

EL PASO ELECTRIC COMPANY'S 2009 COMMERCIAL STANDARD OFFER PROGRAM MANUAL



**April 23, 2009
(Revised)**

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Introduction

1. Overview

Under the Commercial Standard Offer Program ("SOP") (hereinafter "SOP"), El Paso Electric Company ("EPE" or the "Company") pays amounts to energy efficiency service providers ("EESPs") who, for the purposes of this SOP, are referred to as "Project Sponsors," for the installation of Measures that save energy and peak-period electricity demand. These amounts, referred to as "Incentive Payments," are based on verified Energy Savings and Demand Savings that occur at eligible small or large commercial Customer sites. Incentive eligibility is based on the following criteria:

- The facility to receive the installation of Energy Efficiency Measures must be classified as a small or large commercial Customer according to Public Utility Commission of Texas ("PUCT") Substantive Rule §25.181 and applicable PUCT SOP templates.
- The facility must be a Texas retail customer of EPE;
- The energy efficiency Measure or Measures must be new and a result of EPE's SOP;
- The Project and installed Measures must be in compliance with all local, state, and federal rules, codes, and regulations, including, but not limited to, the rules of the PUCT Sections 25.181.

To participate in the SOP, Project Sponsors undergo an application process and then enter a standard contract (hereinafter "SOP Agreement") with EPE. Under the SOP Agreement, the Project Sponsor agrees to deliver Demand Savings and Energy Savings via the installation of eligible energy efficiency Measures at a Customer's, or group of Customers', site(s). To receive Incentive Payments, the Project Sponsor must demonstrate the Demand Savings and Energy Savings delivered by the installed equipment by performing either stipulated, simplified, or comprehensive measurement and verification ("M&V") activities. Capitalized terms used but not defined in this Manual (including the Glossary appended to this manual as Appendix A) shall have the meanings set forth in the SOP Agreement.

This Manual is supplemented by several additional documents that are available for download from the following website. These additional documents cover stipulated or "Deemed" savings values and M&V procedures for a wide range of energy efficiency Measures. All SOP information, including application materials, will be available via the Internet at the EPE SOP website, www.epelectricityefficiency.com, which users can also access via a link from EPE's primary website, www.epelectric.com. On March 13, 2009, at 10:00 a.m. Mountain Time, EPE will open its online enrollment page, whereby applicants may begin entering general application data. On March 13, 2009 at 10:00 a.m. Mountain Time, EPE will officially begin accepting applications for the 2009 program year, on a first-come, first-served basis.

NOTICE TO PROJECT SPONSORS

EPE RESERVES THE RIGHT TO INCORPORATE ANY OR ALL CHANGES RESULTING FROM PUCT RULEMAKING PROCEDURES AND OTHER PUCT PROCEEDINGS INTO EPE'S 2009 PROGRAMS AS THEY ARE APPROVED. PROJECT SPONSORS WILL BE PROVIDED WITH ADEQUATE NOTICE OF ANY CHANGES AFFECTING THEIR PROJECTS.

2. Background

In March 2000, the PUCT adopted the Energy Efficiency Rule §25.181. This Energy Efficiency Rule implements Senate Bill 7, which was passed in May 1999. Most provisions of SB7 do not apply to EPE pending its transition to retail customer choice. In 2004, the PUCT determined that the power region in which EPE is located is not able to offer fair retail electric competition and thus, EPE could not begin its transition to the competitive retail market. The PUCT ruled that certain steps must be completed to effectuate the Company's transition to customer choice. The PUCT held that, although retail customer choice will not be in effect in EPE's power region, EPE will be required to implement certain programs consistent with the goals and requirements of SB7. Accordingly, the PUCT adopted Subst. Rule §25.421, which requires EPE to offer energy efficiency programs pursuant to the provisions of PUCT Subst. Rules §§25.181 and 25.183.

PUCT Subst. Rule §25.421 establishes an energy efficiency goal of 20% of EPE's annual growth in demand by December 31, 2009.

3. Standard Offer Programs (SOPs)

In an SOP, a Project Sponsor proposes to deliver certain levels of Demand Savings (measured in kilowatts, or "kW"), and annual Energy Savings (measured in kilowatt-hours, or "kWh"). EPE will pay a fixed price, which, for the purposes of this program, is referred to as an "Incentive Payment," to a Project Sponsor for each kW and kWh of savings. All payments to a Project Sponsor will be based solely on kW and kWh savings. In an SOP, a Project Sponsor may install any combination or quantity of eligible Measures and receive up to the maximum Incentive Payment value in the Project Sponsor's SOP Agreement with EPE. Eligible Measures are outlined later in this Manual, and generally include any long-lasting, permanently-installed equipment or building shell improvement that exceeds applicable local, state or federal minimum efficiency standards, that would not have been installed in the absence of this Program, and that will have a minimum useful life of ten years. A Project Sponsor may choose to measure actual Demand Savings and Energy Savings directly or utilize Deemed Savings. The PUCT has approved Deemed Savings values for most of the common Measures installed in commercial applications (see the Appendices to the *M&V Guidelines for Retrofit and New Construction Projects* hereinafter "*M&V Guidelines*", for a complete list; available on the www.epelectricefficiency.com website).

The SOP is open to participation by a wide range of potential Project Sponsors. The PUCT has adopted rules and requirements governing the SOP. The purpose of this Manual is to identify and explain these program requirements and to serve as a reference for Project Sponsors. Project Sponsors must read and comply with all governing rules and regulations, including those published by the PUCT (in particular, Subst. Rule §25.181.) and the SOP Agreement.

Program Description

4. Program Goals

The main goal of the 2009 SOP is to reduce annual Peak Demand at EPE Customer facilities to satisfy the 15% goal set forth by the PUCT. EPE has not established specific Demand Savings goals for its individual SOPs, but estimates that this SOP will produce approximately 1.54 MW of Demand Savings. In addition to this energy efficiency goal, there are secondary program goals that are reflected in the program rules and procedures. These secondary program goals include:

- Encourage private sector delivery of energy efficiency products and services;
- Achieve Customer energy and cost savings; and
- Significantly reduce barriers to participation by streamlining program procedures and M&V requirements.

5. Eligibility

5.1. Project Sponsor Requirements

The following types of organizations are eligible to participate as Project Sponsors in the SOP:

- Energy service companies (ESCOs)
- Local contractors
- Architecture/engineering firms
- Renewable energy project developers
- National or local companies that provide energy-related products (e.g., lighting or HVAC)
- Commercial Customers acting as their own Project Sponsor
- Retail electricity providers (REPs)

Entering into an SOP Agreement with EPE as a Project Sponsor does not imply EPE's endorsement or approval of any company, product, or service. Project Sponsors are prohibited from characterizing any SOP Agreement or other agreement as an endorsement, or commissioning, of the Project Sponsor to perform efficiency Projects on behalf of EPE.

A Project Sponsor's responsibilities include, but are not limited to:

- meeting minimum eligibility criteria;
- submitting Initial and Final Project Application forms;
- executing and complying with the terms of EPE's SOP Agreement;
- complying with all SOP rules and procedures.

EPE also requires Project Sponsors to demonstrate their qualifications as part of the application process to help ensure that the proposed Projects will be successful in delivering the estimated

Demand Savings and Energy Savings. Specifically, Project Sponsors are required to provide the following:

- All applicable licenses required under state law and local building codes;
- Evidence of all building permits required by governing jurisdictions (to be submitted with the Final Application);
- Evidence of all necessary insurance as described in Section 8.3 herein;

All Project Sponsors, except commercial Customers of EPE who are proposing to act as their own Project Sponsors, need to also provide the following:

- Evidence of good credit rating;
- List of references;
- List of all Texas utility standard offer programs in which the Project Sponsor and any Affiliates have participated in the last three years;
- Disclosure of all legal actions and judgments by or against Project Sponsor pending or filed, settled, satisfied, or entered in the two years immediately preceding the submittal of the Initial Application;
- Disclosure of any complaints made to the Public Utility Commission of Texas against the Project Sponsor since year 2000; and
- Completed Self-Certification Affidavit of the affiliate status of the Project Sponsor.

Commercial Customers of EPE who are proposing to act as their own Project Sponsors do not need to provide references, or evidence of credit rating and insurance. **Commercial customers may submit their own Commercial SOP applications.**

5.2. Eligible Customers

Eligible facilities are defined as new or existing commercial customer sites in EPE's Texas service territory. In the Commercial SOP, a large commercial customer shall mean a maximum demand at any individual meter greater than 100 kW, or a maximum aggregate demand equal to or greater than 250 kW. A small commercial customer shall mean less than 100 kW or a maximum aggregate less than 250 kW. More information about this SOP is available at www.epelectricefficiency.com. **A small commercial customer can act as its own Project Sponsor if the commercial Customer has a peak load equal to or greater than 50 kW.**

5.3. Eligible Energy Efficiency Projects and Measures

Any PUCT-approved Measure included in the statewide SOP template (Subst. Rule §25.184 (c)(3)), or any Measure assigned a Deemed Savings value by the PUCT is eligible under EPE's SOP. Table 1 provides examples of eligible and ineligible Measures.

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Table 1: Examples of Eligible and Ineligible Measures and Projects

Eligible Measures or Projects	Ineligible Measures or Projects
<p><u><i>Commercial Cooling and Ventilation</i></u></p> <ul style="list-style-type: none"> • Installation of high-efficiency chillers or packaged cooling units • Air-side and water-side economizer • Fan and pump motor efficiency upgrades • Constant air volume (CAV) to variable air volume (VAV) conversion • Fan and pump variable speed drive (VSD) installations <p><u><i>Commercial Lighting</i></u></p> <ul style="list-style-type: none"> • High-efficiency fluorescent lighting that replaces less efficient lighting • Lighting controls to reduce operating hours (in conjunction with lighting efficiency Measures only) • Compact fluorescent lamps (CFLs) with hard-wired ballasts or permanent disks • Traffic signal LED conversions • LED exit sign retrofits • Installation of premium-efficiency lighting in new construction projects <p><u><i>Refrigeration</i></u></p> <ul style="list-style-type: none"> • Refrigeration case doors • Energy-efficient refrigerators • Commercial refrigeration efficiency (multiplexing compressors and other refrigeration efficiency Measures) <p><u><i>Commercial Process</i></u></p> <ul style="list-style-type: none"> • Motor-efficiency upgrades • Variable speed drive installations on fans and pumps 	<ul style="list-style-type: none"> • Measures with an expected life of less than 10 years • CFLs without hard-wired ballasts or permanent disks (anti-theft locking devices utilizing a key-removable insert are not eligible) • Cogeneration and self-generation projects, except renewable technologies • Electric equipment with secondary power source (e.g., electric chiller with independent gas generator) • Showerheads and aerators • Fuel switching to electric • Load reductions caused by building vacancies, decreased production, or other changes in occupant characteristics or behavior • Measures that decrease building plug loads, such as “Green Plugs” or computer inactivity time-out controls • Energy-efficient gas-only Measures • New construction or expansion projects in facilities that do not comply with the International Energy Conservation Code • Repair and maintenance projects • Measures that rely solely on customer behavior or require no capital investment • Load Shifting other than Thermal Energy Storage • Measures that receive an Incentive Payment through any other SOP offered by EPE

Project Sponsors may propose innovative or non-traditional energy-efficiency Measures. Equipment in all end uses (e.g., lighting, refrigeration, cooling, and heating) is eligible for the SOP. Proposed energy efficiency Measures must meet the following requirements:

- A Measure must produce a measurable and verifiable reduction in either purchased electric energy, measured in kWh, or Peak Demand, measured in kW, or both.
- A Measure must produce savings through an increase in energy efficiency or a substitution of electricity at the end-use by another energy source (provided the substitution results in overall lower energy costs, lower energy consumption, and the installation of high efficiency equipment).
- Renewable energy Measures meeting the requirements of the PUCT's Energy Efficiency Rule (Substantive Rule 25.181) may qualify for an Incentive Payment.
- A Measure must have a minimum useful life of 10 years.
- A Measure must meet or exceed minimum local, state or federal or other efficiency standards as provided in this Program Manual.

If the Project Sponsor proposes Measures for which Deemed Savings values have not been approved by the PUCT, then Incentive Payments must be based on verified Demand Savings and/or Energy Savings using the current International Performance Measurement and Verification Protocol ("IPMVP"). The IPMVP may be downloaded from www.ipmvp.org. The *M&V Guidelines for Retrofit and New Construction Projects* (hereinafter "*M&V Guidelines*") provide additional guidance on alternate M&V approaches for such proposed Measures. The *M&V Guidelines* document is available at www.epelectricefficiency.com.

The Incentive Payments will be paid only for Demand Savings and Energy Savings directly related to end-use equipment installed under the Project. Savings due to interactive effects between lighting Measures and space-cooling equipment (in cases where lighting Measures have been installed in an electrically cooled space) will be eligible for Incentive Payments based on a stipulated value only. Interactive effects between other end-use equipment will not be eligible for program Incentive Payments.

If any of the Baseline equipment at a Project Site has been removed or modified prior to the execution of the SOP Agreement, or if any of the proposed Measures have been installed prior to the execution of the SOP Agreement, the Project, or the affected portions thereof, will be disallowed.

EPE will be the final authority on whether any particular Measure is eligible for Incentive Payments.

6. Program Incentives

Note that in all cases, payment procedures and amounts specified in the SOP Agreement supersede this and any other documents.

6.1. Available Budget

EPE has allocated for the Large Commercial SOP an Incentive Payment budget of \$602,225 for the 2009 program year and does not include unused money from previous program year. EPE has allocated for the Small Commercial SOP an Incentive Payment budget of \$143,809 for the 2009 program year and does not include unused money from previous program year. If the budget is not completely reserved by September 1 of the program year, EPE may waive these budget limitations. These limits may be waived if EPE determines that such limits would prevent EPE from achieving its energy efficiency goal. Such a waiver may require PUCT approval. No Project Sponsor has unconditional entitlement to the SOP incentive funds.

6.2. Incentive Rates

The Incentive Payment rates for Projects implemented under this SOP are as follows:

Small Commercial

	Incentive Payment Rate
kW (Demand Savings)	\$278.29
kWh (Energy Savings)	\$0.095

Large Commercial

	Incentive Payment Rate
kW (Demand Savings)	\$194.60
kWh (Energy Savings)	\$0.0665

The kWh payment is based on the *annual* Energy Savings, defined as the Energy Savings occurring during the one-year period immediately following installation. The kW payment is based on Demand Savings, defined as the maximum average load reduction occurring during any one-hour period between 1 PM and 7 PM Mountain Time weekdays, from May 1 through September 30 (holidays excluded).

Note: Incentive Payments to Project Sponsors may be adjusted based on inspection results as described elsewhere in this Manual and in the SOP Agreement.

6.2.1. Environmental Adder

Since El Paso County is a designated non-attainment area for air emissions, certain Projects may also be eligible for a 20% incentive adder. **The environmental adder is available only for targeted energy efficiency Projects that would not be implemented without the adder.** EPE will strictly adhere to the requirement that the Project Sponsor demonstrates to EPE that the above-listed Incentive Payments are insufficient to justify the Project. Project Sponsors must be prepared to submit Project economics, Customer affidavits, and other documentation showing the need for the higher Incentive Payments.

NOTE: PROJECT SPONSORS ARE ADVISED THAT THE PROCESS FOR OBTAINING PUCT APPROVAL FOR THE ENVIRONMENTAL ADDER MAY TAKE SEVERAL MONTHS.

6.3. Efficiency Standards

EPE has designed the SOP to encourage electric energy-efficiency improvements that achieve savings above and beyond the efficiency gains typically achieved in retrofit or replacement projects. Consequently, credit for Energy and Demand Savings will be awarded only for reductions that exceed current industry accepted minimum efficiency standards, where applicable.¹ The minimum Baseline equipment efficiencies are derived from the standards listed in the following table.

Table 2: Baseline equipment efficiency standards for retrofit Measures

Equipment Type	Applicable Standard
Cooling Equipment	International Energy Conservation Code (IECC), 2000 and its 2001 Supplement, which corresponds to ASHRAE 90.1-1999
Lighting	Standard Lighting Wattage Table (based on 1992 EPACT and subsequent modifications)
Motors	ASHRAE 90.1m-1995

Minimum equipment Baseline efficiency tables are included in the Appendices to the *M&V Guidelines*, which are available for download from the website. Additional information can also be obtained from ASHRAE (www.ashrae.com).

¹ In cases where standards do not exist, savings credit will be based on improvements relative to energy use prior to participating in the Commercial SOP.

For new construction projects, the SOP requires the installation of equipment that is more efficient than is specified by code. The applicable Baseline standard for all new construction Measures is the IECC (see IECC 2001 supplement and ASHRAE/IESNA Standard 90.1-1999). Demand Savings and Energy Savings for new construction Measures are based on efficiency improvements beyond the minimum efficiency required by code.

Example:

For a Project Sponsor installing a new 140-ton high efficiency water-cooled scroll chiller, the savings (and Incentive Payments) are based on the difference between a high-efficiency unit, e.g., 0.65 kW/ton, and a twenty-year old unit with a Baseline efficiency standard of 0.79 kW/ton, even though the Baseline unit being replaced has an actual efficiency of only 0.95 kW/ton. In this example, the Baseline is the current federal standard, not the actual efficiency of the existing unit. In this example, the actual Demand Savings and Energy Savings will likely be substantially higher than the “Deemed Savings” estimate.

6.4. Energy Savings Measurement Options

All Incentive Payments to Project Sponsors are based on the Project’s Demand Savings and annual Energy Savings as determined pursuant to this Manual. M&V procedures will vary in detail and rigor depending on the Measures installed. For each installed Measure, the chosen procedures will depend upon the predictability of equipment operation, the availability of evaluation data from previous programs, and the benefits of the chosen M&V approach relative to its cost. EPE has developed recommended *M&V Guidelines* for several common Measures and will work with the Project Sponsor to identify M&V options appropriate to the specific Project. Project Sponsors are responsible for conducting all M&V activities for the Project and for paying all associated costs. These procedures may be classified according to three distinct approaches that represent increasing levels of detail and rigor:

6.4.1. Deemed or Stipulated Savings. Uses pre-determined values, adopted by the PUCT, of typical equipment characteristics and operating schedules developed for particular applications to perform engineering calculations resulting in average kW and kWh savings. These Deemed Savings values may be found in the Appendices to the *M&V Guidelines*, available on the Program Website www.epelectricefficiency.com. The Project Sponsor is not required to perform any M&V with Deemed Savings. This approach is designed for use with most HVAC Measures and lighting efficiency and controls Projects.

- 6.4.2. Simplified M&V.** This method is commonly used for lighting retrofits in typical commercial applications, but can also apply to certain HVAC Measures. Savings values using this approach are based on simple engineering calculations using typical equipment characteristics and operating schedules developed for particular applications, with some short-term testing or simple metering. For example, chiller Demand Savings and Energy Savings can be determined using the simple approach by comparing rated efficiencies of high-efficiency equipment to standard equipment, and using kW spot-metering and simple long-term kWh metering. Consult the *M&V Guidelines* available on the SOP website for more detailed information.
- 6.4.3. Measured Savings (Full M&V).** With this option, actual measurements and analysis through metering, billing or regression analysis, or computer simulation are relied upon to calculate Demand Savings and Energy Savings. There are specific M&V procedures based on the International Performance Measurement and Verification Protocol (IPMVP). This Protocol serves as the starting point for standard industry practice and specifies how and what M&V procedures are to be used in calculating Demand Savings and Energy Savings. More information about the IPMVP may be found on the Internet at www.ipmvp.org. The *M&V Guidelines* on the SOP website are a simplified version of this Protocol developed specifically for the SOP.

Project Sponsors selecting this option must submit an M&V Plan with their Project Application. Each proposed M&V Plan must be approved by EPE before any associated Measures may be installed. This option may provide more accurate savings measurements, but will likely increase the Project Sponsor's implementation expenses since the Project Sponsor is responsible for conducting all M&V activities. In addition, if EPE, in its sole judgment, determines that its own administrative costs would exceed 5% of the total Project Incentive Payment requested as a result of a Project Sponsor's proposed M&V Plan, EPE has the option of charging the Project Sponsor a fee to offset these incremental M&V costs.

6.5. Project Funding Limits

The minimum Project size is 1 kW of Demand Savings for Small Commercial Projects and 20 kW for Large Commercial Projects. Initially, funding reservations will be limited so that no individual Project Sponsor will receive more than 20% of EPE's total SOP Incentive Payment budget as of the Program start date of March 13, 2009. If EPE's C&I SOP funds are not completely reserved by September 1 of the program year, EPE may waive this funding restriction.

A Project Sponsor may participate in multiple Projects, subject to the 20% limitation. No Project Sponsor has unconditional entitlement to the SOP Incentive Payment funds

6.6. Payment Procedures

The procedure for paying Incentive Payments varies based on the M&V option that has been selected by the Project Sponsor.

6.6.1. Deemed Savings Option

With the Deemed Savings option requiring no M&V, the Project Sponsor receives 100% of the Incentive Payment within 45 days after submitting an "Installation Report," pursuant to Section 10.1 below, and invoice, subject to EPE's Post-Installation Inspection results.

6.6.2. Simplified M&V Option

With the Simplified M&V option typically requiring only limited and short-term M&V, the Project Sponsor receives 100% of the Incentive Payment within 45 days after submitting a Savings Report and invoice, subject to EPE's Post-Installation Inspection results.

6.6.3. Measured Savings Option

The Measured Savings (or "Full M&V") option requires that actual measurements and analyses be relied upon to calculate Demand Savings and Energy Savings. The Project Sponsor will receive two payments that will comprise the total Incentive Payment for a Project as stated in the SOP Agreement: an Installation Payment and a Performance Payment.

The Installation Payment represents 40% of the total estimated Incentive Payment. EPE will issue the Installation Payment within 45 days after Project Sponsor submits an Installation Report and invoice, subject to EPE's Post-Installation Inspection results. EPE will use the following formula to calculate the amount of the Installation payment:

$$\text{Installation Payment} = [((\text{estimated kW}) * (\$/\text{kW incentive})) + ((\text{estimated kWh}) * (\$/\text{kWh incentive}))] * 40\%$$

The Performance Payment may be up to 60% of the total estimated Incentive Payment for a Project, and will be based on the annual kWh and peak kW savings that the Project Sponsor measures and documents in its "Savings Report," pursuant to Section 10.4 below, and finalized M&V Plan, subject to EPE's Post-Installation Inspection results. EPE will issue the Performance Payment within 45 days of Project Sponsor submitting the Savings Report and invoice. The Performance Payment will be calculated as follows:

$$\begin{aligned} \text{Performance Payment} = & [((\text{measured kW saved}) * (\$/\text{kW incentive})) + \\ & ((\text{measured kWh saved}) * (\$/\text{kWh incentive}))] \\ & - \text{Installation Payment} \end{aligned}$$

Under no circumstances will EPE make a total Incentive Payment (i.e., the sum of the Installation and Performance Payments) that is more than 100% of the total estimated Incentive Payment specified in the SOP Agreement. If the Savings Report indicates that the Measured Energy Savings and Measured Demand Savings are less than the estimated Energy Savings and Demand Savings, then the total Incentive Payment will be less than the payment estimated in the Agreement. If the above formula results in a negative amount, EPE will notify the Project Sponsor within 10 business days, and Project Sponsor must refund that amount to EPE within 45 days of the submittal of the Savings Report.

The approved Performance Payment will also reflect any needed adjustments EPE identified during Project Site inspections. If there are any adjustments to be made to kW or kWh savings or Incentive Payments, EPE will notify the Project Sponsor in writing and provide the necessary supporting documentation. If the Project Sponsor disagrees with the adjustments, it must notify EPE in writing within ten (10) business days and request that a meeting between the two parties be conducted to resolve the disputed adjustment(s). If the two parties cannot resolve these issues, the dispute resolution process provided in the SOP Agreement will be used.

6.7. Maximum Project Load Factor

To limit payments for excessive off-peak Energy Savings, EPE has set the maximum Incentive Payment for each Project based upon a Project maximum annual load factor (Energy Savings /

(Demand Savings * 8,760)) of **60%**. This corresponds to payment for a maximum of 5,256 kWh of Energy Savings per every 1 kW of Demand Savings achieved, i.e., a maximum total Incentive Payment of \$544.12 per kW of Demand Savings.

Example

A variable-speed motor retrofit results in 20 kW of Demand Savings and 150,000 annual kWh in Energy Savings. The unadjusted Incentive Payment for this Project would be:

$$(20 \times \$194.60) + (150,000 \times \$0.0665) = \$13,867$$

However, with the load factor cap of 60%, the maximum Incentive Payment for this Project, is \$544.12 per kW of Demand Savings, or \$10,882.

6.8. Special Incentives Cases

Projects involving lighting and/or fuel switching Measures are subject to additional limitations on their total Incentive Payment.

6.8.1. Lighting Measures

The EPE SOP encourages comprehensive Energy Efficiency Projects. Therefore, no more than 65% of Demand Savings and Energy Savings may be derived from lighting Measures, including lighting efficiency, lighting controls, and lighting interactive savings.

In cases where lighting Measures provide more than 65% of a Project's Demand Savings and Energy Savings, the Project Sponsor will receive Incentive Payments up to a *maximum* of 65% of the total calculated Incentive Payment for the Project. When a Project consists of lighting Measures only, compensation for the Demand and Energy Savings shall not exceed 65% of maximum Incentive Payment amount.

The total Project Incentive Payment is calculated automatically in the electronic submittal forms available on the [Program website](#).

6.8.2. Fuel switching Measures

Retrofit Projects involving fuel switching (i.e., electric chillers to gas or absorption chillers) are eligible for the SOP, provided such a Project results in overall lower energy costs, lower energy consumption, and the installation of high-efficiency equipment. Incentive Payments will be based on the electric Demand Savings and the adjusted Energy Savings of the Project. Energy Savings are adjusted by the amount of new fuel consumption. Refer to the *M&V Guidelines* in for Retrofit Projects (available for download on the [Program website](#)) to determine how to calculate fuel-switching Demand Savings and Energy Savings. As mentioned earlier, fuel switching to electric is not an eligible Measure in the SOP. In new construction projects, fuel switching to fossil fuel is not an eligible Measure.

Application Process

7. Program Participation Phases and Dates

7.1. Participation Phases

Participation in the SOP involves five basic phases:

1. Submit an **Initial Application (IA)** in order for EPE to screen the potential Project for eligibility and tentatively reserve Incentive Payment funding (see Chapter 8).
2. Prepare and submit a **Final Application (FA)** (see Chapter 9).
3. Enter into a **Standard Contract (SOP Agreement)** with EPE (see Section 9.2).
4. Install the Project and submit an **Installation Report (IR)**. Project Sponsors using the Measured Savings approach then receive an Installation Payment comprising up to 40% of the total Incentive Payment estimated for the Project (see Chapter 10).
5. Conduct any required M&V activities and submit a **Savings Report (SR)**. Project Sponsors then receive a full 100% of the Incentive Payment under the Deemed Savings and Simplified M&V approaches, or a Performance Payment comprising up to 60% of the total Incentive Payment under the Measured Savings approach (see Section 10.4).

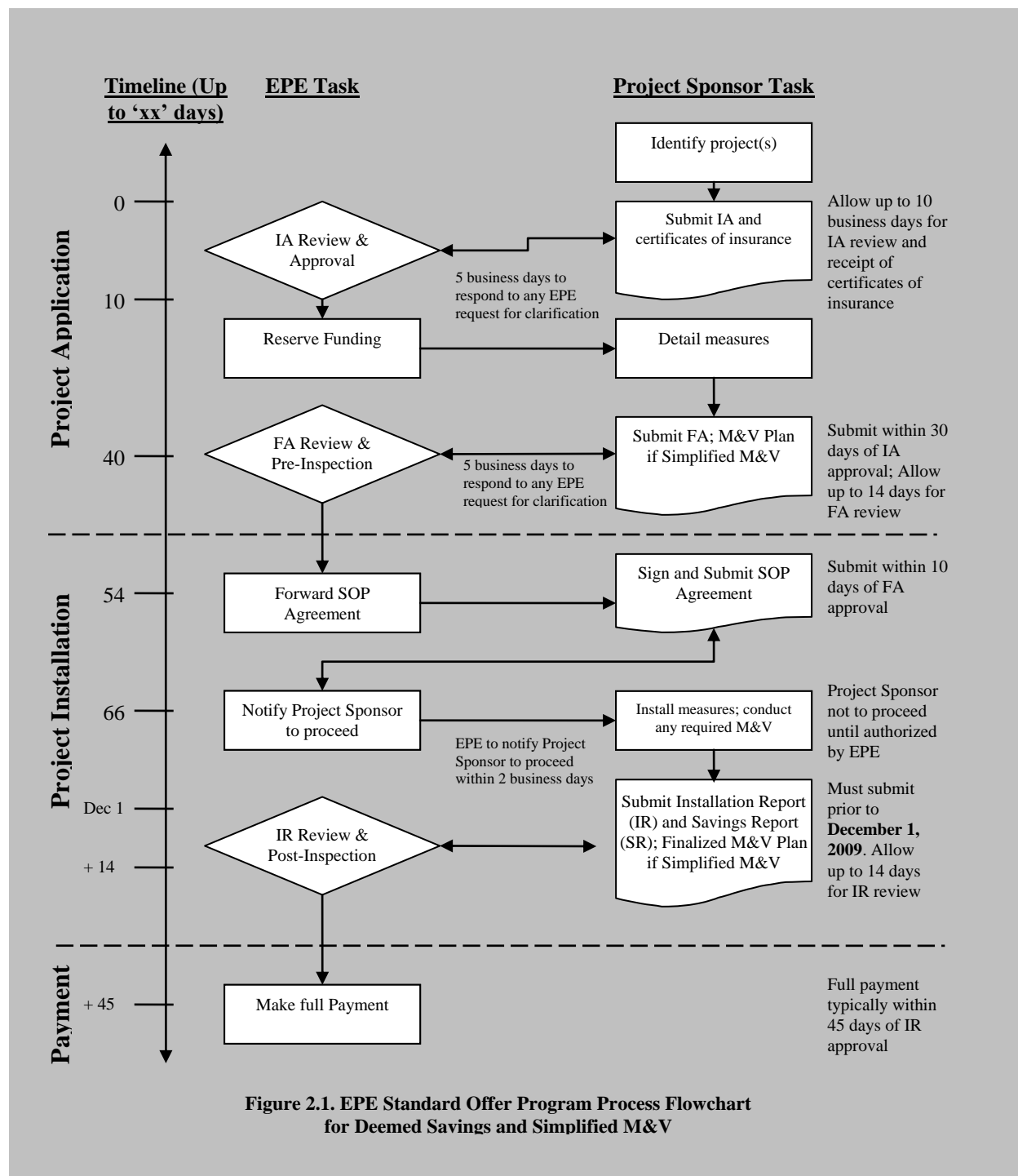
A discussion of the requirements of each phase can be found in the designated Chapters/Sections specified above. Figures 2.1 and 2.2 show flowcharts of the respective Deemed Savings/Simplified M&V and the Measured Savings approaches.

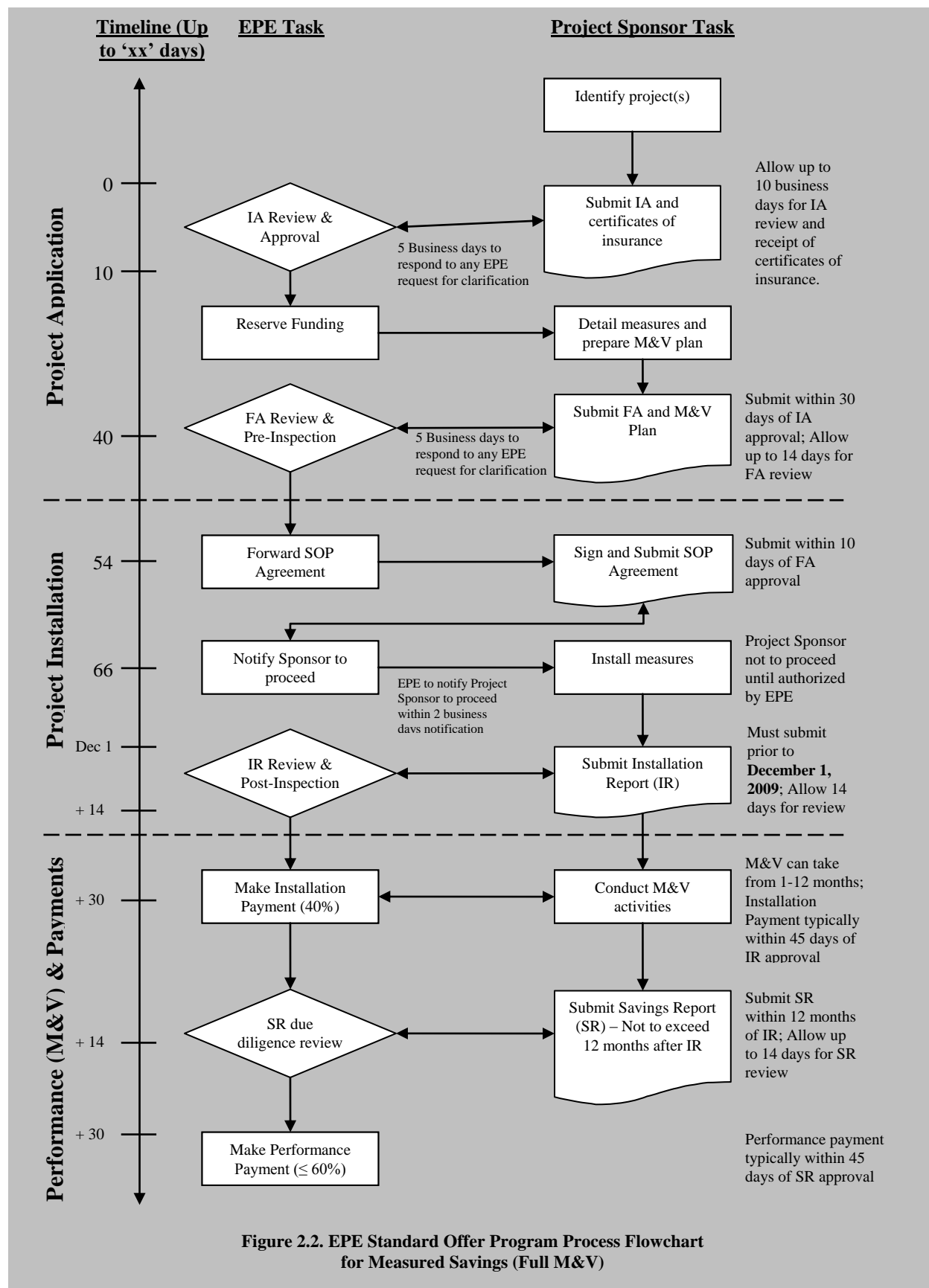
Notwithstanding the turnaround times estimated for each step in the application process, time is of the essence. Project Sponsors should make every effort to respond to requests and submit required information within the shortest timeframe possible.

7.2. Program Dates and Milestones

The Program will start accepting IAs on **March 13, 2009 at 10:00 a.m. Mountain Time** on a first-come, first-served basis. EPE will continue to accept IAs for the SOP until all funds have been committed. After this time, submitted applications will be placed on a waiting list. Applications or Projects on a waiting list will not automatically be carried over into the next program year. EPE may choose to discontinue accepting IAs at a point in the Program year when, in EPE's sole determination, completion of a Project within the year would not be feasible. For Program year 2009, Project installation must be completed and an Installation Report must be submitted no later than the close of business on Monday, **December 1, 2009**.

Note that in all cases, program dates and milestones specified in the SOP Agreement supersede this and any other documents.





8. Initial Application

8.1. Overview

As a first formal step in participating in the SOP, Project Sponsors must submit an IA. Submittal of IAs will be made via the Internet on EPE's SOP website. By submitting the IA, the Project Sponsor is requesting that EPE provide initial feedback concerning the proposed Project and reserve Incentive Payment funds relating to the Project's estimated savings.

The IA includes several forms to be filled out by the Project Sponsor. These forms will be available electronically on the SOP website. A summary of the requirements for the IA is provided below.

8.2. Required Information

The IA requires the following information:

Submitted via Internet

- **Project Sponsor Information Form** includes: contact name, address, federal tax ID number, phone number, fax number, e-mail address, and names and addresses of all subcontractors and/or Affiliates.
- **Project Sponsor Qualifications Form** includes:
 - A brief statement of the Project Sponsor's capabilities and experience (500 word maximum);
 - Evidence of the Project Sponsor's financial strength and capability. This may include company description, trade references, and/or other information deemed appropriate by the Project Sponsor;
 - Evidence that Project Sponsor and any subcontractors possess all applicable licenses and insurance. Evidence includes a list of applicable licenses, license holders, license numbers and insurance certificates. Hardcopies should be submitted as supplemental material;
 - Three client/customer references for Projects similar in nature to that proposed in this application (include contact name, address, and phone number);
 - Disclosure of any legal judgments pending, or entered in the previous two years, by or against Project Sponsor, as well as a current list of pending litigation filed by or against Project Sponsor; and
 - Disclosure of any complaints made to the PUCT against the Project Sponsor since year 2000.
- **Project Description Form** includes:
 - A description of the proposed set of energy-efficiency Measures, estimated Demand Savings and Energy Savings, and estimated Incentive Payment; and
 - A brief work plan presenting Project design, M&V approach, implementation, and anticipated Project timeline. The plan should demonstrate the ability to meet the

Program implementation milestone schedule outlined in the previous chapter of this Manual.

- **Customer Site Information Form** includes: company name; site address; site contact name, phone and fax; building type, operating schedule and floor area; cooling system description, EPE Premise number(s)² and expected Demand Savings and Energy Savings by Measure type;
- **Preliminary Savings Calculations Form** requests the preliminary savings calculations, including assumptions, methods and formulas, to support the requested Incentive Payment;

Submitted to EPE as hardcopy or electronically, as appropriate, the following Supplemental Information must be received within ten (10) business days of Internet submittal of the Initial Application forms above:

- Completed Self-Certification Affidavit of the affiliate status of the Project Sponsor;
- Certificates of insurance evidencing the required coverage and policy endorsements (see “Insurance Requirements”, Section 8.3 below);
- Indication whether Project Sponsor has participated in another Texas electric utility’s standard offer program(s) (listing all utilities and respective programs within the past three years); and
- Notice that the Project Sponsor intends to apply for the 20% environmental adder. (**Refer to Section 6.2.1 for additional information**)

EPE small and large commercial Customers acting as their own Project Sponsor are not required to demonstrate their technical or financial capabilities and experience, and do not need to include references or disclosure of legal judgments or litigation.

The above application information may be submitted via the www.epelectricefficiency.com website. The IA pages of the website will be available by March 13, 2009 at 10:00 a.m. Mountain Time. On this date, potential Project Sponsors may begin inputting and submitting application data.

In order for the IA to be considered complete, Project Sponsor must review and indicate acceptance of the Initial Application Agreement by clicking the “Accept Initial Application Agreement” button on the on-line form.

EPE will utilize its mail server’s time stamp to determine the order of receipt. Confirmation of the receipt of the Initial Application will be sent via return e-mail. IAs will be considered on a first-come, first-served basis.

8.3. Insurance Requirements

At all times during the term of the SOP Agreement, EPE requires Project Sponsor to carry and maintain at Project Sponsor’s sole cost and expense the following insurance coverage in each case issued by an insurer having a Best rating of A-VI or better:

- commercial general liability coverage including broad form contractual liability with

² EPE requires a valid Premise number to verify the Project Site is within its service area. To request a Premise Number, go the SOP website or choose the *Request Premise Number* button in the Customer Site Information form.

minimum limits of \$1,000,000 per occurrence and \$2,000,000 general aggregate;

- business automobile liability coverage including owned, non-owned, and hired vehicles with a combined single limit of liability of not less than \$1,000,000 per occurrence; and
- workers' compensation and employer's liability coverage with minimum limits of liability of \$500,000.

Each policy of insurance referenced in this section shall be endorsed to (i) provide EPE not less than thirty (30) days advance written notice of the expiration, termination, cancellation, or modification of such policy, (ii) waive subrogation of all claims against EPE (provided that the requirement prescribed by this clause (ii) shall not apply to Project Sponsor's workers' compensation/employer's liability coverage), and (iii) name EPE as an additional insured.

As part of its Initial Application, Project Sponsor shall provide EPE certificates of insurance evidencing the coverage and policy endorsements described in this section. Initial Applications will not be approved and requested Incentive Payments will not be reserved in the system if these certificates have not been received by EPE. Additionally, Project Sponsor shall provide EPE a copy of each policy endorsement upon issuance by the applicable insurer. Certificates of insurance must be provided directly from the Project Sponsor's insurance company. Certificates of insurance submitted directly by the Project Sponsor will not be accepted. **EPE is not responsible for the late arrival of any certificates submitted by the insurance company and will not waive deadlines for any applicant for such late submittals.**

8.4. Review of Initial Applications

EPE will review the IA for both Project Sponsor and Measure eligibility. If a Project Sponsor's IA is accepted, EPE will reserve the requested Incentive Payment funds for the applicant.

EPE may reject, in its sole discretion, an Initial Application if:

- The IA is received after October 1, 2009;
- The Project Sponsor fails to meet program eligibility requirements;
- The Project Sponsor fails to respond to any request for additional information;
- The Project Sponsor is found to have made material misrepresentations in the application;
- Changes occur in laws or regulations directly affecting the proposed Project or this Program; or
- EPE, in its sole judgment, determines that the Project Sponsor is incapable of fulfilling the terms and conditions of the Program.

If an IA is found incomplete or insufficient, EPE may, at its sole discretion, reject it.

EPE may request clarification of, or additional information about, any item submitted as part of the IA. Project Sponsors will have 5 business days to respond to such requests. If the clarification or additional information provided is not sufficiently responsive, EPE may, at its sole discretion, request additional information, or discontinue its evaluation of the submittal. Any Project Sponsor submitting an unsuccessful IA may reapply by submitting another IA. However, the Project Sponsor will lose its initial position in the order of submittal for Incentive Payment fund reservation purposes. After the application information has been reviewed by EPE, the Project Sponsor will be notified of its Project award status. A typical review cycle for an IA is 10 days.

On the SOP website, EPE will provide updates of the SOP's status and the availability of Incentive Payment funds. IAs will be reviewed until available funds are fully reserved. After that, IAs will be placed on a waiting list.

8.5. Minimum Project Size

The minimum Project size is 1 kW of Demand Savings

9. Final Application

9.1. Overview

Once notified of IA acceptance, the Project Sponsor has 45 days to develop and submit a more detailed Final Application (FA) for lighting-only Projects, and 60 days for other Projects.³ Preliminary information from the Project Sponsor's IA will be automatically copied into the on-line FA forms. Project Sponsors will have the opportunity to revise information from the IA at this phase, and will be required to provide a more detailed description of the proposed Project. The FA describes the proposed energy efficiency Measure installations in detail, including estimated Demand Savings and Energy Savings, and estimated Incentive Payments based on engineering analysis and site audit.

9.2. Required Information

The FA requires the following information:

Submitted via Internet

- Program **Equipment Survey Forms** are provided as standard templates for Project Sponsors completing equipment audits of retrofit equipment inventories for the FA. Regardless of the M&V method selected, these forms should be used and submitted by Project Sponsor for all equipment information (operating schedule, equipment counts, applicable standard efficiencies, nameplate data, etc.). The following forms are available for use with this Program:

- *Lighting Equipment Survey* for Projects that involve lighting efficiency and lighting controls Measures.
- *Motor and Variable Speed Drive Equipment Survey* for Projects that involve motor or variable speed drive Measures.
- *Cooling Equipment Survey* for Projects that involve retrofits of cooling equipment.

Project Sponsors are able to upload this equipment survey data directly to the online database using the Survey Forms available online at the [EPE Commercial SOP website](#). In general, each form consists of multiple columns with spaces for the Project Sponsor to input equipment counts, locations, operating schedules and sequences, equipment manufacturer, model number, rated capacity, etc. Information must be supplied for pre-installation and post-installation equipment. Additional information and step-by-step instructions on completing these forms are included in the individual Equipment Survey Forms themselves.

Any equipment not specified in the Equipment Survey Forms must still be listed in the FA, and Project Sponsor must supply sufficient information for EPE's approval. Therefore, it is recommended that Project Sponsors work closely with EPE when surveying equipment not specified in the forms.

Project Sponsors must submit the Equipment Survey Forms via the Internet, using the on-line survey forms provided.

The IA will not require equipment inventory spreadsheets to be uploaded to the system. The

³ EPE reserves the right to shorten the 60-day time allowance to ensure that all Projects will be installed and Installation Reports are submitted by the December 1, 2009 deadline.

Project Sponsor will simply estimate and manually input the kW and kWh savings into the database at that stage. However, in the FA and in the subsequent Installation Report and Savings Report stages of the on-line process, Project Sponsors are required to upload the spreadsheets.

- **Updates** to the following:
 - **Project Sponsor Information Form**, if necessary;
 - **Customer Site Information Form** updated with more detailed information about the proposed energy efficiency Measures and their associated savings;
 - **Project Description Form** updated with a finalized work plan for Project design, implementation, operation, and management, including the anticipated Project timeline/Installation Schedule. It should demonstrate the ability to meet the Installation Report deadline of December 1, 2009;

Submitted to EPE as hardcopy or electronically, as appropriate, the following Supplemental Information must be received within ten (10) business days of Internet submittal of the FA forms above:

- **Site Profiles** for each site with Demand Savings and Energy Savings claimed in the Project. Site schematics and additional site information, such as building occupancy and equipment operating schedules, should be provided as appropriate;
- **Proposed Project-specific M&V Plan** describing how the Project Sponsor will measure and verify Demand Savings and Energy Savings, the methods for calculating actual savings, and the schedule for conducting and reporting on M&V activities (Note: this is not required for Deemed Savings-only Projects). In some cases, pre-installation M&V activities may be required to accurately estimate savings;
- Fully-executed **Project Sponsor-Customer Agreement(s)** from the Customer contracting with a Project Sponsor for each Customer site involved in the Project. Agreement(s) must be signed by the Project Sponsor and Customer (Note: this is not required if Customer is self-sponsored). If a copy of the Project Sponsor-Customer Agreement is not provided to EPE within the required timeframe, EPE may terminate the SOP Agreement with the Project Sponsor and withdraw the Incentive Payment Budget Reservation for that Project;
- **Savings Calculations** updated and further substantiated with a list of methods, assumption or engineering calculations used to derive the Demand Savings and Energy Savings of each Measure. Calculations should be based on the efficiency of the proposed equipment compared to that of new, minimum-standard efficiency equipment and must be consistent with the proposed M&V Plan described above

9.3. Review of Final Applications

As part of the FA review process, EPE will review the eligibility of the proposed Measures, the accuracy of the savings estimates, and the comprehensiveness of the M&V Plan. EPE may request clarification of or additional information about any item in the application. Project Sponsors will have 5 business days to respond to such requests. If the clarification or additional information is not forthcoming, EPE may choose to discontinue its evaluation of the application.

Failure to submit the FA on time may result in loss of reserved funding. Project Sponsors who do not meet the deadline for submitting an FA may again file an IA for the same or different Project, subject to availability of funds, the size of any Project waitlist, or ability of Project to be completed by the installation deadline.

If Incentive Payment estimates in the FA differ from the Incentive Payment funds reserved in the IA, the FA savings and Incentive Payment estimates will take precedence over the IA, as the FA should include a more detailed and accurate estimate of Demand Savings and Energy Savings. When FA estimates are lower than those approved in the IA, the reserved Incentive Payment funds will be adjusted downward accordingly, and excess Incentive Payment funds will be returned to the remaining program Incentive Payment Budget Reservation.

In some cases, FA savings and Incentive Payment estimates may be higher than approved in the IA. If all Incentive Payment funds have been reserved, and applicant Projects are waitlisted, the Project will be limited to the funds reserved in the IA. A typical review cycle, including the inspection, for an FA is 14 days.

9.4. Pre-Installation Inspection

In addition to the application review discussed above, EPE may conduct a Baseline pre-installation inspection of the Project Site at its own discretion as part of the FA review process. The purpose of the pre-installation inspection is to verify the Baseline conditions documented in the application and the eligibility of the proposed Measures. The pre-installation inspection requires the presence of at least one Project Sponsor representative who is familiar with the Project so that all parties can identify any concerns and/or discrepancies simultaneously. The pre-installation inspection will verify the following information:

- The accuracy of the Baseline equipment survey. For most Measures, the accuracy of the equipment quantity and nameplate information is verified. For lighting Measures, the requirement for acceptance is that the total projected Energy Savings of the sample of fixtures inspected must be within $\pm 5\%$ of the total projected Energy Savings of the same fixtures submitted on the survey form.
- The M&V plan is appropriate for the Measure, and any necessary pre-installation M&V activities are being performed.
- All Existing Equipment listed in the FA is still in place and operational.
- New equipment installation, or old equipment removal, has not begun.

If electrical measurements are necessary, the Project Sponsor's representative is required to perform any necessary disruptions in equipment operation, the opening of any electrical connection boxes, or the connection of current and power transducers. If the proposed Baseline conditions cannot be verified, the FA will be rejected.

9.5. EPE – Project Sponsor SOP Agreement

Once the Project has passed pre-installation inspection and the FA has been approved, EPE will forward a copy of the SOP Agreement to the Project Sponsor. **THE TERMS OF THE SOP AGREEMENT WILL BE STANDARD FOR ALL PROJECT SPONSORS AND ARE NON-NEGOTIABLE.** A copy of the terms of the SOP Agreement will be made available for download from the [Program website](#). The SOP Agreement will include the Measures to be

installed, estimates of Demand Savings and Energy Savings, a maximum Incentive Payment associated with the Project, and the approved M&V approach. The approved IA and FA will become attachments and be incorporated by reference into the SOP Agreement.

Once the SOP Agreement is executed between the Project Sponsor and EPE and the Project Sponsor has received a notification to proceed from EPE, the Project Sponsor's primary obligations are to:

- Install the Project and/or Measures and submit an Installation Report to EPE.
- Implement the approved M&V plan and submit a Savings Report to EPE.

The executed SOP Agreement obligates EPE to:

- Review the Sponsor's Installation Report and Savings Report.
- Issue the Installation Payment (up to 100% of the contracted Incentive Payment) after approval of the Installation Report using Deemed Savings and Simplified M&V Options.
- Issue the Installation Payment (up to 40% of the contracted Incentive Payment) after approval of the Installation Report using the Measured Savings Option.
- Issue the Performance Payment (up to 60% of the contracted Incentive Payment) after approval of the Savings Report using the Measured Savings Option. A copy of the terms of the SOP Agreement will be made available for download from the [Program website](#).

The SOP Agreement and Project Sponsor-Customer agreements outlined in this section are required before any Measures may be installed. **A notification to proceed will not be issued until such agreements have been received by EPE and are deemed to be executed, complete and in order.**

NOTE: EPE'S PAYMENT OF INCENTIVE PAYMENT(S) TO PROJECT SPONSOR IS EXPRESSLY AND SPECIFICALLY CONDITIONED UPON EPE RECEIVING ALL REQUIRED NOTICES, SUBMITTALS AND MATERIALS FROM PROJECT SPONSOR IN A PROPER, TIMELY MANNER. FAILURE BY PROJECT SPONSOR TO DELIVER ANY REQUIRED NOTICE, SUBMITTAL, OR MATERIAL IN A PROPER, TIMELY MANNER SHALL BE DEEMED A MATERIAL BREACH OF THE SOP AGREEMENT.

10. Reporting and Payment Procedures

10.1. Installation Report

Upon Project installation, Project Sponsors must submit an Installation Report. The Installation Report updates any information proposed in the FA that has now been finalized after completion of the Project. The Installation Report typically includes the following information:

Submitted via Internet

- **Installation Completion Dates** for each Measure type; and
- **Updates** to the following:
 - **Project Sponsor Information Form**, if necessary;
 - **Project Description Form** finalized. Information submitted via the internet may be supplemented with a hard copy submitted to EPE within 10 business days of internet submittal of the Installation Report;
 - **Customer Site Information Form**. If information and savings estimates have not changed since the approval of the FA, the forms submitted and approved with the FA may be resubmitted;
 - **Equipment Survey Forms**. The on-line survey forms will retain all information regarding pre-installation and post-retrofit equipment from the FA phase and may simply be resubmitted if no updates are necessary. Forms are accessible from the Customer Site Information section of the on-line Installation Report.

Submitted to EPE as hardcopy or electronically, as appropriate, the following Supplemental Information must be received within 10 business days of Internet submittal of the Installation Report forms above:

- **Savings Calculations** revisions if they have been updated since the FA was submitted;
- **Site Profiles** if necessary, otherwise the Project Sponsor may simply reference the FA when completing this section;
- **Final Project-specific M&V Plan** updating the M&V procedures, calculation methods, and schedule (Note: not required for Deemed Savings-only Projects);
- **Certification Page** affirming that the energy efficient equipment associated with the Project has been installed and has been properly commissioned. **The Project Sponsor and the Host Customer must sign one form for each Customer Site involved in the Project.**

Project installation must be completed and an Installation Report must be submitted no later than the close of business December 1, 2009. A typical review cycle for an Installation Report is 30 days.

10.2. Post-Installation Inspection

EPE will contact the Project Sponsor and conduct a Post-Installation Inspection of the Project(s) after receipt of a complete Installation Report. The Post-Installation Inspection requires the presence of at least one Project Sponsor representative who is familiar with the Project. The Post-Installation Inspection shall verify that:

- The equipment has been installed and is operating as described in the Installation Report. For most Measures, the accuracy of the equipment quantity and nameplate information is verified. For lighting Measures, the requirement for acceptance is that the total Energy Savings of the sample of retrofitted fixtures inspected must be within $\pm 5\%$ of the total projected Energy Savings of the same fixtures submitted on the Installation Report.
- The M&V plan is being followed in accordance with the approved FA.

If electrical measurements are necessary, the Project Sponsor's representative is required to perform any necessary disruptions in equipment operation, the opening of any electrical connection boxes, or the connection of current and power transducers. If the reported retrofit conditions cannot be verified, the corresponding installations will not be approved for payment.

10.3. Installation Payment

Upon receiving approval of the Installation Report, Project Sponsors using the Measured Savings approach should submit an invoice for the Installation Payment. This payment is up to 40% of the Incentive Payment estimate approved in the Installation Report. There is no Installation Payment made with Simplified M&V Measures (see Section 10.5). The Installation Payment is made typically within 45 days following approval of the Installation Report, and is subject to the results of EPE's Post-Installation Inspection.

10.4. Savings Report

For Project Sponsors using Deemed Savings, the Savings Report is a simple on-line form confirming what was submitted with the Installation Report. Since no M&V activities are required with Deemed Savings, the Savings Report is typically submitted at the same time as the Installation Report. If the Project Sponsor is using the Simplified or Measured Savings approaches, the Project Sponsor should submit a Savings Report after all M&V activities are complete. These M&V procedures should be consistent with the M&V Plan that was submitted with the Sponsor's Final Application. Additional information on M&V options can be found in Section 6.4 and in the *M&V Guidelines for Commercial Retrofit and New Construction Projects* available at www.epelectricefficiency.com.

Under the Simplified and Measured Savings approaches, the Savings Report documents the Verified Project Demand Savings and Energy Savings with Supporting Data and Calculations. Project Sponsors should provide all raw, unfiltered meter data, supporting calculations such as filtered data, spreadsheet calculations, regression analysis or any computer simulations used to formulate savings electronically via the email address provided in Chapter 11.

For all M&V approaches the completed Savings Report must then be printed, signed and returned to EPE by the Project Sponsor within 10 days to certify that the verified Demand Savings and Energy Savings submitted are accurate to the best of their knowledge.

10.5. Performance Payment

After approval of the Savings Report, the Project Sponsor may submit an invoice for the Performance Payment. For Measures using Deemed Savings or Simplified M&V, 100% of the Incentive Payment will be payable after approval of the Savings Report. Under the Measured Savings approach, the Performance Payment is issued, based on the Project's verified Measured Energy Savings and Measured Demand Savings minus the amount paid in the Installation

Payment. The total of the Incentive Payments for Measured Savings Measures (Installation Payment plus Performance Payment) cannot exceed the Incentive Payment listed in the SOP Agreement. The Performance Payment is made typically within 45 days following approval of the Savings Report, and is subject to the results of EPE's Post-Installation Inspection. If the total Project savings as determined through M&V activities result in an Incentive Payment that is less than any previous Installation Payment, EPE will notify the Project Sponsor within 10 business days, and Project Sponsor must refund that amount to EPE within 45 days of the submittal of the Savings Report.

Other Program Information

11. Other Program Information

11.1. Reimbursement of Expenses

EPE will not reimburse any Project Sponsor for any costs incurred by participating in the SOP, including but not limited to the costs of preparing the Initial or Final Applications, reviewing or executing related agreements, or preparing and submitting any of the required reports.

11.2. Confidentiality

This SOP is subject to oversight by the PUCT, which may request a copy of any SOP-related materials that EPE receives. Sensitive information submitted by the Project Sponsor to EPE will be treated confidentially to the fullest extent possible, and will not be provided directly to outside parties other than the PUCT. Project Sponsors must clearly mark any materials intended to be submitted as confidential. Other than specific Customer information such as name, address account number, and usage history, Project information submitted via the website will not be considered proprietary. EPE will have no liability to any Project Sponsor or other party as a result of public disclosure of any submittals.

11.3. Program Contact

The EPE contact person for this SOP is Mr. John Armstrong. All program correspondence, reports, and any other required materials should be directed to Mr. Armstrong at:

El Paso Electric Company
P.O. Box 982
El Paso TX 79960
915.543.5809
jarmstro@epelectric.com

A

Appendix A: Glossary

NOTE: the terms and definitions used in this Glossary and throughout the SOP Manual and other SOP Agreement documents have not been adopted verbatim from the definitions in the PUCT's rules. These terms and definitions have been drafted to be specific to EPE's SOP and its service territory, and are consistent with the intent of the PUCT's rules and templates.

- A -

Affiliate: For purposes of the EPE Commercial Standard Offer Program, an Affiliate is:

- (A) a person or entity who directly or indirectly owns or holds at least 5.0% of the voting securities of an Energy Efficiency Service Provider;
- (B) a person or entity in a chain of successive ownership of at least 5.0% of the voting securities of an Energy Efficiency Service Provider;
- (C) a corporation that has at least 5.0% of its voting securities owned or controlled, directly or indirectly, by an Energy Efficiency Service Provider;
- (D) a corporation that has at least 5.0% of its voting securities owned or controlled, directly or indirectly, by:
 - (i) a person who directly or indirectly owns or controls at least 5.0% of the voting securities of an Energy Efficiency Service Provider; or
 - (ii) a person in a chain of successive ownership of at least 5.0% of the voting securities of an Energy Efficiency Service Provider; or
- (E) a person who is an officer or director of an Energy Efficiency Service Provider or of a corporation in a chain of successive ownership of at least 5.0% of the voting securities of an Energy Efficiency Service Provider;
- (F) a person or entity who actually exercises substantial influence or control over the policies and actions of an Energy Efficiency Service Provider;
- (G) a person or entity over which the energy efficiency service provider exercises the control described in subparagraph (F) of this paragraph;
- (H) a person or entity who exercises common control over an Energy Efficiency Service Provider, where “exercising common control over an Energy Efficiency Service Provider” means having the power, either directly or indirectly, to direct or cause the direction of the management or

policies of an Energy Efficiency Service Provider, without regard to whether that power is established through ownership or voting of securities or any other direct or indirect means; or

- (I) a person or entity who, together with one or more persons with whom the person is related by ownership, marriage or blood relationship, or by action in concert, actually exercises substantial influence over the policies and actions of an Energy Efficiency Service Provider even though neither person may qualify as an Affiliate individually.

- B -

Baseline: For purposes of determining Energy Savings for equipment replacement Projects implemented under the SOP, the Baseline is generally defined as the energy consumed by equipment with efficiency levels that meet the applicable current federal standards and reflects current market conditions. The Baseline may be determined by the equipment or conditions currently in place under the following conditions: (a) when federal energy efficiency standards do not apply, or (b) when the Existing Equipment can be shown by the Project Sponsor to have a remaining service life of at least ten years. For determining Energy Savings for building shell improvements, the baseline is generally determined by the building's current condition, e.g., existing insulation r-values, air infiltration rates, etc.

Budget Reservation: The amount of Incentive Payment funds EPE sets aside for a Project Sponsor who has submitted a successful Project Application.

- D -

Deemed or Stipulated Savings: A pre-determined, validated estimate of Energy Savings and Demand Savings attributable to an Energy Efficiency Measure in a particular type of application that a utility may use instead of Energy Savings and Demand Savings determined through measurement and verification activities.

Demand Savings: The maximum average load reduction occurring during any one-hour period between 1 PM and 7 PM MDT weekdays, from May 1 through September 30 (holidays excluded) as the result of the installation of qualifying Energy Efficiency Measures at a Project Site(s). The Demand Savings are measured against a predetermined Baseline for Deemed Savings Measures.

- E -

Energy-Efficiency Measures (EEMs or Measures): Equipment, materials, and/or systems that, when installed and used at a Customer Site, result in Demand Savings and Energy Savings. Energy Efficiency Measures do not include equipment, materials, or systems that are installed as a part of new construction of a building, structure, or other facility, unless specifically authorized by EPE.

Energy Efficiency Project: An Energy Efficiency Measure or combination of Measures installed under an SOP Agreement or a market transformation contract that results in both a reduction in Customers' electric energy consumption and Peak Demand, and energy costs.

Energy Efficiency Service Provider (EESP): A person or entity that installs Energy Efficiency Measures or performs other energy efficiency services. An Energy Efficiency Service Provider may be a Customer, if the person has executed a SOP Agreement.

Energy Savings: The amount by which energy consumption is reduced as a result of the installation of qualifying Energy Efficiency Measures at the Project Site(s). Energy Savings are determined by comparing the efficiency of the installed Measures to that of an appropriate Baseline.

Existing Equipment: The equipment that is installed at the Customer's site prior to the Customer's participation in the SOP.

- F -

Final Application (FA): The FA provides the Project Sponsor's detailed plans for implementing a Project. Upon EPE's approval of the IA, Project Sponsor shall submit the FA to EPE, which contains a detailed equipment survey of the Existing Equipment and proposed equipment that includes name plate data, equipment location, and operation information, and describes the proposed Energy Efficiency Measure installations in detail, including the Project Sponsor's final M&V Plan, estimated Demand Savings and Energy Savings, and estimated Incentive Payments based on engineering analysis and site audit.

- H -

Host Customer or Customer: For purposes of the Commercial SOP, a Host Customer is a retail commercial distribution customer of EPE. A large Commercial customer shall mean a maximum demand at any individual meter greater than 100 kW, or a maximum aggregate demand equal to or greater than 250 kW. A small commercial customer shall mean less than 100 kW or a maximum aggregate less than 250 kW.

- I -

Incentive Payment: Payments available to be earned by a Project Sponsor based on the level of approved Demand Savings and Energy Savings (expressed as kW and kWh). Incentive Payment rates are based on Commission approved avoided costs and incentive caps.

Initial Application (IA): the application submitted by an EESP applicant to express intent to participate as a Project Sponsor in the SOP. The IA contains information on the Project Sponsor, proposed Project(s), proposed EEMs, and Demand Savings and Energy Savings estimated to result from the proposed Project(s). The Demand Savings and Energy Savings estimates are used to reserve Incentive Payment funds for the proposed Project(s).

Installation Payment: The first of two Incentive Payments available to be earned by a Project Sponsor under the terms of an SOP Agreement. The Installation Payment is for 40% of the total estimated Incentive Payment amount as specified in the SOP Agreement. A Project Sponsor may submit an invoice for this payment following EPE's approval of the Project Sponsor's Installation Report.

- L -

Large Commercial Customer shall mean a retail non-residential distribution customer having a maximum demand at any individual meter greater than 100 kW, or a maximum aggregate demand equal to or greater than 250 kW.

- M -

Measure: *see* "Energy Efficiency Measure."

Measurement and Verification Plan: The Project Sponsor's specific plan for verifying Measured Energy Savings and Measured Demand Savings estimates. The measurement and verification (M&V) plan should be consistent with the International Performance Measurement and Verification Protocol.

Measured Demand Savings: The maximum average load reduction occurring during any one-hour period between 1 PM and 7 PM MDT weekdays, from May 1 through September 30 (holidays excluded), as determined in accordance with the Project Sponsor's Measurement and Verification Plan set forth in Exhibit D of the SOP Agreement.

Measured Energy Savings: The Energy Savings derived during a single year, from the Measures installed at the Project Site, as determined in accordance with Project Sponsor's Measurement and Verification Plan set forth in Exhibit D of the SOP Agreement.

- P -

Peak Demand: The electrical demand at the Peak Period time measured in 15 minute intervals.

Peak Period: For the purposes of this Program, the peak period is defined as the hours from 1 PM to 7 PM MDT weekdays, from May 1 through September 30 (holidays excluded).

Performance Period: The period following the approval of a Project Sponsor's Installation Report, during which measurement and verification are to take place. Demand Savings and Energy Savings measured over this period form the basis of the Performance Payment made to the Project Sponsor at the end of the year.

Performance Payment: The second of two Incentive Payments available to be earned by a Project Sponsor under the terms of an SOP Agreement. The Performance Payment is based on the one-year Measured Energy Savings documented in EPE's M&V Report and may be up to 60% of the total estimated Incentive Payment included in the SOP Agreement.

Post-Installation Inspection: An inspection of a Project Site or Sites conducted by EPE after a Project Sponsor has submitted a monthly invoice. The purpose of the inspection is to verify that

the Measures specified in the SOP Agreement have been installed and are capable of performing their intended function. EPE's approval of the invoice is contingent upon the results of the Post-Installation Inspection.

Program Manual or Manual: The complete set of EPE Commercial SOP materials, including but not limited to the program description, procedures, appendices and forms.

Project: *see* "Energy Efficiency Project."

Project Application (PA): A set of standard forms submitted to EPE by an EESP wanting to participate in the SOP as a Project Sponsor. On the Project Application, the Project Sponsor provides information about itself, the site at which the proposed Project will be installed, and a description of the proposed Project and Demand Savings and Energy Savings estimated to result from the Project. The Project Application consists of two applications: the Initial Application (IA) and the Final Application (FA).

Project Sponsor: Any Energy Efficiency Service Provider that enters into an SOP Agreement.

Prudent Electrical Practices: Those practices, methods, standards, and equipment commonly used in prudent electrical engineering and operations to operate electrical equipment lawfully and with safety, dependability, and efficiency and in accordance with the National Electrical Safety Code, the National Electrical Code, and any other applicable federal, state and local codes. In the event of a conflict, the applicable federal, state, or local code shall govern.

- R -

Renewable Demand Side Management (DSM) Technologies: Equipment that uses a renewable energy resource that, when installed at a Customer site, reduces the Customer's net purchases of energy (kWh), electrical demand (kW), or both.

- S -

Small Commercial Customer shall mean a retail non-residential distribution customer with a maximum demand that does not exceed 100 kW. Multiple-account customers, under common ownership with an aggregated load of greater than 250 kW, are excluded from this definition.

Standard Offer Program (SOP): A program under which a utility administers standard offer contracts between the utility and energy efficiency service providers. For the purposes of this section, the targeted weatherization programs under PURA §39.903 (relating to the System Benefit Fund) to be administered by the Texas Department of Housing and Community Affairs shall be considered a standard offer program.

SOP Agreement: A written agreement entered into by the Project Sponsor and EPE following EPE's approval of the Project Sponsor's Final Application and Project-specific Measurement and Verification (M&V) Plan. The SOP Agreement specifies the Energy-Efficiency Measures to be installed, the expected Demand Savings and Energy Savings, the expected total Incentive Payment, and the agreed-upon M&V approach.

