



Energy Savings Bid Program 2007 Policy Manual

Utility Administrator:
San Diego Gas & Electric®

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Table of Contents

Section 1: Program Overview and Policies	Page
1.1 Introduction	4
1.2 Definitions	5
1.3 How the ESB Program Works	5-6
1.4 Eligibility	6
1.5 Qualifying Projects	7-8
1.6 Energy Savings and Multiple Measures	9
1.7 Aggregating Project Sites	9
1.8 Verification Requirements	9

2007 ESB Policy Manual

1.9 Incentives and Payments10-11

1.10 How to Apply12-14

1.11 Project Installation 14-15

1.12 Reporting 15

1.13 Other Important Terms and Conditions.....16

Appendix A Application Forms 17

Appendix B Sample ESB Agreement and Fact Sheet.....18

Section 1:

Program Overview and Policies

1.1 Introduction

Welcome to SDG&E's® 2007 Local Non-residential Energy Savings Bid (ESB) program. This program provides financial incentives for qualifying retrofit projects of existing equipment and/or systems with new high-efficiency equipment and/or systems. A measured approach is used to determine the energy savings and incentive. The estimated incentive payment is determined by the quantity of kilowatt-hour (kWh) savings calculated by the applicant resulting from installation of the new retrofit equipment and/or system. Applicants are eligible to receive up to 100 percent of the total measure cost, on a per measure basis.

The program is open to projects involving SDG&E's non-residential customers (commercial, industrial, governmental, agricultural, etc.) and their 3rd party project sponsors. The ESB Program is administered by San Diego Gas & Electric®.

Electric projects must save a minimum of 500,000 kilowatt-hours (kWh) annually. Natural gas projects must save a minimum of 25,000 therms annually to participate in the ESB Program.

Participation in the ESB program is entirely voluntary. Project Sponsors incur all costs associated with preparing the application, installing equipment, conducting measurement and verification (M&V) activities – when applicable, and otherwise reviewing and executing the ESB Agreement. Payment of incentive funds to Project Sponsors, which may be passed on to the customer, is dependant upon on adherence to ESB policies and procedures.

The 2007 ESB program opened January 2007. Applications and supporting documentation of the energy savings are accepted on a first come, first served basis until all of the applicable ESB incentive funds are no longer available. The Program is administered by SDG&E under the auspices of the California Public Utilities Commission and can be modified or terminated at any time.

Important Dates:

- Program opened: January 1, 2007
- Application deadline: December 31, 2007 or until all of SDG&E's ESB incentive funds are no longer available.
- Installation deadline: December 31, 2008

1.2 Definitions

Utility Administrator: San Diego Gas & Electric (SDG&E) administers the ESB program as a local program within the SDG&E service area under the auspices of the California Public Utilities Commission.

Project Sponsor: The Project Sponsor for the ESB Applicant is responsible for completing the ESB application and receives the incentive payments from SDG&E (unless the Project Sponsor indicates otherwise). See Section 1.8 for more information. The Project Sponsor may be the customer for whom the energy saving equipment and/or systems are installed, or may be a third-party authorized to act on behalf of the customer. NOTE: The Project Sponsor is the primary contact with the Utility and will receive all correspondence regarding the project.

Customer: The Customer is the utility customer with the SDG&E account at the site or sites where the energy-saving measure(s) will be installed. All non-residential customers who: (1) receive electric and/or natural gas services from SDG&E and (2) pay the public goods charge or demand-side management surcharge on their utility bills are eligible for Program participation as a customer.

Project: A project is defined as all of the energy-saving measures included in a single ESB proposal. A project may include multiple customers, sites and multiple measures as long as all are located within SDG&E's service area and are SDG&E customers.

Energy Saving Measure: An energy saving measure is the replacement or retrofit of existing equipment and/or systems with new high-efficiency equipment and/or systems. Only measures involving the retrofit of existing, operational equipment are eligible. Measures involving new construction, cogeneration, or fuel-switching projects are not eligible.

Note: Measures must meet or exceed applicable government and/or industry minimum efficiency standards to qualify.

1.3 How the ESB Program Works

1.3.1 The Main Parties

The ESB program involves three key parties:

- **Customer**
- **Project Sponsor**
- **Utility Administrator**

1.3.2 The Basic Process

The ESB program works as follows:

1. **Application Submission** – The Project Sponsor submits an ESB application to SDG&E. The application describes the Project and states the incentive amount requested. See Appendix A for the application and other required forms.

2. Application Review - SDG&E reviews the application. SDG&E may revise the energy savings and/or the incentive calculation as applicable. SDG&E can assist and/or provide for the measurement and verification on a Project. (See Verification section 1.8 for more details.) If all the energy savings and incentive calculations adhere to the guidelines, SDG&E will provide a non-binding preliminary approval. Contractual approval will be developed after SDG&E conducts a pre-installation site(s) inspection. **All existing equipment must be operating and available for inspection, or the Project will be ineligible.**

3. Application Approval – Once the site(s) pass the pre-installation inspection the proposal can be approved. Incentive funding for the Project is reserved and the Project Sponsor and SDG&E enter into an ESB Agreement that defines the energy savings and maximum incentive payment amount.

4. Project Installation – In all cases, installation **cannot** begin until after SDG&E approves the proposal, a pre-inspection is completed and any needed baseline measurements are completed.

5. Incentive Payment – Program payments are provided based on proved energy savings as measured by the projects approved M&V plan. See Section 1.9 for payment schedule. Because incentive payments are based on careful adherence to program requirements, please read this entire *Program Overview and Policies* section of the *2006 ESB Policy Manual* before starting an ESB Project.

1.4 Eligibility

1.4.1 Customer Eligibility

The ESB program is open to all non-residential customers who (1) receive electric services from SDG&E and (2) pay the public goods charge or demand-side management surcharge on their utility bills. As long as these criteria are met, all non-residential customers — including those who purchase electricity from another supplier — can apply for ESB incentives.

1.4.2 Project Sponsor Eligibility

Customers can self-sponsor their 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 SDG&E does not qualify nor endorse Project Sponsors; the Customer bears full responsibility for selecting a Project Sponsor.

1.5 Qualifying Projects

The ESB program accepts a wide variety of energy-saving Projects. Eligible categories include: lighting, air conditioning & refrigeration (AC&R), other electric equipment, or natural gas equipment. All Projects must meet the following criteria:

1. Retrofits Only. All energy-efficiency measures must be retrofits or replacements of existing equipment. The equipment that is being replaced cannot be broken and must still be in operation.

New construction, cogeneration, and fuel-switching Projects are not eligible. (Incentives for high-efficiency new construction are available through the *Savings By Design* program; for more information visit:

http://www.sdge.com/construction/ee_commercial_newconst.shtml)

2. T5 and T8 Fluorescent Fixtures

For the replacement of 4-foot fluorescent lamps, the proposed equipment must conform to Table 1.1.

Table 1-1 Eligible Fluorescent Lamp Characteristics

Lamp Type & Size	Ballast Type	CRI	Minimum Rated Lamp Life (3 hrs/start)
T5 - All Sizes	Programmed, Start/Programmed, Rapid-Start	>=82	24,000 hours
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

1.5.1 Summary of Ineligible Projects

Table 1-2 summarizes the types of measures that do not qualify for ESB incentive funds.

Table 1-2 Ineligible Projects

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|--|
| <ul style="list-style-type: none">• T5 and T8 fluorescent lighting retrofits where the proposed equipment does not meet the CRI and lamp Life requirements (Table 1-1)• Compact fluorescent lamps not equipped with electronic ballasts.• Measures that are installed before the pre-inspection is completed and the Proposal is approved• Technologies that fail to meet or exceed federal and state minimum standards• Technologies with a useful life of less than five years• Technologies where there is no significant replacement of equipment or modification to existing equipment• Measures that are not permanently installed• Measures that save energy due to behavioral or operational changes• Fuel-switching measures• Self-generation or cogeneration projects• New construction projects• Repair or maintenance projects of existing equipment• Re-commissioning activities• Power correction or power conditioning equipment• Manufacturer, distributor and dealer applications• Sites served by meters on residential rates• Unable to pass the TRC test |
|--|

Measures cannot overlap other incentive programs such as Express Efficiency or Standard Performance Contract. If any of the Project measures are included in proposals to any other California energy-efficiency rebate program, the Project will be ineligible for ESB 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, San Diego Gas & Electric, San Diego Regional Energy Office, the California Energy Commission, and the California Public Utilities Commission, including PGC funded Local and Statewide Programs. Applicants cannot receive incentives from more than one energy-efficiency program for the same measures. By participating in this program the Project Sponsor acknowledges no “double dipping.” Contact SDG&E for further details.

1.6 Energy Savings and Multiple Measures

An ESB Project must achieve significant energy savings, subject to the following provisions:

1. **Direct and Indirect Savings.** Projects may include both direct and indirect energy savings. Only direct savings count in determining a Project's energy saving incentive.
2. **Either Single or Multiple Measures.** An ESB Project may comprise a single energy-efficiency measure (e.g., a 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).

1.7 Aggregating Project Sites

A Project Sponsor may choose to combine individual measures at a single customer or multiple customers at different/multiple sites into a single Project using one program proposal form. Program rules are very flexible:

- Projects may include sites owned by single or multiple customers.
- There is no limit on the number of sites that can be aggregated.
- The sites can have different measures, operating hours and energy use profiles.
- Customer sites must be in the SDG&E utility service territory and served through an SDG&E meter.
- When combining sites and measures into a single proposal, a Project Sponsor should be aware that such Projects will not be reviewed, approved, or receive payment until on all the individual sites are completed.

1.8 Verification Requirements

As a performance-based contracting program the ESB program requires some means of determining the energy savings from a given Project and verifying that those energy savings have been achieved. Therefore, compliance and acceptance of a measurement and verification (M&V) process is required by the Project Sponsor and SDG&E.

SDG&E has contracted with an independent third-party to perform the measurement and savings verification. The Project Sponsor does have the option of choosing to perform the M&V process, provided the M&V plan is in the Project proposal and approved by SDG&E.

1.9 Incentives and Payments

All incentives are paid directly to the Project Sponsor unless otherwise indicated. Incentive payments are based upon the project's *actual* annual kWh energy savings obtained and proven by the M&V activity. In no case will the total incentive amount paid be greater than the contracted amount in the incentive agreement. True-up of incentives may be necessary. SDG&E shall pay 60 percent of the contracted incentive amount upon the installation of the energy efficiency measure(s), completion of the post-inspection and receipt of copies of the equipment invoices. The final 40 percent of incentive amount will be paid after satisfactory completion and approval of the M&V activity and completion of all tasks as specified in the proposal have been accomplished by the Project Sponsor. All payments are subject to auditing by SDG&E.

1.9.1 2006 ESB Energy Savings Incentive Levels

The Project Sponsor can propose the incentive amount desired, however the ESB has limited incentive funding. Project Sponsors should consider this and other available rebate/incentive programs when submitting an application. The recommended maximum project incentive SDG&E shall consider is limited to the lesser of:

- 100% of the project's measure cost, or
- An incentive based on the following:

Type of Measure	Incentive Rate
Lighting	Up to \$0.07 per annual kWh savings
AC & Refrigeration*	Up to \$0.20 per annual kWh savings
Other/Electric	Up to \$0.10 per annual kWh savings
Natural Gas	Up to \$0.80 per annual therm savings

* for compressor equipment only

If there are compelling reasons why SDG&E should pay more than these incentive amounts, Project Sponsors should provide valid documentation in their application to justify the desired incentive. SDG&E has sole discretion to accept or reject the reasoning provided.

1.9.2 Incentive Payment Based on Performance

The energy savings incentive is based on actual performance as determined by the Measurement & Verification (M&V). The incentive amount paid can vary between zero and 100 percent of the contracted amount. If at the time the M&V is approved, the estimated energy savings are less than agreed to in the contracted amount, the ESB contract shall be amended to reflect the lower amount.

The amount of the adjusted incentive could drop below the amount that was paid out at installation and proven by the M&V process. In such a situation the party who received the payment (either the Project Sponsor or Customer) is responsible for reimbursement of the difference to the SDG&E.

1.9.3 First – Come, First – Served

ESB 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.

If it is determined through the required periodic reporting that a project will not meet its savings goal, the funding reservation will be adjusted and the excess funding released. Applications received after total funds have been committed will be placed on a waiting list in the event that additional funding becomes available.

1.9.4 Incentive Caps

The energy savings incentives may not exceed 100 percent of the measure's cost. The measure cost includes the cost of the equipment and materials, on a per measure basis. The total compensation provided by SDG&E will be limited to only the incentive amount. Other costs incurred by the Project Sponsor including the cost of filling out the ESB application, conducting M&V, administration costs, etc., will not be reimbursed by SDG&E.

1.9.5 Payment Schedule

SDG&E does not pay in advance of deliverables but will pay upon successful completion of tasks and/or installation of equipment. Should a project require the installation of only one piece of equipment, SDG&E will not normally make a partial incentive payment. SDG&E will begin processing the individual incentive checks as follows:

- Payment 1: 60 percent upon receipt of invoice copies, completed project installation and post-inspection verification that equipment has been installed.
- Payment 2: 40 percent upon successful completion and approval of the M&V and completion of all tasks as specified in the proposal have been accomplished by the Project Sponsor.

1.9.6 Payment Disbursement

SDG&E will calculate the incentive payment based on its review of the submitted paperwork, site inspection and M&V. SDG&E will notify the Project Sponsor of the reserved incentive amount upon approval of the project submittal. If the Project Sponsor disputes the reserved incentive amount, SDG&E should be notified within 15 days. SDG&E will pay no higher than the contracted incentive amount. The total incentive amount paid will be based on the lesser of the contracted incentive amount or the approved M&V energy savings amount. If the project achieves a lower energy savings than anticipated, verified by the M&V process, the Project Sponsor will not receive the full incentive and is responsible for returning to SDG&E any overpayment that may have been made from the previous incentive payments. All payments are subject to auditing by SDG&E.

1.10 How to Apply

The application process requires careful attention to detail. Applications that are incomplete, incorrect and/or don't meet the program guidelines will not be approved for participation.

1. Complete application forms. This includes the following four forms: 1) C1- Application; 2) C2 – Detailed Savings spreadsheet; 3) C3 – Incentive Summary and TRC spreadsheet; 4) Customer Affidavit. A Project Sponsor should also include supporting documentation of the estimated energy savings and a timeline for implementation. (See Appendix A)

2. If applicable, complete and submit M&V plan. Project Sponsors have the option of performing their own measurement and verification, provided the plan is approved by SDG&E. Project Sponsors can also elect to have an independent contractor authorized by SDG&E to perform the M&V with the agreement to abide by their savings results.

3. Submit one (1) paper copy and one (1) electronic copy to SDG&E. Applications should be submitted to either the Senior Market Advisor or the Program Assistant listed in Table 1-3.

SDG&E need not accept late or incomplete submittals. It is the Project Sponsor's responsibility to verify that their proposal has been received on time. SDG&E is not liable for any costs incurred by the Project Sponsor in responding to this program.

4. Application Acceptance. Notification of application acceptance will occur within four weeks of application submission.

Table 1-3 Utility Administrator

San Diego Gas & Electric www.sdge.com
Jerry Humphrey - Energy Saving Bid Program – Senior Market Advisor Phone: (858) 654-1190 E-mail: ghumphrey@semprautilities.com Address: San Diego Gas & Electric 8335 Century Park Ct., CP12C San Diego, CA 92123-1569
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1.10.1 Utility Inspection

After reviewing a project application that meets the program qualifications and is accepted for participation, SDG&E will contact the Project Sponsor to schedule a pre-installation site inspection as soon as possible, usually within five business days of project acceptance. 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 efficiency measures could become ineligible).
- The work has not yet occurred (if field preparations for installation have begun, SDG&E must be notified, or the Project could become ineligible).

The Project Sponsor and Customer must be flexible in scheduling such inspections and provide complete access to Project sites.

A Representative of the Project Sponsor who is familiar with the project, as well as the Facility Manager or other responsible Representatives 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, SDG&E may decline the proposal. If SDG&E allows a third inspection, the Project Sponsor must pay the cost incurred by SDG&E for conducting the additional inspection.

1.10.2 Notice of Review Results

SDG&E will give the Project Sponsor notice of the results of the inspection and overall review of the Project application. Possible outcomes are as follows:

Approved. The approval letter will inform the Project Sponsor that the Project is acceptable under the terms of the ESB program, outlining the approved energy savings and incentive funds that will be reserved. The letter will also include an official ESB Agreement (contract), which should be signed and returned within 10 business days. If the Project Sponsor does not sign and return the contract within the designated time, SDG&E reserves the right to rescind the contract. A sample contract is included as Appendix A of this *ESB Policy 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, SDG&E will resume the review process. Remember, funds are limited and are not reserved until the proposal 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 project is not approved by SDG&E's Engineering group;
- 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 or the Project Sponsor does not agree to abide by findings of SDG&E's independent M&V contractor;
- SDG&E and Project Sponsor can not agree to level of incentive funding;
- Program funds are no longer available.

1.11 Project Installation

1.11.1 Implementation

As a general rule, actual Project implementation should not begin until after the project application has been approved. However, sometimes SDG&E, at its discretion, may allow work to begin immediately after the pre-installation inspection. This allowance by SDG&E 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 SDG&E, verbal notification is not binding. Work includes, but is not limited to, decommissioning and/or removal of existing equipment, demolition, facility alterations to prepare for new equipment, and installation of new equipment.

1.11.2 Utility Administrator Inspection

Upon notification from Project Sponsor that installation is completed, SDG&E will schedule the post-inspection of the project site. This inspection is subject to the same provisions as the pre-installation inspection. If the inspection fails two times, the Project Sponsor must pay the cost incurred by SDG&E for conducting any further inspections.

1.11.3 Notice of Review Results

SDG&E will provide the Project Sponsor with written notice of the results of the inspection and review, typically within 15 days from notification from Project Sponsor that installation is completed. If approved, the notice will include the approved incentive amount based on SDG&E's review of the Installation Report and indicate that an incentive check is being processed.

If the Installation Report is not approved, the Project Sponsor has 30 days to resubmit a revised Installation Report providing SDG&E with the requested information. Even after installation, a Project may be denied incentive funds if:

- The installation is not consistent with the ESB Agreement; or
- The Project Sponsor causes unreasonable delays in scheduling an inspection; or
- SDG&E must ask for clarifying information more than three times.

If an Installation Report is not approved, SDG&E may terminate the ESB Agreement and release the incentive funding that had been reserved for the Project.

1.11.4 December 2008 Installation Deadline

All 2007 Projects must be installed and fully operational by December 31, 2008. Any Projects not installed by this date will be dropped from the program, unless another agreement is made prior to this deadline or the Project Sponsor receives a written extension from SDG&E.

1.12 Reporting

The Project Sponsor must notify SDG&E when the following milestones are achieved:

- Installation and Operation – triggers 60% incentive
- M&V and Final Paperwork – triggers 40% incentive

A hardcopy and/or electronic reporting must be supplied to SDG&E for; but not limited to; site & measures information, invoices, measurement & verification data, and other information needed by SDG&E to complete the analysis and incentive payment for the project.

1.12.1 Timing

The Project Sponsor should advise SDG&E within 30 days of the equipment installation. SDG&E will typically review and issue the post-inspection within 5 business days. Multiple site projects may take longer.

1.13 Other Important Terms and Conditions

By virtue of participation in the ESB 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 ESB experience and/or request a site visit. All participants agree to comply with such program evaluations.
2. SDG&E expressly reserves 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 ESB program, as well as the unrestricted right to contract with others to perform the work or to perform any such work themselves.

The CPUC has decided that SDG&E will administer the ESB program through the end of 2008. The CPUC has not decided who will administer the program thereafter or if the program will continue. Thus, after December 31, 2008, existing ESB Agreements could be assigned to a new Administrator. In their ESB Agreements, Project Sponsors must agree to terms and conditions allowing for such a transfer.

1.13.1 Notice of Public Record

Participants should be aware that ESB agreements are a matter of public record and may not be kept confidential. SDG&E is not liable to any Project Sponsor, Customer, or other party as a result of any public disclosure of any submittals.

1.13.2 Agreement Termination

ESB agreements (contracts) may be terminated under the following conditions:

- The Project fails to be installed prior to the December 31, 2008 deadline.
- The Project Sponsor formally requests withdrawal from the program, or requests the agreement be turned over to the customer.

For more information see the sample agreement in Appendix B.

Appendix A

Application Forms

Form C1 – Application



C1 BID application
form.doc (2...

Form C2 – Detailed Savings Summary Spreadsheet



C2 BID detailed
savings.xls (2...

Form C3 – Incentive Summary and TRC



C3 summary for
incentive and T...

Form C4 – Customer Affidavit



C4 BID affidavit.pdf
(128 KB)

Appendix B

Sample Agreement



2006-2008 Sample
Bid Agreement.doc

Fact Sheet



ESB Factsheet.pdf