

2008 Oncor Electric Delivery Commercial & Industrial Standard Offer Program Program Description

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This section summarizes the goals, pricing and application process of the Program for 2008. It includes information about the Program eligibility requirements, incentive payments, and the participation process. The information included in this and other sections of the Program Manual is subject to change. The latest information and application forms can be found on the Program website at <http://www.oncor.com/electricity/teem/services/default.aspx>.

Application forms are submitted over the Program website. The forms may differ in appearance from those shown in this and other sections of this Program Manual.

I 1 Introduction

Oncor Electric Delivery is a dependable and flexible energy delivery business. We deliver electricity, using our traditional regulated capabilities: transmission and distribution. Oncor Electric Delivery delivers electricity to 3.0 million customers of retail electric providers (REPs). These customers are located in the North, Central, East and West Texas areas. Subject to governmental regulation, we offer access to one of the largest energy infrastructures in the world -- over 14,000 miles of electrical transmission lines and some 100,000 miles of distribution lines. Oncor Electric Delivery employees are responsible for maintaining and upgrading this infrastructure, which is crucial to the economic well-being of our society.

Welcome to the Oncor Electric Delivery Commercial and Industrial Standard Offer Program for 2008 (the "Program"). This Program pays incentives to energy efficiency service providers (including equipment distributors, contractors, REPs, energy service companies and customers) for new or retrofit Projects that save at least 20 kW of peak-period electric demand. Incentives are based on verified demand and energy savings that occur at an Oncor Electric Delivery distribution customer's commercial or industrial site as a result of the Project.

In general, to participate in the Program, "Service Providers" undergo an application process and then enter into a standard contract with Oncor Electric Delivery. Under the terms of the contract, the Service Provider agrees to deliver demand and energy savings to an Oncor Electric Delivery distribution customer via the installation of eligible energy efficiency measures at that customer's site. To receive incentive payments, the Service Provider must demonstrate the demand and energy savings delivered by the installed equipment by performing simplified or comprehensive measurement and verification (M&V) activities, or by utilizing the deemed savings approved for the Program.

This Program manual consists of five Chapters. This Chapter I provides a general introduction to the Program, including an overview of Program features and background information on Oncor Electric Delivery's energy efficiency initiatives. All Program information, including application materials, are available via the Internet at the Oncor Electric Delivery website, currently located at <http://www.oncor.com/electricity/teem/services/default.aspx>. Oncor Electric Delivery will accept applications starting October 1st, 2007.

1.1 Background

The Program was developed to comply with State energy efficiency goals. The Texas Legislature passed Senate Bill 7 (SB7) in 1999, which restructured the state's electric utility industry. Specifically, the law calls for each investor-owned utility to

meet a 10% reduction in its annual growth in system demand each year through savings achieved by energy efficiency Programs.

1.2 Program Goals

The main goal of the Program is to reduce summer peak demand in the Oncor Electric Delivery service territory, as set forth in Chapter V of this Program Manual, and reach the demand reduction goals established by SB7 and Public Utility Commission of Texas (PUCT) regulation. Additional Program objectives are to:

- Encourage private sector delivery of energy efficiency products and services.
- Achieve customer energy and cost savings.
- Create a simple and streamlined Program process to stimulate strong Program participation from energy efficiency service providers.
- Significantly reduce barriers to participation by streamlining Program procedures and M&V requirements.

1.3 Eligibility

1.3.1 Service Provider Eligibility

Any entity meeting the participation requirements that installs eligible energy efficiency measures at a facility with non-residential electricity distribution service provided by Oncor Electric Delivery and a maximum demand of more than **100 kW** is eligible to participate in the Program as a Service Provider. Eligible Service Providers include:

- National or local energy service companies (ESCOs).
- National or local companies that provide energy-related services (e.g., contracting) or products (e.g., lighting, HVAC equipment).
- REPs.
- Individual customers that implement energy efficiency measures in their own facilities.

To ensure that the Program incentive budget is allocated to Projects that are likely to meet with success, all Service Providers will be required to demonstrate a commitment to fulfilling Program objectives and competency in completing the proposed Project. Service Providers will be required to submit the following information as part of the application process:

- A description of the Service Provider firm, including relevant experience, areas of expertise and references.
- A work plan that covers the design, implementation, operation, and management of the Project (the amount of detail required in this work plan will vary with Project site).
- Evidence of good credit rating.
- Proof of applicable insurance, licenses and permits.

At Oncor Electric Delivery's option, the requirement to provide a Service Provider description, evidence of good credit rating and the insurance requirement may be waived if the Service Provider is an individual customer that installs eligible measures in its own facilities.

1.3.2 Project Eligibility

A Project ("Project" or "Projects") is defined by a set of proposed or installed measures and estimated demand and energy savings included in a single application ("IA") as set forth in Section 1 of Chapter II of this Program Manual. Comprehensive Projects that include a range of measure types are encouraged. All Projects must meet the following requirements:

- Each Project must include a total estimated demand reduction of at least **20 kW** during the summer peak period. Oncor Electric Delivery defines the summer peak period as the hours occurring between **1 PM and 7 PM Monday through Friday** for the months of **May through September**, excluding federal holidays.
- One Project may involve the installation of measures at more than one customer site, so long as the customers and sites are similar. For example, installation of measures at a chain of grocery stores may include more than one customer, but may constitute a single Project. Combining similar measures/sites into a single Project reduces administrative costs for performing due-diligence review of applications.
- For Projects with incentives paid on the basis of verified demand and energy savings, peak demand savings must be determined for the peak demand period. M&V of demand and energy savings may continue for up to 12 months and carry into the following year.
- A work plan that covers the design, implementation, operation, and management of the Project may be required.
- A performance security deposit of 5% of a Project's estimated incentive payment will be required.

1.3.3 Measure Eligibility

The Program does not specify eligible measures in order to provide energy service providers flexibility in packaging services. Service Providers may propose the inclusion of any measure in their Project that meets the following requirements:

- Measure must produce savings through an **increase in energy efficiency** or a substitution of another energy source for electricity supplied through the transmission and distribution grid.
- Measure **must produce a measurable and verifiable electric demand reduction** during the peak summer period or **must reduce electricity consumption**. Fuel-switching measures must reduce peak electric demand but source energy reduction is not mandated.

- Measure may be installed in retrofit or new construction applications.
- Measure must have a **minimum useful life of 10 years**.
- Measure must **exceed minimum equipment standards**.
- When guidelines are received from the PUCT, thermal cool storage Projects will be accepted in accordance with those guidelines.

The following measures are *excluded* from consideration in the Program:

- Measures that involve **plug loads** (loads which plug into a standard wall or floor socket).
- Measures that involve **self-generation** or **cogeneration**, except for renewable technologies.
- Measures that rely on **changes in customer behavior and require no capital investment**.
- Measures that achieve savings through **equipment maintenance, commissioning or operational changes, without an equipment efficiency upgrade**.
- Measures that result in **negative environmental or health effects**.
- Measures that receive an incentive through any **other energy efficiency Program** offered by Oncor Electric Delivery.

Project incentives will be paid only for energy and demand 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 a cooled space) will be eligible for payment based on a stipulated value only. Interactive effects between other end-use equipment will not be eligible for Program incentive payments.

Table 1.1 provides examples of eligible and ineligible measures. Oncor Electric Delivery will consider any measures that are not listed in Table 1.1 for Program eligibility on a case-by-case basis.

Table 1.1: Examples of Eligible and Ineligible Measures and Projects

Eligible Measures or Projects	Ineligible Measures or Projects
<p><u>Commercial Cooling and Ventilation</u></p> <ul style="list-style-type: none"> ▪ Constant air volume (CAV) to variable air volume (VAV) conversion(as part of a comprehensive system retrofit only)¹ ▪ Chiller replacement ▪ Packaged cooling unit replacement ▪ Fan and pump motor efficiency upgrades ▪ Fan and pump variable speed drive (VSD) installations (as part of a comprehensive system retrofit only)¹ <p><u>Commercial/Industrial Lighting</u></p> <ul style="list-style-type: none"> ▪ High-efficiency lighting that replaces less efficient lighting ▪ Lighting controls to reduce operating hours (in conjunction with lighting efficiency measures only) ▪ CFLs with hard-wired ballasts. <p><u>Refrigeration</u></p> <ul style="list-style-type: none"> ▪ Air cooling and refrigeration compressor replacement ▪ Refrigerated case doors <p><u>Industrial Process</u></p> <ul style="list-style-type: none"> ▪ Variable speed drive installations on industrial fans and pumps (as part of a comprehensive system retrofit only)¹ ▪ Motor-efficiency upgrades 	<ul style="list-style-type: none"> ▪ Measures with an expected life of less than 10 years ▪ Stand-alone controls, including stand-alone VSD Projects ▪ CFLs without hard-wired ballasts. ▪ Off-peak lighting ▪ Cogeneration and self-generation Projects, except renewable technologies ▪ Electric equipment with decoupled self-generation ▪ 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 ▪ Load Shifting ▪ Power Factor Correction ▪ Removals

¹ While variable air volume and variable speed drive measures may not individually yield substantial summer peak demand savings, these measures may be packaged with other demand-saving measures to meet the minimum Project size requirement.

1.3.3.1. Efficiency standards

Oncor Electric Delivery has designed the Program to encourage electric energy-efficiency improvements that surpass the efficiency gains typically achieved in retrofit or replacement Projects. Consequently, energy and demand savings credit will be based only on reductions that exceed current industry accepted minimum efficiency standards, where applicable.² The equipment efficiency standards listed in Table 1.2 will be used to determine the baseline efficiency.

Table 1.2: Baseline equipment efficiency standards

Equipment Type	Applicable Baseline Standard
Cooling Equipment	ASHRAE 90.1 1989 (baseline for savings) ASHRAE 90.1 2004
Lighting	Oncor Electric Delivery Standard Lighting Wattage Table (based on 1992 EPACT) New construction based on ASHRAE 90.1 2004
Motors	ASHRAE 90.1 2004

1.4 Incentive Budgets and Pricing

1.4.1 Available Budgets

Oncor Electric Delivery has assigned an incentive budget for the Program of approximately **\$12,250,000** for the 2008 Program year.

1.4.2 Prices

The Program provides standard incentive prices for demand and energy savings of **\$198/kW** and **\$0.067/kWh**. Demand savings will be calculated as the **maximum one-hour average demand reduction** during the summer peak period. Annual energy savings are defined as energy savings over the course of one 12-month period.

Energy and demand savings eligible for incentives must either be calculated using pre-approved deemed (stipulated) savings or determined through simplified M&V procedures or a detailed M&V plan. Please refer to Sections III and IV of this Program Manual and the Program website for simplified and detailed M&V guidelines.

² In cases where standards do not exist, savings credit will be based on improvements relative to a customer's energy use prior to participating in the Program.

1.4.3 Incentive Limitations

1.4.3.1. *Maximum sponsor incentives*

To ensure that incentives are available to multiple energy efficiency service providers, no Service Provider or its affiliates may reserve nor receive more than an aggregate total of **20%** of the Program incentive budget in a given budget year. Service Providers will be required to verify their affiliate status through an affidavit. A sample of this affidavit is attached to Chapter II of this Program Manual as Appendix F.

1.4.3.2. *Project load factor*

To limit payments for excessive off-peak energy savings, Oncor Electric Delivery has set the maximum incentive payment for each Project to **\$784.92/kW saved** based on both energy and demand payments. For lighting-only Projects, the incentive payment cap is **\$510.20/kW saved**. In other words, a Service Provider may receive no more than \$784.92 (or \$510.20 for lighting only Projects) per verified kW of eligible demand savings for each Project submitted. These incentive caps correspond to a Project maximum, annual load factor of **100%** (equivalent to 8,760 full-load operating hours).

1.4.3.3. *Cost of Project*

Incentives will also be limited to the cost of the Project. In no case will Oncor Electric Delivery pay incentives in an amount that exceeds the cost of the Project (i.e., Oncor Electric Delivery will pay incentives equal to a maximum of 80% of Project costs).

1.4.4 Payments

Oncor Electric Delivery will pay the Service Provider in two installments: the installation payment and the performance payment. After each Project is installed and Oncor Electric Delivery verifies installation, the Service Provider will receive an initial payment of 40% of the total estimated Project incentive payment. This initial “installation payment” will be calculated as follows:

Equation 1.1:

$\text{Installation payment (\$)} = 0.4 * [(\text{Estimated peak kW savings} * \$198) + (\text{Estimated annual kWh savings} * \$0.067)]$

All M&V activities must be completed, documented, and accepted before the Service Provider will receive the remaining incentive payment, based on the one-year verified savings. This “performance payment” may be up to 60% of the total estimated incentive payment based on contracted savings, and will be calculated as follows:

Equation 1.2:

$\text{Performance payment (\$)} = [(\text{Verified peak kW savings} * \$198) + (\text{Verified annual kWh savings} * \$0.067)] - \text{Installation payment}$
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If the Performance Payment calculation results in a negative number, then the Service Provider must repay such amount to Oncor Electric Delivery.

The total of the installation and performance payments cannot exceed the incentive payment cap of \$748.92/kW (or \$510.20/kW for lighting-only Projects) saved, determined as shown in the formula below:

Equation 1.3:

$[(\text{Verified peak kW savings} * \$198) + (\text{Verified annual kWh savings} * \$0.067)] = \$784.92 * (\text{Verified peak kW savings})$

Under no circumstances will Oncor Electric Delivery make a total incentive payment that is more than 100% of the total estimated incentive payment specified in the Standard Contract. If, however, M&V activities indicate that the measured savings are less than the estimated savings, the total incentive payment will be less than the payment estimated in the contract.

Equation 1.4:

$\text{Performance payment (\$)} + \text{Installation payment (\$)} = \text{Contract Limit (\$)}$

1.4.4.1. Deposits

Service Providers must submit performance security deposits equal to **5%** of Project incentive estimates included in the IA. Deposits must be submitted with the IA. The deposit will be fully refunded for Projects that meet at least 80% of the IA incentive estimate in the Final Application (“FA”), as set forth in Section 2 of Chapter II of this Program Manual, and at least **75%** of their contracted Demand Savings (kW) in the Savings Report by the deadline required in the Standard Contract and that meet other Project requirements.

1.4.5 Special Incentive Cases

Projects involving lighting and/or fuel switching measures are subject to additional limitations on their total incentive payment.

1.4.5.1. Lighting measures

The Program encourages comprehensive energy efficiency retrofits. Therefore, Projects that involve only lighting measures, including lighting efficiency, lighting controls, and lighting interactive savings, are limited to **65%** of the total demand and

energy savings payment possible for each Project. This means for lighting-only Projects, compensation for the demand and energy savings shall not exceed 65% of the maximum incentive amount.

To determine the correct incentive amount for comprehensive Projects involving lighting measures, the Service Provider must multiply the total Project demand and energy savings by 65% and compare these values to the estimated lighting demand and energy savings.

- **If lighting savings are less than or equal to 65% the total Project savings**, the lighting incentive payment is calculated the same as other measures, as described in the previous sections.
- **If lighting savings are greater than 65% of the total Project savings**, the incentive payment is calculated based on 65% of the total Project savings (i.e., any lighting savings above 65% of the total Project savings are not eligible for full incentives).

For example, a Service Provider has a Project with demand and energy savings as shown in Table 1.3.

Table 1.3: Example of application of 65% limit on lighting savings

Measure	Demand Savings	Energy Savings
Lighting Efficiency	200 kW	600,000 kWh
Chiller Replacement	50 kW	200,000 kWh
Total Savings	250 kW	800,000 kWh

Demand Savings and Incentive Calculation

To determine the demand portion of the total incentive payment, the Service Provider would do the following:

Step 1: Calculate the maximum amount of demand savings allowed from lighting measures as follows:

$$250 \text{ kW}_{\text{total}} * 0.65 = 162.5 \text{ kW}_{\text{lighting-adj}}$$

Step 2: Compare this value with the amount of demand savings being claimed for the lighting measures. Since the maximum value (162.5 kW) is less than the claimed value (200 kW), the Service Provider uses the maximum allowable value when calculating the total demand savings portion of the Project's incentive payment, as follows:

$$\$198 * (162.5 \text{ kW}_{\text{lighting-adj}} + 50 \text{ kW}_{\text{chiller}}) = \$42,075$$

In other words, this Project's lighting demand savings (at 80% of total) exceed the 65% maximum allowable for comprehensive Projects to receive the full incentive amount. Therefore, the incentives are adjusted accordingly.

Energy Savings and Incentive Calculation

To calculate the incentive for the same Project's energy savings, the Service Provider uses a similar approach:

Step 1: Calculate the maximum amount of energy savings allowed from lighting measures as follows:

$$800,000 \text{ kWh}_{\text{total}} * 0.65 = 520,000 \text{ kWh}_{\text{lighting-adj}}$$

Step 2: Compare the resulting value with the amount of energy savings being claimed for lighting measures. In this case, the maximum allowed (520,000 kWh) is less than the claimed savings (600,000 kWh), so the former value is used to calculate the total energy savings portion of the Project's incentive payment:

$$\$0.067 * (520,000 \text{ kWh}_{\text{lighting-adj}} + 200,000 \text{ kWh}_{\text{chiller}}) = \$48,240$$

Similar to the demand savings, this Project's lighting energy savings (at 75% of total) exceed the 65% maximum allowable for comprehensive Projects to receive the full incentive amount. Therefore, the incentives are adjusted accordingly.

Total Project incentive calculation

The total Project incentive is therefore calculated as follows:

$$\$42,075 + \$48,240 = \$90,315$$

To check this Project's total incentive against the load factor limit, the maximum allowable kW savings eligible for full incentive are multiplied by the \$784.92/kW cap.

$$\$784.92 * (162.5 \text{ kW}_{\text{lighting-adj}} + 50 \text{ kW}_{\text{chiller}}) = \$166,795.50$$

$$\$90,315 < \$166,795.50$$

The total Project incentive is less than \$784.92/kW. Therefore the Service Provider is paid the calculated incentive of \$90,315.

1.4.5.2. Fuel switching measures

Projects involving fuel switching (i.e., electric chillers to gas or absorption chillers) shall be eligible for incentive payments based on the electric demand savings only. Refer to the M&V Guidelines in this Program Manual to determine how to calculate fuel switching demand savings. As mentioned earlier, fuel switching to electric is not an eligible measure in the Program.

1 2 Participation Process

This section provides information on participating in the Program including the Program process, required submittals, milestones, and performance security deposits. Oncor Electric Delivery will open the on-line system on October 1st, 2007 and allow the immediate submission of Projects. Oncor Electric Delivery will continue to allow submissions until the budget is exhausted, and after that additional Projects will be wait listed. Projects entered for the 2008 Program will not be carried over into the next Program year.

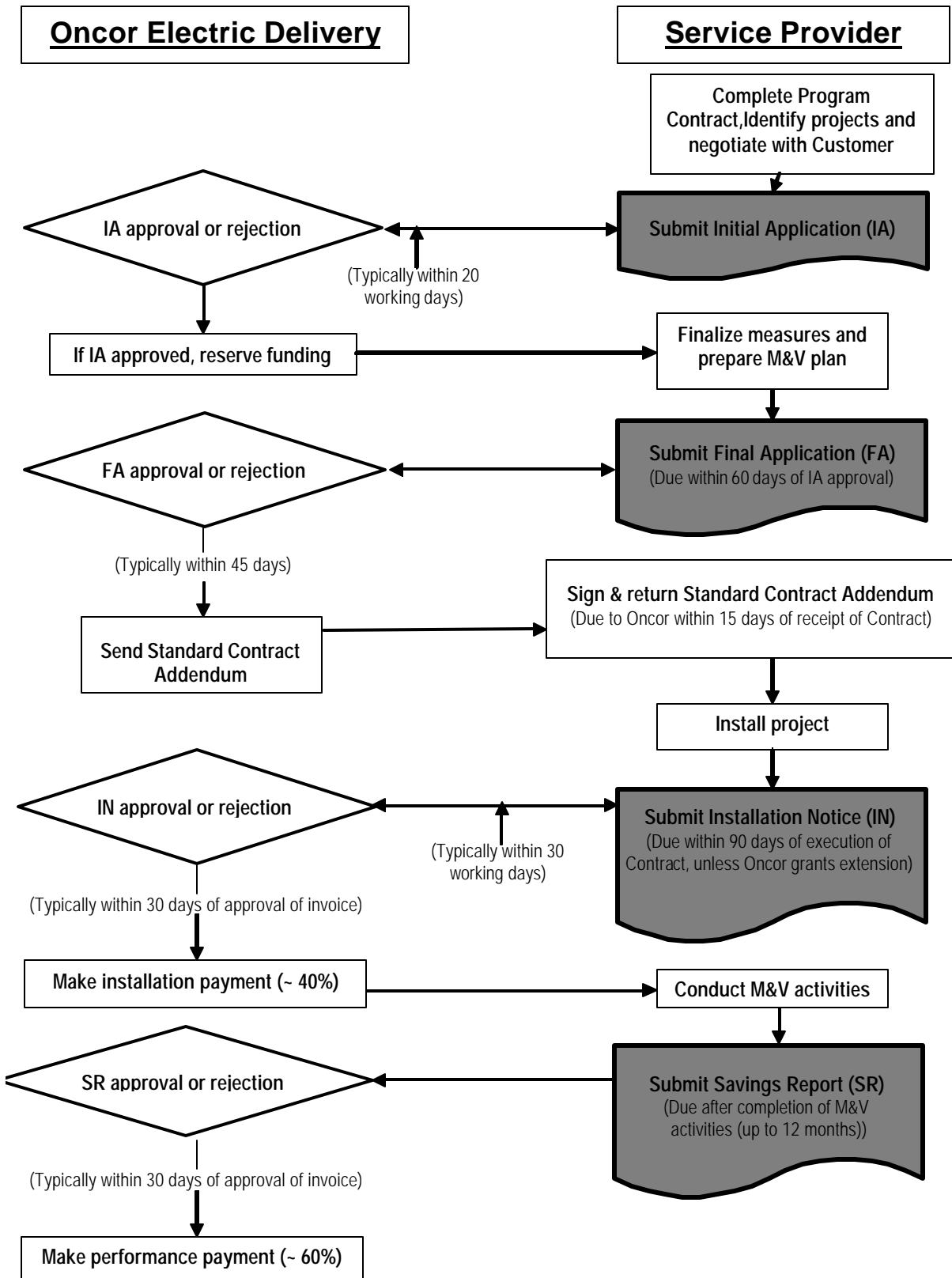
2.1 Participation Phases

Participation in the Program involves five basic phases:

1. Submit a **Standard Contract** to Oncor Electric Delivery
2. Submit an **Initial Application (IA)** in order for Oncor Electric Delivery to screen the potential Project for feasibility and tentatively reserve incentive funding. The Standard Contract is required to be submitted only once which will be upon the Service Provider's initial participation in the Program.
3. Prepare and submit a **Final Application (FA)**.
4. Install the Project, and submit an **Installation Notice (IN)** to receive an initial incentive payment.
5. Conduct M&V activities, and submit a **Savings Report (SR)** in order to receive the final energy and demand savings incentive payment.

A discussion of the requirements of each phase can be found below. Figure 2.1 shows a flow chart of the process. Shaded boxes with bold borders denote required submittals by the Service Provider.

Figure 2.1 Commercial and Industrial Standard Offer Program Process



2.1.1 Standard Contract

The Service Provider must enter into the standard contract with Oncor Electric Delivery in order to participate in the Program (“Standard Contract”). Standard Contracts are terminable by Oncor Electric Delivery at will, as well as for other events of default by Service Provider. This allows Service Providers to avoid resubmitting a new Standard Contract each year; however, it does require the Service Provider to submit updated documentation for each year of the Standard Contract, using the program on line application, and Service Provider is required to enroll and be accepted by Oncor Electric Delivery each project year. It is solely the responsibility of the Service Provider to make Oncor Electric Delivery aware of changes required to the documentation and to provide hard copies of such documentation. Failure to provide documentation may be a breach of the Standard Contract which can be grounds for termination of the Standard Contract with the Service Provider.

The Standard Contract does not in any way guarantee the Service Provider funds for any year of the Standard Contract. The Standard Contract does not in anyway obligate Oncor Electric Delivery to Program.

The terms of the Standard Contract will be **standard** for all Service Providers and are **non-negotiable** unless unique circumstances merit and require, in the sole discretion of Oncor Electric Delivery, revision.

2.1.2 Initial Application (IA)

The IA is a required submittal for all Projects and requires the following:

- The identification of the host Oncor Electric Delivery customer site(s).
- Proof of required insurance.
- A description of the proposed set of energy-efficiency measures, demand and energy savings (minimum 20 kW per Project), and incentive payment estimate.
- A brief work plan presenting Project design, M&V approach, implementation, and anticipated Project timeline.
- A signed IA Agreement.
- A performance security deposit equal to 5% of the incentive estimate included in the IA. The deposit is refundable for Projects provided they meet at least 80% of their dollar IA request in the Final Application and they meet 75% of their contracted demand savings goal in the Savings Report within 180 days after the effective date of the Standard Contract.

IA's will be reviewed on a first-come, first-served basis until all incentive funding has been committed. Oncor Electric Delivery reviews the IA for both participant and measure eligibility. If an IA is accepted, Oncor Electric Delivery reserves funds for

the applicant, who is then referred to as a “Service Provider.” Once notified of acceptance, the Service Provider proceeds to develop a more detailed description of the Project. This information will be submitted in the Final Application (FA) phase. A typical review cycle for an IA is 20 working days. If the IA is rejected, the performance security deposit will be immediately returned to the Service Provider.

2.1.3 Final Application (FA)

Service Providers must complete a FA to participate in the Program. This application describes the proposed measures, Project sites, estimated demand and energy savings, and estimated incentive payments based on a detailed engineering study and site audit. The FA requires the following:

- Detailed information about the host customer site(s) and customer contact information.
- The existing and proposed retrofit equipment inventories, including equipment counts, equipment efficiencies, and equipment nameplate data.
- Building occupancy and equipment operating schedules.
- Engineering calculations estimating energy and demand savings based on the efficiency of the proposed equipment compared to that of new, minimum-standard efficiency equipment.
- A proposed Project-specific M&V plan describing how the Service Provider will measure and verify energy and demand savings, the methods for calculating actual savings, and a schedule for conducting and reporting on M&V activities. In some cases, pre-installation M&V activities may be required to accurately estimate savings.
- A revised work plan for Project design, implementation, operation and management, including the anticipated Project timeline.
- A signed Customer and Service Provider Agreement.

As part of the FA review, which is up to a 45-day process, Oncor Electric Delivery will review the feasibility of the proposed measures, the accuracy of the savings estimates, and the comprehensiveness of the M&V plan. Oncor Electric Delivery may request clarification of, or additional information about, any item in the FA. Service Providers will have ten working days to respond to such requests. **If the clarification or additional information is not forthcoming, Oncor Electric Delivery may choose to discontinue its evaluation of the FA and retain the performance security deposit.** Also, the FA must contain at least 80% of the IA incentive or a portion of the deposit will be forfeited.

$$\text{IF } \left(\frac{FAIncentiveDollars}{IAIncentiveDollars} \right) < 0.80 \text{ then the amount forfeited at the FA is:}$$

$$\left[1 - \left(\frac{FAIncentiveDollars}{IAIncentiveDollars} \right) \right] * \text{Deposit}$$

The FA must be submitted within **60 days** of the date of the IA acceptance in order to hold reserved funding. **Failure to submit the FA by the 60-day deadline may result in loss of reserved funding and forfeiture of the performance security deposit.** Service Providers who do not meet the 60-day deadline may re-submit an IA with a new deposit for the same Project, subject to availability of funds or the existence of a Project waitlist.

If FA incentive estimates differ from the incentive funds reserved in the IA, the FA savings and incentive estimates will take precedence over the IA, as the FA should include a more detailed and accurate estimate of demand and energy savings. Where FA estimates are lower than those approved in the IA, the reserved incentives will be adjusted down accordingly, and excess incentive funds returned to the remaining Program incentive budget. In some cases FA estimates may be higher than approved in the IA. In cases where all incentive funds have been reserved, and Projects are waitlisted, the Project will be limited to the funds reserved in the IA.

2.1.4 Deposit Forfeit

If the Final Application does not contain at least 80% of the Initial Application incentive estimate, that percentage of the deposit will be forfeited, i.e. if the FA has only 70% of the IA kW then 30% of the deposit will be forfeited. Any and all funds not forfeited here will be forfeited in the Savings Report if at least 75% of the contracted kW is not verified in the Savings Report.

2.1.5 Pre-installation inspection

In addition to the application review discussed above, Oncor Electric Delivery may conduct a pre-installation inspection of the Project site at its own discretion as part of the FA review process. The purpose of the inspection is to verify the baseline conditions documented in the application and the feasibility of installing the proposed equipment. Oncor Electric Delivery will contact the Service Provider and complete the inspection after receipt of a complete FA. The pre-installation inspection requires the presence of at least one Service Provider representative who is familiar with the Project and the facility so that all parties can identify any discrepancies simultaneously. The inspection will verify the following information:

- The accuracy of the 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 error of the installed demand of the sample must be within $\pm 5\%$ of the total demand submitted on the survey form.

- The M&V plan is appropriate for the measures, and the necessary 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 demolition, has not begun.

When electrical measurements are necessary, the representative(s) will be 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 inspection cannot be completed in a timely manner because the representative(s) is unfamiliar with the facility or Project, the Project site will fail the inspection.

If a Project site fails an inspection, Oncor Electric Delivery, at its discretion, may cancel the Project, retain the performance security deposit and release the reserved incentive funds, or conduct additional inspections at the Service Provider's expense, due with the signed contract. If the proposed equipment has been installed before the pre-installation inspection and the baseline conditions cannot be verified, Oncor Electric Delivery may cancel the Project, retain the performance security deposit and release the reserved incentive funds.

2.1.6 Installation Notice (IN)

After Project installation, Service Providers must submit an IN. The IN updates any information proposed in the FA that has now been finalized after completion of the Project. The IN typically includes the following information:

- Updated information about the host customer site(s), and updated Service Provider or customer contact information.
- The demolished and installed retrofit equipment inventories, including equipment counts, equipment efficiencies, and equipment nameplate data.
- Updated building occupancy and equipment operating schedules.
- Updated engineering calculations estimating energy and demand savings based on the efficiency of the actual installed equipment compared to that of new, minimum-standard efficiency equipment.
- A final Project-specific M&V plan describing how the Service Provider will measure and verify energy and demand savings, the methods for calculating actual savings, and a schedule for conducting and reporting on M&V activities.
- A certification, signed by the Service Provider and Host Customer, verifying that the energy efficiency measures described in the IN have been completed.

The IN is due 90 days after the date the FA is approved. Oncor Electric Delivery may, at its discretion, grant an extension for Projects requiring more than 90 days to complete. Service Providers must request an extension in writing, prior to the 90-day deadline, and include an explanation for the extension.

A typical review cycle for an IN, including the post-installation inspection, is 30 days. An approved IN will serve as the invoice for the first incentive payment - the installation payment. This payment is 40% of the incentive estimate approved in the IN. The installation payment is typically made within 30 days following IN approval.

2.1.7 Post-installation inspection

Oncor Electric Delivery will contact the Service Provider and conduct a post-installation inspection of the Project site after receipt of a complete IN. The post-installation inspection requires the presence of at least one Service Provider representative who is familiar with the Project and the facility. The inspection shall verify that:

- The equipment specified in the IA has been installed and is operating as described in the approved IN. 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 error of the installed demand of the sample must be within $\pm 5\%$ of the total demand submitted on the survey form.
- The M&V plan is being followed in accordance with the approved FA.

When electrical measurements are necessary, the representative(s) will be 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 inspection cannot be completed in a timely manner because the representative(s) is unfamiliar with the facility or Project, the Project site will fail the inspection.

If a Project site fails an inspection, Oncor Electric Delivery may, at its discretion, cancel the Project, retain the performance security deposit, decline to make any payments to the Service Provider and release the reserved incentive funds, or conduct additional inspections at the Service Provider's expense, due prior to the approval of the IN.

2.1.8 Measurement and Verification (M&V)

In order for a Project to be accepted, a detailed savings estimate and a viable M&V plan must be submitted. Service Providers are responsible for conducting all M&V activities for the Project. However, Oncor Electric Delivery will work with the Service Provider to facilitate M&V planning as necessary, and assist Service Providers in identifying M&V options appropriate to their specific Project.

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. Oncor Electric Delivery has developed recommended M&V guidelines for several common

measures. These procedures may be classified according to three distinct approaches that represent increasing levels of detail and rigor.

- **Deemed (or stipulated) savings:** Savings values are stipulated based on engineering calculations using typical equipment characteristics and operating schedules developed for particular applications, without on-site testing or metering. This approach is designed for use with lighting efficiency and controls Projects.
- **Simple M&V:** Savings values are based on engineering calculations using typical equipment characteristics and operating schedules developed for particular applications, with some short-term testing or simple long-term metering. For example, chiller energy and demand 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.
- **Full M&V:** Savings are estimated using a more detailed method than in the deemed savings or simple M&V approaches through the application of metering, billing or regression analysis, or computer simulation. These methods will need to be developed in accordance with the 2001 International Performance Measurement and Verification Protocol (IPMVP), which represents the starting point for standard industry practice. More information about the IPMVP may be found on the Internet at www.ipmvp.org. An application of the IPMVP adapted for use with this Program is presented as part of this Program Manual and is available on the Program website.

The time required to complete M&V activities will range from less than a month to 12 months, depending on the approach chosen. Table 2.1 summarizes the available M&V guidelines in this Program Manual for common measures.

Table 2.1: M&V approaches and guidelines

M&V Guideline	Energy Efficiency Measure	M&V Approach
1	Lighting Efficiency	Deemed or Simple (depending on building type)
2	Lighting Efficiency and Controls	Deemed or Simple (depending on building type)
3	Cooling equipment retrofits	Deemed, Simple or Full (depending on application)
4	Motor retrofits	Simple or Full (depending on application)
5	Various – stipulated savings factors	Simple

6	Generic Variable Loads	Full
7	Various – billing analysis using regression models	Full
8	Various – computer modeling and simulation	Full

2.1.9 Savings Report (SR)

After all M&V activities are complete, the Service Provider will submit a SR documenting the Project’s measured and verified demand and energy savings.

An approved SR will serve as the invoice for the final incentive payment - the performance payment. This payment is based on the Project’s verified savings minus the amount paid in the installation payment. The total incentive payment (installation payment plus performance payment) cannot exceed the incentive payment stated in the FA. The performance payment is typically made within 30 days following SR approval. After the SR is approved, the remaining performance security deposit (funds not forfeited in the FA stage) shall be refunded provided that 75% of the contract demand savings (kW) goal was met within the required deadline and the Service Provider has complied with Program requirements.

For Projects eligible to use deemed savings M&V the full incentive payment will be made after IN approval and a correct signed SR has been received.

2.1.10 Submittals

Oncor Electric Delivery must receive both an electronic version and a hard copy version of all required submittals. Electronic application submittals will be performed through Oncor Electric Delivery’s interactive submittal process on the Oncor Electric Delivery website at:

<http://www.oncor.com/electricity/teem/services/candi/candiapp.aspx>

Some portions of the applications, including lighting and motor equipment inventory forms and supporting information such as savings calculations, analysis files and raw meter data, will need to be submitted electronically via email at jhanel1@oncor.com. Oncor Electric Delivery must receive hard copies and the performance security deposit within 10 business days of receipt of the electronic submittal. Hard copies should include all application materials, *excluding* lengthy support documents such as equipment inventories, savings calculations, and raw collected data. Table 2.2 summarizes the addresses for application submittals.

Table 2.2: Addresses for electronic and hard copy submittals

Submittal type	Mechanism	Address or location
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Electronic Applications	Interactive website	http://www.oncor.com/electricity/teem/services/candi/candiapp.aspx
Supporting documents (inventory forms, raw data)	Email	jhanel1@oncor.com
Hard Copies and Performance Security Deposit (excluding lengthy support documents)	U.S. Mail or ground courier	Oncor Electric Delivery – TEEM C&I SOP Energy Plaza 1601 Bryan St, Suite 21-100-C Dallas, TX 75201 Attn: John Hanel

2.2 Contractual Provisions

2.2.1 Acknowledgement of Program Requirements

By executing the Standard Contract, the Service Provider warrants and represents that it is aware of and complies with all of the Contract Documents. The Service Provider also warrants and represents that it meets or exceeds all of the following qualifications required by Oncor Electric Delivery for participation in the Program:

- Possesses and can demonstrate experience in implementing similar projects;
- Can produce evidence of a good credit rating, unless self sponsoring;
- Can produce evidence of financial strength and capability through 10Ks or financial statements, unless self sponsoring;
- Can produce evidence of possession of all applicable licenses required under state law and local building codes;
- Can produce evidence of possession of all building permits required by governing jurisdictions;
- Can produce the proof of insurance required by Section 2.2.3 of this Chapter I and Appendix E to Chapter II of this Program Manual, unless self sponsoring.
- Has produced a work plan for each Project design and implementation.

Service Provider warrants and represents that each Project meets all applicable federal, state, and local laws and regulatory requirements, including:

- Each Project will result in a reduction in energy consumption and peak demand, and a reduction in energy and demand costs for the end-use customer;

- Each Project will result in consistent and predictable energy and peak demand savings over a ten-year period;
- Each Project application will disclose all potential adverse environmental or health effects associated with the energy efficiency measures to be installed, if any;
- Each Project includes appropriate and adequate measurement, verification and reporting procedures;
- Each Project does not achieve demand reduction by eliminating an existing function or shutting down a facility or operation, or result in building vacancies or the re-location of existing operations to locations outside of the facility or area served by Oncor Electric Delivery;
- Measures installed pursuant to each Project would not have been installed if not for the Project;
- Each Project does not result in negative environmental or health effects, including effects that result from improper disposal of equipment and materials; and
- Each Project does not involve the installation of self-generation or cogeneration equipment, but may involve renewable DSM technologies.

(i) Service Provider acknowledges that it received or downloaded from the internet and reviewed a copy of this Program Manual prior to submission of any IA. Service Provider warrants and represents that its participation in the Program has at all times been in material compliance with the procedures and conditions set forth in this Program Manual and that any failure to comply therewith may be treated as a breach of the Standard Contract notwithstanding the fact that such failure occurred prior to the execution of the Standard Contract. Service Provider also acknowledges that it meets or exceeds all of the qualifications required to participate in the Program as described in this Program Manual and that material failure to meet the qualifications therein may be treated as a breach of the Standard Contract.

(ii) Service Provider warrants and represents it and its Affiliates have not requested Program funds totaling more than an aggregate amount of twenty percent (20%) of the Program budget and that the Affiliate Affidavit is true and correct.

2.2.2 Audits and Records

Service Provider shall keep and maintain accurate and detailed records and documentation relating to each Project and its associated Demand Savings and

Energy Savings under the Contract Documents for a period of not less than three (3) years after the final Incentive Payment for the applicable Project. During the retention period, such records shall be made available, upon reasonable notice, for inspection during normal business hours by Oncor Electric Delivery or any governmental agency having jurisdiction over the Program or any portion of any Project.

2.2.3 Insurance

Service Provider shall not utilize occupational accident or health insurance policies, or the equivalent, in lieu of workers' compensation insurance or otherwise attempt to opt out of the statutory workers' compensation system. Service Provider further represents and agrees that it will carry and will cause all of its subcontractors to carry all insurance required by Appendix E attached to Chapter II of this Program Manual. Prior to commencement of installation of any Measures pursuant to any Project, Service Provider shall furnish to Oncor Electric Delivery a certificate or certificates of insurance showing compliance with the requirements of this paragraph and stating that the insurance described therein shall not be canceled or terminated except on thirty (30) days written notice to Oncor Electric Delivery, or in the case of non-payment of premium, ten (10) days written notice to Oncor Electric delivery.

Additionally, Service Provider represents and agrees that Oncor Electric Delivery shall be named as an additional insured on all policies (except worker's compensation) in the amounts of coverage therein stated and that all policies will include a waiver of subrogation naming Oncor Electric Delivery, with the appropriate certificates of insurance evidencing that Oncor Electric Delivery has been named as an additional insured on such policies and that such policies include a waiver of subrogation naming Oncor Electric Delivery.

2.2.4 Amendment

No amendment or modification of any Contract Document shall be binding on either Party unless it is in writing and signed by both Parties.

2.2.5 Force Majeure

Should either Party be rendered unable, either wholly or in part, by an event of Force Majeure, to fulfill its obligations under this Agreement, the obligation of the Party so rendered, that is affected by the event of Force Majeure, will be suspended only during the continuance of that inability. The Party so affected will give written notice of the existence, extent and nature of the Force Majeure to the other Party within forty-eight (48) hours after the occurrence of the event. The Party so affected will use its best efforts to remedy its inability as soon as possible and will provide the other Party with prompt notice when it is able to resume the performance of its obligations. Failure to give notice will result in the continuance of the affected Party's obligation regardless of the extent of any existing Force Majeure.

The term "Force Majeure" as used in this Agreement will mean acts of God (except as excluded herein), strikes, lockouts, or other industrial disturbances, acts of public enemies, terrorists, wars, blockades, insurrections, riots, epidemics, earthquakes, fires, priority allocations of pipe or other materials or orders, restraints or prohibitions by any court, board, department, commission or agency of the United States or of any State, any arrests and restraints, civil disturbances, explosions, and inability despite reasonable diligence to obtain materials essential to this Agreement. Rain, snow, ice or other adverse weather conditions will not be considered events of Force Majeure.

The term "Force Majeure" does not include: events or circumstances that affect the costs of installing the Measures but do not prevent performance, including, but not limited to, requirements, actions or failures to act on the part of governmental authorities (including the adoption or change in any rule or regulation or environmental constraints lawfully imposed by federal, state or local governmental bodies); changes in market conditions; and events or conditions attributable to normal wear and tear or flaws randomly experienced in materials and equipment and their assembly and operation, unless such events and conditions are caused by an occurrence which would fit the definition of Force Majeure.

In no event will any Force Majeure extend this Agreement beyond its stated term.

2.2.6 Independent Contractor

Service Provider will act as and be deemed to be an independent contractor. Service Provider will not act as, nor be deemed to be, an agent or employee of Oncor Electric Delivery. Service Provider will have the sole right to control and directly supervise the method, manner and details of the Project providing it is in accordance with the Contract Documents.

No part of the work contemplated under the Contract Documents may be performed by subcontractors without the prior written approval of Oncor Electric Delivery.

2.2.7 Miscellaneous

The Service Provider will not assign, transfer or otherwise dispose of any of its obligations or duties without the prior written approval of Oncor Electric Delivery. Any assignment or transfer made without the express written approval of Oncor Electric Delivery will be null and void.

The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by either Party shall not preclude or waive its right to use any or all remedies. Said rights and remedies are given in addition to any other rights the Parties may have by law, statute, ordinance or otherwise. No waiver by the Parties hereto of any default or breach of any term, condition or covenant of the Contract Documents shall be deemed to be a waiver of any other breach of the same or any other term, condition or covenant contained herein.

The Contract Documents constitute the entire agreement between the Parties with respect to the subject matter hereof and there are no express or implied warranties or representations upon which any party may rely beyond those set forth therein. The execution of this Agreement supersedes all previous agreements, discussions, communications and correspondence with respect to such subject matter.

In the event any provision of the Contract Documents is held to be void, unlawful, or otherwise unenforceable, that provision will be severed from the remainder of the Agreement and replaced automatically by a provision containing terms as nearly like the void, unlawful, or unenforceable provision as possible; and the Contract Documents, as so modified, will continue to be in full force and effect.

The Contract Documents will be governed by, construed and enforced in accordance with the laws of the State of Texas. The Parties agree that the proper venue and jurisdiction for any cause of action not within the jurisdiction of the PUCT relating to the Agreement will be in Dallas County, Texas.

Service Provider shall not use Oncor Electric Delivery's corporate name, trademark, trade name, logo, identity or any affiliation to solicit Customers for participation in the Project, without Oncor Electric Delivery's prior written consent. Use of Oncor Electric Delivery's name in the Customer and Service Provider Agreement and Customer Certificate as required by this Agreement does not constitute solicitation of Customers.

2.3 Additional Information

2.3.1 Confidentiality

The Program is subject to oversight by the PUCT. The PUCT may request a copy of any Program materials that Oncor Electric Delivery receives. Sensitive company and Project information submitted by the Service Provider to Oncor Electric Delivery, such as financial statements, will be treated confidentially to the fullest extent possible, and will not be provided directly to outside parties other than the PUCT. Oncor Electric Delivery will have no liability to any Service Provider or other party as a result of public disclosure of any information submitted by the Service Provider.

2.3.2 Participation Costs

Oncor Electric Delivery will not reimburse any Service Provider for any costs incurred by participating in the Program, including any costs related to preparing any application or submittal or reviewing the Standard Contract.

2.3.3 Submission of False Information

Oncor Electric Delivery reserves the right to discontinue its evaluation of all submittals and retain the performance security deposit from any Service Provider that submits false, misleading, or incorrect information.

2.3.4 Program Website

The Program website at <http://www.oncor.com/electricity/teem/services/candi/> will serve as the primary source for all updated Program information and materials. The website will include:

- Information describing the Program design and requirements.
- Contact information to receive more information about the Program.
- Status updates on Program funding available and committed.
- Interactive submittal forms and tools.
- Downloadable Program procedures, M&V guidelines, and submittal forms.

2.3.5 Program Promotion and Outreach

Oncor Electric Delivery will conduct outreach for this Program by providing complete Program information and application materials and instructions on the Internet at <http://www.oncor.com/electricity/teem/services/candi/>. Oncor Electric Delivery will also conduct workshops with potential Program participants to explain the Program parameters, rules and procedures.

2.3.6 Seminars for Service Providers

Oncor Electric Delivery may choose to sponsor procedural and M&V seminars for Service Providers to help them to comply with Program requirements. Seminars may include subjects such as using the interactive submittal tools, completing equipment inventories, proper use of deemed savings, lighting M&V, and other simplified M&V approaches. These seminars are an opportunity to train several participants at once, and help both Oncor Electric Delivery and the Service Providers make more efficient use of time and administrative budgets.