

December 2005

IMPORTANT ANNOUNCEMENT

Order to Modify the Self-Generation Incentive Program

On December 15, 2005, the CPUC issued a final decision which makes substantial modifications to the Self-Generation Incentive Program (SGIP) in 2006.

In anticipation of questions participants are likely to have as a result, the SGIP Program Administrators (composed of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), Southern California Gas Company (SoCalGas), San Diego Regional Energy Office (SDREO)) have put together this question and answer (Q&A) summary sheet.

The following Q&A is designed to assist those in need of immediate guidance about what the decision means in terms of submitting a new 2006 Reservation Request to the SGIP, as well as those who are currently on a waiting list. If you have questions which are not covered in the Q&A below, please direct your question to one of the SGIP Program Administrators by email or phone shown at the end of the Q&A list.

1. *Where can I get a copy of the complete final draft CPUC decision to review?*

Answer: The draft decision can be found and downloaded at:
http://www.cpuc.ca.gov/word_pdf/FINAL_DECISION/52129.pdf

2. *What are some of the major points of the draft decision that I should be aware of?*

Answer: The decision directs the SGIP Program Administrators to:

- a. Increase the funding for solar projects by \$300 Million in 2006.
- b. Lower the rebate for solar projects to \$2.80/Watt, for all 2006 projects.
- c. Offer projects currently on the 2005 Level 1 Wait List (as of December 15, 2005) a rebate of \$3.00/Watt.

If Host Customers or Applicants choose to withdraw their projects from the wait list, they will receive a refund of their application fees.

3. *What if I have a project on the wait list, and do not want to proceed with the rebate amount of \$3.00/watt?*

Answer: If you do not want to proceed with the project at \$3.00/watt, please notify your Program Administrator that you would like to cancel the project and have your application fee refunded. The Program Administrator will cancel your project and refund the application fee.

4. *Do I need to take any action if I am on the 2005 Level 1 Wait List, and want to proceed with the rebate amount of \$3.00/watt?*

Answer: No. If you do not contact your Program Administrator, your application will be automatically “rolled-over” into the 2006 program and subject to the 2006 Handbook terms and conditions. The 2006 SGIP Handbook should be posted on each of the Program Administrators web sites on or before January 15, 2006.

Please be aware that after the Conditional Reservation Notice Letter has been issued, you will have 60 days to meet the Project Advancement Milestone, and provide all documentation, including an executed installation contract. ***If you do not meet this deadline, your reservation will be cancelled, and your application fee will be forfeited.*** Extensions are not allowed, except for public Entities, which may request a maximum of a 60 day extension.

5. *Are the other technologies revising their incentive amounts?*

Answer: At this time, the CPUC has not recommended any revisions to the non-solar technologies rebate levels.

6. *How much incentive funding will be available on January 1, 2006?*

Answer: The final decision increases the annual statewide solar budget by \$300 Million.

7. *I already have an approved SGIP reservation for a project – does this decision impact my existing application in any way?*

Answer: Those projects which have already received a Conditional Reservation prior to the final decision will continue to be eligible to receive an incentive amount under the “old” structure, as well as be subject to the rules and procedures (e.g., cost documentation requirements) described in the last revision of the 2005 SGIP Handbook dated April 23, 2005 Rev. 1 and applicable Interim Changes.

8. *When will new SGIP applications be accepted for 2006? When and how can I turn it in?*

Answer: New 2006 Reservation Requests (applications) for all technologies will begin to be accepted on February 1, 2006 – no earlier. The Working Group has already begun the process of updating the SGIP Handbook, forms, and associated agreement documents. Furthermore, the Working Group has plans to work together to incorporate the decision's order into a final form for distribution to applicants by January 15th. This will provide the marketplace time to review and implement the new application procedures and forms issued by February 1, 2006.

Conditional Reservation Notice letters will not be issued for the current Level 1 Wait List until February 1, 2006. This will allow for the SGIP participants to read the 2006 SGIP Handbook prior to notifying the Program Administrator their intent to proceed.

February 1, 2006 is the earliest date new 2006 Conditional Reservation Requests will be accepted by Program Administrators. Applications received before this date will not receive further consideration and be returned to sender.

No faxes allowed. To ensure confirmation of receipt, documentation is recommended to be returned and delivered to the appropriate Program Administrator by certified or overnight mail. No hand deliveries.

9. Are there any other substantive changes to the 2006 SGIP that I should be aware of?

Answer: There will be some changes to the 2006 SGIP including:

- A Host Customer is designated as the reservation holder, and may change applicants at any time.
- The 2006 SGIP will continue to require an application fee equal to 0.5% of the originally requested incentive amount.
- It is anticipated that the Incentive Levels may be adjusted to the following (pending Commission approval):

Incentive Levels	Eligible Technologies	Incentive Offered (\$/Watt)	Minimum System Size	Maximum System Size ¹
Level 1 (Solar)	Photovoltaics	\$3.00/W for project "rolled over" into 2006 from the 2005 Wait List	30 kW	5 MW
		\$2.80/W for projects received after 12/15/05		
Level 2 (Renewable Non-Solar)	Wind turbines	\$1.50/W	30 kW	5 MW
	Renewable fuel cells	\$4.50/W		
	Renewable fuel internal combustion engines and large gas turbines	\$1.00/W	None	
	Renewable fuel micro-turbines and small gas turbines ³	\$1.30/W		
Level 3 (Non-Renewable Non-Solar)	Non-renewable fuel cells ²	\$2.50/W	None	5 MW
	Non-renewable & Waste Gas fuel micro-turbines and small gas turbines ^{2,3,4}	\$0.80/W		
	Non-renewable & Waste Gas fuel internal combustion engines and large gas turbines ^{2,3,4}	\$0.60/W		

1 Maximum incentive payout capped at 1MW

2 System must utilize waste heat recovery meeting Public Utilities Code 218.5

3 Small Gas Turbines are defined as gas turbines < 1.0 MW

4 System must meet AB1685 Emissions standards

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