Summary of Offering Rules

The Statewide Customized Offering provides cash incentive payments for business energy efficiency projects involving the installation of new, high-efficiency equipment or systems (measures). A project may consist of the retrofit of existing equipment/systems or the installation of equipment associated with new or added load. The Offering is open to all commercial, industrial and agricultural Customers, regardless of size or project scope.

A customized approach is used to estimate the energy savings and incentive. Incentives are paid based on the quantities of kWh and peak kW or therms saved resulting from the installation of the new equipment or system (Incentives for gas savings are available only for projects in Pacific Gas & Electric Company, Southern California Gas Company, and San Diego Gas & Electric natural gas service territories). Incentives for peak demand reduction (peak kW) are paid on the peak demand permanently reduced as a result of the project. While a project may realize a substantial amount of total demand reduction, the incentive is based only on the peak demand reduced (per the DEER Peak definition).

Under the Statewide Customized Offering, pre and post-inspections may be required and the Applicant follows a multi-step application process using forms supplied specifically for the Customized program. The forms are submitted to the Utility Administrator for review and approval prior to installing the equipment. The Utility Administrator will work closely with the Project Sponsor/Authorized Agent or Customer to facilitate the review and payment process.

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

The following sections briefly summarize the Statewide Customized program. For additional information contact your Utility Administrator.

A. OFFERING DEFINITIONS

Utility Administrator

Pacific Gas & Electric Company (PG&E), Southern California Edison Company (SCE), Southern California Gas Company, or San Diego Gas & Electric Company (SDG&E), whichever Utility provides natural gas and/or electric services to the Customer Project Site.

Project Sponsor

A Project Sponsor is 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, SCG, 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.

Customer

A Customer is an eligible non-residential ratepayer who is applying for incentives through the Statewide Customized Offering Project.

Energy Savings Measures

An energy saving measure ("measure" or "solution") is new, high-efficiency equipment or systems. This can involve installations associated with retrofits and replacements of existing equipment, increased load, or new load. **Measures that are replacing or installing cogeneration equipment 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. **In most cases, 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 may not be eligible for incentives. Please check with your Utility Administrator.

B. ESTIMATING ENERGY SAVINGS, PEAK DEMAND SAVINGS, AND INCENTIVES

The Customized Approach determines the amount of the incentive based on the annual kWh, DEER Peak kW reduction, and/or therms saved. Energy savings may be estimated using the estimating tools provided in the Customized software or the Applicant may elect to use their own engineering calculations.

The Customized Offering pays incentives based on kWh and kW 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 standard practices are used to establish baseline performance.

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 Applicant must prepare and submit an M&V plan to the Utility Administrator for review and approval. Should M&V be required, then the Offering incentive payment will be increased by 10 percent to help defray the M&V costs, not to exceed $50,000.

C. MEASURE CLASSIFICATIONS

Under the program rules, all measures must be classified as Early Retirement, Replace on Burnout, Normal Replacement, 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 **Error! Reference source not found.**).

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."

D. INCENTIVES

For Customized measures, the incentive payment amount is based on a flat rate (per kWh or therm) applied to one year of energy (kWh or therms) savings and the rate per DEER peak KW reduced.

The final incentive amount for measures that require M&V is based on the measured performance and can vary between 0 and 100 percent of the amount originally indicated on the agreement.

The incentive rates are based on the applicable measure category as shown in Table D-1 below.

Table D-1. 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	

** Natural Gas Measures are Applicable only in PG&E, SCG, and SDG&E service territories*

Project Costs Limitations

Customized Measure incentives are limited to50 percent of the full measure costs for Early Retirement, Retrofit Add-On or Normal Replacement (PG&E only) measures or 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.

Incentive Amount Limitations

The maximum incentive that can be paid to an individual project site in a calendar year is limited to 15 percent of the annual customized incentive funds managed by the specific Utility Administrator. Please refer to section 1.10.2.3.

Incentive Payment Schedule

After project measure(s) are installed, incentive payments are made. 100 percent of the approved incentive amount is paid after installation of the project measure(s) is confirmed (Installation Review is approved).

For projects requiring M&V in SDG&E and SCE service territories, 60 percent of the approved estimated 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 projects requiring M&V in PG&E service territory, 100 percent of the approved incentive amount is paid after the approval of the final report (Operating Report).

E. HOW TO APPLY

Decommissioning of existing equipment, construction, or implementation of an energy saving measure may NOT begin prior to Application approval

To apply for incentives under the Statewide Customized program, the Applicant follows a multi-step process using forms specific to the Utility program. These forms can be completed manually using the hand-written (PDF) forms, or can be completed electronically using Excel forms downloaded from the Utility Administrator's 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 Applicant 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 may schedule an inspection of the existing equipment. The Utility Administrator may distribute the Project Application to a third-party engineering firm for inspection and review of the energy savings calculations.

Second Milestone – Installation

For SDG&E, SCG, and SCE service territories, the Project Sponsor or Authorized Agent/Customer submits a signed Installation Report after all project measure(s) have been **installed and are fully commissioned and fully operational**. The Installation report should have all invoices or cost documentation attached, and includes post-monitoring data (if required in the original application approval).

For PG&E service territory, the Project Sponsor notifies the Utility Administrator and submits invoices after all project measure(s) have been **installed and are fully commissioned and fully operational**. If any changes have occurred the Project Sponsor submits revised calculations as well.

The Utility Administrator may schedule an inspection of the installed equipment prior to approval. The Utility Administrator issues a payment upon approval of the Installation Review for the project measure(s) installed. Refer to Section 1.13

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

For projects requiring M&V, the Applicant must prepare and submit an Operating Report at the end of the predetermined performance period. The Operating Report is prepared using the results of the M&V activities during the first year or two of operation and confirms the project is still operating as installed. 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. Applicants are eligible to receive up to an additional 10 percent based on the final Utility-approved savings. Refer to Section 1.8.

IMPORTANT DATES AND DEADLINES:

- Offering opens: January 1, 2013
- Application deadline: October 15, 2014 or before all of the Utility's customized incentive funds are committed.
- Installation deadline: All projects must be installed and fully operational by one year from application deadline.