so customers are encouraged to use the tool. All other calculations are subject to a rigorous review by IOUs engineers and consultants.

1.4.8.1 CPUC Mandated DEER Peak Definition

The CPUC Mandated 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."*

Note: The customer must pay into the electric PPP funds to be eligible for DEER Peak incentives (see sections 1.3.1 and 1.3.3)

The CPUC Mandated 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 (table 1-7).

Table 1-7. CPUC Mandated DEER Peak Periods by CZ

Climate Zone	Start Date	End Date
1	30-Sep	2-Oct
2	22-Jul	24-Jul
3	17-Jul	19-Jul
4	17-Jul	19-Jul
5	3-Sep	5-Sep
6	9-Jul	11-July
7	9-Sep	11-Sep
8	23-Sep	25-Sep
9	6-Aug	8-Aug
10	8-Jul	10-Jul
11	31-Jul	2-Aug
12	5-Aug	7-Aug
13	14-Aug	16-Aug
14	9-Jul	11-Jul
15	30-Jul	1-Aug
16	6-Aug	8-Aug

The periods are based on a typical year using a 1991 calendar. If the CPUC Mandated peak period falls on a weekend, the proceeding three day period will be utilized.

1.5 Direct Savings and Multiple Measures

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

1. **Direct Savings Only.** Only direct energy savings—not indirect energy savings due to interactive effects—count in determining a project's 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 1.8.2.3 (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.

The measured approach utilizing the Measurement & Verification (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

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 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.

1.8 Incentive Payments

The incentive payment amount is based on a flat incentive rate (per kWh) applied to one year of energy (kWh) savings, plus a flat incentive rate (per peak kW) applied to the resultant permanent peak permanent peak demand reduction. 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.

For measures not requiring M&V in SCE, SDG&E, and PG&E 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 1-8, the incentive rate is dependent on the type of efficiency measure installed (Lighting, AC&R I, AC&R II, Other equipment, or Natural Gas).

Table 1-8. 2012 Energy Savings Incentive Rates

Measure Category	Annual Energy Savings Incentive Rate (kWh)	Peak Permanent peak demand reduction Incentive Rate (kW)
Lighting (Fluorescent, Other Lighting, or Lighting Controls)	$0.05 per kWh saved	$100 / kW
Air Conditioning and Refrigeration (AC&R) I	$0.15 per kWh saved	$100 / kW
Air Conditioning and Refrigeration (AC&R) II	$0.09 per kWh saved	$100 / kW
Motors and Other Equipment	$0.09 per kWh saved	$100 / kW
Natural Gas*	1.00 per therm saved	

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

1.8.1 Incentive Payment May Vary from Contracted Value Based on Performance

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

Generally the incentive amount cannot exceed the contracted amount however some exceptions may apply. For SDG&E service territory, the incentive amount cannot exceed the contracted amount unless the Utility Administrator approves a revision of the contract. For PG&E and SCE service territories, 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. If the scope of work changes after the contract is issued, but before the work is completed, notify the Utility Administrator immediately.

Measures requiring M&V: 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.

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.

1.8.2 Incentive Limits

1.8.2.1 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.

1.8.2.2 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]. Further, incentives received for any measure cannot be in an amount greater than the total cost of the measure. Gas and Electric components should be considered separately.

1.8.2.3 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 total project costs for all installed 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 description of the cost items with the application.

3) 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.

1.8.2.3.1 Project Cost

Project costs must be included on the application. Project costs may include audits, design, engineering, construction, equipment and materials, overhead, tax, shipping, and labor on a per measure basis. The cost of filling out Customized forms and conducting M&V may be included in the project cost. Costs that do not directly pertain to measure installation such as bidding, marketing, and RFP labor expenses, are not eligible.

1.8.2.3.2 Customer Project Site

A Customer Project Site is defined as a single free-standing building/structure; an individual utility meter; or a service account number where the retrofit or installation is taking place.

1.8.3 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 1.8.1

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).

1.8.4 Payment Disbursement

The Utility Administrator will calculate the incentive payment based on its review of the submitted paperwork or site inspection. The Utility Administrator will notify the Project Sponsor 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.

1.9 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/business/	San Diego Gas & Electric 8335 Century Park Ct., CP12C San Diego, CA 92123-1569 Fax: (619) 819-4206 eebi@semprautilities.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

1.9.1 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.

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.

1.9.2 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 1-8 for website address).

2. **Electronically,** through interactive Statewide Customized Offering software or online application system accessed through the Utility's website[1] (please refer to table 1-8 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.

1.10 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 1-8 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 possible, please provide an electronic copy of the energy savings calculations. These calculations are required for all Customized projects.

1.10.1 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.

1.10.2 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.

[1] 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.

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.

1.10.3 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. 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.** 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.

1.11 Project Installation

1.11.1 Wait for Approval

As a general rule, actual project implementation should not begin until after the project application has been approved. However, sometimes based on special circumstances the Utility Administrator, 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.

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

1.11.2 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 – prior to the removal of existing equipment/systems or the installation of the replacement equipment/systems. Exceptions may be granted as deemed reasonable by the Utility Administrator.

1.11.3 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.

1.12 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.

1.12.1 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.

1.12.2 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.

1.12.3 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.** 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.

1.12.4 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.

1.13 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.

1.13.1 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.

1.13.2 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.

1.13.3 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.

1.13.4 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[2].

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

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 2013. The CPUC has not decided who will administer the program thereafter. Thus, after December 31, 2013, 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.

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 (SDG&E, PG&E and SCE) 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.

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.

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.