Section 1. Program Overview

1.1 Introduction

Welcome to the Heavy Industry Energy Efficiency program (program). This program identifies and facilitates the implementation of major process-oriented and other energy-efficiency upgrades for PG&E's heavy industry customers. Customers that install energy efficient systems and equipment will receive incentives based on the annual kWh or therm savings achieved, as well as on peak demand reductions (KW). Applications are accepted on a first-come first-served basis until the program funds are depleted or December 31, 2014, whichever comes first. All projects must be installed and paid by December 31, 2014.

Administration of the Program. The program is managed and facilitated by Lockheed Martin Services, Inc. (LMSI), and is funded by California utility ratepayers, under the auspices of the California Public Utilities Commission.

California consumers are not obligated to purchase any full-fee service or other service not funded by this program.

Los consumidores en California no están obligados a comprar servicios completos o adicionales que no esten cubiertos bajo este programa. Este programa está financiado por los usuarios de servicios públicos en California bajo la jurisdicción de la Comisión de Servicios Públicos de California.

Program Materials. All program materials are available from LMSI in both hardcopy and electronic formats. For a distribution of program marketing materials, program Forms, and other documents, please contact LMSI San Francisco office at 415-402-0406. Program materials may also be downloaded from the program web facility www.lmsi-pge.com or obtained by emailing info@lmsi-pge.com

1.2 Key Players

The following are the key players in the program:

1) **Participating Customer** – A Heavy Industry sector business that undertakes an energy efficiency project or process improvement, at one or more facilities, that is supported by the program.
2) **Implementer** – LMSI, as the manager and facilitator of the program, provides services to the customer including, but not limited to, evaluating energy savings for measures proposed.
3) **Utility Administrator** – PG&E provides the customer with natural gas and/or electricity services.

1.3 Customer Eligibility

The program is open to industrial customers who qualify by:

(1) being classified in the NAICS codes listed in **Table-1**,and
(2) receiving natural gas and/or electricity from PG&E, and
(3) paying the public purpose program and/or the demand side surcharge on their utility bill, and
(4) having a minimum average peak electric load of 200 kW.

Table-1: ***Summary of Industrial Sectors Eligible for the Program***

NAICS Code	Description of Customer Segment
212000	Subsector: Mining (except Oil and Gas)
213000	Subsector Support Activities for Mining (excluding 213111, Drilling Oil and Gas Wells, and 213112, Support Activities for Oil and Gas Operations)
221000	Utilities (excluding 221320, Sewage Treatment Facilities)
313000	Subsector: Textile Mills
314000	Subsector: Textile Mill Products
315000	Subsector: Apparel Manufacturing
316000	Subsector: Leather and Allied Product Manufacturing
321000	Subsector: Wood Product Manufacturing
322000	Subsector: Paper Manufacturing
323000	Subsector: Printing and Related Support Activities
324000	Subsector: Petroleum and Coal Products Manufacturing (excluding 324110, Petroleum Refineries)
325000	Chemical Manufacturing (except 325400, Pharmaceuticals and Medicines)
326000	Subsector: Plastics and Rubber Products Manufacturing
327000	Subsector: Nonmetallic Mineral Product Manufacturing (excluding 327300, Cement and Concrete Manufacturing)
331000	Subsector: Primary Metal Manufacturing
332000	Fabricated Metal Product Manufacturing
333000	Subsector: Machinery Manufacturing
335000	Electrical Equipment, Appliance and Component Manufacturing
336000	Transportation Equipment Manufacturing (except 336400, Aerospace Products and Parts, but with the understanding that all Lockheed Martin facilities are NOT excluded)
337000	Furniture and Related Product Manufacturing
339000	Miscellaneous Manufacturing
486000	Pipeline Transportation

1.4 Basic Program Process

LMSI will conduct energy audits at participating facilities to evaluate the energy savings potential of a measure. Audits may be designated an Energy Efficiency Audit which deals with the entire facility or a Technical Analysis Study which may deal only with a specific project. Both will be called "analysis." LMSI must have access to the facility and the equipment involved in the project to accurately complete the analysis. There is no cost to the customer at any time for any services provided by LMSI.

The basic sequence of program steps is the following:

- **Initial Facility Visit (V1) –** LMSI engineer and PG&E Account Services Manager meet with customer to introduce the program. Customer signs Form 1A 1B, Access Agreement, and form 3P, Authorization to Receive customer Utility Data.
- **Initial Walk Through Audit (V2)** – A walk- through of the facility is conducted to determine the feasibility and requirements for an analysis.
- **Detailed Audit (V3)** – An analysis is conducted by LMSI or one of its agents to identify potential energy-efficiency projects.
- **Analysis Presentation (V4)** – The findings of the analysis are presented to the customer with calculated energy savings and a tentative estimate of associated incentive amounts.
- **Project Commitment (V5)** – The customer and LMSI sign Form 2 Commitment Agreement that commits the customer to proceed with a defined project and commits LMSI to reserve the associated incentive amount that will be paid by LMSI upon satisfactory completion of the project.
- **Construction Oversight (V6)** – As deemed necessary by LMSI and the customer, LMSI or its agents may visit the facility to verify that design, procurement, and installation activities are proceeding in accordance with the project defined in Form 2 Commitment Agreement.
- **Installation Verification (V7)** – customer notifies LMSI of project completion within 10 days via letter, email or fax. LMSI verifies the project has been installed and is commissioned as documented in Form 2 Commitment Agreement. If the verification outcome is satisfactory, LMSI fills out Form 3 Completion Agreement. Customer and LMSI both sign the form.
- **Check Presentation (V8)** – The incentive check is issued by LMSI and is presented to the customer.

1.5 Qualifying Energy Efficiency Measures

The program accepts a wide variety of energy efficiency projects. There are a few criteria that must be met for every project.

1) **Government Standards** – Incentives are paid only on the energy savings above and beyond minimum federal and state mandated energy-efficiency performance. If there are no government standards, current industry standard may be used to establish the baseline consumption.
2) **Equipment Life** – All installed equipment must have a useful life of at least five (5) years.
3) **Other California Efficiency programs** – Projects cannot receive incentives from more than One publicly funded energy efficiency program. No "double-dipping" is permitted. None of the measures included in the program may be applied for or receive incentive funds from any other

California energy efficiency incentive or rebate program. Such other California end user energy efficiency programs included, but are not limited to, any program offered by or through Pacific Gas and Electric Company, Southern California Gas Company, Southern California Edison, and the California Energy Commission, and the California Public Utilities Commission (CPUC). These include all Public Purpose program (PPP) funding Local programs, Third Party programs, and Government Partnerships.

In general, if a measure is not specifically excluded by the rules, and verified energy savings can be calculated beyond federal and state standards, then it may be eligible for program incentives.

The following list (not comprehensive) illustrates examples of qualifying measures.

- Motor upgrades,
- Variable speed drives on pumps, fans and motors
- Process improvements (including projects that increase load but reduce per-unit energy usage)
- Injection molding machine retrofits
- Air compressor system retrofits
- Process cooling systems upgrades
- Process controls improvements
- Refrigeration system upgrades
- Thermal oxidizer upgrades
- Piping system changes that reduce pressure drops
- Boiler or furnace replacements
- Boiler/furnace heat recovery or economizer installations
- Power Quality and Power Conditioning

If a potential project is not on the above list, please contact LMSI regarding eligibility.

1.6 Energy Savings Verification Requirements

LMSI will conduct energy audits at participating facilities to evaluate the energy savings potential of a measure. LMSI must have access to the facility and the equipment involved in the project to accurately assess the project. Some monitoring of equipment consumption and operation may be necessary as part of the evaluation. In addition, as is explained in Section 1.11, PG&E and/or the CPUC may wish to have staff or contractors inspect the equipment installed as part of a project, and if so, must be granted access to the facility.

1.7 Baseline Efficiency Standards

The program provides incentives to customers that install equipment that exceeds standard efficiency of "baseline" equipment. "Standard efficiency" refers to equipment that meets either State/Federal efficiency requirements or current industry practice. Thus, baseline energy use is established using accepted standards for currently available equipment. For instance, the Energy Policy Act of 1992 established Federal guidelines for electric motor efficiency. Projects that involve the replacement of motors, air compressors, gas furnaces, gas boilers, cooling equipment, and linear fluorescent lighting will use a minimum standard as a baseline. The minimum efficiency standards are based on multiple industry and governmental standards. These include California's Title-24 minimum equipment efficiency, National

Electric Manufacturers Association (NEMA) standards, EPACT regulations, DOE's Motor Challenge (Motor Master), and DOE's Air Compressor Challenge (AirMaster+). The most current standards will take precedence.

The baseline efficiency for equipment not covered by the standards listed above shall be the efficiency standard of the existing equipment at the time it was manufactured. For a complete list of the applicable efficiency standards, please see Section 4.

1.8 Incentive Payments

All incentives are paid directly by LMSI to the customer unless otherwise indicated. Incentive payments are determined by LMSI engineers with some assistance by facility personnel, contractors, and/or vendors. The incentive payment amount is based on the savings associated with the specific measures listed in Form 2, signed by both the customer and LMSI. However, if the variances between the installed projects are deemed by LMSI to result in the project producing different energy-savings than described in the Form 2 and Analysis, the customer will be given one of two options in writing (See Section 2.6 for details). The program incentive rates are listed in **Table-2**.

Table-2: ***Summary of Program Incentive Rates****

2013-2014 Incentive Rates		
Gas Incentive	$1.00/therm	
kW Incentive	$100/kw	
	Basic	**Targeted**
Lighting	$0.03/kWh	$0.08/kWh
Non-Lighting	$0.08/kWh	$0.15/kWh

First Come, First Served. Program funds are available on a first come, first serve basis. Financial incentives are reserved for a particular project upon the customer's dated signatory acceptance of Form 2 Commitment Agreement.

Incentive Caps. A project's capital costs include audits or studies performed outside of the program, design, engineering, construction, equipment and materials, and labor. The customer must provide receipts or other documents to verify project cost. There is no dollar cap (i.e., maximum amount) on the financial incentive that can be offered for a project. However, program incentives are capped at 50% of the capital cost of the project.

Aggregation of Measures. LMSI may aggregate measures at a facility to achieve the most attractive financial incentive rate and structure for the customers. LMSI will work with the customers individually to develop an attractive comprehensive energy efficiency plan.

Payment Disbursements. For each project, 100% of the incentive listed in Form 2 Commitment Agreement, is paid after the project has been completely installed, commissioned, and verified, and Form 3 Completion Agreement, has been signed by LMSI and the customer.

Taxable Incentive Payments. Each incentive payment is considered taxable income for a business. The LMSI Accounting Department processes the incentive check and reports any payment over $600 to the IRS on Form 1099-MISC. The customer is solely responsible for all taxes due.

1.9 Overview of Forms

Three program-specific forms have been created to streamline the program. A description of each form is provided below. LMSI representatives are available to assist in the preparation and submission of the required forms. Copies of these forms are available in **Section 3** of this document.

Form 1 Access Agreement – This form is signed by the customer after the first introductory presentation visit (V1) to allow LMSI and its agents access to the facility with or without the ability to place test equipment. Form 1A Access Agreement grants LMSI facility access without monitoring equipment and Form 1B Access Agreement grants LMSI facility access with monitoring equipment.

Form 2 Commitment Agreement – This form requires the signature of both the customer and LMSI; and defines a specific project that the customer commits to undertake. Form 2 summarizes the estimated energy and cost savings, installed measure costs, and energy savings; and the specific incentive amount that LMSI agrees to reserve for a specified period, and to pay to the customer upon completion of the project. This funding reservation period may be extended if there are project delays, provided that there are mutually agreed signed extensions in place. customer must request an extension in writing from LMSI via letter, fax, or email and an extension may be granted if the project can still be completed and incentives paid by December 31, 2014. In general, all projects must be installed and operational by November 31, 2014 in order for incentives to be paid by December 15, 2014. In addition, by signing this form the customer (1) verifies that they have not received incentives (not including tax credits available under the Energy Policy Act of 2005) or services for the same measure from another utility, state, or local program for the past three years; and (2) agrees not to apply for or receive incentives for the same measure from another utility, state, or local program (without written approval).

Form 3 Completion Agreement– LMSI will complete Form 3 Completion Agreement, and present it to the customer for signature. This form triggers the process for an incentive payment. The customer and LMSI both sign this form, which certifies that the measures have been completed and that the attached invoices and substantiating project documents are correct. LMSI will verify the project is operating and delivering savings before signing Form 3 Completion Agreement.

1.10 Program Contacts

Customers interested in participating in the program should contact their PG&E Account Manager or LMSI representatives at:

Lockheed Martin Services, Inc.
275 Battery Street, Suite 750
San Francisco, CA 94111
Phone: (415) 402-0406
Fax: (415) 402-0613
See: www.lmsi-pge.com or
e-mail: info@lmsi-pge.com

1.11 Other Important Terms and Conditions

Program Evaluation. By virtue of participation in the program, customers agree to the following terms and conditions:

All parties consent to participate in any evaluation of the program. PG&E and/or the CPUC (or their representatives) may contact customers to answer questions regarding their experience with the program or request a facility visit. All customers agree to comply with such program evaluation activities.

> **DISCLAIMER / NO LIABILITY**: LMSI is receiving funds from PG&E for this project, but parties agree that PG&E is not liable to either party for any loses or damages, including incidental or consequential damages, arising from this Agreement. Furthermore, PG&E makes no representation or warranty, and assumes no liability with respect to quality, safety, performance, or other aspect of any design, system or appliance installed pursuant to this agreement, and express disclaims any such representation, warranty or liability.

> **Notice of Public Record.** Customers should be aware that, because the program is funded by the PPP and/or demand-side management surcharge, Forms (which may include project costs) submitted may not be kept confidential. PG&E and LMSI are not liable to any customer or other party as a result of any public disclosure of any program forms.

Contract Termination. The agreement for the payment of incentives between LMSI and the customer may be terminated under the following conditions:

1. The project fails to be installed and be operational prior to December 15, 2014 and an extension is not granted.

2. The customer formally requests withdrawal from the program.

1.12 Dispute Resolution

Procedure: With an initial response time of 3-5 business days, the Parties Shall attempt in good faith to resolve any dispute arising out of or relating to this Contract promptly by negotiations between a Vice President of customer or his or her designated representative and an executive of similar authority of LMSI. Either Party may give the other Party written notice of any dispute. Within twenty (20) days after delivery of said notice, the executives shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary to exchange information and to attempt to resolve the dispute. If the matter has not been resolved within thirty (30) days of the first meeting, either Party may initiate a mediation of the controversy.