



*Pacific Gas and
Electric Company*TM

Self-Generation Incentive Program Handbook

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1. INTRODUCTION

This handbook provides the policies and procedures of the Self-Generation Incentive Program for potential program participants and other interested parties. This program has been approved by the California Public Utilities Commission (CPUC) and is subject to change in whole or in part at any time without prior notice.

1.1 Program Summary

The Self-Generation Incentive Program provides a financial incentive 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 Self-Generation Incentive Program complements the existing California Energy Commission (CEC) Emerging Renewables Buy-Down Program, which traditionally provides a majority of its incentive funding to smaller renewable self-generation units¹, by providing incentive funding to larger renewable and non-renewable self-generation units up to the first 1.0 MW in capacity².

Pacific Gas and Electric (PG&E), Southern California Edison (SCE), the Southern California Gas Company (SoCalGas), and the San Diego Regional Energy Office (SDREO) will administer this program throughout their respective service territories.³

1.2 Program Background

Assembly Bill 970 (AB 970), signed by Governor Davis on September 6, 2000, required the CPUC to initiate certain load control and distributed generation activities, including financial incentives.

On March 27th, 2001, the CPUC issued Decision 01-03-073, which ordered the state's investor-owned utilities (PG&E, SDG&E, SCE, SoCalGas) to work with the CPUC Energy Division, the CEC and SDREO to develop program details for a self-generation equipment incentive program.

¹ The California Energy Commission Emerging Renewables Buydown Program includes renewable self-generation systems less than 30 kW in size.

² Maximum system size is 1.5 MW, however, output capacity above the first 1.0 MW is not eligible for incentives. Reference CPUC Decision 02-02-026 dated February 7, 2002.

³ SDREO is the Program Administer for SDG&E customers.

2. PROGRAM ELIGIBILITY CRITERIA AND REQUIREMENTS

The eligibility criteria for this program determine which utility customers and projects can participate. In order to qualify for incentives from this program Applicant, Host Customer and equipment eligibility criteria must all be satisfied. The following sections detail these requirements.

2.1 Effective Dates and Retroactive Eligibility

The Program Administrator began accepting applications for the program in the summer of 2001. The program will continue accepting applications through December 31, 2004. Incentive funding is offered on a first-come, first-served basis for each calendar year of the program duration, subject to annual limits set by the CPUC on the available incentive budget. Each Administrator's uncommitted or unspent program funds for a given calendar year will be carried forward and applied towards program funding in the following year.

Applicants who completed projects prior to the program launch date may be eligible to apply to the program retroactively. Projects involving Level 1 technologies⁴ with a completion date on or after January 1, 2001 will be eligible to apply for retroactive incentive funding under this program.⁵ Level 2 and 3 technologies with a completion date on or after March 27, 2001 will be eligible to apply for retroactive incentive funding under this program.

For the purposes of retroactive eligibility, the "completion date" is the date the Applicant receives an authorization to operate in parallel from the local electric utility.

2.2 Applicant Eligibility

An Applicant is the person or company who applies to the Program Administrator for incentive funding. Any retail level customer of PG&E, SCE, SoCalGas, or SDG&E is eligible to apply and receive incentives from this program. Third-parties (e.g. a party other than the Program Administrator or the utility customer) such as, but not limited to, engineers, installing contractors, equipment distributors or energy service companies are also eligible to apply for incentives on behalf of the utility customer, provided consent is granted in writing by the customer. Equipment lessees or lessors are also eligible to participate in the program.

2.3 Host Customer Eligibility

The Host Customer is the customer of record at the site where the generating equipment is or will be located. Any class of customer (industrial, agricultural, commercial or residential) is eligible to be a Host Customer in this program. The Host Customer site must be located in the service territory of, and receive

⁴ See Section 2.4 for description of the eligible technologies.

⁵ Projects that received a reservation with the CEC Renewables Buydown Program prior to January 1, 2001 will not be eligible.

retail level service from SCE, PG&E, SDG&E or SoCalGas. Municipal utility electric customers served by a natural gas Investor Owned Utility (IOU) are also eligible. The Host Customer may also be the Applicant if they are representing themselves.

The following Host Customers or Host Customer Loads are **not** eligible for incentives under this program:

- Customers who have entered 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.
- Any portion of customer load that is committed to electric utility interruptible, curtailable rate schedules, programs or any other state agency-sponsored interruptible, curtailable, or demand-responsiveness program.

Electric utility customers who are on interruptible rate acknowledge that only the portion of their rate that is designated as firm service is eligible for the SGIP. 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.

2.4 Equipment Eligibility

2.4.1 Equipment Must Serve On-Site Electrical Load

Only self-generation equipment installed on the customer side of the utility meter is eligible. Equipment must be sized to serve all or a portion of the electrical load at the customer site (See exception for photovoltaics and wind turbine systems, Section 2.4.6.1).

2.4.2 Eligible Equipment Types

Self-generation technologies eligible for this incentive program are grouped into three categories (Level 1, Level 2, and Level 3) as shown in Table 2-1 below:

Table 2-1 - Technologies Eligible for Program Incentives

Incentive Category	Eligible Technologies
Level 1	<ul style="list-style-type: none"> • Photovoltaics • Fuel cells operating on renewable fuel • Wind turbines
Level 2	<ul style="list-style-type: none"> • Fuel cells operating on non-renewable fuel and utilizing waste heat recovery
Level 3	<ul style="list-style-type: none"> • Micro-turbines utilizing waste heat recovery and meeting reliability criteria • Internal combustion engines and small gas turbines, both utilizing waste heat recovery and meeting reliability criteria

2.4.3 Hybrid Systems

Any system that contains more than one type of eligible technology at one Host Customer site is considered a “hybrid system” and is eligible for program incentives. This can include two or more of the incentive levels defined in Section 3. For example, a photovoltaic and a microturbine hybrid system installed at a single site may receive incentives as long as they meet all program eligibility requirements. See Section 3.2.1 for an explanation of how to calculate incentives for hybrid systems.

2.4.4 Equipment Certifications

This program intends to provide incentives for reliable, safe systems that are professionally installed and comply with all applicable Federal, State and local regulations. Applicants and Host Customers are strongly encouraged to become familiar with applicable equipment certifications and installation standards for the systems they are contemplating.

2.4.5 Minimum Size

For Level 1 technologies, the minimum system size is 30 kW. There are no minimum size criteria for Level 2 and Level 3 technologies.

2.4.6 Maximum Size

For Level 1, 2 and 3 technologies, the maximum eligible system size is 1.5 MW with maximum incentive capped at 1.0 MW. In addition, system rated electrical output cannot exceed the annual peak demand of the customer site (see exception for photovoltaics and wind turbine systems, Section 2.4.6.1). Substantiation of system sizing is required in the application submittal. Applicants must provide an engineering estimate of the Host Customer's Site forecasted annual peak demand if the generating system size is based on future load including electric load growth due to facility expansion or other causes.

2.4.6.1 Alternate System Sizing for Photovoltaic and Wind Turbine Systems

Due to their inherent intermittent operation, Level 1 projects using photovoltaics or wind turbines can be sized not to exceed 200% of the Host Customer's 12-month peak demand of the customer site (not to exceed 1.5 MW system size). Substantiation of system sizing is required in the application submittal.

2.4.7 Rating Criteria For System Output

The rated photovoltaic system capacity must be calculated using the PVUSA Test Conditions (PTC) rating standards⁶ less inverter losses. Wind turbine capacity is the highest electrical output from the manufacturer's power output curve for wind speeds up to 30 mph or less and must also net out inverter losses. The generation capacity for Level 2 and 3 technologies, as well as fuel cells utilizing renewable

⁶ PTC watt rating is based on 1,000 Watt/m² solar irradiance, 20 degree Celsius ambient temperature, and 1 meter/second wind speed. The PTC watt rating is lower than the "Standard Test Conditions" (STC), a watt rating used by manufacturers.

fuel in Level 1, is defined as the net continuous power output of the equipment at appropriate ISO conditions⁷.

2.4.8 Not Eligible Under the Program

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

- Back-Up Generators - systems intended for emergency or back-up generation purposes
- Any system/equipment that is capable of operating on diesel cycle for start up or continuous operation
- Other primary electrical generating technologies not listed in paragraph 2.4.2 (Eligible Equipment Types)

2.4.9 Waste Heat Utilization and Minimum System Efficiency

Utilization of waste heat recovery at the customer site is required for Level 2 and 3 systems. Overall, system efficiency must meet the requirements of Public Utilities Code 218.5.⁸

All applications for Level 2 and 3 technologies must demonstrate a reasonable ability to meet the minimum conversion efficiencies stated above including an engineering calculation of the conversion efficiency with documented assumptions regarding thermal load at the site. See Section 4.2.3 (Additional Attachments for Level 2 and 3 Technologies).

2.5 Reliability Criteria

In order to qualify for a Level 3 incentive payment, effective January 1, 2002, the Applicant must meet both of the following requirements:

1. The self-generating facility must be designed to operate in power factor mode such that the generator operates between 0.95 power factor lagging and 0.90 power factor leading. This design feature will be verified by reviewing the manufacturer's specifications at the time of application.
2. Applicants with facilities sized greater than 200 kW will coordinate the self-generation facility planned maintenance schedule with the electric utility. This may allow the utility to more accurately schedule load and plan distribution system maintenance. The applicant will only

⁷ Industry standard conditions to measure output – temperature at 59 degrees Fahrenheit and altitude at sea level (0 feet).

⁸ PUC 218.5 - "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.

schedule a facility's planned maintenance between October and March and, if necessary, during off-peak hours and/or weekends during the months of April to September.

2.6 Warranty Requirements

Systems installed under Levels 1 and 2 must be covered by a warranty of not less than five years. Systems installed under Level 3 must be covered by a warranty of not less than three years. For those systems not covered by an appropriate term warranty, the customer must purchase a maintenance contract from the manufacturer or vendor covering the unwarranted period up to the required warranty term in order to comply with this requirement. The customer may include the cost of this warranty and/or maintenance contract in the system project cost, for purposes of calculating their program incentive.

2.7 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 Self-Generation Incentive Program. Self-Generation Incentive Program Applicants must also separately submit an application and enter into a contract with their local electric utility for connection to the utility system. Proof of interconnection and parallel operation is required prior to receiving an incentive payment. Refer to Section 5 of this handbook for information on how to apply to the utility for interconnection.

2.8 Permanent Installation

Only permanently installed systems are eligible for incentives. This means that the equipment must have 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 wheels, carrying handles, dolly, trailer or platform will deem the system ineligible.

2.9 New Equipment, Not Pilot or Demonstration Systems

Only commercially available and factory new equipment is eligible for incentives. Rebuilt or refurbished equipment is not eligible to receive incentives under this program. Generating systems that utilize new technologies that are critical to its operation must have at least one year of documented historical commercial operation to be eligible. "Commercial operation" means equipment acquired through conventional procurement channels, installed and operational at a customer site. It does not include field demonstrations or proof-of-concept operation of systems partially or completely paid by research and development funds.

2.10 Renewable Fuels

A renewable fuel, for the purposes of determining whether a proposed fuel cell installation qualifies for Level 1 or Level 2 incentives, is defined as a gas derived from landfill or organic waste treatment operations. Fuel cell installations designed, engineered and intended to operate to meet the following criteria shall be eligible for Level 1 incentives:

- Operating on a renewable fuel; or
- Operating on a renewable fuel supplemented by natural gas, up to 25 percent of the total energy input of the facility on an annual basis beginning with the date the facility first produces electric energy and any calendar year subsequent year in which the facility first produces electric energy.

Level 3 systems, whether operated on renewable or non-renewable fuel, shall be eligible for Level 3 incentives only, provided they meet all applicable Level 3 eligibility requirements.

3. INCENTIVES

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

Pacific Gas and Electric Company	\$48,000,000
Southern California Edison Company	\$26,000,000
Southern California Gas Company	\$13,600,000
San Diego Regional Energy Office	\$12,400,000

One-third of the incentive budget for each administrator is initially allocated to each of the self-generation categories (Levels 1, 2 and 3). Although the Program Administrator may move funds from non-renewable self-generation categories to the renewable category, the Program Administrator must seek approval from the CPUC through an advice letter prior to shifting additional funds into either of the non-renewable categories.

3.1 Incentive Levels

The program 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 provided below in Table 3-1.

Table 3-1 Incentive Levels for Various Technologies

Incentive Category	Incentive Offered (\$/Watt)	Maximum % of Eligible Project Cost	Minimum System Size	Maximum System Size ⁹	Incentive Payment Maximum System Size	Eligible Technologies
Level 1	\$4.50/W	50%	30 kW	1.5 MW	1.0 MW	<ul style="list-style-type: none"> • Photovoltaics • Fuel cells operating on renewable fuel • Wind turbines
Level 2	\$2.50/W	40%	None	1.5 MW	1.0 MW	<ul style="list-style-type: none"> • Fuel cells operating on non-renewable fuel and utilizing waste heat recovery
Level 3	\$1.00/W	30%	None	1.5 MW	1.0 MW	<ul style="list-style-type: none"> • Micro-turbines utilizing waste heat recovery and meeting reliability criteria • Internal combustion engines and small gas turbines, both utilizing waste heat recovery and meeting reliability criteria

⁹ Maximum system size is 1.5 MW, however, output capacity above the first 1.0 MW is not eligible for incentives. Reference CPUC Decision 02-02-026 dated February 7, 2002.

3.1.1 Calculating the Incentive

Incentives for a proposed system containing equipment listed in a single technology Level are calculated per the following steps.

1. The Applicant multiplies the capacity of the generating system by the incentive rate for the Incentive Level (1, 2, or 3).
2. The Applicant multiplies the eligible project cost by the maximum percent of eligible project cost allowed for the same Incentive Category.
3. The smaller value calculated in [1] or [2] is the incentive amount.

Example #1: Single System Level 3 Technology

An Applicant proposes to install a 75 kW natural gas fueled microturbine with waste heat recovery at a customer site to provide a portion of the facilities on-peak electric demand. The total eligible project costs are \$75,000 for equipment purchase and installation. The Level 3 incentives for this technology are \$1,000/kW or 30% of the eligible project cost which ever is lower. Multiplying the Level 3 incentive by the capacity of the generation produces \$75,000. However, 30% of the total eligible project cost is \$22,500. The allowable incentive is \$22,500.

3.1.2 Incentive Limit for Systems with Output Capacity Above 1.0 MW

The following method will be used to scale eligible project costs for projects with capacities greater than 1.0 MW, but less than or equal to 1.5 MW.

- a) Divide the Applicant provided eligible project costs by the Applicant provided system capacity, in units of kW, to obtain a unit cost for the system.
- b) Multiply the previously obtained unit cost by 1,000 kW to obtain scaled eligible project costs.
- c) Compare maximum incentive based on 1.0 MW System Size with incentive based on Scaled Eligible Project Cost

Level 1 Example:

Applicant provided eligible project cost: \$11,000,000

Applicant provided system capacity: 1,100 kW

Step a: Unit Cost = $\$11,000,000 / 1,100 \text{ kW} = \$10,000 / \text{kW}$

Step b: Scaled Eligible Project Cost = $\$10,000 / \text{kW} \times 1,000 \text{ kW} = \$10,000,000$

Step c: Incentive based on 1.0 MW System Size:

$$1000 \text{ kW} \times \$4.50 / \text{W} = \underline{\$4,500,000}$$

Incentive based on Scaled Eligible Project Cost:

$$\$10,000,000 \times 50\% = \underline{\$5,000,000}$$

Since incentive is based on the lower of 1.0 MW System Size or Scaled Eligible Project Cost, the incentive in this example is based on 1.0 MW System Size and would be \$4,500,000.

Level 3 Example:

Applicant provided eligible project cost: \$3,000,000

Applicant provided system capacity: 1,500 kW

$$\text{Step a: Unit Cost} = \$3,000,000 / 1,500 \text{ kW} = \$2,000 / \text{kW}$$

$$\text{Step b: Scaled Eligible Project Cost} = \$2,000 / \text{kW} \times 1,000 \text{ kW} = \$2,000,000$$

Step c: Incentive based on 1.0 MW System Size:

$$1000 \text{ kW} \times \$1.00 / \text{W} = \underline{\$1,000,000}$$

Incentive based on Scaled Eligible Project Cost:

$$\$2,000,000 \times 30\% = \underline{\$600,000}$$

Since incentive is based on the lower of 1.0 MW System Size or Scaled Eligible Project Cost, the incentive in this example is based on Scaled Eligible Project Cost and would be \$600,000.

3.2 Hybrid System Incentive Levels

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 Level 1 and Level 2 technologies, such as photovoltaics and fuel cells operating on natural gas, combined at one site. As with single technology systems, hybrid systems must meet the eligibility requirements set forth by this program including, but not limited to, size constraints, waste heat utilization and reliability criteria.

A detailed explanation of how to calculate hybrid system incentives may be found in Section 3.2.1.

3.2.1 Calculating Hybrid System Incentive

The total hybrid system incentive is the sum of the incentives for each type of technology in the system up to the maximum allowed percentage of eligible project cost for each technology. Hybrid system project costs are the allowed unique project costs plus a portion of common project costs allocated by the capacity of each technology. Common project costs are those costs shared by more than one technology and are not unique to a single technology in the hybrid system.

Table 3-2 provides an example of the incentive calculation for an example hybrid system consisting of 100 kW Level 1, 200 kW Level 2 and 75 kW Level 3 technologies. Total eligible project costs unique to each technology total \$2,290,000. Common eligible project costs totaling \$300,000 are allocated to each of the technologies by the ratio of individual technology capacity to the total hybrid system capacity. Level 1 and 2 technologies receive their full incentives of \$450,000 and \$500,000 respectively. The level 3 technology is limited to 30% of its eligible project cost.

Table 3-2, Example of Hybrid System Costs

	Level 1	Level 2	Level 3	Hybrid System Total
1. Incentive Rate (\$/Watt)	\$4.50 (A)	\$2.50 (B)	\$1.00 (C)	
2. Maximum Incentive (Pct of Project Cost)	50% (D)	40% (E)	30% (F)	
3. Technology Capacity (kW)	<u>100 kW</u> (G)	<u>200 kW</u> (H)	<u>75 kW</u> (I)	<u>375 kW</u> (K) G+H+I
4. Unique Project Costs	<u>\$1,000,000</u> (L)	<u>\$1,200,000</u> (M)	<u>\$90,000</u> (N)	
5. Common Project Costs	<u>\$80,000</u> (P) O x G/K	<u>\$160,000</u> (Q) O x H/K	<u>\$60,000</u> (R) O x I/K	<u>\$300,000</u> (O)
6. Individual Technology Project Cost	<u>\$1,080,000</u> (S) L + P	<u>\$1,360,000</u> (T) M + Q	<u>\$150,000</u> (U) N + R	
7. Maximum Potential Incentive	<u>\$450,000</u> (V) A x G	<u>\$500,000</u> (W) B x H	<u>\$75,000</u> (X) C x I	
8. Pct of Project Cost Limit	<u>\$540,000</u> (Y) D x S	<u>\$544,000</u> (Z) E x T	<u>\$45,000</u> (AA) F x U	
9. Allowed Incentive	<u>\$450,000</u> (AB) Minimum of V or Y	<u>\$500,000</u> (AC) Minimum of W or Z	<u>\$45,000</u> (AD) Minimum of X or AA	<u>\$995,000</u> AB + AC + AD

3.3 Incentive Payment Terms

Applicant will receive a lump sum payment, calculated according to the methods and definitions described herein, approximately 30 days after project approval. Any customer of an investor-owned electric utility in California is eligible to receive an incentive payment from this program. In addition, contractors or energy service companies who install self-generation units at these customers' sites are also eligible to receive program incentives in lieu of customer receipt of the incentives, as long as the customer provides written consent to the Program Administrator.

3.4 Incentive Limitations

Incentive payments for a particular project under the program are limited by a number of factors, including:

- Total project costs
- Incentive Reservation Limitations
- Other Incentives or Rebates

3.4.1 Total Project Costs

The maximum possible incentive payment for each system is the system size (Watts) multiplied by the applicable dollar per watt incentive rate, up to the specified maximum percentage of eligible project cost. Submittal of project cost breakdowns is required to show eligible and ineligible costs (see Sections 4.3.2 and 4.4.2).

3.4.1.1 Eligible Project Costs

For the purposes of determining the maximum incentive payment, 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
4. Feasibility study costs
5. Interconnection costs, including:
 - a. Electric grid interconnection application fees
 - b. Metering costs associated with interconnection
6. Permitting costs
7. Warranty or maintenance contract costs

8. Gas line extension costs, limited to the following:
 - a. Costs associated with installing a natural gas line on the customer's premises that connects the existing gas meter or customer's natural gas infrastructure to the distributed generation unit(s).
 - b. Customer's cost for a second 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 the existing gas service specifically required to serve the distributed generation unit.
9. Sales tax
10. System performance measurement equipment not required for M&E purposes by this program
11. Air emission control equipment capital cost
12. Primary heat recovery equipment, i.e. heat recovery equipment directly connected to the generation system (See Section 3.4.1.2 item # 6)
13. Heat recovery piping and controls necessary to interconnect primary heat recovery equipment to existing thermal load at the project site

3.4.1.2 Ineligible Project Costs

The following costs may not be included as eligible project costs for the purpose of determining the maximum possible incentive payment:

1. Electric grid interconnection costs as follows:
 - a. Any electrical facility extension or upgrade on the utility side of the meter.
 - b. In the absence of electrical facilities near the site, the cost of any new electrical facilities on the utility side of the meter.
2. Gas distribution or transmission system upgrades on the utility side of the meter.
3. Operating and maintenance costs not covered by the warranty or maintenance contract costs
4. Support structures (roofs) for non-free standing equipment
5. Electricity storage devices (e.g., batteries, flywheels, etc.)
6. Cost of adding a new thermal load at the project site for the purpose of utilizing waste heat recovered from a self-generation system. For example, cost of new absorption

chillers (indirect or direct fired), boilers, secondary heat exchangers, thermal storage tanks or vessels including pumps, cooling towers, and piping. Additionally, equipment that supports absorption chillers, boilers, secondary heat exchangers, or thermal storage tanks or vessels are not eligible project costs.

3.4.2 Incentive Reservation Limitations

There are restrictions on the amount of incentive funding an Applicant can reserve and receive. Applicants can reserve up to 1.0 MW per program year of **incentive funding** for a single corporate or government parent Host Customer at any one time within a given investor owned utility’s service territory. There are no reservation limits for third party contractors, vendors, or ESCOs applying to the program. However, project size cap limits per site and corporate or governments parents incentive limits are in force for all projects. Table 3-3 summarizes the limitations on project size.

Table 3-3 Project Size Caps for Each Administrator^{10,11}

Time Period	Project Site	Corporate or Government Parents	Contractor, Vendor, ESCO
Calendar Year	1.5 MW	1.5 MW	None
Program Duration (2001-2004)	1.5 MW	6.0 MW	None

Example #1: Multiple System Types at Multiple Sites Owned by Same Corporate Parent

Assume an Applicant intends to install two (2) 60 kW micro-turbines at Site A and a 200 kW fuel cell operating on natural gas at Site B. The Applicant can request a reservation for the projects at each site for a total of 320 kW of incentive funding, since the total amount of generation equipment which will be installed falls under the 1.5 MW cap for each project site (Site A and Site B) and for corporate or government parents.

¹⁰ These caps are established for each investor-owned utility’s territory.

¹¹ State Government Parents are defined as: University of California, California State University, Department of Corrections, Department of General Services, the combination of the Department of Developmental Services and Cal Trans, the combination of the California Youth Authority and the Department of Mental Health, and all other state agencies and departments. Federal Government Parents are defined as Air Force, Army, Navy, Marines, Postal Service, General Services Administration, and all other federal agencies or departments. Local Government Parents (e.g., cities, counties, school districts, or water districts) are treated as Corporate Parents.

Example #2: Multiple Site Incentive Calculation for Same Corporate Parent

To calculate the maximum incentive dollars for the Applicant in Example #1, the incentive levels for each type of equipment must be considered. At Site A, the micro-turbines are a Level 3 technology and receive an incentive of \$1.00 per Watt up to 30% of the total eligible project cost. So, the maximum incentive that the Site A micro-turbines can receive is $(\$1.00 \text{ per Watt}) \times (120,000 \text{ Watts}) = \$120,000$, assuming that the eligible project cost at Site A is at least \$400,000. At Site B, the fuel cell operating on natural gas is a Level 2 technology and receives an incentive of \$2.50 per Watt up to 40% of the total eligible project cost. So, the maximum incentive that the Site B fuel cell can receive is $(\$2.50 \text{ per Watt}) \times (200,000 \text{ Watts}) = \$500,000$, assuming that the eligible project cost at Site B is at least \$1,250,000. Therefore, the maximum incentive dollars the Applicant could receive for the projects at Site A and Site B would be $\$120,000 + \$500,000 = \$620,000$.

3.4.3 Other Incentives or Rebates

Customers installing self-generation systems eligible for the CEC Emerging Renewables Buy-Down Program may augment the funding received from that program with funding available through this program, up to the maximum incentive limits. Customers may not receive incentives for the same self-generation equipment from both Southern California Edison Company and Southern California Gas Company, who generally serve the same service territory and customers. For projects receiving incentives under other programs offered by state, regional, federal or local entities (including public utilities), the amount of the incentive must be subtracted from the Total Eligible Project Cost (Section 3.4.1). In no event, can the combined incentives received under this program and other funding sources exceed the out-of-pocket expenses (i.e. Total Eligible Project Cost) for the project. Applicants are required to disclose information about all other incentives they may receive. Program Administrators will enter applications into a statewide database that will permit universal tracking of applications for this and other programs, such as, but not limited to the CEC Emerging Renewables Buy-Down Program. Tax credits are not considered an incentive that must be disclosed under this requirement.

Example #1: Capacity Limits When System is Receiving Incentives from CEC Program

A customer has a 1.0 MW PV project that is estimated to cost \$8 million. The CEC Emerging Renewables Buydown Program currently offers incentives of \$4.50/watt or 50 percent total eligible project cost, whichever is less (the same level as the Self-Generation Incentive Program Level 1 category for projects greater than 30 kW). However, the CEC program has a \$2.5 million payment cap for any single project. If the Applicant were to apply to the CEC program for an incentive payment, and were successful, they would receive a rebate of \$2.5 million or about 31% of total project costs. Under the Self-Generation Incentive Program, which does not have a cap based on the total amount of incentive money a single project can receive, this project would be eligible for \$4 million (or 50% of the eligible project cost). This Applicant could apply to the Self-Generation Incentive Program for \$1.5 million (the

difference between the CEC rebate of \$2.5 million and the \$4 million available under the Self Generation Incentive Program.

Example #2: Incentive Calculation for System Receiving Incentives from Other Programs

A customer is installing a 1.0 MW fuel cell, operating on renewable fuel, which is estimated to cost \$10 million. The Level 1 incentives for this technology are \$4.50/watt or 50 percent of the total eligible project cost, whichever is less. The project received a rebate of 20% of the project costs (\$2 million) from another program *other than the CEC Emerging Renewables Buydown Program*. Under the Self-Generation Incentive Program, this project would be eligible for an incentive of \$4 million (calculated by subtracting the other incentive (\$2 million) from the Total Eligible Project Costs (\$10 million), and multiplying the difference by 50%), as follows:

$$\text{Incentive based on Total Eligible Project Cost} = 50\% \times (\$10,000,000 - \$2,000,000) = \$4,000,000$$

$$\text{Incentive based on System Size} = 1000 \text{ kW} \times \$4.50 / \text{W} = \$4,500,000$$

Since incentive is based on the lower of System Size or Eligible Project Cost, the incentive in this example is based on the Eligible Project Cost and would be \$4,000,000.

4. APPLICATION PROCESS

The process of applying for incentives in the program is intended to be simple, however the process does require careful attention to detail. Incomplete or incorrect applications will be returned, so it saves time to follow the instructions carefully. Applicants may contact the Program Administrator for assistance in completing their applications. See Section 7.0 for contact information on each of the Program Administrators.

Figure 4-1 illustrates the overall application process, which is explained in detail in Section 4.1.

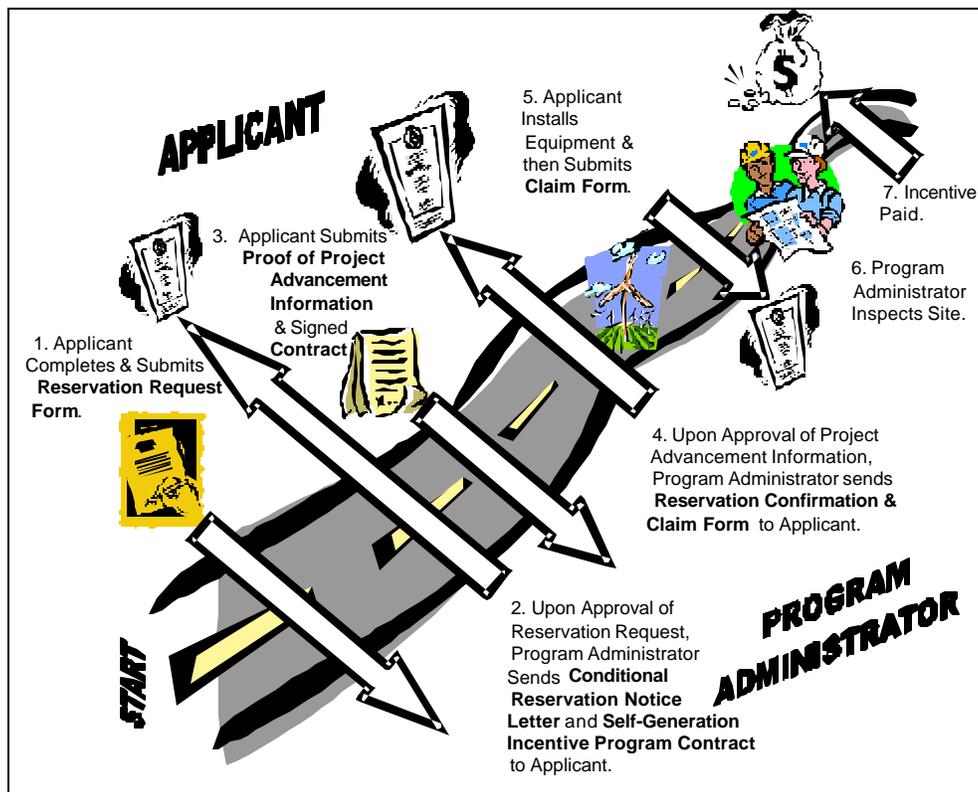


Figure 4-1 Self-Generation Incentive Program Application Process Overview

4.1 Overview of the Application Process

To receive an incentive payment through the Self-Generation Incentive Program, Applicants must submit the appropriate applications and supplemental material at specific milestones. While the application process is identical for all three incentive levels, there are a few minor differences in the application and the required attachments for Level 1 technologies versus Levels 2 & 3 technologies.

The overall application process is as follows:

Step 1: Submit Reservation Request Form

Applicants complete and submit the **Reservation Request Form**, along with required attachments, to the appropriate Program Administrator. If the Applicant is approved, the Program Administrator will issue a **Conditional Reservation Notice Letter** and a **Self-Generation Incentive Program Contract**. The letter indicates a specific incentive dollar amount has been reserved and what supplemental information needs to be submitted before the incentive reservation is extended. The Conditional Reservation is valid for 90 days and will be extended for up to 9 months upon receipt of proof of project advancement.

Step 2: Submit Project Advancement Information

Within 90 calendar days of the date **the Conditional Reservation Notice Letter** was issued, Applicants must submit proof of project advancement and an executed **Self-Generation Incentive Program Contract**. Once the Applicant has satisfied the project advancement criteria, the Program Administrator will issue a **Reservation Confirmation and Incentive Claim Form**. This form indicates that a specified incentive amount will be reserved for a maximum of nine (9) months (for a total of a 1-year reservation period).

Step 3: Proceed with Project Installation

Prior to the Reservation Expiration Date listed on the **Reservation Confirmation and Incentive Claim Form**, Applicants must complete all project installation, interconnection and permitting activity.

Step 4: Submit Reservation Confirmation and Incentive Claim Form

Applicant must submit a completed copy of the **Reservation Confirmation and Incentive Claim Form** with required attachments on or before the Reservation Expiration Date to claim the specified incentive amount associated with their project. The Program Administrator will conduct a site visit to verify installation completion, operation and interconnection.

Step 5: Incentive Issued

Upon final approval, the Program Administrator will issue the Applicant an incentive check.

4.2 Reserving an Incentive

The Program Administrator recognizes that project planning requires some degree of certainty that a specific incentive amount will be available upon successful project completion. Under the Self-Generation Incentive Program Applicants can reserve a specified incentive amount in advance for up to one year, provided program requirements are met during the reservation period. The initial conditional reservation period is 90 calendar days. Within that period, Applicants must demonstrate some project advancement and submit a completed and signed copy of the Self-Generation Incentive Program Contract to extend their reservation for another nine (9) months. Applicants who fail to demonstrate

project advancement or do not submit a signed Self-Generation Incentive Program Contract at the 90-day milestone will have their incentive reservation cancelled.

Self-Generation Incentive Program 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 categories or project cancellations). Applicants on the waiting list who are not made eligible for funding in the program year in which they applied will have to reapply the following program year.

4.2.1 Reservation Request Form

To reserve a specified incentive amount, Applicants must submit the Reservation Request Form.

Applicants seeking incentives for projects that include technologies from two or more different categories (hybrid projects) must submit one application for each technology included in the project. For example an Applicant seeking incentives for a hybrid fuel cell and photovoltaic project would have to submit one Reservation Request Form for the photovoltaics portion of the project and another Reservation Request Form for the fuel cell portion of the project. For more information on hybrid systems, see Sections 2.4.3, 3.2 and 3.2.1.

Reservation Request Forms and instructions on completing these forms can be found in Section 7.1. Blank forms also can be obtained by calling or visiting the website of the Program Administrator in your area. See Section 7.0 for a list of Program Administrators.

4.2.2 Required Attachments

In addition to a completed Reservation Request Form, all Applicants (Levels 1, 2 and 3) applying for incentives must provide a copy of the following:

- **Proof of Utility Service** – Project eligibility requirements restrict participation in the project to customers who are located in the service territory of one of the major investor-owned utilities and physically connected to the electric utility transmission and distribution system (See Section 2.0 for more information on project eligibility). To demonstrate proof of utility service and utility service territory, Applicants must submit a copy of a recent utility bill.
- **System Sizing Calculation** - To confirm that participating distributed generation systems will not exceed the capacity of the Host Customer's 12-month peak electrical demand (for photovoltaic and wind turbine systems, will not exceed 200% of Host Customer's 12-month peak electrical demand), applicants must submit a copy of the data and calculations used to determine system size.
- **Project Cost Breakdown** – It is recommended, but not required, that the Applicant submit a cost breakdown with the Reservation Request Form. Submitting a high level project cost breakdown at this time will help identify eligible project costs and more accurately reserve

program funding. Applicants are encouraged to use a Project Cost Breakdown worksheet (spreadsheet), available from Program Administrator's web site or by e-mail request.

4.2.3 Additional Attachments for Level 2 and 3 Technologies

Level 2 and 3 applications must submit the attachments described above as well as the following:

- **Waste Heat Recovery Calculation/Justification** -- Applicant must submit a system description, a copy of the engineering calculations, data used, and all assumptions used in the calculation of system efficiency to demonstrate compliance with the Program's waste heat utilization requirements (PU Code 218.5). See Section 2.4.9 for more information on waste heat recovery.

Level 3 applications also must submit:

- **Power Factor (PF) Specification** – Applicant must submit self-generating facility design specifications and/or manufacturer's specifications which show that the system will be capable of operating between 0.95 PF lagging and 0.90 PF leading.

4.2.4 Submitting Your Reservation Request Form

Once the Reservation Request form is complete and all the required attachments are secured, Applicants must submit their application packet to the Program Administrator. Applicants should submit all forms and required attachments by fax or mail to the Program Administrator. See Section 7.0 for a list of Program Administrators. Applicants who initially fax a copy of the application and required attachments must also mail a hardcopy with original signatures on all required forms. It is suggested that a form of registered mail delivery be used to confirm receipt of the application materials.

4.2.5 Reservation Request Screening Process

Once received, the Program Administrator will review the form for completeness and eligibility. Applications will also be screened to ensure that the project has not applied for incentives through other Self-Generation Incentive Program Administrators or other state- or local-government-sponsored incentive programs (e.g., CEC Renewable Energy Buydown). See Section 3.4.3 for details on how this program interacts with other incentive programs.

4.2.6 Incomplete Reservation Request Form

If program applications are incomplete, the Program Administrator will request the information necessary to process that application. Applicants have 30 days to respond with the necessary information. If after 30 days, the Applicant has not submitted the requested information, the applications will be returned to the submitting party and not processed further unless resubmitted with the required information. Resubmitted application packets will not retain their original place in the process and will be processed along with other applications submitted at the same time.

4.2.7 Approved Reservation Request Form

Upon approval by Program Administrator of the Reservation Request Form, the Applicant will receive a Conditional Reservation Notice Letter and a Self Generation Incentive Program Contract. 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 Conditional Reservation Notice Letter

The Conditional Reservation Notice Letter notifies the Applicant that a specific incentive amount is conditionally reserved for a self-generation project. The letter will list the approved incentive amount and the project advancement milestone date. All reservations are conditional until the Applicant submits proof of project advancement and a signed Program Contract on or before the project advancement milestone date. The Conditional Reservation Notice Letter also will list the required information that Applicants must submit by the project advancement milestone date to finalize their reservation and to extend the reservation for another 9 months.

4.3.1 Reservation Period

Applicants can reserve a specific incentive amount for up to one year. Once a Reservation Request Form is complete and determined to be eligible, the Program Administrator will conditionally reserve a specific dollar amount for a specified project system size. The initial reservation is only valid for 90 calendar days. Within 90 calendar days of the date the Conditional Reservation Letter was issued, Applicants must submit proof of project advancement and a signed Self-Generation Incentive Program Contract. Once the Applicant has demonstrated proof of advancement, the Program Administrator will extend the reservation for another 9 months (for a total reservation period of 1 year).

4.3.2 Proof of Project Advancement

Within 90 calendar days of the date on the Conditional Reservation Letter, Applicants must submit the following information to demonstrate to the Program Administrator that the project is progressing and that there is an increased commitment to complete the project.

- **Air Pollution Permitting** – Where applicable Applicants must submit copies of any required air pollution permitting applications, such as a Permit to Construct. This must include proof of payment for any associated application or permit fees.
- **Electrical Interconnection Application** – Applicants show evidence that an application to interconnect a generating facility to the local electric utility has been submitted. For more information on the utility interconnection process, see Section 5.1.
- **Purchase Order** – Applicants must submit a copy of the equipment purchase order for the project.

- **Revised Sizing or Efficiency Calculations** – The Applicant must submit a thorough description of any changes that have occurred in the system design effecting size, efficiency or project cost since the initial application submittal.
- **Self-Generation Incentive Program Contract** - including proof of insurance in accordance with Section 10.0 of the Self-Generation Incentive Program Contract.
- **Initial Project Cost Breakdown** - Applicants must submit a breakdown of known and estimated project cost elements used to determine total project cost as submitted in the initial application. For a list of eligible and ineligible project costs, see Section 3.4.1. Applicants are encouraged to use a Project Cost Breakdown worksheet (spreadsheet), available from Program Administrator's web site or by e-mail request. The Program Administrator reserves the right to revise conditional reservation amount pending a review and approval of eligible project costs. For a list of eligible project costs, see Section 3.4.1.

4.3.3 Self-Generation Incentive Program Contract

In addition to the proof of project advancement requirements listed above, applicants must submit a completed and signed Self-Generation Incentive Program Contract and provide proof of insurance as required by the Program Contract on or before the Project Advancement Milestone Date. The Program Contract outlines the terms and conditions established for the Program.

4.3.4 Reservation Confirmation and Incentive Claim Form

Once Applicants have demonstrated project advancement and provided a signed Program Contract, the Program Administrator will issue a Reservation Confirmation and Incentive Claim Form. This form will list the specific reservation amount and the reservation expiration date. Upon project completion and prior to the reservation expiration date, Applicants will have to submit the Reservation Confirmation and Incentive Claim Form to request an incentive payment.

4.3.5 Reservation Extensions

Reservation period extensions may be granted at the Program Administrator's discretion. Applicants must demonstrate that failure to complete the project date was for reasons beyond their control. See Section 4.4.5. Reservations for project not completed by the Reservation Expiration Date will be cancelled. Applicants may reapply for an incentive, but such re-applications will be processed in normal sequence along with other new applications. Applicants who cancel reservations and subsequently re-apply will also be placed at the end of the queue.

4.4 Requesting an Incentive Payment

Once an eligible generating system is installed and operational, Applicants can claim payment of the incentive amount listed on their Reservation Confirmation and Incentive Claim Form. A generating

system is considered “completed“ when it is completely installed, interconnected, permitted and capable of producing electricity in the manner and in the amounts for which it was designed. Payment will be disbursed once the Program Administrator verifies that the generating system is “completed” and meets all the eligibility requirements of the program.

4.4.1 Reservation Confirmation and Incentive Claim Form

To request an incentive payment, the Applicant completes and submits the Reservation Confirmation and Incentive Claim Form. A copy of the Reservation Confirmation and Incentive Claim Form and instructions on completing the form can be found in Section 8.0.

Please note that no incentive payment will be made until the Program Administrator has verified by inspection that the system is operational and interconnected. See Section 4.4.9.

4.4.2 Required Attachments

In addition to the completed Reservation Confirmation and Incentive Claim Form, Applicants must submit the following attachments when requesting incentive payment:

- **Proof of System Interconnection** – Applicants must submit a copy of the signed letter from their utility granting the distributed energy system owner permission to operate in parallel with the electric utility transmission and distribution system. For questions on the interconnection process, see Section 5.1.1.
- **Final Building Inspection Report** – Applicants must submit a copy of their 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.
- **Final Air Permitting Documentation** – For those technologies that require an air permit, Applicants must submit a copy of the final documentation indicating compliance with all applicable air pollution regulations.
- **Final Project Cost Breakdown and Documentation** – Applicants must submit a final project cost breakdown, along with corresponding documentation (copy of purchase orders, invoices, contracts, etc.) substantiating the claimed eligible project cost. Applicants are encouraged to use a Project Cost Breakdown worksheet (spreadsheet), available from Program Administrator’s web site or by e-mail request. The Program Administrator reserves the right to withhold final incentive payment pending review and approval of eligible project cost and receipt of supporting documentation. For a list of eligible project costs, see Section 3.4.1.
- **Proof of Warranty** – Applicants must submit proof of warranty for the distributed energy technology used in their project. This could include a manufacturers warranty statement or extended maintenance and service contract terms and conditions.

- **Planned Maintenance Coordination Letter (Level 3 Technologies only)** – Applicants with facilities sized greater than 200 kW must submit a copy of a coordination letter to the Administrator which shows they will schedule planned maintenance only between October and March and, if necessary, only during off-peak hours and/or weekends during the months of April to September (see Section 2.5).

4.4.3 Any Changes to the Proposed System

The Program Administrator will expect a system to be installed as described in the Reservation Confirmation and Incentive Claim Form, but recognizes that minor changes may result during installation and that substantive changes may be necessary in extraordinary circumstances. Any changes, such as increases and decreases in the size of the system or changes in components of the system must result in a system which still meets all eligibility requirements and be documented on the Reservation Confirmation and Incentive Claim form.

4.4.4 Substantive Changes to the Proposed Project

Substantive changes, such as change of system purchaser, incentive payment recipient, project location, changes in equipment type, or expiration date of reservation require prior approval by the Program Administrator for the reservation to remain enforced. Requests for substantive project changes must be requested in writing. Each request must describe the need for the change and must document the following:

- Circumstances beyond the control of the reservation holder that prevent the system from being installed as described under the reservation.
- Neither the applicant nor the host customer knew or had reason to know of the above bulleted circumstances at the time of the Reservation Start Date.
- The applicant nor the host customer has incurred verifiable costs or expenses, either through the purchase of system equipment or by other construction costs expressly for the purpose of installing the reserved system, equaling no less than 25 percent of the reserved system's total cost, and said costs or expenses are unrecoverable unless the requested change is approved.
- There are no other known obstacles in the way of completing the project.
- The requested change would otherwise meet all of the eligibility requirements of the Self-Generation Incentive Program.

4.4.5 Extending the Reservation Expiration Date

A request to change the expiration date of the reservation will be limited to 90 calendar days of additional time. Any requests made within 30 days of the reservation expiration date shall include an explanation of

why a more timely request was not possible under the circumstances. The Program Administrator will notify the Applicant of a decision on the requested system changes in approximately 30 days of receiving a complete request. Approval of a request for a change in purchaser location or expiration date will not change or modify any other reservation condition.

4.4.6 System Changes Affecting 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 installed system is smaller in output and its eligible costs are lower than those specified in the Reservation Confirmation and Incentive Claim Form, the Applicant will receive the smaller incentive amount.

If the installed system is larger or more expensive than that originally specified in the Reservation Confirmation and Incentive Claim Form, Program Administrator may accept the revised incentive as reported in the submitted Reservation Confirmation and Incentive Claim form. There is no guarantee that Applicants who increase the size of the system originally stated in the Reservation Request Form will receive the higher incentive amount. If all available funds are reserved for other projects, the Program Administrator cannot raise the originally determined incentive amount.

4.4.7 Submitting the Incentive Claim Form

The completed Reservation Confirmation and Incentive Claim Form must be submitted to the Program Administrator by fax or mail by 5 p.m. on or before the Reservation Expiration Date, together with copies of the final building inspection report, final equipment and installation invoice, proof of warranty and proof of permission to run in parallel. If the incentive payment is going to a third party (other than the Host Customer), both Applicant and Host Customer must sign the Reservation Confirmation and Incentive Claim Form. Applicants can submit the Reservation Confirmation and Incentive Claim Form with all required attachments by mail or fax. Applicants who initially fax a copy of the form, with required attachments, must mail a hardcopy with original signatures on all required forms. Some form of registered mail is suggested to confirm receipt of the Reservation Confirmation and Incentive Claim Form.

4.4.8 Incomplete Reservation Confirmation and Incentive Claim Forms

Incomplete forms will be returned to Applicants with a request for the required information. If Applicants fail to submit the required information within 14 calendar days, the reservation may be cancelled.

4.4.9 Project Inspection

Upon receipt of the Incentive Claim Form, the Program Administrator will conduct an inspection to verify that the project system is operational, interconnected and conforms to the eligibility criteria of the program. The Program Administrator also will verify system capacity to calculate final incentive amount.

4.4.10 *Incomplete or Ineligible Projects*

If the final inspection process determines that the system is not eligible, the Program Administrator will notify the Applicant and describe the reasons for system ineligibility. The Applicant will have 14 calendar days to bring the system into compliance. A subsequent inspection visit will be conducted to determine final approval.

4.4.11 *Incentive Check*

Upon final approval, the Program Administrator will issue incentive checks in approximately 30 days for the amount determined by the final inspection. Payment will be made to the Applicant or Host Customer, as indicated on the Confirmation and Incentive Claim Form, and will be mailed to the address provided.

5. OTHER INSTALLATION REQUIREMENTS & CONTINUING SITE ACCESS REQUIREMENTS

5.1 Connection To The Utility Distribution System

All distributed generation systems receiving incentives under the Self-Generation Incentive Program 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 utility distribution system, Applicants 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. Applicants will be required to submit a copy of these documents within 90 calendar days of the date the Conditional Reservation Letter was issued (see Section 4.3.2). Applicants will also be required to submit a copy of the fully executed Generating Facility Interconnection Agreement and the utility's written certification of interconnection and parallel operation to the Program Administrator prior to the Reservation Expiration Date.

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 (listed below). It is the sole responsibility of the Self-Generation Incentive Program Applicant to seek and obtain approval to interconnect the self-generation system to a utility's distribution system. Applicants in the Self-Generation Incentive Program 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

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

San Diego Gas & Electric (SDG&E)

Customer Information Package:

Barbara McClain

San Diego Gas & Electric

8306 Century Park Court, CP42L

San Diego, CA 92123-1593

Phone: (858) 654-1104

Email: bmcclain@sdge.com

General Information:

Bill Osborne

San Diego Gas & Electric

8306 Century Park Court, CP42L

San Diego, CA 92123-1593

Phone: (858) 654-8239

Email: wosborne@sdge.com

Southern California Edison (SCE)

Tom Dossey
Southern California Edison
2244 Walnut Grove Avenue
Rosemead, Ca 91770
Phone: (626) 302-8242
E-mail dosseyt@sce.com

Southern California Gas Company (SoCalGas)

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

5.2 Electrical Metering

Applicants must be aware of the electric metering requirements for their proposed system. This section discusses those requirements.

5.2.1 Electrical Metering Requirements

Every system installed under the program shall be equipped with a dedicated, recording, time-of-use or interval meter to measure and record electrical generation output (i.e. Net Generation Output Meter). Many installations will require this type of electrical metering as a condition of interconnection with the utility grid. In the case of investor owned electric utilities, this means compliance with their filed CPUC Rule 21, Generating Facility Interconnections. Specification for the net generator output meter can be found on the Program Administrator or the electric utility web site.

5.2.2 Electrical Metering Equipment Specifications and Installation

The electric utility will specify and install the required equipment for electrical metering of generating system output after it's review and approval of the Application To Interconnect A Generating Facility.

5.2.3 Electrical Metering Equipment Cost

Costs for metering normally required by the utility in accordance with its rules shall be borne by the utility customer. Costs for metering not normally required by the utility's rules, but required, as a condition of receiving incentives under the program, shall be borne by the Program Administrator. The Program Administrator will add such costs paid by the Applicant or Host Customer, including metering hardware and installation, to the incentive payment.

5.3 Other Energy Metering Requirements

The CPUC requires that Level 2 and 3 installations be evaluated for compliance with program requirements for efficiency and waste heat recovery, and use of renewable/non-renewable fuels. As a

condition of receiving incentive payments in the program, Applicants agree to allow the Program Administrator, or the Administrator's independent third-party consultant, to conduct measurement and evaluation activities on a completed installation. All labor and material costs for instrumentation and data collection required for the program evaluation will be borne by the Program Administrator. Results of measurement and evaluation activities will have no bearing on the incentive payment received.

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 Self-Generation Incentive Program.

Applicant:

The entity applying to receive incentive funds under this program. Some Applicants, such as ESCOs, can apply for and receive incentive funding and do not have to own the generation equipment or operate the site(s) where the generation equipment will be installed. However, this arrangement must be disclosed to the entity that will own the generation equipment and/or operate the site(s) where the generation equipment will be installed.

Backup Generators:

Operate as short-term temporary replacement for electrical power during periods of 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 a utility electric grid. Backup generators only service customer loads that are isolated from the grid either by design or by manual or automatic transfer switch.

Calendar Days:

All dates and schedules in this program are measured in calendar days, which includes all days of the week.

CEC:

California Energy Commission

Corporate Parent:

For private sector entities, the holding company of the utility customer of record who is listed as the Host Customer on the project application. In addition, other business relations such as franchises or building associations will be handled as Corporate Parents and will be held to the same limitations and caps as Corporate Parents.

CPUC:

California Public Utilities Commission

Diesel Cycle:

A diesel cycle engine uses compression ignition rather than spark igniting to ignite the fuel air mixture in the continuous production of power. Compression ignition occurs when the air, within the engine cylinder, is compressed by the piston to a high pressure and temperature. Fuel is then injected into the cylinder

where it is ignited by the elevated air temperature. By contrast, a spark ignition engine uses an electric spark to ignite the compressed fuel air mixture, already within the cylinder.

Electric Utility:

The local electric transmission and distribution service provider.

ESCO:

Energy Service Company (generic term)

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.

Government Parent:

A Government parent is divided into federal, state, and local government parents. Federal government parents include the Air Force, Army, Navy, Marines, Postal Service, General Services Administration, and all other Federal agencies or departments. State government parents include the University of California, California State University, Department of Corrections, Department of General Services, the combination of the Department of Developmental Services and CalTrans, the combination of the California Youth Authority and the Department of Mental Health, and all other state agencies and departments. Local government parents include cities, counties, school districts, and water districts.

Host Customer:

The electric utility customer taking electric service under this incentive program and the location of the self-generation equipment.

Hybrid System:

A self-generation system that combines more than one type of distributed generation technology.

Investor Owned Utility:

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

Inverter:

An electric conversion device that converts direct-current (DC) electricity into alternating current (AC) electricity.

Inverter Efficiency:

The AC power output of the inverter divided by the DC power input.

ISO:

International Standards Organization

Micro-turbines:

Small-scale combustion turbines ranging from 30 kW to 100 kW in size. Larger sizes are expected in the near future.

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 Rating:

The rated electric generating capacity of the power plant expressed in watts, kilowatts or megawatts.

Program Year:

January 1 through December 31.

Project Advancement Milestone Date:

The Project Advancement Milestone Date is the date by which Applicants must submit required information to demonstrate that their project is moving forward.

Project Completion Date:

For purposes of this program the project completion date will be determine when the Host Customer receives permission, from the electric utility, to operated in parallel.

PTC:

The PVUSA Test Conditions that specify the conditions for rating the power of photovoltaic systems at 1,000 W/m² irradiance, 20°C ambient temperature and 1 m/sec wind speed.

PV:

Photovoltaic, a technology that uses a semiconductor to converts light directly into electricity.

Renewable Fuel:

A renewable fuel, for the purposes of qualifying under the CPUC program shall be the same as define in the Public Utility Regulatory Policy Act of 1978 (PURPA). The primary energy source of a facility must be biomass, waste, renewable resources, geothermal resources, or any combination thereof, and 75 percent or more of the total energy input must be from theses sources. Any primary energy source, which, on the basis of its energy content, is 50 percent or more biomass, shall be considered biomass. Use of oil, natural gas and coal by a facility under section 3(17)(B) of the federal Power Act, is limited to the minimum amounts of fuel required to ignition, startup, testing, flame stabilization, and control uses, and minimum amounts of fuel to alleviate or prevent unanticipated equipment outages, and emergencies directly affecting the public health, safety or welfare, which would result form electric power outages.

Such fuel used may not exceed 25 percent of the total energy input of the facility during the 12-month period beginning with the date the facility first produces electric energy and any calendar year subsequently to the year in which the facility first produces electric energy.

Reservation Expiration Date:

The Reservation Expiration Date is one year after the Reservation Start Date.

SCE:

Southern California Edison

SDG&E:

San Diego Gas and Electric

SDREO:

San Diego Regional Energy Office

Self-Generation Facility:

For the purposes of complying with the reliability criteria, a Self-Generating Facility is an on-site power generator that does not exceed the load at that facility which includes the prime mover (turbine or engine), generator, primary heat recovery equipment, and auxiliary equipment.

Site:

A single business enterprise or home located on an integral parcel of land undivided by a public road or thoroughfare. 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 this program as separate sites.

SoCalGas:

Southern California Gas Company

7. PROGRAM CONTACT INFORMATION

Potential Applicants can receive more information and apply for incentive funding through the following Program Administrators ¹²:

Pacific Gas & Electric (PG&E)

Web Site: www.pge.com/selfgen
Email Address: selfgen@pge.com
Telephone: (415) 973-6436
Fax: (415) 973-2510
Mailing Address: Self-Generation Incentive Program
P.O. Box 770000
Mail Code B29R
San Francisco, CA 94177-001

San Diego Regional Energy Office (SDREO)

Website: www.sdenergy.org/selfgen
Contact Person: Mike Magee, Program Manager
Telephone: (619) 595-5634
Fax: (619) 595-5305
Email: selfgen@sdenergy.org
Address: San Diego Regional Energy Office
Attn: SELFGEN Program Manager
401 B. Street - Suite 800
San Diego, CA 92101

Southern California Edison (SCE)

Web Site Address: www.sce.com
E-mail: greenh@sce.com
Address: Program Manager Self Generation Incentive Program
Southern California Edison
2131 Walnut Grove Avenue, 3rd Floor, B 10
Rosemead, California 91770
Telephone: 1-800-736-4777
Fax: (626) 302-6253

Southern California Gas Company (SoCalGas)

Web Site Address: <http://www.socalgas.com/>
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

¹² Potential Applicants with 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.

8. RESERVATION FORMS

[Insert Page 1 of Reservation Request Form]

[Insert Page 2 of Reservation Request Form]

[Insert Page 1 of Claim Form]

9. SAMPLE PROGRAM CONTRACT

[Insert Program Contract]