



Self-Generation Incentive Program Handbook

April 20, 2009

Provides financial incentives for installing
clean, efficient, on-site distributed generation



What's New

2009 Self-Generation Incentive Program

The 2009 Self-Generation Incentive Program (SGIP) handbook includes significant changes resulting from recent CPUC decisions.

1. An additional incentive of 20 percent will be provided for the installation of eligible distributed generation and Advanced Energy Storage technologies from a California Supplier. (Section 3.5)
2. Advanced Energy Storage systems that meet certain technical parameters and are coupled with eligible SGIP technologies, currently wind and fuel cell technologies, are eligible in PY2009 and will receive an incentive of \$2 per watt of installed capacity. Advanced Energy Storage Projects must be sized no larger than the rated capacity (kW) of the SGIP eligible technology it is operating in concert with. The Advanced Energy Storage Project capacity rating must be the net continuous discharge power output (kW) over a four hour period and must be established from manufacturer documentation. Note that Advanced Energy Storage systems utilizing hydrogen as the storage medium are not eligible at this time. (Section 2.5 and Section 6).

Note: Advanced Energy Storage applications will not be accepted until the California Public Utilities Commission has approved the SGIP Program Administrator's Advice Letter incorporating Advanced Energy Storage as an eligible technology under the SGIP

3. The PY2009 budgets by SGIP Program Administrator are –

Program Administrator	Percentage	2009 SGIP Budget (in millions)
PG&E	44%	\$36
SCE	34%	\$28
CCSE	13%	\$11
SoCalGas	9%	\$8
TOTAL	100%	\$83

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1 INTRODUCTION

This handbook establishes the policies and procedures of the Self-Generation Incentive Program (SGIP) for potential program participants and other interested parties. It is the joint work product of Pacific Gas and Electric (PG&E), Southern California Edison (SCE), the Southern California Gas Company (SoCalGas), California Center for Sustainable Energy (CCSE), San Diego Gas & Electric (SDG&E), California Energy Commission (CEC) and the Energy Division of the California Public Utilities Commission (CPUC). The SGIP has been approved by the CPUC and is subject to change in whole or in part at any time without prior notice. Any changes made to the SGIP will be published in revisions to this Handbook and/or posted at each Program Administrator's website under "Interim Changes".¹

1.1 Program Summary

The SGIP provides financial incentives for the installation of new, qualifying self-generation equipment installed to meet all or a portion of the electric energy needs of a facility. The SGIP was originally designed to complement the CEC's Emerging Renewables Program (ERP)² by providing incentive funding to larger renewable and non-renewable self-generation units up to the first 1.0 MW in capacity. As of April 24, 2008 and through 2009, CPUC Decision 08-04-049 extends the incentive cap to 3.0 MW contingent upon eligible incentive budget carried over from previous years.³

PG&E, SCE, SoCalGas, and CCSE are the Program Administrators for the SGIP throughout their respective service territories.⁴

Host Customers seeking incentives for solar electric systems (e.g., photovoltaics) should investigate the California Solar Initiative (CSI) program. Interested participants can find CSI program information on the PG&E, SCE, and CCSE websites.

The SGIP Working Group consists of the Program Administrators and representatives from SDG&E, the California Energy Commission staff associated with the ERP, and the Energy Division of the CPUC. The CPUC charged the Working Group with the tasks of program implementation, addressing programmatic issues and maintaining statewide program uniformity.

¹ Capitalized terms used herein are defined in Section 6 of this Handbook.

² Wind turbines and fuel cell projects less than 30 kW should apply to the CEC's Emerging Renewable Program.

³ Maximum system size is 5 MW. However, only the first 3 MW of system capacity are eligible for incentives, and the incentive for those portions of systems larger than 1 MW received lower incentives based upon a tiered incentive structure approved by the Commission. Reference CPUC Decision 08-04-049, April 24, 2008 (increasing system capacity eligible for incentives from 1 to 3 MW using carryover funds for calendar years 2008 and 2009 only).

⁴ CCSE is the Program Administer for SDG&E customers.

1.2 Program Background

Assembly Bill 970 (AB 970) required the CPUC to initiate certain load control and distributed generation activities, including financial incentives. On March 27, 2001, the CPUC issued Decision 01-03-073, which ordered the state's investor-owned utilities (PG&E, SDG&E, SCE, and SoCalGas) to work with the CPUC Energy Division, the CEC and CCSE to develop and implement a self-generation equipment incentive program.

On October 12, 2003, AB 1685 extended the SGIP beyond 2004 through 2007. This bill required the CPUC, in consultation with the CEC, to administer, until January 1, 2008, a self-generation incentive program for distributed generation resources in the same form that existed on January 1, 2004, and that combustion-operated distributed generation Projects using fossil fuels commencing January 1, 2005, meet a NOx emission standard, and commencing January 1, 2007, meet a more stringent NOx emission standard and a minimum system efficiency standard, to be eligible for incentive rebates under the SGIP. The bill established a NOx emission credit that can be used by combined heat and power (CHP) units that meet the minimum system efficiency standard in order to meet the emission standard.

On September 22, 2004 AB 1684 made exempt certain Projects from the NOx emission standard set forth in AB 1685, starting in 2005, if the Project meets certain Waste Gas fuel and permitting requirements.

On December 16, 2004, CPUC Decision 04-12-045 modified the SGIP by implementing the provisions of AB 1685, eliminating the maximum percentage payment limits, and reducing the incentive payments for several technologies. This decision also directed the Program Administrators to expand opportunities for public input in three Working Group activities: 1) developing a declining rebate schedule, 2) developing an exit strategy, and 3) adopting a data release format.

CPUC Decision 04-12-045 also directed the SGIP Working Group to develop appropriate procedural and financial mechanisms to deter inappropriate reservation requests, or "phantom projects,"⁵ from applying to program. In response to both the directive set forth in Decision 04-12-045 and to public comments, the Working Group adopted the implementation of an Application Fee for all SGIP reservations received on or after July 1, 2005 and all applications on SGIP Wait Lists. Note that the SGIP Working Group deleted the Application Fee requirement from the 2007 SGIP except in the case of new technologies that are in process of certification.

On January 12, 2006, CPUC Decision 06-01-047 established the California Solar Initiative (CSI) and ordered changes in the 2006 SGIP to accommodate the transition of solar program elements to the CSI beginning in 2007.

⁵ Inappropriate reservation requests or "phantom projects" are defined as Projects that apply to SGIP, receive a Conditional Reservation for funding and later are withdrawn or rejected.

On September 29, 2006, AB 2778 extended SGIP until January 1, 2012, a self-generation incentive program for distributed generation resources. The program in its currently existing form would be applicable to all eligible technologies until January 1, 2008, except for solar technologies, which the commission would be required to administer separately, after January 1, 2007, pursuant to the California Solar Initiative. Commencing January 1, 2008, until January 1, 2012, AB 2778 eligible technologies include fuel cells and wind distributed generation that meet or exceed the emissions standards required under the distributed generation certification program adopted by the State Air Resources Board. In determining the eligibility of Non-Renewable Fuel Cell for the SGIP, AB 2778 states that minimum system efficiency shall be determined either by calculating electrical and process heat efficiency as set forth in Section 216.6, or by calculating overall electrical efficiency.

CPUC Decision 08-04-049, April 24, 2008, raised the cap on incentives to individual projects that apply through the SGIP. During 2008 and 2009 only, this decision allows program administrators of the SGIP Program Administrators to use any carryover funds from prior budget years to pay incentives up to 3 megawatts (MW) for qualifying fuel cell or wind distributed generation (DG) projects. The incentive for those portions of systems larger than 1 MW but no larger than 3 MW will be paid a lower incentive on the portion of their SGIP funded system(s) that exceed 1MW for that site based upon a tiered incentive structure approved by the Commission.

AB 2667, approved by the Governor September 28, 2008, requires the CPUC to provide from existing SGIP funds an additional incentive of 20% for the installation of eligible distributed generation resources from a California Supplier.

CPUC Decision 08-11-044, November 21, 2008, provides that Advanced Energy Storage systems that meet certain technical parameters and are coupled with eligible SGIP technologies, currently wind and fuel cell technologies, will receive an incentive of \$2 per watt of installed capacity. In addition, the Decision outlines the revised process for the review of the SGIP program modification requests.

1.3 Program Modification

Since initiating the SGIP, the CPUC has received several petitions for modification to add new technologies to the SGIP, as well as requesting other related programmatic changes. On August 21, 2003, the CPUC issued Decision 03-08-013 that instructed the SGIP Working Group to implement a more effective process by which the CPUC could consider proposed new technologies or SGIP rule changes that does not rely on procedures related to petitions for modification.

The Working Group developed a process for interested parties to use to propose new technologies or SGIP rule modifications to the Working Group and the CPUC for careful and complete consideration in an efficient manner. This process, described in the Program Modification Guidelines (PMG), prescribes the proposal requirements, evaluation process and schedule. The latest PMG is available from any of the Program Administrators' websites.

In summary, the Program Modification Request process consists of -

1. All Program Modification Requests (PMRs) must be submitted in writing, using the current PMR format, to the SGIP Working Group for review at least 10 business days prior to the SGIP Working Group meeting or the request will roll over to the next SGIP Working Group meeting.
2. All parties desiring a program modification will be required to meet with the SGIP Working Group at the monthly SGIP Working Group meeting to determine if the Working Group would support the PMR.
3. The SGIP Working Group will first determine whether or not the proposed PMR requires a modification to a prior Commission order.
4. If the PMR is minor and non-substantive, and does not require modifications to prior Commission orders, then:
 - a. The Working Group will review the PMR. If accepted, the Working Group will make the appropriate changes to the Handbook.
 - b. If the Working Group needs more information, the party proposing the PMR would have the opportunity to present at the following Working Group meeting with additional information which supports its request for a program change.⁶
 - c. The Working Group will make a decision to accept or deny the PMR based on the new information presented in the follow-up presentation.
 - d. The proposed program change and the Working Group recommendation(s) and rationale will be captured in the Working Group meeting minutes.
 - e. If the party objects to the Working Group's decision to deny the PMR, the party may write a letter to Energy Division stating why their program change should be included in SGIP. Information that supports the party's reasons to accept the program change must be included in the letter.
 - f. Energy Division will then make a final decision on whether to approve the PMR.
 - g. Energy Division will report its final decision at the following SGIP Working Group meeting, which will be captured in the SGIP Working Group meeting minutes.
 - h. If the PMR is accepted, appropriate revisions to the Handbook will be made to capture the change.
5. If the proposed change requires modification to a prior Commission order or if the PMR addresses large programmatic or substantive issues, then:
 - a. The Working Group will review the PMR and make a recommendation to support or oppose the PMR in the same meeting.
 - b. The proposed program change, the Working Group recommendation and rationale will be captured in the Working Group meeting minutes.

⁶ The Working Group will determine the timeframe in which the applicant should provide additional information at the following Working Group meeting.

- c. Subsequent to the meeting, the Working Group will write up a summary of the discussion of the PMR at the Working Group meeting, a list of comments in support or against the PMR, as well as the Working Group's overall recommendation with rationale, which will be presented to the Applicant.
- d. The party proposing the PMR has the choice to move forward and submit a petition to modify (PTM) for Commission review regardless of the Working Group's recommendation, but the Working Group's summary must be included in the PTM.
- e. The Energy Division participates in Working Group meetings and is welcome to participate in the discussion related to the PMR as well as in generating the "list of issues". The Energy Division does not need to participate in the "recommendation" portion of the Working Group's PMR review.
- f. Once the PTM is filed with the Commission, the normal PTM process will transpire, only it will have the benefit of the idea being somewhat vetted before submittal. All parties have a chance to comment on PTMs according to the Commission's Rules of Practice and Procedure.
- g. The Commission will review and address the PTM in a decision.

2 PROGRAM ELIGIBILITY CRITERIA AND REQUIREMENTS

The eligibility criteria for the SGIP govern which utility customers and Projects can participate. In order to qualify for incentives, all program eligibility criteria must be satisfied. The following sections detail these requirements.

2.1 Effective Dates

Each Program Administrator first began accepting applications to the SGIP in the summer of 2001. AB 1685 extended the SGIP through December 31, 2007 and AB 2778 extended the SGIP through December 31, 2011. Each Program Administrator offers incentive funding on a first-come, first-served basis for each calendar year of the SGIP, subject to annual budget limits set by the CPUC. Each Program Administrator carries forward uncommitted or unspent SGIP funds for a given calendar year and applies them towards SGIP funding in the following year. This funding is known as Carryover Funding. Program Administrators may also reallocate unspent funds from Level 3 to Level 2 without prior CPUC approval.

During 2008 and 2009 only, program administrators of SGIP may utilize carryover funds from prior budget years to pay incentives on projects in excess of 1MW, up to 3 megawatts (MW) for qualifying fuel cell or wind distributed generation (DG) projects.

Projects are eligible for incentives if the Host Customer or System Owner has not yet received authorization from the serving Electric Utility to operate the Project in parallel with the grid or if the system was authorized for interconnection within the 12-months prior to the submittal of the reservation application.

2.2 Host Customer Eligibility

Any retail level electric or gas distribution customer of PG&E, SCE, SoCalGas, or SDG&E is eligible to apply as the Host Customer and receive incentives from the SGIP. The Host Customer must be the utility customer of record at the Site where the generating equipment is or will be located. In the event the Host Customer's name is not on the utility bill, a letter of explanation is required. Said letter must address the relationship of the Host Customer to the named utility customer. Any class of customer (industrial, agricultural, commercial or residential) is eligible to be a Host Customer in the SGIP. The Host Customer's Site must be located in the service territory of, and receive retail level electric or Gas Service⁷ from PG&E, SCE, SDG&E or SoCalGas at the Site. Municipal utility customers also served by SCE, PG&E, SDG&E or SoCalGas at the Site are eligible.

⁷ "...retail level electric or Gas Service..." means that the Host Customer pays for and receives distribution services, as defined by their respective utility rate schedule.

The Host Customer is the incentive reservation holder. The Host Customer may also be the Applicant and/or System Owner. In the event the Host Customer or System Owner withdraws from the Project and cancels the Host Customer and System Owner Agreement that is part of the Reservation Request Form, the Host Customer alone will retain sole rights to the incentive reservation and corresponding incentive reservation number. To preserve such incentive reservation and corresponding reservation number, the Host Customer must submit a new Reservation Request Form to the Program Administrator. The Host Customer thus has the right to designate the Applicant, energy services provider, and/or system installer. As the utility customer of record, the Host Customer shall be party to the SGIP Contract. See Section 4.2 for further information on Host Customer rights to assign responsibilities and claims.

The following Host Customers or Host Customer Loads are **not** eligible for incentives under the SGIP:

- Customers who have entered into contracts for Distributed Generation (DG) services (e.g. DG installed as a distribution upgrade or replacement deferral) and who are receiving payment for those services. This does not include Power Purchase Agreements, which are allowed.
- Metered Host Customer loads, serviced by an onsite generator (or generators) that export and sell power. This does not include other metered Host Customer loads at the Site that are not exporting or Net Energy Metering agreements, which are allowed.
- Any portion of a Host Customer's load that is committed to Electric Utility interruptible, curtailable rate schedules, programs or any other state agency-sponsored interruptible, curtailable, or demand-response programs. For Electric Utility customers who are on an interruptible rate, only the portion of their electric load designated as firm service is eligible for the SGIP. Customers must agree to maintain the firm service level at or above capacity of the proposed generating system for the duration of the required applicable warranty period (see Section 2.5.11). Customers may submit a letter requesting an exemption to the firm service rule if they plan to terminate or reduce a portion of their interruptible load.
- Publicly-owned or investor-owned gas, electricity distribution utilities or any Electrical Corporation (ref. Public Utility Code 218) that generates or purchases electricity or natural gas for wholesale or retail sales.

2.3 System Owner Eligibility

The System Owner is the owner of the generating equipment at the time the incentive is paid. For example, in the case when a vendor sells a turnkey system to a Host Customer, the Host Customer is the System Owner. In the case of a leased system, the lessor is the System Owner. The System Owner shall be designated on the Reservation Request Form, if known at that time, and on the Incentive Claim Form. If different from the Host Customer, the System Owner shall also be a party to the SGIP Contract. The Program Administrator may require documentation substantiating equipment ownership.

2.4 Applicant Eligibility

The Applicant is the entity that completes and submits the SGIP application and serves as the main point of communication between the SGIP Program Administrator throughout the application process. Host Customers may act as the Applicant or they may designate a third party (e.g. a party other than the Program Administrator or the utility customer) to act as the Applicant on their behalf. Applicants may be third parties such as, but not limited to, engineering firms, installation contractors, equipment distributors, Energy Service Companies (ESCO), equipment lessors, etc.

The Host Customer may elect to change the Applicant at their discretion.

2.5 Generator System Equipment Eligibility

Self-generation technologies eligible for the SGIP are grouped into two incentive levels⁸ as shown in Table 2-1 below:

Table 2-1 - Technologies Eligible for SGIP Incentives

Incentive Levels	Eligible Technologies
Level 2 Renewable	<ul style="list-style-type: none">Fuel cells operating on Renewable FuelWind turbineAdvanced Energy Storage coupled with renewable eligible self generation technology and four hour discharge period at rated capacity
Level 3 Non-Renewable	<ul style="list-style-type: none">Fuel cells operating on non-renewable fuel and meeting the minimum operating efficiency requirementAdvanced Energy Storage coupled with Non-renewable eligible self generation technology and four hour discharge period at rated capacity

2.5.1 Equipment Must Serve On-Site Electrical Load

Only self-generation equipment installed on the Host Customer's side of the Electric Utility meter is eligible. Equipment must be sized to serve all or a portion of the electrical load at the Site.

2.5.1.1 Load Following Requirement for Advanced Energy Storage

To be eligible for SGIP incentives Advanced Energy Storage systems must have the ability to handle hundreds of partial discharge cycles each day.

⁸ The SGIP incentive levels were reorganized by CPUC Decision 06-01-047, January 12, 2006, to better suit the implementation of the California Solar Initiative.

2.5.2 Hybrid Systems

A system that contains more than one type of eligible technology at one Site and behind one Electric Utility service meter is considered a “Hybrid System” and is eligible for SGIP incentives. This can include the two levels listed above in Table 2-1. For example, a Wind Turbine and Fuel Cell Hybrid System installed at a single Site may receive incentives, provided each technology meets all SGIP eligibility requirements for that technology. A system that consists of different technologies within one incentive level (for example a Renewable Fuel Cell and Wind Turbine) is also considered a Hybrid System if installed behind the same meter at the Site. See Section 3.4 for an explanation of how to calculate incentives for Hybrid Systems.

2.5.2.1 Mandatory Hybrid Systems

To be eligible for SGIP incentives Advanced Energy Storage systems must be coupled with one of the eligible self generation technologies, namely wind or fuel cell technology. Any SGIP project that is currently an eligible technology (wind or fuel cell), including previously installed SGIP projects, are eligible to receive Advanced Energy Storage incentives if coupled with an eligible Advanced Energy Storage system.

“Coupled” means that the Advanced Energy Storage and self-generation equipment are installed on the same electric circuit on the customer side of a single electric utility billing meter.

2.5.3 Equipment and Installation Certifications

The SGIP intends to provide incentives for reliable, permanent, safe systems that are professionally installed, and comply with all applicable Federal, State and local regulations. Host Customers and System Owners are strongly encouraged to become familiar with applicable equipment certifications, design, and installation standards for the systems they are contemplating. All systems must be installed by appropriately licensed California contractors in accordance with rules and regulations adopted by the State of California Contractors’ State Licensing Board. Installation contractors must have an active A, B, or C-10 license. The system installers name, telephone number and contractor license number must be submitted along with the Proof of Project Milestone documentation.

2.5.4 Rating Criteria for System Output

Wind turbine rated capacity is the highest electrical output from the manufacturer’s power output curve for wind speeds up to 30 mph including inverter losses. For Level 2 technologies (except wind turbines), the generating system capacity is the operating capacity based on the average annual available Renewable Fuel flow rate, including allowable fossil fuel at ISO conditions⁹. For Level 3 technologies, the generating system rated capacity is the net continuous power output of the packaged prime mover/generator at ISO conditions operating on a Non-Renewable fuel. For Advanced Energy Storage technologies, the rated capacity must be the net continuous discharge power output (kW) over a four hour period.

Eligible technology system rated capacity must be substantiated with documentation from the manufacturer. Refer to Section 4.3.2 for detailed instructions on documentation requirements.

System capacity ratings are established at the time of Conditional Reservation Notification in order to determine the SGIP reservation dollar amount. If system modifications (i.e., changes in equipment make/model) are made after the Conditional Reservation Notification, the system capacity must be re-rated using currently available published component information for the changed equipment. If the number of components has increased or decreased and there is no change in the make/model of the equipment used, system components can be re-rated using the same published information used at the time of the Conditional Reservation Notification. Any net increase in system capacity after Conditional Reservation Notification may or may not result in an increase in the SGIP incentive amount, depending upon funding availability at the time the change is made.

2.5.5 Minimum Size

For Wind Turbine and Renewable Fuel Cell technologies, the minimum system size per Site is 30 kW.¹⁰ There are no minimum size criteria for Fuel Cell technologies operating on Non-Renewable fuel or Advanced Energy Storage technologies.

2.5.6 Maximum Size

The maximum eligible system size is 5 MW per Site or the load limited system size (2.5.6.1 for Wind Turbines or 2.5.6.2 for Fuel Cells) which ever is less. For systems larger than 1 MW, the maximum incentive is capped at 3 MW per Site. However, incentives are lower for projects above 1 MW on the portion of their SGIP funded system(s) that exceed 1MW for that site based upon a tiered incentive structure approved by the Commission.

The System Owner/Host Customer shall substantiate that the proposed system size does not exceed 5 MW. If any of the following items submitted (preliminary and final), or actions taken, indicate a system size greater than 5 MW, the Project will be deemed ineligible.

- Required SGIP applications, submittals, and supporting documentation
- Interconnection documentation
- Building Permits
- Air Permits
- Design documents including civil, structural, electrical and mechanical systems
- Expansion construction commencing prior to payment of the incentive.

⁹ Industry standard conditions to measure output – temperature at 59 degrees Fahrenheit and altitude at sea level (0 feet).

¹⁰ Based on the system rated capacity per Section 2.5.6.

2.5.6.1 System Sizing for Wind Turbine Projects

Wind Turbine Projects may be sized up to 200% of the Host Customer's previous 12-month annual peak demand at the proposed Site.

If the Site hosts existing generation, the combined capacity of the proposed and existing generators (excluding any back-up generators) must be no more than 200% of the Host Customer's Maximum Site Electric Load.

Substantiation of system sizing is required with the initial Reservation Request application submittal.

2.5.6.2 System Sizing for Fuel Cell Projects

Fuel Cell Projects may be sized up to the Host Customer's previous 12-month annual peak demand at the proposed Site.

If the Site hosts existing generation, the combined capacity of the proposed and existing generators (excluding any back-up generators) must be no more than the Host Customer's Maximum Site Electric Load.

Substantiation of system sizing is required with the initial Reservation Request application submittal.

2.5.6.2.1 Non-Renewable Fuel Cell Systems 5 kW or Less

Non-Renewable Fuel Cell systems that are rated at 5 kW or less are exempt from the system sizing requirements.

2.5.6.3 System Sizing for Advanced Energy Storage Projects

Advanced Energy Storage Projects must be sized no larger than the rated capacity of the SGIP eligible technology it is operating in concert with.

Substantiation of system sizing is required with the initial Reservation Request application submittal.

2.5.6.4 System Sizing for Electric Energy (kWh) Only Data

Sites with 12-months of previous energy usage data (kWh), but without peak demand (kW) information available (e.g., customers on rate schedules without a demand component) will have an equivalent peak demand calculated using the following method –

$$\text{Peak Demand (kW)} = \text{Largest Monthly Bill (kWh/month)} / (\text{Load Factor} \times \text{Days/Bill} \times 24)$$

$$\text{Residential: Load Factor} = .45^{11}$$

$$\text{Small Commercial: Load Factor} = .47^{12}$$

$$\text{Agricultural: Load Factor} = .35$$

¹¹ Residential Load Factor estimated from California Investor Owned Utility domestic static load profiles.

¹² Small Commercial and agricultural Load Factors From "2002-2012 Electricity Outlook Report, CALIFORNIA, ENERGY COMMISSION, February 2002 P700-01-004F" Table III-2-1.

The resulting annual peak demand estimate should be used in either 2.5.6.1 or 2.5.6.2, depending on the technology proposed.

2.5.6.5 System Sizing Based on Future Load Growth or Availability of Renewable Fuel

Applications must include an engineering estimate with appropriate substantiation of the Host Customer Site's annual peak demand forecast if the generating system size is based on future load growth, including new construction, load growth due to facility expansion or other load growth circumstances. Suggested methods of demonstrating load growth include Application for Service with corresponding equipment schedules and single line diagram; building simulation program reports such as eQUEST, EnergyPro, DOE-2, and VisualDOE; or detailed engineering calculations. The Program Administrator will verify the load growth predicted before moving forward with the Conditional Reservation Notice. Application documentation must demonstrate that sufficient load has materialized before the incentive can be paid. Additionally, the Program Administrators will verify the Site load has materialized during the field verification visit or subsequent site inspections.

Proposed Renewable Fuel systems must include, in their Reservation Request application, an engineering survey or study confirming the on-site Renewable Fuel (i.e., adequate flow rate) and the generating system's average capacity during the term of the Project's required warranty/maintenance period.

If the Site load forecast or renewable fuel forecast has not yet materialized, the Applicant will be given two options; 1) take a one time payment based on the Site load or fuel availability (whichever is less) demonstrated at the time of initial inspection or, 2) wait for the Site load or fuel to materialize within 12-months of the Reservation Expiration Date. If the Site load or fuel has not materialized within the 12-month period, the Project will be paid based on the Site load, or system operating capacity available at the end of the 12-month period.

2.5.7 Not Eligible under the SGIP

The following types of generating systems / equipment are not eligible for the SGIP:

- Back-Up Generators - systems intended solely for emergency or back-up generation purposes
- Any system/equipment that is capable of operating on or switching to diesel fuel, or Diesel Cycle for start-up or continuous operation
- Generating technologies not listed in Table 2-1 (Eligible Equipment Types) in Section 2.5.
- Stand alone Advanced Energy Systems that are installed without a companion currently eligible self generation technology.
- Advanced Energy Storage systems utilizing hydrogen as the storage medium are not eligible at this time.

2.5.8 Minimum Operating Efficiency

Level 3 systems¹³ must meet a minimum operating efficiency requirement. Proposed Level 3 systems can satisfy this requirement by either meeting the 1) waste heat utilization, or 2) minimum electric efficiency requirements. Each of these requirements is described in detail in 2.5.8.1 and 2.5.8.2.

2.5.8.1 Waste Heat Utilization

To meet minimum waste heat utilization Level 3 systems must meet the requirements of Public Utilities Code 216.6, which are expressed in the following equations.¹⁴

$$\text{P.U. Code 216.6 (a)} \Rightarrow T / (T + E) \geq 5\%$$

And,

$$\text{P.U. Code 216.6 (b)} \Rightarrow (E + 0.5 \times T) / F \geq 42.5\%$$

Where:

T ≡ The **annual** useful thermal output used for industrial or commercial process (net of any heat contained in condensate return and/or makeup water), heating applications (e.g., space heating, domestic hot water heating), used in a space cooling application (i.e., thermal energy used by an absorption chiller).

E ≡ The **annual** electric energy made available for use, produced by the generator, exclusive of any such energy used in the power production process.

F ≡ The generating system's **annual** Lower Heating Value (LHV) non-renewable fuel consumption.

All applications proposing Level 3 technologies must provide documentation demonstrating an ability to meet both of the minimum waste heat utilization standards stated above, including an engineering calculation of the P.U. Code 216.6 efficiencies with documented assumptions regarding the Site's Thermal Load.

Specifically, following documentation must be provided.

- **Generator & Thermal System Description**

The application must include the performance and capacity specifications for the proposed Combined Heat and Power (CHP) system and all thermal system equipment that the CHP system interacts with or serves. This includes but is not limited to the generator system, heat recovery

¹³ For PY2008, Level 3 systems are limited to Fuel Cells operating on a Non-Renewable Fuel.

¹⁴ PUC 216.6 - "Cogeneration" means the sequential use of energy for the production of electrical and useful thermal energy. The sequence can be thermal use followed by power production or the reverse, subject to the following standards: (a) At least 5 percent of the facility's total annual energy output shall be in the form of useful thermal energy; (b) Where useful thermal energy follows power production, the useful annual power output plus one-half the useful annual thermal energy output equals not less than 42.5 percent of any natural gas and oil energy input.

system, heat exchangers, absorption chillers, boilers, furnaces, etc. In addition, a thermal process diagram must be provided as part of the documentation package that shows the configuration of the generator(s), heat recovery system, pumps, heat exchangers, Thermal Load Equipment, and the working fluid flow and temperatures in/out of each piece of major equipment at design conditions.

- **Forecast of Generator Electric Output**

The application must include a forecast of the monthly generator electric output (kWH/month) for a twelve-month period. The generator electric output forecast must be based on the operating schedule of the generator, historical or Site electric load forecast and maximum/minimum load ratings of the generating system; exclusive of any electric energy used in ancillary loads necessary for the power production process (i.e., intercooler, external fuel gas booster, etc.).

- **Forecast of Generator Thermal Output**

The application must include a forecast of the monthly generator thermal output (Btu/month) for a twelve-month period. The generator thermal output forecast must be based on the electric output forecast of the generating system and the waste heat recovery rate specifications of the system.

- **Forecast of Generator Fuel Consumption**

The application must include a forecast of the generating systems monthly fuel consumption (Btu/month) for a twelve-month period. The generator's fuel consumption forecast must be based on the generating system electric output forecast and the systems fuel consumption specifications.

- **Forecast of Thermal Load Magnitude**

The application must include a monthly Thermal Load forecast (Btu/month) for a twelve-month period for the Thermal Load served by the CHP system. The forecast must be based on engineering calculations, thermal system modeling, historical fuel billing, measured data or a combination of these methods. The Thermal Load forecast must be independent of the generator operation forecast. If historical natural gas or other fossil fuel consumption records (e.g., billing records) are used, the combustion efficiency of the natural gas or fossil fuel fired equipment that is being displaced must be included. Historical fuel consumption must be discounted to account for equipment Thermal Load that will not be displaced by the prime mover's thermal energy.

- **Forecast of Useful Thermal Output**

The useful thermal output of the CHP system will be the lesser of the Thermal Load forecast, or the prime mover's thermal output coincident with the Thermal Load. The useful thermal output is the value used in calculating the P.U. Code 216.6 requirements.

All assumptions, backup documentation, hand calculations, models (with inputs and outputs) and custom spreadsheets used to develop the forecasts must be included in the documentation. Forecasts based

solely on “professional experience” or subjective observation will be rejected. Applications must include a completed Waste Heat/AB1685 spreadsheet, available from the Program Administrators’ websites, to calculate the waste heat utilization efficiency.

2.5.8.2 Minimum Electric Efficiency¹⁵

To meet the minimum electric efficiency criteria the proposed generators electrical efficiency must be equal or greater than 40%, which is expressed in the following equation.

$$\text{Electrical Efficiency} \Rightarrow E / F \geq 40\%$$

Where:

E ≡ The generating system’s rated electric capacity as defined in Section 2.5.4, converted into equivalent Btu/hr using the factor 3,414 Btu/kWh.

F ≡ The generating system’s Higher Heating Value (HHV) fuel consumption rate (Btu/hr) at rated capacity.

2.5.8.3 Minimum Operating Efficiency Worksheet

To facilitate the PUCode 216.6 and Electrical Efficiency calculations to determine Level 3 system eligibility, a Minimum Operating Efficiency Worksheet spreadsheet is available for download from the Program Administrators’ websites. This spreadsheet is illustrated in Table 2-2.

Example #1: Efficiency Calculations for 300 kW Fuel Cell CHP System

A 300 kW fuel cell operating on natural gas is proposed to provide electricity and heat to an industrial manufacturing facility. The fuel cell is sized such that it will operate at full load most of the year. Its output will be reduced in December for maintenance and diagnostic testing, while the manufacturing plant is shutdown. The manufacturing plant’s Thermal Load consists of process and space heating. Because the fuel cell’s minimum electric efficiency is greater than 40%, it meets the minimum operating efficiency requirement for the program.

¹⁵ This requirement was included as an alternative requirement to meeting Public Utilities Code 216.6 in compliance with AB 2778.

Table 2-2 Minimum Operating Efficiency Worksheet

Applicant:	ESCO			Date:	January 1, 2008			
Host Customer:	Industrial Customer			Application No.:	XX-XXX			
Instructions:	This spreadsheet determines if a proposed Level 3 (non-renewable) Fuel Cell system meets the Minimum Operating Efficiency eligibility requirement of the Self-Generation Incentive Program. Applicants must provide documentation supporting all inputs including but not limited to system capacity, fuel consumption, waste heat recovery rate, operating schedule, equivalent full load operating hours and thermal load. See the 2008 SGIP Handbook for details of eligibility and documentation requirements. All yellow cells must be completed by Applicant/Host Customer.							
Rated Net Generating Capacity =	300	kW	Full load net continuous rated capacity of the packaged prime mover/generator at ISO conditions.					
Ancillary Generating System Loads =	10	kW	Any ancillary equipment loads necessary for the operation of the generator (e.g., fuel compressors, intercooler chillers, etc.) not accounted for in the Rated Net Generating Capacity.					
Fuel Consumption Rate (LHV) =	2,178,000	Btu/hr	Provided by manufacturer or calculated from rated capacity and generator efficiency or heat rate specifications. Based on lower heating value of fuel.					
Fuel Consumption Rate (HHV) =	2,418,000	Btu/hr	Provided by manufacturer or calculated from rated capacity and generator efficiency or heat rate specifications. Based on higher heating value of fuel.					
Waste Heat Recovery Rate =	480,000	Btu/hr	Recoverable heat as specified by manufacturer of generator or waste heat recovery unit at full load conditions. This is not total waste heat of the unit. The value provided should be supported by Generating System specifications (if packaged unit), Waste Heat Recovery System specifications, or engineering analysis of recoverable waste heat.					
Month	Std Hours Per Month (hrs)	Generator Equivalent Full Load Hours per Month (hrs)	Capacity Factor	Generator Electric Output per Month (kWh)	Recovered Waste Heat per Month (Btu)	Thermal Load per Month (Btu)	Useful thermal energy output (Btu)	Fuel Input (LHV Btu)
Jan	744	744	100%	215,760	357,120,000	358,000,000	357,120,000	1,620,432,000
Feb	672	672	100%	194,880	322,560,000	322,200,000	322,200,000	1,463,616,000
Mar	744	744	100%	215,760	357,120,000	289,980,000	289,980,000	1,620,432,000
Apr	720	720	100%	208,800	345,600,000	260,982,000	260,982,000	1,568,160,000
May	744	744	100%	215,760	357,120,000	234,883,800	234,883,800	1,620,432,000
Jun	720	720	100%	208,800	345,600,000	211,395,420	211,395,420	1,568,160,000
Jul	744	744	100%	215,760	357,120,000	190,255,878	190,255,878	1,620,432,000
Aug	744	744	100%	215,760	357,120,000	209,281,466	209,281,466	1,620,432,000
Sep	720	720	100%	208,800	345,600,000	230,209,612	230,209,612	1,568,160,000
Oct	744	744	100%	215,760	357,120,000	253,230,574	253,230,574	1,620,432,000
Nov	720	720	100%	208,800	345,600,000	278,553,631	278,553,631	1,568,160,000
Dec	744	350	47%	101,500	168,000,000	306,408,994	168,000,000	762,300,000
Annual Total	8,760	8,366	96%	2,426,140	4,015,680,000	3,145,381,375	3,006,092,381	18,221,148,000
Minimum Operating Efficiency Eligibility = PASS								
P.U. Code 218.5 (a) =		26.6% ≥ 5%	TRUE	Public Utilities Code 216.6(a) & 18CFR Part 292				
P.U. Code 218.5 (b) =		53.7% ≥ 42.5%	TRUE	Public Utilities Code 216.6(b) & 18CFR Part 292				
Minimum Electric Efficiency =		42.3% ≥ 40%	TRUE	Public Utilities Code 353.2 and 379.6				

2.5.9 Eligibility of Replacement Generation

Installation of a new generating system intended to replace existing on-site generation is allowed only if the new generating system meets the eligibility requirements in Section 2, the Host Customer has not yet installed and received incentives on their fully allotted 3 MW incentive cap, and fits one of the following situations.

1. The replaced generating system did not receive an incentive through the California Solar Initiative, the Self-Generating Incentive Program or the Energy Commission’s Emerging Renewable Program.

2. The replaced generating system did receive an incentive through the California Solar Initiative, the Self-Generating Incentive Program or the Energy Commission's Emerging Renewable Program and
 - a. the existing generator has been in service for at least the applicable program's warranty period
 - or
 - b. the system has been in service for a period less than the applicable program's warranty period, in which case an SGIP incentive can be paid on the incremental increase above the existing generator's rated capacity (kW). For example, if an existing 100 kW fuel cell (which has received SGIP incentives but has not been in service for the required five-year warranty period) is replaced with a 150 kW fuel cell – SGIP incentives are paid for the 50 kW increase in capacity.

In addition, the Host Customer must fully decommission and remove the replaced generator from the Site, which the Program Administrator will confirm as part of the field verification inspection.

2.5.10 Eligibility with Existing Generation

A generating system may be installed in addition to existing on-site generation if all eligibility requirements in Section 2 are met. Backup Generators are not considered "existing on-site generation" in this context.

Non-Renewable Fuel Cell systems converted to Renewable Fuel are considered, for determining SGIP eligibility, as new generators if all eligibility requirements in Section 2 are met, but are only eligible to receive the \$/W difference between the Non-Renewable and Renewable Fuel incentives up to 100% of the project costs. For example, a site who installed and received an incentive for a 300 kW Non-Renewable Fueled Fuel Cell is eligible for $\$4.50/W - \$2.50/W = \$2.00/W$. The maximum eligible incentive for this project would be \$600,000.

2.5.11 Warranty Requirements

Warranty requirements apply to all eligible technologies regardless of length of commercial availability. System Owners are required to fulfill the warranty requirements described below in the following sequence:

1. Utilize equipment warranties, which come standard with the purchase of the system.
2. If the standard equipment warranty for any major system component is of insufficient duration to meet the requirement, the customer must purchase, if one is available, an extended warranty to bridge any gap in duration, which may exist.
3. Then, and only if an application can demonstrate that a standard and/or extended warranty combination is unavailable to meet the warranty requirement – OR if the extended warranty

requires the purchase of a maintenance contract – the System Owner is to enter into a maintenance contract as a substitute measure.

The System Owner must provide proof of warranty (and/or maintenance contract), and specify the warranty start and end dates within the installation contract or power purchase agreement submitted with the required Proof of Project Milestone documentation.

2.5.11.1 Wind Turbine, Fuel Cell & Advanced Energy Storage System Warranty Requirements

Wind Turbine, Fuel Cell and Advanced Energy Storage systems must be covered by a minimum five-year warranty. The warranty must cover all of the major components of the system that are eligible for the incentive, to protect against breakdown or degradation in electrical output of more than ten percent from their originally rated electrical output. The warranty shall cover the full cost of repair or replacement of defective components or systems, including coverage for labor costs to remove and reinstall defective components or systems.

2.5.12 Interconnection to the Utility Distribution System

Connection to, and Parallel Operation with, the Electric Utility distribution system is required for all self-generation systems as a condition of receiving incentives under the SGIP. The SGIP Host Customer, or their designate, must also separately submit an application and enter into a contract with their local Electric Utility for connection to the distribution system. Parallel Operation is required prior to receiving an incentive payment. Refer to Section 5.1.1 of this handbook for information on how to apply to the Electric Utility for interconnection.

2.5.13 Permanent Installation

The intent of the SGIP is to provide incentives for generation equipment installed and functioning for the duration of its useful life. Only permanently installed systems are eligible for incentives. This means that the generating system must demonstrate to the satisfaction of the Program Administrator adequate assurances of both physical and contractual permanence prior to receiving an incentive.

Physical permanence is to be demonstrated by electrical, thermal and fuel connections in accordance with industry practice for permanently installed equipment and be secured to a permanent surface (e.g. foundation). Any indication of portability, including but not limited to: temporary structures, quick disconnects, unsecured equipment, wheels, carrying handles, dolly, trailer or platform will deem the system ineligible.

Contractual permanence, **corresponding to a minimum of twice the applicable warranty period**, is to be demonstrated as follows:

- System Owner agrees to notify the Program Administrator in writing a minimum of 60 days prior to any change in either the Site location of the generation system, or change in ownership of the generation system, if the change(s) takes place within twice the applicable warranty period.

- All agreements involving the generation system receiving an incentive are to be provided to the Program Administrator for review as soon as they become available (e.g., at the Proof of Project Milestone stage, or the Incentive Claim stage at the latest). These agreements include, but not limited to system purchase and installation agreements, warranties, leases, energy or services agreements, energy savings guarantees and system performance guarantees.

2.5.14 New Equipment, Not Pilot or Demonstration Systems

Commercially available factory new generating equipment is eligible for incentives. Rebuilt, refurbished or relocated equipment is not eligible to receive SGIP incentives. Generating systems that utilize new technologies that are critical to its operation must have at least one year of documented commercial availability to be eligible, or meet the requirements of Section 2.5. “Commercially available” means that the major generating system components (e.g. the generator set, primary heat recovery system and Level 2 gas cleanup equipment) are acquired through conventional procurement channels, installed and operational at a Site. Commercially available does not include field demonstrations for proof-of-concept operation of experimental or non-conventional systems partially or completely paid by research and development funds.

2.5.14.1 Alternative Criteria for Generating System Eligibility – Third Party Certification

Generating systems consisting of or utilizing new technologies may be eligible for the SGIP if certification is obtained from a nationally recognized testing laboratory indicating that the technology meets the safety and/or performance requirements of a nationally recognized standard. Equipment manufacturers seeking eligibility through these criteria shall submit a written request via the PMG to the SGIP Working Group for consideration, along with the proposed standards for certification.

If a generating system consisting of or utilizing new technologies is not certified, but is in process of certification with a nationally recognized testing laboratory when the Reservation Request application is submitted and is deemed eligible by the SGIP Working Group per SGIP requirements, the Host Customer will be required to pay an Application Fee equal to 1% of the requested incentive. Once the Program Administrator issues a Conditional Reservation, the Application Fee will be forfeited if it is not withdrawn within 20 calendar days of the Conditional Reservation date by the Host Customer/System Owner or if cancelled by the Program Administrator for not satisfying the SGIP requirements.

Finally, the Host Customer or System Owner is required to obtain and submit to the Program Administrator proof of certification from a nationally recognized testing laboratory with the required Reservation Confirmation and Incentive Claim documents within 12-months of the original Reservation Expiration Date. Failure to submit proof of third party certification within the 12-month period will result in cancellation of the Project by the Program Administrator.

2.6 Eligible Fuels

Eligible fuels for eligible SGIP generating technologies are classified as renewable, non-renewable and Waste Gas. Each type of eligible fuel is described below.

2.6.1 Renewable Fuels

A Renewable Fuel, for the purposes of determining whether a proposed Project qualifies for Level 2 incentives, is a non-fossil fuel resource other than those defined as conventional in Section 2805 of the Public Utilities Code that can be categorized as one of the following: solar, wind, gas derived from biomass, digester gas, or landfill gas. A facility utilizing a Renewable Fuel may not use more than 25 percent fossil fuel annually, as determined on a total energy input basis for the calendar year. In addition, applications for Level 2 Projects are required to:

- Demonstrate the availability of an adequate average flow rate of Renewable Fuel, for the duration of the required warranty period (Level 2 fuel cells is 5 years), to produce electricity at the unit's full rated capacity, or an appropriate de-rated operating capacity¹⁶ based on the annual average available Renewable Fuel resource flow rate including allowable Non-Renewable Fuel supplement. Evidence that an adequate Renewable Fuel resource exists will be verified during the field verification visit prior to approval of the incentive. Units whose annual fuel consumption exceeds the available Renewable Fuel plus the allowable Non-Renewable Fuel supplement will have the incentive based upon on the operating capacity resulting from the average annual available Renewable Fuel flow rate, including allowable Non-Renewable fuel flow rate. Increasing an existing generator's Non-Renewable Fuel consumption to increase the available Renewable Fuel resource for a new SGIP proposed generator is not allowed.
- Submit an equipment purchase order that indicates the fuel cleanup equipment as a separate invoice item.
- Provide a signed affidavit stating that the unit will comply with the SGIP Renewable Fuel requirements. The length of this commitment shall be the same as the equipment warranty requirement discussed above for each incentive category.

Level 2 incentives shall be subject to refund to the Program Administrator by the recipient if it is determined that the Project operates on more than 25% fossil fuel, on an annual basis, before the required warranty period expires.

2.6.2 Non-Renewable Fuels

Non-Renewable fuels for Level 3 technologies include fossil fuels and synthetic fuels.

¹⁶ "De-rated capacity" is the generating system average capacity based on available Renewable Fuel resource and is the capacity used to determine the incentive amount.

For the SGIP, eligible fossil fuels include gasoline, natural gas and propane. Diesel fuel (including biodiesel and other fuels that can be interchanged with diesel fuel) is explicitly ineligible in the SGIP.

Synthetic fuels are fuels derived from materials that are not Renewable Fuels (see Section 2.6.1) or fossil fuels. Eligible synthetic fuels include, but are not limited to, the direct use or synthesis of fuels from sewage sludge, industrial waste, medical waste or hazardous waste.

2.6.3 Waste Gas Fuels

Waste Gas fuels used for Level 3 technologies are strictly defined as natural gas that is generated as a byproduct of petroleum production operations and is not eligible for delivery to the utility pipeline system.

Incentives paid for Level 3 Waste Gas fuel systems shall be subject to refund to the Program Administrator by the recipient if it is determined that the Project does not operate on Waste Gas for at least the required warranty period.

2.7 Incentives from Other Sources

Projects receiving rebates or incentives based on future performance of the Project are ineligible for SGIP participation. See Section 3.2.2 for treatment of incentives from other sources in calculating the SGIP incentives.

3 INCENTIVES

Annual incentive budgets for Program Year 2009 authorized by the CPUC for each Program Administrators are as follows:

Pacific Gas and Electric Company	\$32,400,000
Southern California Edison Company	\$25,200,000
California Center for Sustainable Energy	\$9,900,000
Southern California Gas Company	\$7,200,000

The \$74,700,000 total SGIP incentive budget is allocated equally to each of the self-generation categories (Levels 2 and 3). Advanced Energy Storage projects are funded out of the same budget that provides incentives to those technologies (i.e., Level 2 and 3). Although the Program Administrator may move funds from the non-renewable category to renewable categories, the Program Administrator must seek approval from the CPUC through an advice letter prior to shifting funds from renewable categories into the non-renewable category.

3.1 Incentive Levels

The SGIP provides a one-time incentive payment to help reduce the cost of installing self-generation equipment. The incentive levels for the three categories of self-generation technologies are below in Table 3-1.

Check the Program Administrators' websites for current incentive levels.

Table 3-1 Base Incentive Levels for Eligible Technologies

Incentive Levels	Eligible Technologies	Incentive Offered (\$/Watt)	Minimum System Size	Maximum System Size	Maximum Incentive Size
Level 2 Renewable	Wind turbines	\$1.50/W	30 kW	5 MW	1 MW
	Renewable fuel cells	\$4.50/W			
Level 3 Non-Renewable	Non-Renewable fuel cells	\$2.50/W	None	5 MW	1 MW
Advanced Energy Storage	Coupled with eligible self generation technology and four hour discharge period at rated capacity	\$2.00/W	None	5 MW	1 MW

For projects that are greater than 1 MW up to 3 MW, the incentive identified in Table 3-1 declines according to the schedule in Table 3-2.

Table 3-2 Tiered Incentive Rates for Projects up to 3 MW

Capacity	Incentive Rate (Pct. of Base)
0 – 1 MW	100%
>1 MW – 2 MW	50%
>2 MW – 3 MW	25%

No incentives are paid for system capacities above 3 MW including existing generating capacity that has previously received SGIP incentives.

Advanced Energy Storage system capacity is not additive with the companion self generation capacity for purposes of calculating the tiered incentive. The incentive calculation and capacity limits are treated separately for Advanced Energy Storage and companion self generation technologies. See Example #6 in Section 3.3.

3.2 Incentive Limitations

Incentive amounts and Project eligibility for the SGIP are limited by a number of factors, including:

- Total eligible Project costs
- Other Incentives or Rebates
- Project capacity size & Host Customer site limitations

3.2.1 Total Eligible Project Costs

The maximum possible incentive payment for each system is the system size (up to 3,000 kW) multiplied by the applicable dollar per kW incentive rate. No Project can receive total incentives (SGIP and other incentives combined) that exceed total eligible Project costs.¹⁷ Submittal of Project cost details is required to report total eligible Project costs and to ensure that total incentives do not exceed out of pocket expenses for the System Owner. See Appendix A for a description of cost elements to be included in the total eligible Project cost. Total eligible Project costs cover the generating system and its

¹⁷ “Total eligible Project costs” include the generator equipment, ancillary equipment and installations labor/materials. “Total eligible Project costs” are equivalent to “eligible Project costs” which were used in previous SGIP program years to calculate incentive amounts. See Appendix A for a list of “total eligible Project costs”.

ancillary equipment. Equipment and other costs outside of the Project envelope, defined in Appendix A, are considered ineligible Project costs, but also must be reported. For large multifaceted Projects where the generating system costs are embedded, applications must include a prorated estimate of the total eligible costs for the generating system. Applications must include the Project cost breakdown worksheet available from the Program Administrators' websites.

3.2.2 Other Incentives or Rebates

Customers may not receive SGIP incentives for the same self-generation equipment from more than one Program Administrator (e.g., PG&E and SoCalGas, SCE and SoCalGas, etc.).

For Projects receiving self-generating incentives under other programs, the SGIP incentive may be reduced, depending on the source of the other incentive, effectively allowing only part of the other program incentive in addition to the SGIP incentive. For Projects that receive "other incentives" funded by California Investor Owned Utility (IOU) ratepayers (e.g., Utility or CEC Public Goods Charge programs, etc.), the SGIP incentive is discounted by the amount of the other incentive. For Projects that receive "other incentives" funded by non-IOU ratepayers (LADWP, SMUD, etc.) the SGIP incentive is discounted by 50% of the other incentive. For Projects that receive "other incentives" funded from other sources than utility ratepayers (federal & state grants, air district grants, tax credits, etc.) no adjustment is made to the SGIP incentive.

In no event may the combined incentives received from SGIP and other funding sources exceed the total eligible Project cost. Host Customers, Applicants, and System Owners are required to disclose information about all other incentives.

The SGIP incentives will be reduced by the percent of other program incentives depending on the funding source of the other incentives as described in Table 3-3 below.

Table 3-3 Percent of "Other Incentive" Adjustment to SGIP

Other Incentive Funding Source	Pct. Of Other Incentive Discount of SGIP Incentive
Investor Owned Utility Ratepayer	100%
Non-IOU Ratepayer	50%
Non-Ratepayer	0%

A sample calculation of a SGIP Project with incentives from the SGIP and a second funding source for various types of eligible 1 MW systems is illustrated in Table 3-4.

Table 3-4 Accounting for Other Incentives

		(A)	(B)	(C)	(D) = (A) - (B) X (C)	(E) = (D) + (B)
System Type	System Size (kW)	Unadjusted SGIP Incentive	“Other Rebate” Amount	Source and Percentage of “Other Rebate” Adjustment to SGIP Incentive	Adjusted SGIP Incentive	Total Customer Rebate Amount \$/Watt
Wind Turbine	800 kW	\$1,200,000	\$800,000	Public Interest Energy Research (PIER)	\$400,000 = \$1,200,000 - \$800,000 X 100%	\$1,200,000 = \$400,000 + \$800,000
		\$1.50 /W	\$1.00 /W	100%	\$0.50 /W	\$1.50 /W
Fuel Cell (Non-Renewable)	200 kW	\$500,000	\$200,000	Federal Government Grant	\$500,000 = \$500,000 - \$200,000 X 0%	\$700,000 = \$500,000 + \$200,000
		\$2.50 /W	\$1.00 /W	0%	\$2.50 /W	\$3.50 /W

3.2.3 Site and Host Customer Limitations

There are restrictions on the amount of incentive funding a Host Customer can reserve and receive. In general, Host Customers can reserve up to 3 MW of maximum incentive funding through the SGIP for a single Site for the SGIP’s duration. During the 2008 and 2009 program years, Host Customers may increase the capacity of their SGIP funded systems to 3 MW for qualified systems if sufficient carryover funding exists. In addition, a 5 MW Project size limit per Host Customer Site is in force for all Projects.

3.3 Calculating the Incentive

Incentives for a proposed system are calculated by multiplying the capacity of the generating system by the incentive rate for the appropriate incentive Level (2 or 3) and technology. If the Project is receiving other incentives, a portion of those incentives may be subtracted from the maximum SGIP incentive depending on the source of the other incentive. The remaining amount is the incentive that will be provided by SGIP. An SGIP Incentive Calculation Worksheet is included in the Reservation Request and Incentive Claim Forms.

No Project can receive incentive payments that exceed the total eligible cost of the generating system.

Example #2: Single System Level 2 Wind Turbine Technology

A Host Customer proposes to install an 800 kW wind turbine to provide a portion of their facilities’ peak (maximum) electric demand. There are no other incentives included. The Level 2 incentive for this technology is \$1.50/Watt (or \$1,500/kW) and the Project cost is \$800,000 (\$1,000/kW). Multiplying the Level 2 incentive by the capacity of the generation results in an incentive of \$1,200,000, this exceeds the out-of-pocket expense for the system. Therefore, the incentive is limited to \$800,000.

Example #3: Incentive Calculation for System Receiving Incentives from Other Programs

A Host Customer is installing a 1.0 MW fuel cell, operating on Renewable Fuel, which is estimated to cost \$10 million (\$10/Watt). The Project received a previous rebate of 20% of the Project costs (\$2 million)

from an IOU Ratepayer funded program. The Level 2 SGIP incentive for this technology is \$4.50/watt. Because the other incentive is IOU ratepayer funded, the SGIP incentive is adjusted. In addition, the out-of-pocket expense of the System Owner must not be less than zero. The out-of-pocket expense of the system is the total eligible Project cost less any incentives including SGIP. Under the SGIP, this Project would be eligible for an incentive of \$2.5 million as follows:

$$\text{Maximum SGIP Incentive based on System Size} = 1,000,000 \text{ W} \times \$4.50 / \text{W} = \$4,500,000$$

$$\text{Adjusted SGIP Incentive} = \$4,500,000 - 1.0 \times \$2,000,000 = \$2,500,000$$

$$\text{Total Incentive} = \$2,500,000 + \$2,000,000 = \$4,500,000$$

Since the total Incentive (\$4,500,000) is lower than the total eligible Project cost of \$10 million the SGIP incentive is \$2,500,000.

3.3.1 Level 2 (Renewable Fuel) Incentive Calculation

For Fuel Cells operating on Renewable Fuels an incentive will be paid based on the operating capacity resulting from the average annual available Renewable Fuel flow rate, including allowable Non-Renewable fuel flow rate. The nameplate rated capacity of the Fuel Cell generator must not exceed the peak electric load at the site.

3.3.2 Incentive for Systems with Output Capacity above 1 MW

For Projects with capacities greater than 1 MW, up to 3 MW the incentive is calculated by multiplying the first 1 MW by 100% of the incentive rate, then multiplying the next capacity increment above 1 MW up to 2 MW by 50% of the incentive rate, then multiplying the last capacity increment above 2 MW up to 3 MW by 25% of the incentive rate and summing each of these incentive components. If these Projects are also receiving self-generating incentives from other programs, the SGIP incentive may be reduced, depending on the source of the other incentive, effectively allowing only part of the other program incentive in addition to the SGIP incentive (See Section 3.2.2). The remaining amount is the incentive that will be provided by SGIP.

For Sites with existing generating capacity previously funded by SGIP, the existing generating capacity is accounted first at the highest incentive rate, and then the proposed system capacity incentive is added on top of the existing capacity to determine which incentive capacity bin the proposed system falls. See Example #5 for details on calculating the incentives for systems with existing SGIP funded generating systems.

Advanced Energy Storage system capacity is not additive with the coupled self generation capacity for purposes of calculating the tiered incentive. The incentive calculation and capacity limits are treated separately for Advanced Energy Storage and companion self generation technologies. See Example #6 in Section 3.3.

Example #4: Incentive Calculation for Systems with Output Capacity above 1 MW and Receiving Incentives from Other Programs

A customer is installing a 2.2 MW fuel cell, operating on natural gas, which is estimated to cost \$13 million. The Level 3 incentives for this technology are \$2.50/watt for the first 1.0 MW, 50% of \$2.50/watt for the capacity greater than 1.0 MW up to 2.0 MW and 25% of \$2.50/Watt for the capacity greater than 2.0 MW up to 3.0 MW. The Project also received a \$1 million rebate from a Federal taxpayer funded program. Under the SGIP, the incentive would be calculated as follows:

$$\text{Maximum SGIP Incentive} = 1,000,000 \text{ Watt} \times \$2.50/\text{Watt} + 1,000,000 \text{ Watt} \times 50\% \times \$2.50/\text{Watt} + 200,000 \text{ Watt} \times 25\% \times \$2.50/\text{Watt} = \$3,875,000$$

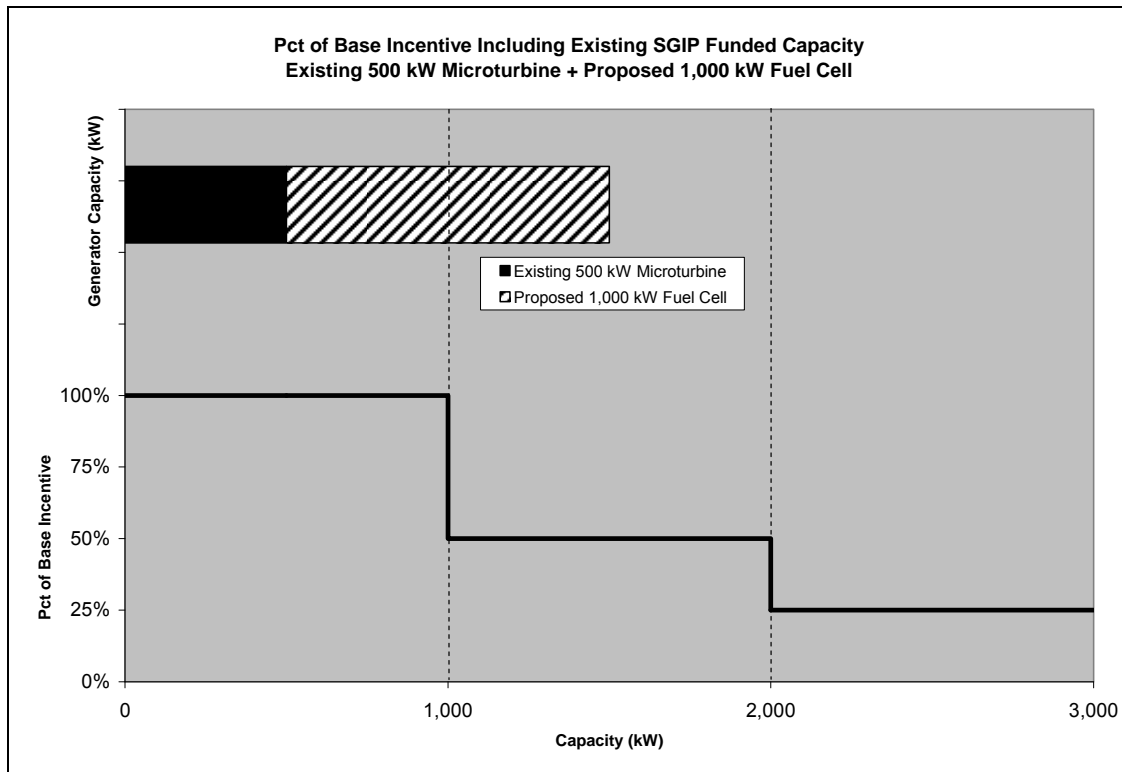
$$\text{Adjusted SGIP Incentive} = \$3,875,000 - 0.0 \times \$1,000,000 = \$3,875,000$$

$$\text{Total Incentive} = \$3,875,000 + \$1,000,000 = \$4,875,000$$

Since total incentive of \$4,875,000 is lower than the total eligible Project cost of \$13 million the SGIP incentive is \$3,875,000.

Example #5: Incentive Calculation for System Added to Site with Existing SGIP Funded Capacity

A customer is installing a 1 MW fuel cell, operating on natural gas, which is estimated to cost \$6 million. Under the SGIP, any existing generating capacity previously funded by SGIP is accounted for at that highest incentive as illustrated in the following chart. Because the customer Site has an existing 500 kW microturbine cogenerator, the proposed system receives 500 kW at \$2.50/Watt and the remaining 500 kW at \$1.25/Watt.



The incentive would be calculated as follows:

Existing SGIP Funded Capacity = 500,000 Watt

Proposed Capacity = 1,000,000 Watt

Maximum SGIP Incentive = 500,000 Watt x \$2.50/Watt + 500,000 Watt x 50% x \$2.50/Watt = \$1,875,000

Since total incentive of \$1,875,000 is lower than the total eligible Project cost of \$6 million the SGIP incentive is \$1,875,000.

Example #6: Incentive Calculation for Advanced Energy Storage System

A customer proposes to install a 1 MW Advanced Energy Storage system and a natural gas fueled 1 MW fuel cell cogenerator. Since the Advanced Energy Storage capacity is not additive with the companion fuel cell, the Advanced Energy Storage system receives \$2.00/Watt for 1,000 kW of capacity and the fuel cell receives \$2.50/Watt for 1,000 kW of capacity.

The incentive would be calculated as follows:

Advanced Energy Storage = 1,000,000 Watt

Fuel Cell = 1,000,000 Watt

Maximum SGIP Incentive = 1,000,000 Watt x \$2.00/Watt + 1,000,000 Watt x \$2.50/Watt = \$4,500,000

Since total incentive of \$4,500,000 is lower than the total eligible Project cost the SGIP incentive is \$4,500,000.

3.4 Hybrid System Incentives

Program participants can apply for incentives for multiple types of generating technologies installed at one Site. The program defines these as “Hybrid Systems”. An example of this situation would be wind turbines and natural gas fuel cells combined at one Site. As with single technology systems, hybrid systems must meet all eligibility requirements set forth by this program including, but not limited to, size constraints, waste heat utilization and reliability criteria. In addition, each system type must be submitted as a separate Reservation Request and will be tracked through the program as separate projects.

The total SGIP hybrid incentive is the sum of the incentive for each type of technology less other incentives. When calculating the total eligible incentive for a hybrid system, the incentives are to be calculated sequentially until the 3 MW limit is reached, with the lowest incentive rate (\$/Watt) technology portion calculated first, then the next lowest rate incentive technology (based on whatever capacity remains under 1 MW after that claimed for the first technology) and so forth. For multiple technologies within a single Incentive Level, the incentives are calculated in the order in which they appear in Table 3-1, from top to bottom.

Table 3-5 provides an example of the incentive calculation for an example hybrid system that is greater than 1 MW without other incentives. The system consists of 800 kW Level 2 wind turbine and 300 kW Level 3 fuel cell technologies. As shown below, the Level 2 wind turbine technology receives the full incentive of \$1,200,000. The Level 3 fuel cell technology receives a reduced incentive amount of \$625,000 based on 200 kW of capacity receiving \$2.50/Watt and 100 kW of the remaining capacity receiving 50% of \$2.50/Watt.

Table 3-5 Example #7: Hybrid System Cost Calculation

	Level 2 Renewable	Level 3 Non-Renewable	Hybrid System Total
1. Incentive Rate (\$/Watt)	\$1.50/W Wind Turbine (A)	\$2.50/W Fuel Cell (B)	
2. Technology Capacity (kW)	<u>800 kW</u> (C)	<u>300kW</u> (D)	<u>1,100 kW</u> (E) C + D
3. Incented Capacity (kW)	<u>800 kW</u> (F) F = C	<u>200 kW</u> (G) = 1,000 - F + <u>100 kW</u> (H) H = E - 1,000	<u>1,100 kW</u> (I) F + G + H
4. Total SGIP hybrid Incentive Calculation	\$1,200,000 (J) J = A x F \$1.50/W x 800,000 W	<u>\$500,000</u> (K) K = B x G \$2.50/W x 200,000 W <u>\$125,000</u> (L) JL = B x 50% x H \$2.50/W x 50% x 100,000 W	<u>\$1,825,000</u> J + K + L

3.5 Incentives for Technologies from a California Supplier

An additional incentive of 20 percent will be provided for the installation of eligible distributed generation or Advanced Energy Storage technologies from a California Supplier. "California Supplier" means any sole proprietorship, partnership, joint venture, corporation, or other business entity that manufactures eligible distributed generation technologies in California and that meets either of the following criteria:

A) The owners or policymaking officers are domiciled in California and the permanent principal office, or place of business from which the supplier's trade is directed or managed, is located in California.

Or

B) A business or corporation, including those owned by, or under common control of, a corporation, that meets all of the following criteria continuously during the five years prior to providing eligible distributed generation technologies to an SGIP recipient:

- i) Owns and operates a manufacturing facility located in California that builds or manufactures eligible distributed generation technologies.
- ii) Is licensed by the state to conduct business within the state.
- iii) Employs California residents for work within the state.

For purposes of qualifying as a California Supplier, a distribution or sales management office or facility does not qualify as a manufacturer.

The additional incentive of 20 percent will be calculated as follows:

Adjusted Incentive (\$) = Unadjusted Incentive (\$) x Adjustment Factor

Where:

Adjusted Incentive (\$) ≡ the increased incentive amount for the installation of eligible distributed generation or Advanced Energy Storage technologies from a California Supplier.

Unadjusted Incentive (\$) ≡ the incentive amount normally calculated.

Adjustment Factor ≡ 1.20 or 20% of the Unadjusted Incentive (\$)

4 APPLICATION PROCESS

Incomplete or incorrect applications will result in a delay of receiving an approved reservation as well as non-placement within a queue should there be a wait-list for reservation money, so it saves time to follow the instructions carefully. Applicants may contact the Program Administrator for assistance in completing their applications. See Section 7 for contact information for each of the Program Administrators.

4.1 Overview of the Application Process

To receive an incentive payment through the SGIP, Applicants must submit the appropriate application form and supplemental materials at specific milestones. While the overall application process is identical for both incentive levels (See Table 2-1), there are a few minor differences in the required attachments for each. In addition, the application process differs slightly for Public Entities versus non-Public Entities. The overall application process is illustrated in Figure 4-1 for non-Public Entities and Figure 4-2 for Public Entities.

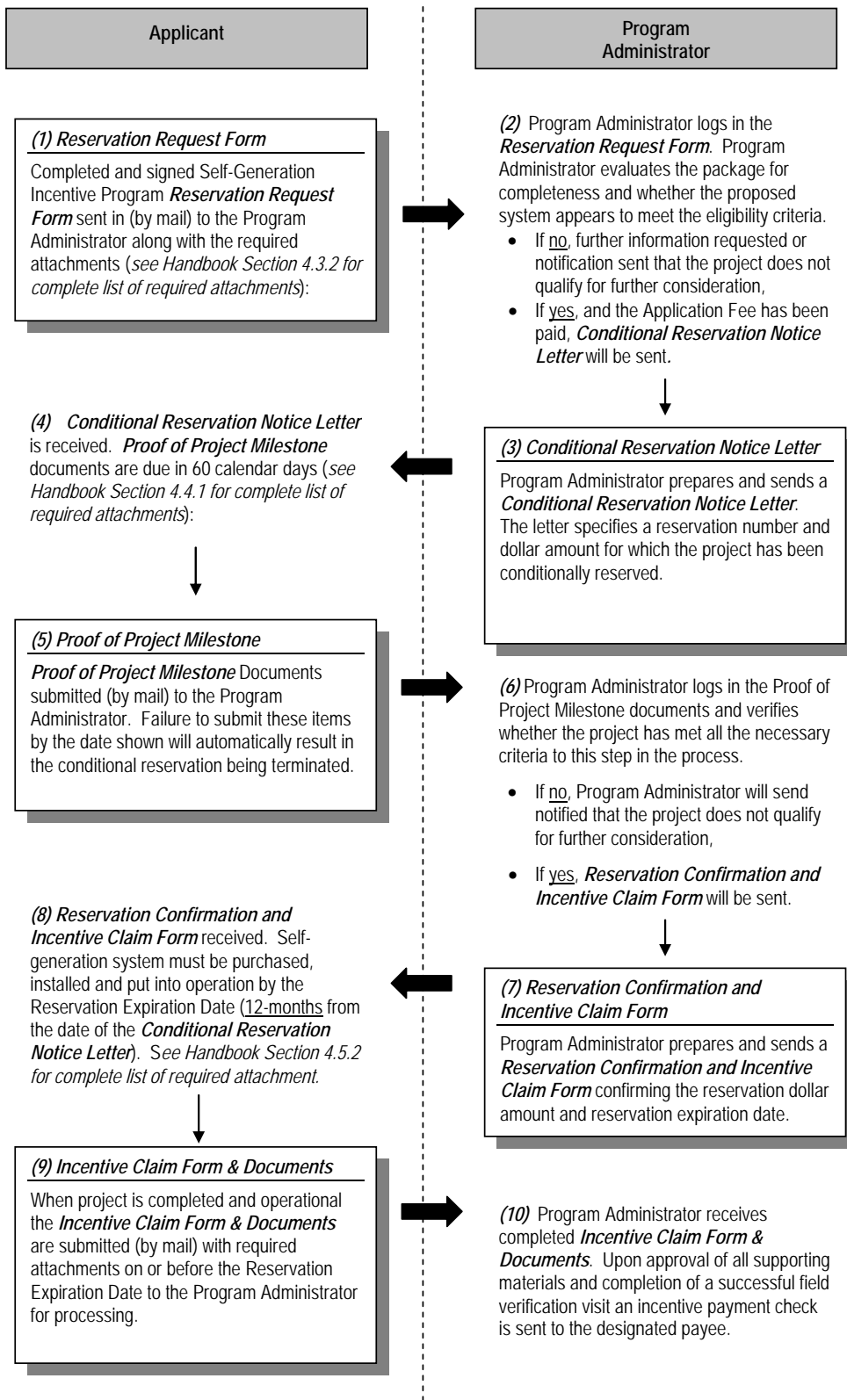


Figure 4-1 SGIP Application Process Overview for Non-Public Entities

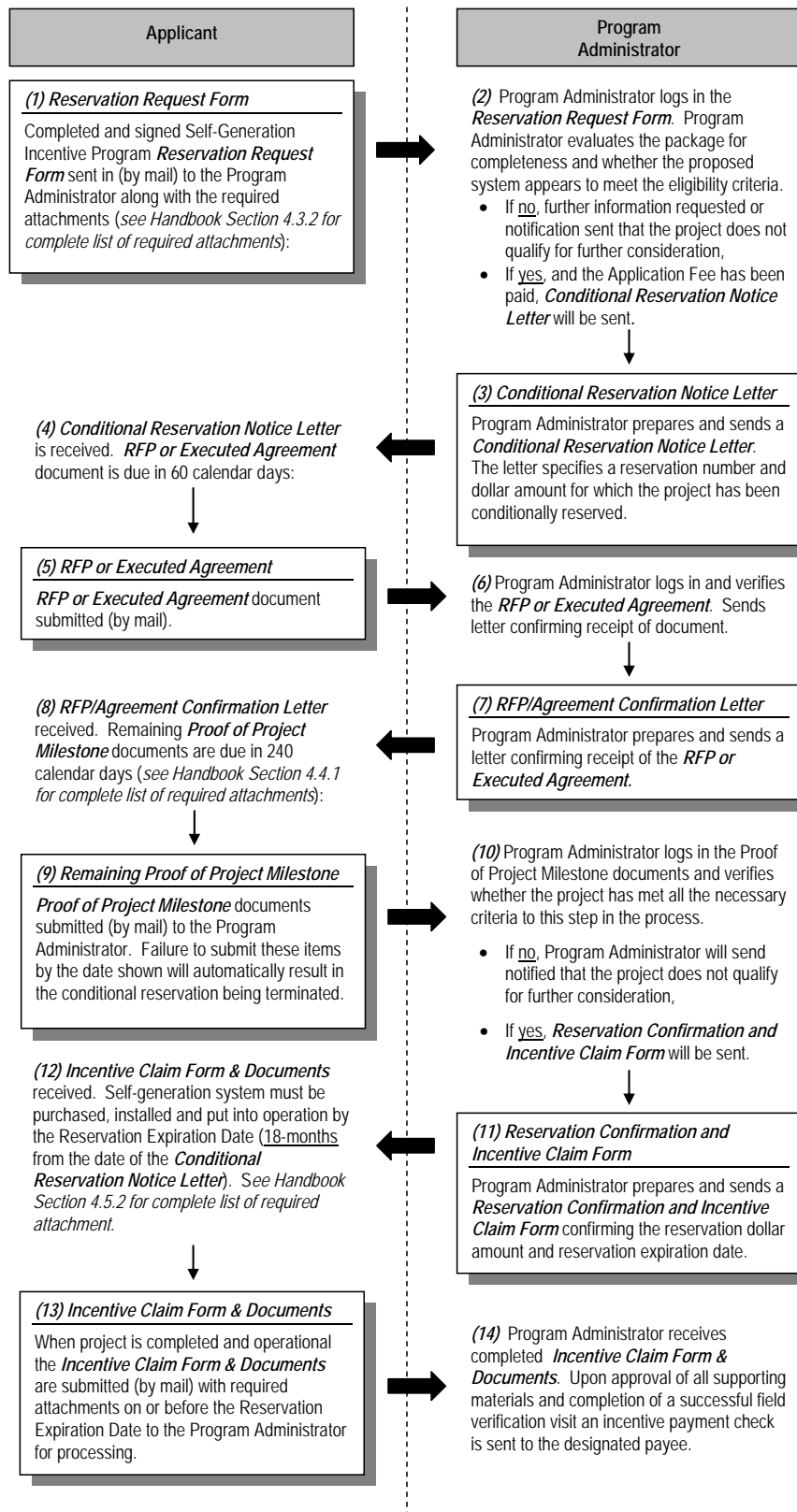


Figure 4-2 SGIP Application Process Overview for Public Entities

4.2 Assignment of SGIP Application Rights & Responsibilities

The Host Customer is the exclusive reservation holder. Neither the Host Customer nor the System Owner may assign its rights or delegate its duties without prior written consent of the Program Administrator. The System Owner shall assign its rights or delegate its duties only with the prior written consent of the Host Customer, except in connection with the sale or merger of a substantial portion of its assets. Both the Host Customer and the System Owner, if different than the Host Customer, must provide assurance of Project success, if assigned, by providing any additional information requested by Program Administrator.

4.3 Reserving an Incentive

Applicants can reserve an incentive amount for up to 12-months for non-Public Entities and 18-months for Public Entities. Once a Reservation Request Form and application package is determined to be complete and eligible, the Program Administrator will (depending upon funding availability) conditionally reserve a specific dollar amount for a specified Project system size. The initial *Conditional Reservation* is only valid for 60 calendar days. Non-Public Entities, within 60 calendar days of the date the *Conditional Reservation Letter*, must satisfy all Proof of Project Milestone criteria. Public Entities, within 60 calendar days of the date the Conditional Reservation Letter, must submit a copy of the issued Request For Proposal (RFP or equivalent) for purchase or installation of the generating system and within 240 calendar days of the date the Conditional Reservation Letter satisfy all Proof of Project Milestone criteria. Once the application has successfully met Proof of Project Milestone requirements the Program Administrator will issue an Incentive Claim Form. The Confirmed Reservation Letter will indicate a Reservation Expiration Date of 12-months from the date of the initial Conditional Reservation Notice Letter for non-Public Entities and 18-months from the date of the initial Conditional Reservation Notice Letter for Public Entities.

SGIP funds are available on a first-come, first-served basis throughout the calendar year (January 1 through December 31). Reservations received after total funds have been committed for a calendar year will be placed on a waiting list in the event that more funding becomes available (either through an approved shift in funds between incentive levels or Project cancellations). Reservations received before December 31 will follow the Program Rules of the year they were submitted, even if the Conditional Reservation is issued in the following year.

4.3.1 Reservation Request Form

To reserve a specified incentive amount, a Reservation Request Form must be submitted and all required documentation attachments.

Applications that include technologies from two or more different incentive levels (hybrid Projects) must include one Reservation Request Form for each technology in the Project. For more information on Hybrid Systems, see Sections 2.5.2 and 3.4.

Reservation Request Forms and instructions on completing these forms can be obtained by calling or visiting the website of the Program Administrator in your area.

4.3.2 Required Attachments

In addition to a completed Reservation Request Form with original signatures of the Host Customer and System Owner (if Not Host Customer), all applications (Levels 2 and 3) must provide a copy of the following:

Table 4-1 Reservation Request Application Attachments

Required Materials	Wind Turbines	Renewable Fuel Cells	Non-Renewable Fuel Cells	Advanced Energy Storage
1. Completed Reservation Request Application and Program Contract w/ Original Signatures	✓	✓	✓	✓
2. Equipment Specifications	✓	✓	✓	✓
3. Proof of Utility Service	✓	✓	✓	✓
4. 12-Month Electric Load Documentation	✓	✓	✓	✓
5. Proof of Adequate Renewable Fuel Resource	N/A	✓	N/A	N/A
6. Minimum Operating Efficiency	N/A	N/A	✓	N/A
• Waste Heat Utilization Documentation	N/A	N/A	✓	N/A
• OR, Minimum Electric Efficiency Calculation	N/A	N/A	✓	N/A

❖ **Reservation Request Form and Program Contract** – A completed Reservation Request Form must be submitted with all applications. It must be completed and signed by representatives with signature authority for both the System Owner and Host Customer. Only original signatures on the same form will be accepted.

❖ **Equipment Specifications** – Manufacturer equipment specifications stating rated capacity (kW) and, if necessary, fuel consumption and waste heat recovery rate, must be provide with the Reservation

Request application. For Advanced Energy Storage, the manufacturer equipment specifications must include a capacity rating based on the net continuous discharge power output over a four hour period.

- ❖ **Proof of Utility Service** – Eligibility requirements restrict participation in the SGIP to customers who are located in PG&E, SCE, SoCalGas or SDG&E service territories and physically connected to the Electric Utility transmission and distribution system. All applications must include a copy of a recent electric or gas utility bill indicating the account number, meter number, site address, and Host customer name. For new construction, the Host Customer must receive confirmation from the serving utility that their Site is within the Program Administrator’s service territory.
- ❖ **12-month Load Documentation** – To confirm that participating distributed generation systems will not exceed the capacity of the Host Customer’s previous 12-month peak (maximum) electrical demand, all applications must include a copy of the previous 12-months of energy consumption including maximum demand and/or kWh consumption. If the system is new or expanded construction, as per Section 2.5.6.4, provide proof of projected load that will satisfy the proposed generation system including but not limited to a document that details the building systems electrical load, hours of use for the indicated building systems, and the total projected kWh consumption per year. For example:

Number of Units	Unit Description	Model	Other Description	Power Consumption per Unit (Watts)	Hours of Operation (hr/yr)	Est. energy usage per year (kWh/yr)
20	2 lamp 2ft X 4ft recessed direct/indirect fixture	32W 800 series high lumenT8	Electronic, instant start, extra efficient standard (0.88) ballast factor	55	2,080	2,288

- ❖ **Proof of Adequate Renewable Fuel (Renewable Fuel Cell)** – When applicable, applications must include an engineering survey or study confirming the on-site Renewable Fuel (*i.e.*, adequate flow rate) and the generating system’s average capacity during the term of the Project’s required warranty/maintenance period.
- ❖ **Minimum Operating Efficiency (Non-Renewable Fuel Cell)** – When applicable, applications must provide documentation satisfying the minimum operating efficiency requirement. This may be satisfied by meeting the waste heat utilization requirement, in which case documentation must include a generator and thermal system description, generator electric output forecast and thermal output, generator fuel consumption forecast, Thermal Load magnitude forecast, and useful thermal energy forecast, to demonstrate compliance with the Program’s waste heat utilization requirements (PU Code 216.6) or documentation satisfying the minimum electric efficiency. A copy of the engineering calculations, data used, and all assumptions used to demonstrate this system efficiency must also be submitted. See Section 2.5.8 for more information on minimum operating efficiency requirement.

4.3.3 Submitting the Reservation Request Package

Once the Reservation Request Form is complete and all the required attachments are secured, Applicants must submit their application package to the Program Administrator. To ensure confirmation of receipt, submit documentation to the appropriate Program Administrator by certified or overnight mail. No faxed or hand delivered applications will be accepted.

4.3.4 Application Screening

Once received, the Program Administrator will review the application package for completeness and determine eligibility. Applications will also be screened to ensure that the Project has not applied for incentives through other Program Administrators or other state- or government-sponsored incentive programs (e.g., CEC's Emerging Renewables Program).

4.3.5 Incomplete Reservation Requests

If an application is found to require clarification, the Program Administrator will request the information necessary to process that application further. Applicants have 20 calendar days to respond to the requested clarification with the necessary information. If after 20 calendar days, the Applicant has not submitted the requested information the applications will be cancelled. Resubmitted application packages will be treated as a new application (i.e., all required documents must be resubmitted) and processed in sequence along with other new applications.

4.3.6 Approved Reservation Request Form

Upon approval by Program Administrator of the reservation request package (Reservation Request Form and required attachments), the Applicant and Host Customer will receive a Conditional Reservation Notice Letter *if* funds are available. Incentive funds are not reserved until the Program Administrator receives all information and documentation required for the Reservation Request Form and the Project is approved.

4.3.7 Waiting List Procedures

If funds are not available for a particular reservation request while a Program Administrator is still accepting new applications it will be assigned a place on a waiting list upon approval of the reservation request package (Reservation Request Form and required attachments). The Applicant and Host Customer will receive notification that their request is on a waiting list until funding is made available (through budget transfers between categories, carryover and/or other Projects ahead of it dropping out), or it is withdrawn or cancelled. A place on the waiting list is not secured until the Program Administrator receives all information and documentation required with the Reservation Request Form and the Project is determined to meet all eligibility requirements. When applications are placed on the waiting list, the procedures below will be followed.

- Waiting list applications will be given priority based on the date received, although the incentive amount is based on the date all information is received.
- All waiting list applications will be reviewed for completeness and eligibility. Any deficiencies must be corrected to maintain their position on the waiting list.
- As soon as the Program Administrator has determined that there is available funding, within the affected level, adequate to reserve the first in line waiting list application, that application will be moved to active status and, if all application deficiencies have been satisfactorily fixed, the Program Administrator will issue a Conditional Reservation Notification. The incentive amount is based on the date all information is received (i.e. if the information was received after the incentive had been reduced, the application is subject to the lower incentive rate).
- If a waiting list exists at the end of a Program Year, the Program Administrator will notify the Host Customer of any incentive or eligibility rule changes. If the Host Customer wishes to withdraw their application from the waiting list, they must promptly inform the Program Administrator.

4.3.8 Conditional Reservation Notice Letter

The Conditional Reservation Notice Letter confirms that a specific incentive amount is conditionally reserved for a self-generation Project. The letter will list, at a minimum, the approved incentive amount and the Proof of Project Milestone Date. All reservations are conditional until the Proof of Project Milestone documentation is submitted on or before the Proof of Project Milestone Date. The Conditional Reservation Notice Letter also will list the required information that must be submitted by the Proof of Project Milestone Date to confirm their reservation and maintain an active status.

4.3.9 Reservation Period

Incentives can be reserved for up to 12-months for non-Public Entities and 18-months for Public Entities. Once a Reservation Request Form and application package is determined to be complete and eligible, the Program Administrator will (depending upon funding availability) conditionally reserve a specific dollar amount for a specified Project system size. The initial reservation is only valid for 60 calendar days. Within 60 calendar days of the date the Conditional Reservation Letter, all Proof of Project Milestone criteria must be satisfied. Once the application documentation has successfully demonstrated Proof of Project Milestone, the Program Administrator will issue a Reservation Confirmation and Incentive Claim Form with a Reservation Expiration Date of 12-months for non-Public Entities and 18-months for Public Entities from the date of the initial Conditional Reservation Notice Letter.

4.4 Proof of Project Milestone

Within 60 calendar days of the date on the Conditional Reservation Letter, documentation must be supplied to demonstrate to the Program Administrator that the Project is progressing and that there is a

sustained commitment to complete the Project. Non-Public Entities, within 60 calendar days of the date the Conditional Reservation Letter, must satisfy all Proof of Project Milestone criteria. Public Entities, within 60 calendar days of the date the Conditional Reservation Letter, must submit a copy of the issued request for proposal (RFP or equivalent) for purchase or installation of the generating system and within 240 calendar days of the date the Conditional Reservation Letter satisfy all Proof of Project Milestone criteria. Once the Applicant has successfully met Proof of Project Milestone requirements, the Program Administrator will issue an Incentive Claim Form with a Reservation Expiration Date of 12-months from the date of the initial Conditional Reservation Notice Letter for non-Public Entities and 18-months from the date of the initial Conditional Reservation Notice Letter for Public Entities.

4.4.1 Required Attachments

All Proof of Project Milestone documents must include the following:

Table 4-2 Proof of Project Milestone Required Materials

Required Materials	Wind Turbines	Renewable Fuel Cells	Non-Renewable Fuel Cells	Advanced Energy Storage
1. Copy of RFP or executed agreement for System Installation and/or Purchase for Public Entities RFP due within 60 days. All PPA materials, including an executed agreement for installation or lease due within 240 days.	✓ Public Entities only	✓ Public Entities only	✓ Public Entities only	✓ Public Entities only
2. Completed Proof of Project Milestone Checklist	✓	✓	✓	✓
3. Copy of Executed Contract or Agreement for Installation (includes warranty language documentation)	✓	✓	✓	✓
4. Revised Minimum Operating Efficiency Calculations (if applicable)	N/A	N/A	✓	N/A
• Waste Heat Utilization Documentation	N/A	N/A	✓	N/A
• OR, Minimum Electric Efficiency Calculation	N/A	N/A	✓	N/A
5. Fuel Cleanup Equipment Purchase Order	N/A	✓	N/A	N/A
6. Renewable Fuel Affidavit	N/A	✓	N/A	N/A

❖ **Request for Proposals (RFP) Documentation for Public Entities** – Public Entities must submit a copy of Request for Proposals (RFP), Notice to Invite Bids, or similar solicitation issued for the installation, lease and/or purchase for systems proposed for the SGIP. The RFP must include

sufficient project details such as the scope of work, schedule, terms, budget, and/or generating system components desired. For Public Entities not issuing an RFP, alternative documentation such as an executed letter of intent to engage with a contractor on the Host Customer letterhead, an executed contract/agreement for system installation/lease, an equipment purchase order, or alternate system ownership agreement must instead be submitted within 60 calendar days of the date the Conditional Reservation Letter.

- ❖ **Proof of Project Milestone Checklist** – All Proof of Project Milestone submittals must be accompanied by a completed and signed checklist. It must identify both the System Owner (if different from the Host Customer), the installation contractor (including the installer's name, telephone number and contractor license number) and be completed and signed by a representative with signature authority for either the System Owner or Host Customer.
- ❖ **Executed Contract and/or Agreement for System Installation** – All SGIP program participants must include, with their Proof of Project Milestone package, a copy of their executed contract for purchase and installation of the system, and/or alternative System Ownership agreement (such as a Power Purchase Agreement). The contract/agreements must be legally binding and clearly spell out the scope of work (quantity of panels/inverters, panel type, inverter type, etc.), terms, total eligible system price, and warranty. All agreements must be signed by appropriate representatives (Host Customer, Installer, and/or System Owner) who are a party to the agreements and the SGIP reservation.
- ❖ **Revised Minimum Operating Efficiency Calculations** – If the system information has changed since the program participant submitted the Reservation Request Package, the Proof of Project Milestone documentation must include a thorough description of any changes that have occurred in the system design effecting efficiency including P.U. Code 216.6 waste heat utilization performance, electrical efficiency or minimum system efficiency. The Program Administrator will cancel any application where changes have resulted in system's inability to maintain its eligibility for waste heat utilization or minimum system efficiency.
- ❖ **Fuel Cleanup Equipment Purchase Order (Level 2 Renewable Fuel Cells)** – When applicable, application documentation must include a purchase order for Renewable Fuel cleanup equipment.
- ❖ **Renewable Fuel Use Affidavit (Level 2 Renewable Fuel Cells)** – When applicable, application documentation must include a signed SGIP affidavit that they will not switch to fossil fuel for a period of five years for fuel cells or three years for all other technologies, or the life of the equipment, whichever is shorter.

4.4.2 Changes to the Proposed System

The Program Administrator will expect a system to be installed as described in the Reservation Request Form, but recognizes that minor changes may result during installation and that substantive changes may be necessary in extraordinary circumstances.

4.4.2.1 Substantive Changes to the Proposed Project

Substantive changes, such as change of System Owner, incentive payment recipient, Project location, or changes in equipment type, require prior approval by the Program Administrator for the reservation to remain in force. Requests for substantive Project changes must be requested in writing.

4.4.2.2 System Changes Affecting Incentive Amount

If all available funds are reserved for other Projects, the Program Administrator cannot raise the originally reserved incentive amount.

If any change results in the installed system differing in its rated electrical output from the system originally specified in the Reservation Request Form, a new incentive payment amount will be calculated. If the proposed system is smaller in output and its eligible costs are lower than those specified in the Reservation Request Form, the applications will receive the smaller incentive amount.

If the proposed system is larger or more expensive than that originally specified in the Reservation Request Form, the Program Administrator may accept the revised incentive as reported in the submitted Proof of Project Milestone documentation. There is no guarantee, however, that Projects who increase the size of the system from that originally stated in the Reservation Request Form will receive the higher incentive amount.

If system size is increased after a conditional reservation has been issued, an incentive amount is calculated at the current SGIP incentive rate for the entire system size. This new incentive amount is compared to the Conditional Reservation amount and the larger of the two becomes the incentive amount.

4.4.3 Submitting Proof of Project Milestone

Once the Proof of Project Milestone package is complete and all the required attachments are secured, the application package must be submitted to the Program Administrator for review. Faxed or hand delivered applications are not allowed. To ensure confirmation of receipt, documentation is to be delivered to the appropriate Program Administrator by certified or overnight mail. No faxes or hand deliveries will be accepted. The Program Administrator will confirm receipt of the package by notifying the reservation contacts of each party (Applicant, Host Customer, and System Owner).

4.4.4 Incomplete Proof of Project Milestone

If a complete Proof of Project Milestone package is not received by the Proof of Project Milestone Date, the application will be cancelled by the Program Administrator.

If submitted Proof of Project Milestone documentation is complete but requires clarification, the Program Administrator will request the information necessary to process that application further. Applicants have 20 calendar days to respond with the necessary information. If, after 20 calendar days, the requested information has not been submitted, the application will be cancelled.

4.4.5 RFP and Proof of Project Milestone Extensions

In general, no extensions to the Proof of Project Milestone Date are permitted.

An extension of the due date for the RFP (or equivalent documentation) may be granted only for Public Entities up to a maximum of 60 days at the Program Administrator's discretion. Any extension granted does not extend the Proof of Project Milestone Date or the Reservation Expiration Date. Applicants and Host Customers must demonstrate that failure to submit a satisfactory RFP (or equivalent documentation) was for reasons beyond their control (e.g., board agenda describing approval of Project and award of bid at next meeting). If the RFP (or equivalent documentation) submittal due date expires and no extension is granted, the Reservation will be terminated. Applicants and Host Customers may reapply for an incentive, but such re-applications will be processed in sequence along with other new applications.

4.4.6 Approval of Proof of Project Milestone

Once applications have successfully demonstrated satisfaction of the Proof of Project Milestone the Program Administrator will issue an Incentive Claim Form. This notification will list the specific reservation dollar amount and the Reservation Expiration Date. Upon Project completion and prior to the Reservation Expiration Date, the completed Incentive Claim Form must be submitted along with all of the necessary documentation to request an incentive payment.

4.5 Requesting an Incentive Payment

After an eligible generating system is completed, Applicants may request payment of the incentive amount listed on their Incentive Claim Form. A generating system is considered "completed" when it is completely installed, interconnected, permitted, paid for and capable of producing electricity in the manner and in the amounts for which it was designed. The Program Administrator will disburse payment after the Program Administrator verifies the claim by field inspection that the generating system is "completed" and meets all the eligibility requirements of the SGIP. The completed Incentive Claim Form must be submitted to the Program Administrator on or before the Reservation Expiration Date, together with all required attachments described below.

4.5.1 Extending the Reservation Expiration Date

A request to extend the Reservation Expiration Date of the reservation is limited to a maximum of 180 calendar days of additional time. Any request must include a written explanation of why the extension is required and how much additional time is needed. Both the Host Customer and System Owner must acknowledge the request by signature or email. Approval of a request for a change in Reservation

Expiration Date will not change or modify any other reservation condition. Failure to submit the Incentive Claim package by the original or extended Reservation Expiration Date will result in cancellation of the Reservation.

4.5.2 Required Attachments

In addition to the completed Incentive Claim Form, the following attachments must be submitted when requesting incentive payment:

Table 4-3 Incentive Claim Required Materials

Required Materials	Wind Turbines	Renewable Fuel Cells	Non-Renewable Fuel Cells	Advanced Energy Storage
1. Completed Incentive Claim Form w/ Original Signatures	✓	✓	✓	✓
2. Proof of Authorization to Interconnect	✓	✓	✓	✓
3. Final Project Cost Breakdown Worksheet	✓	✓	✓	✓
4. Project Cost Affidavit	✓	✓	✓	✓
5. Final Building Permit Inspection Report	✓	✓	✓	✓
6. Substantiation of Load (New Construction or Expanded Load Only)	✓	✓	✓	✓
7. Substantiation of Renewable Fuel Resource	N/A	✓	N/A	N/A
8. Revised Sizing Calculations (if applicable)	✓	✓	✓	✓
9. Revised Minimum Operating Efficiency Calculations (if applicable)	N/A	N/A	✓	N/A
• Waste Heat Utilization Documentation, Or	N/A	N/A	✓	N/A
• Minimum Electric Efficiency Calculation	N/A	N/A	✓	N/A
10. Final Fuel Cleanup Skid Cost Documentation	N/A	✓	N/A	N/A
11. Final Air Permit Documentation (if applicable)	N/A	✓	✓	N/A

- ❖ **Incentive Claim Form** – A completed Incentive Claim form must be submitted with all applications. Only Incentive Claim forms with original signatures will be accepted. The Incentive Claim form information must accurately represent the actual installed system size and type.
- ❖ **Proof of Authorization to Interconnect** – A copy of the signed letter from their Electric Utility granting the Host Customer and/or System Owner permission to interconnect and operate in parallel with the local grid. For questions on the interconnection process, see Section 5.1.
- ❖ **Final Project Cost Breakdown Worksheet** – A final Project Cost Breakdown Worksheet substantiating the claimed eligible Project cost. The Program Administrator reserves the right to

withhold final incentive payment pending review and approval of Project cost and receipt of supporting documentation. For a list of total eligible Project cost, see Appendix A. The Program Administrator reserves the right to periodically audit Host Customer's and, if different from Host Customer, the System Owner's records.

- ❖ **Project Cost Affidavit** – A signed Project Cost Affidavit substantiating the claimed eligible Project cost.
- ❖ **Final Building Inspection Report** – A copy of the final building inspection report demonstrating that the Project meets all codes and standards of the permitting jurisdiction. Contact your local permitting jurisdiction to learn about permitting requirements.
- ❖ **Substantiation of Load (New Construction or Added Load Only)** – For Projects where Host Customer estimated future load was used to justify system size, applications must include documentation demonstrating that the load forecast has materialized.
- ❖ **Substantiation of Renewable Fuel Resource** – For Projects where the Host Customer, Applicant or System Owner provided Renewable Fuel resource estimates, applications must include documentation demonstrating that the Renewable Fuel resource has materialized.
- ❖ **Revised Sizing Calculations** – When applicable, applications must include a thorough description of any changes that have occurred in the system design effecting size or incentive amount since the initial application submittal. If funding is not available, the reserved incentive cannot be increased amount regardless of the changes to the proposed generating system.
- ❖ **Revised Minimum Operating Efficiency Calculations** – When applicable, application documentation must include a thorough description of any changes that have occurred in the system design effecting efficiency including P.U. Code 216.6 waste heat utilization performance, electrical efficiency or minimum system efficiency. The Program Administrator will cancel any application where changes have resulted in system's inability to maintain its eligibility for waste heat utilization or minimum system efficiency.
- ❖ **Fuel Cleanup Skid Cost Documentation (Renewable Fuel Cells)** – When applicable for Renewable Fuel Projects, applications must include documentation substantiating the fuel cleanup skid cost.
- ❖ **Final Air Permitting Documentation (Fuel Cells)** – For those Projects that require an air permit from the local air district, the application must include a copy of the final documentation indicating compliance with all applicable air pollution regulations.

4.5.3 Changes to the Proposed System

The Program Administrator will expect a system to be installed as described on the Incentive Claim Form, but recognizes that minor changes may result during installation and that substantive changes may be necessary in extraordinary circumstances.

4.5.3.1 Substantive Changes to the Proposed Project

Substantive changes, such as change of System Owner, incentive payment recipient, Project location, or changes in equipment type, require prior approval by the Program Administrator for the reservation to remain in force. Requests for substantive Project changes must be requested in writing.

4.5.3.2 System Changes Affecting Incentive Amount

If all available funds are reserved for other Projects, the Program Administrator cannot raise the originally determined incentive amount.

If any change resulted in the installed system differing in its rated electrical output from the system originally specified in the Reservation Request Form, or the most recent approved revised system size, a new incentive payment amount will be calculated. If the installed system is smaller in output and its eligible costs are lower than those specified in the Reservation Request Form, the Host Customer will receive the smaller incentive amount.

If the installed system is larger or more expensive than that originally specified in the Reservation Request Form, or the most recent approved revised system size, the Program Administrator may accept the revised incentive as reported in the submitted Reservation Confirmation and Incentive Claim form. There is no guarantee, however, that Host Customers who increase the size of the system from that originally stated in the Reservation Request Form will receive the higher incentive amount.

If system size is increased after a conditional reservation has been issued, an incentive amount is calculated at the current SGIP incentive rate for the entire system size. This new incentive amount is compared to the amount currently reserved by the Host Customer and the larger of the two becomes the incentive amount.

Example #8: 200 kW Level 3 Fuel Cell System Size Increased to 400 kW

The existing reservation is \$500,000 for a 200 kW fuel cell system at a \$2.50/W incentive rate.

The Host Customer adds 200 kW for a total of 400 kW at the time of payment or when modifying the existing reservation and the current rebate level is \$2.00/W, the Project's new incentive amount is $400,000 \text{ W} \times \$2.00/\text{W} = \$800,000$. The Host Customer would receive a higher incentive than what was originally reserved *if* funding is available.

Example #9: 200 kW Level 3 Fuel Cell System Size Increased to 240 kW

The existing reservation is \$500,000 for a 200 kW fuel cell system at a \$2.50/W incentive rate.

The Host Customer adds 40 kW for a total of 240 kW at the time of payment or when modifying the existing reservation and the current rebate level is \$2.00/W, the Project's new incentive amount is $240,000 \text{ W} \times \$2.00/\text{W} = \$480,000$. In this case, the Host Customer would *not* qualify for additional funding due to an increase in capacity and the existing reservation of \$500,000 for the 200 kW would remain in force.

4.5.4 Submitting Your Incentive Claim Package

Once the Incentive Claim Form is complete and all the required attachments are secured, the package must be submitted to the Program Administrator. To ensure confirmation of receipt, documentation shall be delivered to the appropriate Program Administrator by certified or overnight mail. No faxes or hand deliveries will be accepted.

4.5.5 Incentive Claim Package Submittals

If a complete Incentive Claim package is not received by the Reservation Expiration Date of the reservation, the application may be cancelled by the Program Administrator.

If submitted Incentive Claim documentation are complete but require clarification, the Program Administrator will request the information necessary to process that application.

4.5.6 Field Verification Visit

Upon receipt of a complete Incentive Claim Form package, the Program Administrator will conduct a field verification visit to verify that the Project system is installed as represented in the application, is operational, interconnected and conforms to the eligibility criteria of the SGIP. If the Project is a Level 2 Renewable Fuel Cell, the availability and flow rate of the Renewable Fuel will be demonstrated by Host Customer and/or System Owner. If the eligible system size depended on new construction or load growth, the required load will be confirmed at the time of Field Verification Visit. The Program Administrator also will verify system capacity rating to confirm the final incentive amount.

4.5.6.1 Failed Field Verification

If the field verification visit process determines that the system is not eligible, the Program Administrator will notify the Applicant, Host Customer and System Owner the reasons for system ineligibility. The Applicant, Host Customer and System Owner will have 60 calendar days to bring the system into compliance. A subsequent inspection visit will be conducted to determine final approval. If the Applicant, Host Customer and System Owner fails to bring the system to full eligibility within the 60 days the application will be cancelled.

If the Site load or renewable fuel forecast has not yet materialized, the Applicant will be given two options; 1) Receive a one time payment based on the Site load or fuel availability (whichever is less) demonstrated at the time of initial inspection or, 2) Wait for the Site load or fuel to materialize within 12-months of the Reservation Expiration due date. If the Site load or fuel has not materialized within the 12-

month period, the Project will be paid based on the Site load, or system operating capacity available at the end of the 12-month period.

4.5.7 Incentive Check Payment and Terms

Upon final approval of the incentive claim package documentation and completed field verification visit, the Program Administrator will issue the incentive in approximately 30 days. Payment will be made to the Host Customer, System Owner, or a third party (as designated), as indicated on the Incentive Claim Form, and will be mailed to the address provided. The lump sum incentive payment issued constitutes final and complete payment.

5 OTHER INSTALLATION REQUIREMENTS & CONTINUING SITE ACCESS REQUIREMENTS

5.1 Connection to the Utility Distribution System

All distributed generation systems receiving incentives under the SGIP must be connected to the local Electric Utility's distribution system. The interconnection, operation, and metering requirements for generating systems shall be in accordance with the local Electric Utility rules for customer generating facility interconnections. In order to connect a generating system to the Electric Utility distribution system, Host Customers and/or System Owners will be required to execute certain documents such as, but not limited to, an "Application to Interconnect a Generating Facility" and a "Generating Facility Interconnection Agreement" with the local Electric Utility. Written certification of interconnection and Parallel Operation to the Program Administrator prior to the Reservation Expiration Date will be required.

Applicants, Host Customers and System Owners are solely responsible to submit interconnection applications to the appropriate Electric Utility interconnection department as soon as the information to do so is available to prevent any delays in system Parallel Operation.

5.1.1 How to Apply For Interconnection of Self Generation Systems

For more information on electric grid and/or natural gas pipeline interconnections, please contact your local utility (investor owned utilities are listed below). It is the sole responsibility of the SGIP System Owner and Host Customer to seek and obtain approval to interconnect the self-generation system to a utility's distribution system. System Owners and Host Customers participating in the SGIP should immediately contact the utility to seek guidance on how to apply for interconnection. Contact information is listed below.

Pacific Gas & Electric (PG&E)

Website: www.pge.com/gen

Email: gen@pge.com

Phone: (415) 972-5676 (PG&E Generation Interconnection Hotline)

San Diego Gas & Electric (SDG&E)

Website: http://www.sdge.com/business/self_generation.shtml

Contact information for wind systems:	
Net Metering Team San Diego Gas & Electric PO Box 129831, CP52F San Diego, CA 92123-9749 Phone: (858) 636-5585 Email: netmetering@semprautilities.com	Ken Parks San Diego Gas & Electric PO Box 129831, CP52F San Diego, CA 92123-9749 Phone: (858) 636-5581 Email: kparks@semprautilities.com

All other systems:	
Self Generation Team San Diego Gas & Electric PO Box 129831, CP42F San Diego, CA 92123-9749 Phone: (858) 654-1278 Email: selfgensd@semprautilities.com	Scott Wilson San Diego Gas & Electric PO Box 129831, CP42F San Diego, CA 92123-9749 Phone: (858) 654-1278 Email: selfgensd@semprautilities.com

Southern California Edison (SCE)

Gerome Torribio
Southern California Edison
2244 Walnut Grove Avenue
Rosemead, Ca 91770
Phone: (626)302-9669
E-mail Gerome.Torribio@sce.com

Southern California Gas Company (SoCalGas)

www.socalgas.com
Residential Customers: (800) GAS-2200
Business Customer: (800) GAS-2000

5.2 Measurement and Evaluation (M&E) Activities

As a condition of receiving incentive payments under the SGIP, System Owners and Host Customers agree to provide full access to Site and generating system equipment in support of, as well as participate in Measurement and Evaluation (M&E) activities as required by the CPUC. M&E activities will be performed by the Program Administrator or the Program Administrator's independent third-party consultant and include but are not limited to, periodic telephone interviews, on-site visits, development of

a M&E Monitoring Plan, installation of metering equipment, collection and transfer of data from installed system monitoring equipment, whether installed by Host Customer, System Owner, a third party, or the Program Administrator.

5.2.1 Field M&E Visits

During the course of the Project, the Program Administrator or the Program Administrator's independent third-party consultant will require one or more visits to the Site for M&E purposes. These site M&E visits can occur before, during or after startup of the generating system for the purposes of developing a monitoring plan, installing additional M&E instrumentation, performing equipment operations inspection and retrieving system data. These visits are separate and distinct from the field verification visits (see Section 4.5.6) by the Program Administrator or its consultants, which are used to determine eligibility of the installed generating system and occur during the Incentive Claim stage of the application process.

5.2.2 Electrical Metering Requirements

At the discretion of the Program Administrator, and in consultation with the Program Administrator's independent third-party consultant, SGIP systems may require installation of dedicated, recording, time-of-use or interval metering to measure and record electrical generation output (i.e., Net Generation Output Meter) solely for M&E purposes. Many installations will already require this type of electrical metering as a condition of interconnection with the Electric Utility grid. In the case of investor-owned electric utilities, this means compliance with their filed CPUC Rule 21, Generating Facility Interconnections. Specifications for the net generation output meter can be found on the Program Administrator's or the Electric Utility's website.

Costs for metering normally required by the Electric Utility in accordance with its tariff rules shall be paid by the customer. Metering not normally required by the Electric Utility's rules, but required as a condition of receiving incentives under the SGIP, shall be paid for by the Program Administrator.

5.2.3 Other Energy Metering Requirements

The CPUC requires that Level 2 (except wind turbines) and Level 3 technology installations be evaluated for compliance with SGIP requirements for efficiency, waste heat recovery, or use of renewable/non-renewable fuels. As a condition of receiving incentive payments in the SGIP, Host Customer and System Owner agree to allow the Program Administrator, or the Program Administrator's independent third-party consultant, to conduct M&E activities on completed installations. Furthermore, the Host Customer and System Owner agree to cooperate with the installation of any additional system monitoring equipment that the M&E consultant may deem necessary. All labor and material costs for instrumentation and data collection required solely for SGIP M&E purposes (and not by utility tariff) will be paid by the Program Administrator. Results of M&E activities will have no bearing on the incentive payment previously received, with the exception of Projects utilizing Renewable Fuels.

5.2.4 M&E System Monitoring Data Transfer Requirements

For systems with Host Customer, System Owner, third party, or Program Administrator installed monitoring equipment; the Host Customer and System Owner agree to provide system monitoring data (typically 15-minute interval data) to the SGIP M&E consultant on a quarterly basis for a period of twice the required warranty period of the generating system.

5.2.5 Disposition of SGIP Metering Equipment

Upon completion of the SGIP M&E metering activities at the Site, the Program Administrator will offer all M&E metering equipment to the System Owner for transference. The Program Administrator will provide an Equipment Transfer Agreement with a schedule of the SGIP M&E equipment located at the Site. The Equipment Transfer Agreement must be signed by both the System Owner and the Program Administrator.

If the System Owner does not wish to accept the M&E metering equipment, the Program Administrator or its independent third-party consultant will remove the M&E metering equipment. The Program Administrator shall pay the costs for meter removal.

5.3 Audit Rights

Program Administrator shall be allowed to periodically audit System Owner's and Host Customer's records related to the work done under this Contract, and report the results of its audit to the CPUC or its designee. System Owner and Host Customer must provide all requested Project documents to Program Administrator upon written request, and must, for 5 years following Contract termination, maintain copies of all Project documents, including, but not limited to, Contracts, invoices, purchase orders, reports, and all back-up documents, for Program Administrator's review.

5.4 Dispute Resolution

All participants shall attempt in good faith to resolve any dispute arising out of or relating to this transaction promptly by negotiations between a vice president of Program Administrator or his or her designated representative and an executive of similar authority from System Owner and/or Host Customer. Either party must give the other party or parties written notice of any dispute. Within thirty (30) calendar days after delivery of the notice, the executives shall meet at a mutually acceptable time and place, and shall attempt to resolve the dispute. If the matter has not been resolved within thirty (30) calendar days of the first meeting, any party may pursue other remedies, including mediation. All negotiations and any mediation conducted pursuant to this clause are confidential and shall be treated as compromise and settlement negotiations, to which Section 1152.5 of the California Evidence Code shall apply, and Section 1152.5 is incorporated herein by reference. Notwithstanding the foregoing provisions, a party may seek a preliminary injunction or other provisional judicial remedy if in its judgment such action is necessary to avoid irreparable damage or to preserve the status quo. Each party is required to

continue to perform its obligations under this Contract pending final resolution of any dispute arising out of or relating to this Contract.

6 DEFINITIONS AND GLOSSARY

AB 970:

Assembly Bill 970, signed by Governor Davis on September 6, 2000. This legislation required the CPUC to initiate certain load control and distributed generation activities, which resulted in the SGIP.

AB 1685:

Assembly Bill 1685, signed by Governor Davis on October 12, 2003. This legislation requires the CPUC, in consultation with the Energy Commission, to administer, until January 1, 2008, a self-generation incentive program for distributed generation resources in the same form that exists on January 1, 2004, but requires that combustion-operated distributed generation Projects using fossil fuels commencing January 1, 2005, meet a NOx emission standard, and commencing January 1, 2007, meet a more stringent NOx emission standard and a minimum system efficiency standard, to be eligible for incentive rebates under the SGIP. The bill establishes a credit for combined heat and power units that meet minimum system efficiency standard. The bill also revises the definition of an ultra-clean and low-emission distributed generation to include electric generation technologies that commence operation prior to December 31, 2008.

AB 2667:

Assembly Bill 2667, approved by the Governor September 28, 2008, requires the CPUC to provide from existing SGIP funds an additional incentive of 20% for the installation of eligible distributed generation resources from a California Supplier.

Advanced Energy Storage:

Are technologies that convert electricity into another form of energy, stored and then converted back into electricity at another time. Advanced Energy Storage systems eligible for SGIP incentives must be coupled with an eligible self generation technology, currently fuel cell and wind turbines, and be able to discharge at rated capacity for a four hour period.

Applicant:

The entity, either the Host Customer, System Owner, or third party designated by the Host Customer, responsible for the development and submission of the SGIP application materials and the main point of communication between the SGIP Program Administrator for a specific SGIP Application.

Application Fee:

Is required for new technologies that are in process of certification and is 1% of the requested incentive amount, due and payable with the Reservation Request application. Once the Program Administrator issues a Conditional Reservation, the Application Fee will be forfeited if it is not withdrawn by the Host Customer/System Owner within 20 days of the Conditional Reservation or cancelled by the Program Administrator for not satisfying the SGIP requirements.

Backup Generators:

Operate as short-term temporary replacement for electrical power during periods of Electric Utility power outages. In addition to emergency operation they ordinarily only operate for testing and maintenance. Backup generators do not produce power to be sold or otherwise supplied to the grid or provide power to loads that are simultaneously serviced by the Electric Utility grid. Backup generators only service customer loads that are isolated from the grid either by design or by manual or automatic transfer switch.

California Supplier:

Is any sole proprietorship, partnership, joint venture, corporation, or other business entity that manufactures eligible distributed generation technologies in California and that meets either of the following criteria:

A) The owners or policymaking officers are domiciled in California and the permanent principal office, or place of business from which the supplier's trade is directed or managed, is located in California.

Or

B) A business or corporation, including those owned by, or under common control of, a corporation, that meets all of the following criteria continuously during the five years prior to providing eligible distributed generation technologies to an SGIP recipient:

- i) Owns and operates a manufacturing facility located in California that builds or manufactures eligible distributed generation technologies.
- ii) Is licensed by the state to conduct business within the state.
- iii) Employs California residents for work within the state.

For purposes of qualifying as a California Supplier, a distribution or sales management office or facility does not qualify as a manufacturer.

CCSE:

California Center for Sustainable Energy

CEC:

California Energy Commission

CPUC:

California Public Utilities Commission

Electric Utility:

The Host Customer's local electric transmission and distribution service provider for their Site.

ESCO:

Energy Service Company (ESCO), a business entity that designs, builds, develops, owns, operates or

any combination thereof self-generation Projects for the sake of providing energy or energy services to a Host Customer.

Fuel Cell:

Power plants that produce electricity through an electrochemical reaction with a fuel source resulting in extremely low emissions and hot water or steam.

Gas Service:

The gas line from the Utility's distribution main to the serving gas meter

Host Customer:

An entity that meets all of the following criteria: 1) has legal rights to occupy the Site, 2) receives retail level electric or gas distribution service from PG&E, SCE, SoCalGas or SDG&E, 3) is the utility customer of record at the Site 4) is connected to the electric grid, and 5) is the recipient of the net electricity generated from the self-generation equipment.

Interim Changes:

Changes by the Program Administrators to the SGIP instituting legislative, regulatory, clarifying or corrective rules that are posted on their SGIP websites.

Investor Owned Utility:

For purposes of the SGIP, this refers to Pacific Gas & Electric Company, San Diego Gas & Electric Company, Southern California Edison Company and Southern California Gas Company.

ISO:

International Standards Organization

Non-Renewable Fuel:

Includes fossil fuels and synthetic fuels not generated from a renewable resource.

Parallel Operation:

The simultaneous operation of a self-generator with power delivered or received by the Electrical Utility while interconnected to the grid. Parallel Operation includes only those generators that are interconnected with the Electric Utility distribution system for more than 60 cycles.

PG&E:

Pacific Gas and Electric Company

Power Purchase Agreements:

An agreement for the sale of electricity from one party to another, where the electricity is generated and consumed on the Host Customer Site. Agreements that entail the export and sale of electricity from the Host Customer Site do not constitute on-site use of the generated electricity and therefore are ineligible for the SGIP.

Program Year:

January 1 through December 31.

Proof of Project Milestone Date:

The Proof of Project Milestone Date is the date when required information to demonstrate that their Project is moving forward is due.

Project:

For purposes of the SGIP, the "Project" is the installation and operation of the proposed eligible self-generation technology(ies), as described by the submitted Reservation Request documentation.

Project Completion Date:

For purposes of the SGIP, the Project completion date will be determined when the Host Customer receives permission, from the Electric Utility, to operate in parallel.

Public Entity:

Includes the United States, the state and any county, city, public corporation, or public district of the state, and any department, entity, agency, or authority of any thereof.¹⁸

Renewable Fuel:

A Renewable Fuel is a non-fossil fuel resource other than those defined as conventional in Section 2805 of the Public Utilities Code that can be categorized as one of the following: solar, wind, gas derived from biomass, digester gas, or landfill gas. A facility utilizing a Renewable Fuel may not use more than 25 percent fossil fuel annually, as determined on a total energy input basis for the calendar year.

Reservation Expiration Date:

The Reservation Expiration Date is the date the Incentive Reservation expires and all required documentation must be provided by.

SCE:

Southern California Edison

SDG&E:

San Diego Gas and Electric

Single Business Enterprise:

For purposes of defining a Site, a Single Business Enterprise is a business that has a unique taxpayer or employer identification number. Two or more businesses with the same taxpayer or employer identification number, as a group, are a Single Business Enterprise.

Site:

A Single Business Enterprise or home located on an integral parcel or parcels of land undivided by a

¹⁸ Source: CALIFORNIA CODES - PUBLIC CONTRACT CODE, SECTION 21611

public road or thoroughfare regardless of the number of meters serving that Site; or if divided by a public road or thoroughfare, served by a single Electric Utility meter. Separate business enterprises or homes on a single parcel of land undivided by a highway, public road, thoroughfare or railroad would be considered for purposes of the SGIP as separate Sites.

SoCalGas:

Southern California Gas Company

System Owner:

The owner of the generating system at the time the incentive is paid. For example, in the case when a vendor sells a turnkey system to a Host Customer, the Host Customer is the System Owner. In the case of a leased system, the lessor is the System Owner.

Thermal Load:

Host Customer heating process(es) including but not limited to industrial process heating, space heating, domestic hot water heating and/or heat input to an absorption chiller used for space cooling or refrigeration.

Thermal Load Equipment:

Thermal end-use equipment such as but not limited to absorption chillers (indirect or direct fired), boilers, water heaters, space heaters, furnaces, dryers, secondary heat exchangers, thermal storage tanks or vessels including pumps, cooling towers, and piping or any other ancillary equipment.

Waste Gas:

Natural gas that is generated as a byproduct of petroleum production operations and is not eligible for delivery to the utility pipeline system.

7 PROGRAM ADMINISTRATOR CONTACT INFORMATION

Potential Host Customers and their s can receive more information and apply for incentive funding through the following Program Administrators¹⁹:

Pacific Gas & Electric (PG&E)

Website: www.pge.com/selfgen
Email Address: selfgen@pge.com
Telephone: (415) 973-6436
Fax: (415) 973-2510
Mailing Address: Self-Generation Incentive Program
PO Box 7433
San Francisco, CA 94120
Overnight Mailing Address: Self-Generation Incentive Program
245 Market Street
Mail Code N4G
San Francisco, CA 94105-1814

California Center for Sustainable Energy (CCSE)

Website: www.energycenter.org
Contact Person: Program Manager, Self-Genration Incentive Program
Telephone: (858) 244-1177
Fax: (858) 244-1178
Email: selfgen@energycenter.org
Address: California Center for Sustainable Energy
Attn: SELFGEN Program Manager
8690 Balboa Ave., Suite 100
San Diego, CA 92123-1502

Southern California Edison (SCE)

Website: www.sce.com/SGIP
E-mail: CSIGroup@sce.com
Address: Program Manager Self-Generation Incentive Program
Southern California Edison
6042A Irwindale Ave.
Irwindale, California 91702
Telephone: (866) 584-7436
Fax: (626) 633-3402

Southern California Gas Company (SoCalGas)

Website: www.socalgas.com/business/selfgen
E-Mail: selfgeneration@socalgas.com
Telephone: 1-866-DG-REBATE (1-866-347-3228)
Fax: (213) 244-8222
Address: Self-Generation Incentive Program Administrator
Southern California Gas Company
555 West Fifth Street, GT22H4
Los Angeles, CA 90013-1011

¹⁹ Potential eligible Projects located in the service territory of both Southern California Edison and the Southern California Gas Company can apply for incentive funding to either Program Administrator.

APPENDIX A

DESCRIPTION OF TOTAL ELIGIBLE PROJECT COSTS

The following costs may be included in total eligible Project cost:

1. Self-generation equipment capital cost
2. Engineering and design costs
3. Construction and installation costs. For Projects in which the generation equipment is part of a larger Project, only the construction and installation costs directly associated with the installation of the energy generating equipment are eligible.
4. Engineering feasibility study costs
5. Interconnection costs, including:
 - a. Electric grid interconnection application fees
 - b. Metering costs associated with interconnection
6. Environmental and building permitting costs
7. Warranty and/or maintenance contract costs associated with eligible Project cost equipment (See 2.6.2 for full explanation of eligible costs)
8. Gas line installation costs, limited to the following:
 - a. Costs associated with installing a natural gas line on the customer's Site that connects the serving gas meter or customer's natural gas infrastructure to the distributed generation unit(s).²⁰
 - b. Customer's cost for an additional (second) Gas Service to serve the distributed generation unit if this represents a lower cost than tying to the existing meter or Gas Service.
 - c. Customer's cost for any evaluation, planning, design, and engineering costs related to enhancing/replacing the existing Gas Service specifically required to serve the distributed generation unit.
9. Sales tax and use tax
10. On-site system measurement, monitoring and data acquisition equipment.

²⁰ In many cases, the Utility requires a separate, Utility owned gas meter, dedicated to the generator to qualify for a generation gas rate schedule. In that case, costs associated with installing a separate gas meter that are in excess of those covered under the applicable gas rules may be included as an Eligible Project Cost.

11. Air emission control equipment capital cost
12. Primary heat recovery equipment, i.e. heat recovery equipment directly connected to the generation system whose sole purpose is to collect the waste heat produced by the power plant. For example, a heat exchanger or heat recovery boiler (a.k.a., heat recovery steam generator, or HRSG) used to capture heat from a gas turbine is an eligible cost
13. Heat recovery piping and controls necessary to interconnect the generating equipment to either the Primary Heat Recovery Equipment or the heat recovery piping and controls within the space primarily occupied by the generator partitioned by a fence or wall, whichever cost is less. If there is no identifiable Primary Heat Recovery Equipment and no identifiable space primarily occupied by the generator, eligible heat recovery piping and control costs shall be limited to the generator skid.
14. Level 2 Projects (except wind turbines) may claim the cost associated with securing a bond to certify use of Renewable Fuel, described in the SGIP Contract, as eligible costs.
15. For Level 2 technologies (except wind turbines), the cost of equipment to remove moisture and other undesirable constituents from Renewable Fuels that would damage the generation equipment. Such equipment includes but is not limited to “gas skids”, dryers/moisture removal and siloxane removal towers.
16. Cost of capital included in the system price by the vendor, contractor or subcontractor (the entity that sells the system) is eligible if paid by the System Owner.

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