Section 3:
Demand Response Program Overview and Policies

3.1 Introduction

Welcome to 2012 Customized Retrofit and Demand Response program. This section describes the program and rules specific to the Demand Response (DR) portions of the umbrella Customized Retrofit and Demand Response Program. The DR program provides financial incentives for the installation of equipment or control software that provide demand response. Businesses that install and utilize demand response equipment are rewarded with cash payments, based on the level of dispatch-able peak load achieved.

Administered by Utility. The program is administered by Pacific Gas and Electric Company—and funded by utility customers

Designed for Medium and Large Business Customers. The program serves medium and large commercial, industrial, and agricultural customers that have a peak electric demand greater than or equal to 200 kW per account, as distinguished by a PG&E Service Address ID (SAID), or the ability to demonstrate a load reduction greater than or equal to 30 kW, and are served by a15-minute interval meter or a Smart Meter that can be read remotely by PG&E.

Program Materials. Because incentive payments are based on careful adherence to program requirements, please read the entire *Program Overview and Policies* section of this *2012 DR Procedures Manual* before starting a DR project. Additional sections of the *2012 Statewide Customized Offering Procedures Manual for Business*— including forms and instructions — are available on-line at www.pge.com/mybusiness/energysavingsrebates/rebatesincentives or in hard copy from your Utility Administrator.

3.2 Procedures: How the Demand Response Program Works

3.2.1 The Main Players

The DR program involves three key entities:

1. **Customer**— The utility customer implementing the demand response measure(s) at their site(s).

2. **Project Sponsor**— An entity that submits a project application and executes a Customized Retrofit and Demand Response Agreement with a Utility Administrator. Customers can serve as their own Project Sponsor. Alternatively, projects may be sponsored by another party such as an energy services company (ESCO).

3. **Utility Administrator**— Pacific Gas and Electric Company, which provides electric transmission or bundled services to the project site.

3.2.2 The Basic Process

The DR program works as follows:

1. **Application Submission.** The Project Sponsor submits a Customized Retrofit and Demand Response Program application to the Utility Administrator as discussed in section 3.2.4. The application describes the project and calculates the incentives. The dispatch-able calculation methodologies for peak demand reduction and incentives are discussed in Section 3.2.5.
2. **Application Review.** The Utility Administrator reviews the application and conducts a pre-installation site inspection. **All existing equipment must be operating and available for**

inspection or the project may be ineligible. The Utility Administrator may revise the dispatch-able peak load and/or incentive calculation as applicable. The Utility Administrator may also require the Project Sponsor to submit a Measurement and Verification (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, incentive funding for the project is reserved and the Project Sponsor and Utility Administrator enter into a Customized Retrofit and Demand Response Agreement that defines the dispatch-able peak load and incentive payment.
4. **Project Installation and Installation Notification.** Once the new equipment is installed and operational, the Project Sponsor notifies the Utility Administrator in writing and submits project invoices. **In most cases, installation cannot begin until after the Utility Administrator approves the application and any needed baseline measurements are completed**.
5. **Installation Review.** Upon notification, the Utility Administrator schedules a post-installation inspection to verify completion and to perform one or more load reduction verification tests. The load reduction verification tests can be performed during the post-installation inspection or at a later date, at the discretion of both the Project Sponsor and PG&E.
6. **Incentive Payment.** For sites that are enrolled in a DR program and complete their DR load reduction verification test(s) at the time of post-field inspection, incentive payments are made in one installment. For sites that are not enrolled in a Demand Response program or have not completed their DR load reduction verification test(s) at the time of post-field inspection, the incentive payments will be made in two installments: 25% of the DR incentive is paid after approval of the Installation Report (IR), and 75% of the DR incentive is paid after successful DR load reduction verification and Demand Response Program enrollment.
7. **M&V Projects.** If a project requires M&V, the equipment must be operated for one or two years (at discretion of Utility Administrator) with the Project Sponsor performing the agreed-upon M&V activities. At the end of one or two years, the Project Sponsor submits the Operating Report and receives the remaining balance of the incentive based on the measured potential demand reduction, when the Utility Administrator approves the Operating Report.

Participation in the Customized Retrofit and Demand Response Program is entirely voluntary. Project Sponsors incur all costs associated with preparing an application, installing equipment, conducting M&V activities, and otherwise reviewing or executing the Customized Retrofit and Demand Response Agreement. Receipt of incentive funds depends on careful adherence to program policies. In return, Customers (or otherwise indicated payee) acquire high-efficiency demand responsive equipment that will lower their energy costs.

3.2.3 Incentive Payments

3.2.3.1 All incentives are paid directly to the Customer unless otherwise indicated.

Demand response measures must use a modified Calculated Approach to estimate the demand response incentive. A modified Calculated Approach determines the amount of the incentive based on the expected dispatch-able on-peak load reduction. The expected dispatch-able on-peak load reduction must be estimated using Project Sponsor-provided engineering calculations.

The actual incentive payment for a DR measure will be determined after the measure has been installed and after the dispatch-able on-peak load reduction for each measure has been verified through one or more load reduction demonstrations. The Project Sponsor may request that the load reduction demonstrations be performed in July, August, or September.

Measures not requiring M&V:

The TI incentive is up to $50/kW or $125/kW depending on DR program selection (please refer to Table 3.1) and up to 75%[1] of the project cost. If an account is not enrolled in a DR program at the time of the post-field inspection then the Project Sponsor will receive installment 1 after post-field inspection and approval of the Installation Review (IR). Such projects will receive installment 2 after successful DR load reduction verification, completion of the DR Load Verification Review (DRR), and enrollment in a DR program.

1) Installment 1: 25 percent of the incentive paid after successful post-field inspection and the completion and approval of the Installation Review (IR)

2) Installment 2: 75 percent of the incentive is paid after load reduction demonstration and DR Load Verification Review (DRR), and upon enrollment in a DR program. Customers must stay in one of the DR programs for 3 years; they can change between programs after 12 months and can change from category 2 to category 1, but not from category 1 to 2. Customers should enroll in a DR program upon receiving the first incentive payment installment.

Accounts that are enrolled in a DR program at the time of the post-field will receive both installments 1 and 2 after successful post-field inspection, load reduction demonstration and approval of the Installation Review (IR) and DR Load Verification Review (DRR).

Project Sponsors wishing to delay their load reduction demonstration until July, August, or September will delay installment 2.

Table 3-1, shows the incentive rate for eligible DR enrollment options.

Table 3-1. 2012 DR Energy Savings Incentive Rates

Program Category	Measure Type	DR Enrollment Option	Incentive Rate
1	Demand Response (DR)	AMP, BIP, CBP & PeakChoice with committed load reduction	$125 per kW reduced up to 75% of project cost
2	Demand Response (DR)	DBP & PeakChoice best efforts options	$50 per kW reduced up to 75% of project cost

Measures requiring M&V:

The TI incentive is up to $50/kW or $125/kW depending on DR program selection (please refer to Table 3.1) and up to 75% of the project cost. Measures requiring M&V will be processed separately. Twenty five percent of the incentive payment, along with the 10 percent M&V adder (not to exceed $50,000), is paid after the post installation review; the remainder is paid after enrolling in a DR program for 3 years and at the end of the project performance period when the Operating Report is submitted by the Project Sponsor and approved by the Utility Administrator.

3.2.3.2 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.

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[1] On February 1, 2011, the maximum incentive for the TI program was increased from 50% of project cost to 75% of project cost.

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 the actual demonstrated demand reduction is 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 party who received the payment [the Project Sponsor, the Customer, or the designated third party] is responsible for reimbursement of the difference to the Utility Administrator.

3.2.3.3 First Come, First Served

DR program funds are available on a first-come, first-served basis. Incentive funds are reserved for a particular project when the project application is approved. Applications received after total funds have been committed will be placed on a waiting list in the event that more funding becomes available. The TI Program Manager has the right to reject TI incentive applications based on a first come, first served priority, or if the customer does not meet the TI requirements.

3.2.3.4 Incentives from other Programs

Measures included in applications to any other California energy efficiency rebate or demand response program, may be ineligible for Customized Retrofit and Demand Response Program participation. Other California end user energy efficiency programs include, but are not limited to, any program offered by or through Southern California Gas Company, Southern California Edison, Pacific Gas & Electric Company, and San Diego Gas and Electric, the California Energy Commission, and the California Public Utilities Commission, including PGC funded Local Programs. Applicants cannot receive incentives from more than one energy efficiency or demand response program for the same measures; however within the consolidated Customized Retrofit and Demand Response Program, a single measure may contain both Energy Efficiency (EE) and DR components. Contact the Utility Administrator for further details.

3.2.3.5 Project Caps

The actual TI incentive payment cannot exceed 75 percent of the incremental installed cost of the DR measure. If a single measure contains both EE and DR components then only the incremental costs for the demand response equipment is eligible for determination of the TI incentive. TI incentives are limited to $300,000 per customer.

3.2.3.6 Payment Schedule

Under the DR Calculated approach (no M&V required), 100 percent of the approved incentive amount is paid in accordance with the payment schedule outlined under ***Measures not requiring M&V***.

Under the DR Measured approach (M&V required), the first incentive installment includes 25 percent of the anticipated dispatch-able peak load incentive and the M&V adder is paid in accordance with the payment schedule outlined under ***Measures requiring M&V***. The remainder of the verified dispatch-able peak load incentive is paid at the conclusion of the project performance period of one or two years.

Payments will be made only after the Utility Administrator has approved the necessary paperwork (the Operating Report, as discussed in Section 3.2.7 of this manual).

3.2.3.7 Payment Disbursement

The Utility Administrator will calculate the incentive payment based on its review of the submitted paperwork and the demonstrated load drop. The Utility Administrator will notify the Project Sponsor of the incentive payment amount upon approval of the Installation Report or Operating Report, as applicable, and will begin processing the incentive check at each step of the payment schedule. As soon as the check is processed, the Utility Administrator will mail it to the

Customer or the Project Sponsor/third party (if designated as the payee by the Customer). 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 Customer receives the entire incentive payment.

3.2.4 How to Apply

The application process requires careful attention to detail. Incomplete or incorrect applications will be returned. It saves time to follow instructions carefully. Project Sponsors can call the Utility Administrator for assistance in completing their applications and to obtain answers to specific Customized Retrofit and Demand Response Program questions. Table 3-2 lists the representatives for PG&E.

Table 3-2. Utility Administrators

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 77 Beale Street, Mail Code BOB1U San Francisco, CA 94105-1814 Phone: (800) 468-4743 energymgmtprograms@pge.com

3.2.4.1 Overview of Paperwork

To receive DR program incentives, the Project Sponsor must perform certain actions and submit forms/reports at specific project milestones:

1. **First milestone: Submit 2012 Program Application with Customized Retrofit and Demand Response Form, Customized Retrofit Savings Summary, and Dispatch-able Peak Demand Reduction Summary**
   The application describes the project and estimates the energy and peak savings. Supporting documentation and calculations must accompany the application forms. Additionally, all measure costs must be outlined.

2. **Second milestone: Installation Notification**
   The Project Sponsor notifies the Utility Administrator after installation and commissioning are complete. The Project sponsor also submits invoices and any required data or photos.

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.

3.2.4.2 Paper or Electronic Forms

There are two ways to fill out the program paperwork:

1. **On paper,** using hardcopy forms (a) obtained from your Utility Administrator, or (b) downloaded from the Utility's energy efficiency website: www.pge.com/mybusiness/energysavingsrebates

2. **Electronically,** through interactive software downloaded from the Utility's energy efficiency website: www.pge.com/mybusiness/energysavingsrebates

The software version 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 of your paperwork.

3.2.5 Project Application

The project application (first submittal) consists of the following forms and supporting attachments:

1. 2012 Program Application (information regarding Applicant, Project Type, and Payment)
2. 2012 Customized Retrofit and Demand Response Form (information regarding Project Site, Property Type, and Project Sponsor)
3. 2012 Customized Retrofit Savings Summary Form (Information regarding Energy Savings)
4. 2012 Dispatch-able Peak Demand Reduction Summary Form (Information regarding DR Peak Savings)
5. Demand reduction calculations showing how the dispatch-able peak demand reductions were determined; a printout of the calculation 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 demand reduction calculations. These calculations are required for all Customized Retrofit and Demand Response Program applications.
6. Completed Customer Authorization Form to release energy usage and billing information to the PG&E subcontractor who will confirm the accuracy of claims made in the incentive application.
7. M&V plan (Submitted only after Utility Administrator determines the M&V process is required).

3.2.5.1 Utility Administrator Review Schedule

Utility Administrator review of an application not requiring the M&V process (including the site inspection) can often be completed within 10 business days. Complex and multiple-site projects may require more time and will be reviewed only when documentation is complete.

Typically, the Utility Administrator needs to contact the Project Sponsor for additional information or clarification. The quicker the response, the faster the application can be approved.

If the Utility Administrator determines that the M&V process is required (see Section 3.3.5), 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.

3.2.5.2 Utility Inspection

Upon receiving a project application, the Utility Administrator will contact the Project Sponsor to schedule a pre-installation site inspection as soon as possible, usually within five business days. The purpose of this inspection is to verify that:

- The application accurately reflects the intended project.
- All existing equipment listed in the application is still operational (if not, the associated measures could become ineligible).
- DR equipment or software installation has not yet occurred

The Project Sponsor and Customer must be flexible in scheduling such inspections and provide complete access to project sites. Pre-installation inspections are required for all projects prior to approval unless waived by the Utility Administrator.

A representative of the Project Sponsor who is familiar with the project, as well as the facility manager or other responsible representative of the Customer should attend the inspection. When electrical measurements are necessary, the Customer is required to disrupt equipment operation, open any electrical connection boxes, or install current and power transducers, as needed. If the inspection cannot be completed in a timely manner because inspection representatives are unfamiliar with the facility or the project, the project site will fail the inspection.

If the project fails the inspection twice, the Utility Administrator may decline the application. If the Utility Administrator allows a third inspection, the Project Sponsor must pay the cost incurred by the Utility Administrator for conducting the additional inspection.

3.2.5.3 Notice of Pre-Inspection and Project Application Review Results

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

- **Approved.** The approval email will alert the Project Sponsor that the project is acceptable under the terms of the DR program outlining the approved energy savings and incentive funds that will be reserved. The email will also include an official Customized Retrofit and Demand Response Agreement (contract). A sample contract is included as Appendix A of this *Procedures Manual.*
- **On Hold.** The review may be placed on hold if information was omitted or further clarification is needed. Upon receipt of the Project Sponsor's response, the Utility Administrator will resume the review process. Remember, funds are limited and are not reserved until the application is approved and a contract is signed.
- **Declined.** An application may be declined if:
  - the project fails inspection twice;
  - 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; or
  - 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.

3.2.6 Project Installation

3.2.6.1 Wait for Approval

As a general rule, actual project implementation should not begin until after the project application has been approved. However, sometimes the Utility Administrator, at their discretion, may allow installation to begin immediately after the pre-installation inspection. This Utility Administrator “go ahead” does not mean the application has been approved and will receive funding, but simply that proceeding with construction will not impair the application’s chances for approval. The Project Sponsor should request this notification in writing from the Utility Administrator. Verbal notification is not binding.

3.2.6.2 June 1st Deadline

All projects submitted in 2012 must be installed and must be fully operational by June 1st, 2013. This program cycle will be completed on December 31, 2013. Therefore all projects, regardless of submittal date, must be fully completed and processed no later than December 31, 2013.

3.2.6.3 Installation Review

Once the project has been installed and proper operation has been verified, the Project Sponsor notifies the Utility Administrator and submits project invoices to the Utility Administrator. The notification should either: 1) confirm the original calculated dispatch-able peak load; or 2) note any changes that were made during installation and recalculate the dispatch-able peak load. Detailed project invoices must be submitted to verify costs. The Project Sponsor should attach any data or analysis from spot metering that may have been performed before or after installation. The revised incentive cannot exceed the approved incentive amount from the original application.

3.2.6.4 Timeline

The Project Sponsor should notify the Utility Administrator within 30 days of project completion.

The Utility Administrator will typically review the project within 10 business days for non-M&V projects and 45 business days for M&V projects. Complex and multiple-site projects may take longer.

3.2.6.5 Utility Administrator Inspection and Demand Reduction Demonstration

Upon notification of installation, the Utility Administrator will schedule a post-installation inspection of the project site. This inspection is subject to the same provisions as the pre-installation inspection. During the inspection, one or more load reduction demonstrations may be necessary. Customers are paid for what they shed during the DR event but if a DR event is never called, then load reduction demonstration(s) will be performed and counted for incentive. The load reduction demonstration(s) will require that the electricity to the demand response equipment be cycled (temporarily reduced or removed) as if in response to a dispatch order. All DR controlled equipment associated with a given account must be demonstrated simultaneously in order for the total kW reduction to be considered for incentive. This procedure may have to be repeated several times. The PA approved business operation schedule must be current at the demonstration stage or the incentive may be reduced.

The Project Sponsor may request that the load reduction demonstrations be performed in July, August, or September. If the inspection fails two times, the Project Sponsor must pay the cost incurred by the Utility Administrator for conducting any further inspections.

3.2.6.6 Notice of Post-Installation Review Results

The Utility Administrator will provide the Project Sponsor with written notice of the results of the post-inspection and review, typically within 14 days of the Installation Notification. If approved, the notice will include the approved incentive amount based on the demonstrated load reduction and indicate that an incentive check is being processed.

If the Installation is not approved, the Project Sponsor has 30 days to provide the Utility Administrator with the requested information. Even after installation, a project may be denied incentive funds if:

- The installation is not consistent with the Customized Retrofit and Demand Response Agreement; or
- The Project Sponsor causes unreasonable delays in scheduling an inspection; or
- The Utility Administrator must ask for clarifying information more than three times.

If an Installation is not approved, the Utility Administrator may terminate the Customized Retrofit and Demand Response Agreement and release the incentive funding that had been reserved for the project.

3.2.6.7 Installation Deadline

The deadline for project installation of all 2012 projects is June 1st of 2013. Any projects not installed by this date will be dropped from the program, unless another agreement is made prior to this deadline and the Project Sponsor receives a written extension from the Utility Administrator. Please note that this program cycle will be completed on December 31, 2013. Therefore all projects, regardless of application date, must be fully completed and processed by December 31, 2013.

3.2.7 Operating Report (Measured Savings only)

For the projects requiring Measurement & Verification (M&V), the third and final paperwork submittal comes at the end of the project performance period. After the DR equipment has been operating for one year, the Project Sponsor submits the Operating Report (Form 4). This form confirms that the DR equipment is still in operation as installed or notes any changes (e.g., equipment pulled out of service or changed operating hours). The Project Sponsor should attach M&V data and analyses to the Operating Report.

3.2.7.1 Timeline

The Operating Report is due within 30 days following the one-year anniversary of the Utility Administrator's approval of the Installation Report.

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

3.2.7.2 Utility Administrator Inspection

Upon receipt of the Operating Report — or at any time during the performance period — the Utility Administrator will request a site inspection, subject to the same provisions as the pre-installation inspection. During the inspection, one or more load reduction demonstrations may be necessary. The load reduction demonstration(s) will require that the electricity to the demand response equipment be cycled (temporarily reduced or removed) as if in response to a dispatch order. All DR controlled equipment associated with a given account must be demonstrated simultaneously in order for the total kW reduction to be considered for incentive. This procedure may have to be repeated several times. The PA approved business operation schedule must be current at the demonstration stage or the incentive may be reduced.

The Project Sponsor may request that the load reduction demonstrations be performed in July, August, or September. If there are two failed inspections, the Project Sponsor must reimburse the Utility Administrator for conducting any further inspections that may be granted.

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 first incentive installment.

3.2.7.3 Notice of Load Reduction Demonstration and Operating Review Results

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

A project may be denied further incentive funds if:

- The installation is not consistent with the Customized Retrofit and Demand Response Agreement (fails inspection); or
- The Project Sponsor causes unreasonable delays in scheduling an inspection; or
- The Utility Administrator must ask for clarifying information more than three times.

If an Operating Report is declined, the Utility Administrator may terminate the Customized Retrofit and Demand Response Agreement and request that the initial payment is returned.

3.2.7.4 Final Incentive Installment (Projects requiring the M&V process)

Upon approval of the Operating Report, the Utility Administrator will pay the final installment of the DR Incentive (the remaining 75 percent or the properly adjusted amount).

If measurements show that the installation achieved greater dispatch-able peak than predicted, the Utility Administrator will pay up to 10 percent higher than the DR Incentive amount calculated on the approved project application, or 75 percent of the measure cost, whichever is the lesser amount. Similarly, if the installation achieved lower dispatch-able peak load than anticipated, the Project Sponsor will not receive the full incentive, and is responsible for returning to the Utility Administrator any overpayment that may have been made in the first installment.

3.3 Qualifications: Qualifying Demand Response Projects

The DR program accepts most demand response projects. All projects must meet the following criteria:

1. **Demand Response Measures Only.** All DR measures must include the installation of new equipment or control software, subject to the review and approval of the Utility Administrator. This equipment or control software must allow the Customer to **temporarily** reduce or shift a site's on-peak load in response to a dispatch order. All incentive payments will be based on the Dispatch-able On-Peak Load Reduction which is defined as existing average load that, upon request, could be temporarily reduced for the operation day's entire on-peak period or temporarily shifted from the operation day's on-peak period to the partial-peak or off-peak periods. Permanent load shifts and reductions, including but not limited to thermal energy storage are not eligible. DR Measures involving generation, cogeneration, or fuel-switching are not eligible. New construction projects are incentivized through the Customized New Construction program (CNC). The CNC program will accept applications the first quarter of 2012.
2. **Demand Response Must Occur During On-Peak.** The on-peak period is defined as May 1 through October 31, Monday through Friday (excluding holidays), 12 noon to 6 p.m. The Holidays are New Year's Day, President's Day, Memorial Day,

Independence Day, Labor Day, Veterans Day, Thanksgiving Day, and Christmas Day or the dates on which the holidays are legally observed.

3. **Must Operate at Least Five Years.** The Customized Retrofit and Demand Response Program contract requires the new equipment to have a useful life of and be in operation for at least five years.

4. **Measures Cannot Overlap Other Incentive Programs such as Express Efficiency.** Measures included in applications to any other California energy efficiency rebate or demand response program, may be ineligible for Customized Retrofit and Demand Response Program participation. Other California end user energy efficiency programs include, but are not limited to, any program offered by or through Southern California Gas Company, Southern California Edison, Pacific Gas & Electric Company, and San Diego Gas and Electric, the California Energy Commission, and the California Public Utilities Commission, including PGC funded Local Programs. Applicants cannot receive incentives from more than one energy efficiency or demand response program for the same measures; however within the consolidated Customized Retrofit and Demand Response Program, a single measure may contain both Energy Efficiency and DR components. Contact the Utility Administrator for further details.

3.3.1 Examples of Eligible Measures

In general, if a measure is not specifically excluded by DR rules, and the associated demand reduction can be demonstrated, then it may be eligible for the DR incentive, subject to the approval of your Utility Administrator. Table 3-3 provides an illustrative (not comprehensive) list of qualifying demand response measures.

Table 3-3. Examples of Eligible Measures

Demand Response Measure **Up to $50 or $125 per Dispatch-able kW (see Table 3-1) and up to 75% of the project cost.**	▪ Control Software ▪ Variable-Speed Equipment ▪ Production Line Shut-Downs ▪ Sub-system Shut-Downs

3.3.2 Summary of Ineligible Measures

Table 3-4 summarizes the types of measures that do not qualify for DR incentive funds.

Table 3-4. Ineligible Measures

- Measures that are installed before the Application is approved
- Measures that are unlikely to be implemented, for any reason, in response to a dispatch order
- Technologies with a useful life of less than five years
- Technologies where there is no installation of demand response software or equipment.
- Fuel-switching measures that do not meet the Utility’s three-prong test
- Thermal energy storage projects
- Permanent load shifts or reductions
- Self-generation or cogeneration projects

3.3.3 Direct Savings and Multiple Measures

A DR project must achieve significant demand reductions, 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 energy savings. 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. But only the avoided lighting energy, not the avoided air conditioning energy, would count as demand response in determining the demand reduction and incentives for a lighting DR project.
2. **Either Single or Multiple Measures.** A DR project may comprise a single dispatch-able peak measure (e.g., an HVAC Control System) or a variety of measures (e.g., a production line shut-down and an air conditioning reduction).

3.3.4 Aggregating Project Sites

A Project Sponsor may choose to combine individual projects of a single customer at different sites into a single project using one program application form. Program rules for 2012 are flexible:

- The same Customer must own and/or occupy the project sites**.**
- There is a limit of ten sites that can be aggregated.
- The sites can have entirely different measures, operating hours, energy use profiles, and M&V plans. 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.
- Customer sites **must be in PG&E territory**.

When combining sites and measures into a single application, a Project Sponsor 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.

3.3.5 Verification Requirements

A percentage of the actual payment will be determined after the measure has been installed and after the dispatch-able on-peak load reduction for each measure has been verified through one or more load reduction events, or demonstrations. If a project achieves demand response and energy efficiency or if energy efficiency or a process change is to take place for the subject equipment, then the demonstration must occur after the energy efficiency or process change has taken place. The Project Sponsor may request that the load reduction demonstrations be performed in July, August, or September.

All demand response calculations 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.

All DR controlled equipment associated with a given account must be demonstrated simultaneously in order for the total kW reduction to be considered for incentive.

Occasionally, demand response 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 demand response measure. If the Utility determines that M&V is necessary to accurately determine the dispatch-able on-peak load, the Project Sponsor must prepare and submit an M&V plan to the Utility Administrator for review and approval. To help defray the M&V cost, the Applicant will then be eligible to receive an additional 10 percent of the approved incentive, not to exceed $50,000.

3.4 Eligibility

3.4.1 Customer Eligibility

The DR portion of the Customized Retrofit and Demand Response Program is open to all commercial, industrial and agricultural customers who: 1) receive retail electric service from PG&E, 2) have had a maximum demand greater than or equal to 200 kW within the last 12 billing months, or have the ability to demonstrate a load reduction greater than or equal to 30 kW, and 3) are served by a 15-minute interval meter, or a Smart Meter, that can be read remotely by PG&E.

3.4.2 Project Sponsor Eligibility

Customers can 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. Please note that the Utility Administrators do not qualify as Project Sponsors; the Customer bears full responsibility for selecting a Project Sponsor if one is desired.

3.5 Policy

3.5.1 Important Program Policies

Please take note of these additional DR program policies that are not specifically addressed in other sections:

- Customers are required to stay in a DR program for three years. If the customer cancels out of a DR program prior to three years then PG&E is entitled to get 100% of the incentive refunded.
- TI customers who are paid TI incentives could enroll in the Auto-DR program if they meet Auto-DR requirements.
- TI incentives are limited to the quarterly set budget. Reserve funds per customer are not to exceed $300,000 per customer.
- The Technology Incentive program follows the “10-in-10 adjusted baseline.”
  - The “10-in-10 adjusted baseline” is calculated as the average of that customer’s 10 previous non-event business days (excluding weekdays and holidays), adjusted up or down based on the customer’s usage in the first three of the four hours prior to the DR event. The adjustment will be symmetrical (upward or downward, as indicated by usage in the window time period), and is capped at 20%.
- TI rewards customers according to the dispatch-able KW reduction. Customers are paid for what they shed during the DR event but if a DR event is never called, then a demonstration test will be performed and counted for incentive.

Other Important Terms and Conditions

By virtue of participation in the Customized Retrofit and Demand Response Program, Customers and Project Sponsors agree to the following terms and conditions:

1. All parties consent to participate in any evaluation of the program. The California Public Utilities Commission (CPUC) or its representatives may contact participants to answer questions regarding their Customized Retrofit and Demand Response Program experience and/or request a site visit. All participants agree to comply with such program evaluations.
2. Utility Administrators expressly reserve all their rights, which include, but are not limited to, the right to use others to perform or supply work of the type covered by the Customized Retrofit and Demand Response Program, as well as the unrestricted right to contract with others to perform the work or to perform any such work themselves.

Notice of Public Record

Participants should be aware that, because the program is partially funded by the public goods charge and the demand-side management surcharge, Customized Retrofit and Demand Response Program submittals are a matter of public record and may not be kept confidential. The estimated total project costs will be part of the public record. The Utility Administrators are not liable to any Project Sponsor, Customer, or other party as a result of any public disclosure of any submittals.

Change in Sponsorship

If a change in sponsorship occurs after the application is submitted, a new incentive application and Customized Retrofit and Demand Response Form is required. Please indicate the change request in writing, and resubmit the required forms. Written notification is also required from the sponsor. If written notification is not possible, (i.e. the sponsor is no longer in business or non-responsive) the customer must submit a letter in writing requesting termination of the sponsor to act on their behalf.

Contract Termination

Customized Retrofit and Demand Response Program contracts may be terminated under the following conditions:

- A project submitted in 2012 fails to be installed prior to the deadline of June 1, 2013.
- The project is not completed by the program end date of December 31, 2013.
- The Project Sponsor formally requests withdrawal from the program, or requests the contract to be turned over to the customer.
- The project violates this policy manual

For more information see the sample agreement in Appendix A.