Summary of Program Rules

Summary

The Statewide Customized Offering ("Offering") provides financial incentives for non-residential customers to install new, high-efficiency equipment or systems, otherwise referred to as measures. Measures must exceed applicable code and/or industry standard efficiencies to qualify and must operate and produce verifiable energy savings for at least five years. Applicable projects may consist of the retrofit of existing equipment/systems or the installation of equipment associated with new loads.

Participation in the 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.

Incentives are paid based on kWh, peak kW, and/or therms saved by the installation of the new equipment or system per calculations or measurement and verification (M&V) compared to baseline energy performance. Baselines are determined by Measure Classification, which may vary from the actual energy use of existing equipment. Incentives for peak demand reduction (peak kW) are paid on the DEER peak demand permanently reduced as a result of the project which may vary from total demand savings.

Key Players

Customer	**Project Sponsor** (PG&E, SCG, SDG&E) or **Authorized Agent** (SCE)	**Utility Administrator**
A non-residential ratepayer applying for incentives through the Offering. Must receive service from a Utility Administrator and pay the PPP surcharge for the meter on which measures are proposed.	Responsible for ensuring paperwork is submitted correctly and project is completed in adherence to Offering rules. For PG&E, SCG, and SDG&E, customers can serve as their own Project Sponsor or may elect to have a third party enter the agreement on their behalf.	PG&E, SCE, SCG, or SDG&E; whichever utility provides natural gas or electric services to the meter on the Customer Project Site for which measures are proposed.

Typical Process

Customer / Project Sponsor		**Utility Administrator**		**Project Sponsor**	**Utility Administrator**	
1. Review Offerings	2. Application Submission	3. Application Review	4. Application Approval	5. Project Installation	6. Installation Review	7. Incentive Payment

The Project Sponsor/Authorized Agent is required to follow the above multi-step application process using forms specific to the Customized Offering. The forms are submitted to the Utility Administrator for review and approval prior to beginning project work, which includes demolishing, purchasing or installing equipment. Pre- and post-inspections (in the review phases) may be required. The Utility Administrator will work closely with the Project Sponsor/Authorized Agent to facilitate the review and payment process.

Receipt of incentive funds depends on careful adherence to program policies and procedures. Each event in the Typical Process table above must be completed before the next is initiated for a project to remain eligible for an incentive. Refer to complete 2013-2015 Statewide Customized Procedures Manual for Business for details.

Estimating Energy Savings, Peak Demand Savings, and Incentives
Incentives are paid on savings above and beyond baseline performance. To calculate savings, Title 24 or other applicable governing code or standards is typically used as the baseline; in the absence of an applicable code or standard, current industry standard practices are used to establish baseline performance. <u>All energy and peak demand savings estimates must be reviewed and approved by the Utility Administrator as part of the application process.</u> Additional information may be required to verify the inputs and calculation methodologies used to determine the incentive, such as short-term monitoring, spot measurements, and production data.

Occasionally, energy savings cannot be accurately estimated to the satisfaction of the Utility Administrator. In these cases, detailed M&V of energy use before and up to 2 years after implementation of the energy saving measure may be required. For these projects, the incentive payment will be increased by 10% to help defray the M&V costs, not to exceed $50,000.

Incentive Payments

Measure Category		Annual energy savings incentive rate	Permanent peak demand reduction incentive rate
Lighting	Basic	$0.03 per kWh saved	$150 per kW
	Advanced/Targeted	$0.08 per kWh saved	$150 per kW
Non-Lighting	Basic	$0.08 per kWh saved	$150 per kW
	Advanced/Targeted	$0.15 per kWh saved	$150 per kW
Natural Gas*		$1.00 per therm saved	n/a

Incentive payments are based on a flat rate (per kWh or therm) applied to one year of energy savings and/or the rate per peak KW reduced. The final incentive amount for measures that require M&V is based on the measured performance and may vary from the amount reflected in the Project Agreement. Incentive rates are based on the applicable measure category as shown in the table below.

Measure incentives are capped based on measure classification – typically at the incremental cost of implementing the energy efficiency measure. The maximum incentive per site for PG&E and SCE is 15 percent of the annual program incentive funds managed by the Utility Administrator. The maximum incentive per site for SDG&E and SCG is $1,000,000.

Measure Classifications

	New Load	Replace on Burnout	Normal Replacement	Early Retirement [1,2]	Retrofit Add-On [1]
Existing Equipment	None	Non-operational	Operational	Operational; RUL > 1 yr	Operational; RUL ≥ 5 yr
Installed Measure	New; exceeds code / industry standard practice (ISP)				New; added to existing equip. to exceed code / ISP
Savings Baseline	code / industry standard practice (ISP)			Existing equipment	Existing equipment *(or code / ISP if applicable)*

1. Requires existing equipment annual energy use in addition to baseline and installed equipment annual energy use
2. Compelling evidence must support the RUL claim and show the Offering induced replacement of the equipment