

Self-Generation Incentive Program Implementation of Application Fee

General Overview

In Decision 04-03-017, the CPUC delegated the SGIP WG to develop appropriate procedural and financial mechanisms to deter inappropriate reservation requests, or “phantom projects”¹. With the implementation of the 2005 SGIP Handbook, the WG reduced the Proof of Project Advancement (PPA) Milestone period to 60 days, as well as eliminated PPA extensions for all projects, with the exception of Public Entities. While these mechanisms have been put into place for projects receiving PY2005 Conditional Reservations, there have been an unprecedented number of applications received statewide since February 1, 2005, resulting in a significant Level 1 Wait Lists for each Program Administrator. This has caused most of the Program Administrators to stop accepting Level 1 applications. The effect and number of inappropriate reservation requests or “phantom projects” currently in the pipeline or on Wait Lists is unclear.

In response, to both the directive set forth in Decision 04-03-017 and to public comments, the WG proposes the implementation of an Application Fee. The intent of implementing an Application Fee is to deter Applicants from submitting reservation requests prematurely and reduce/eliminate “phantom projects”. The overall drop out rate by technology level for each Administrator is given below.

| Administrator Drop-Out Rates as of May 1, 2005 | | | |
|---|--------------------------|--------------------------|--------------------------|
| Administrator | Level 1 Drop out Rate | Level 2 Drop out Rate | Level 3 Drop out Rate |
| PG&E | 44% | 43% | 49% |
| SCE | 43% | 100% | 56% |
| SoCalGas | 55% | 86% | 47% |
| SDREO | 30% | 0% | 35% |

Implementation of Application Fees

This change shall be effective immediately for all new SGIP reservations received as of July 1, 2005 regardless of technology level. This change will also be implemented retroactively for PY2005 Wait List Applications.

The Host Customers (Utility Customers of Record) currently on the PY2005 Wait List will be mailed an Application Fee Notification Letter from their respective Program Administrator in early July explaining the new rules. A copy of the Application Fee Notice Letter will also be sent to the Applicant of record. At this time, these Host Customers will also be given the opportunity to 1) change Applicants, 2) ensure that the System Owner (if not the Host Customer) is the Applicant, 3) change system components to maintain system size due to the April 1, 2005 Inverter Rating changes, and 4) reduce system size. All changes must be submitted in writing and this courtesy will expire two weeks from the date of the Application Fee Notification Letter.

¹ Inappropriate reservation requests or “phantom projects” are defined as projects that apply to SGIP, receive a Conditional Reservation for funding and later are withdrawn or rejected.

Program Administrators will begin Invoicing Host Customers on the PY2005 Wait List for the **Application Fees on August 1, 2005**. Applicants will have 30 calendar days from the invoice date to submit the **Application Fee**. Failure to meet this deadline will result in the Program Administrator rejecting the Wait Listed Reservation Request from the SGIP. The Program Administrators will not grant extensions for this deadline.

The Application Fee is 0.5% of the unadjusted requested SGIP Incentive. Application Fees will be rounded to the nearest dollar amount. The WG has provided the following table of to provide examples of the required Application Fees by technology level and size.

Application Fee Examples by Technology Level

| | Level 1 - Photovoltaic | | Level 2 - Fuel Cell | | Level 3N - IC Engine | |
|------|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| | Unadjusted SGIP Incentive (\$3.50/W) | 0.5% of Unadjusted SGIP Incentive | Unadjusted SGIP Incentive (\$2.50/W) | 0.5% of Unadjusted SGIP Incentive | Unadjusted SGIP Incentive (\$0.60/W) | 0.5% of Unadjusted SGIP Incentive |
| 30 | \$ 105,000 | \$ 525 | \$ 75,000 | \$ 375 | \$ 18,000 | \$ 90 |
| 60 | \$ 210,000 | \$ 1,050 | \$ 150,000 | \$ 750 | \$ 36,000 | \$ 180 |
| 90 | \$ 315,000 | \$ 1,575 | \$ 225,000 | \$ 1,125 | \$ 54,000 | \$ 270 |
| 120 | \$ 420,000 | \$ 2,100 | \$ 300,000 | \$ 1,500 | \$ 72,000 | \$ 360 |
| 150 | \$ 525,000 | \$ 2,625 | \$ 375,000 | \$ 1,875 | \$ 90,000 | \$ 450 |
| 200 | \$ 700,000 | \$ 3,500 | \$ 500,000 | \$ 2,500 | \$ 120,000 | \$ 600 |
| 300 | \$ 1,050,000 | \$ 5,250 | \$ 750,000 | \$ 3,750 | \$ 180,000 | \$ 900 |
| 400 | \$ 1,400,000 | \$ 7,000 | \$ 1,000,000 | \$ 5,000 | \$ 240,000 | \$ 1,200 |
| 500 | \$ 1,750,000 | \$ 8,750 | \$ 1,250,000 | \$ 6,250 | \$ 300,000 | \$ 1,500 |
| 600 | \$ 2,100,000 | \$ 10,500 | \$ 1,500,000 | \$ 7,500 | \$ 360,000 | \$ 1,800 |
| 700 | \$ 2,450,000 | \$ 12,250 | \$ 1,750,000 | \$ 8,750 | \$ 420,000 | \$ 2,100 |
| 800 | \$ 2,800,000 | \$ 14,000 | \$ 2,000,000 | \$ 10,000 | \$ 480,000 | \$ 2,400 |
| 900 | \$ 3,150,000 | \$ 15,750 | \$ 2,250,000 | \$ 11,250 | \$ 540,000 | \$ 2,700 |
| 1000 | \$ 3,500,000 | \$ 17,500 | \$ 2,500,000 | \$ 12,500 | \$ 600,000 | \$ 3,000 |

The WG shall revise the SGIP Handbook to incorporate the following process regarding Application Fees:

- In addition to the Reservation Request Form and Required Attachments as per SGIP Handbook, Section 4.2.2, Applicants will also be required to submit an **Application Fee**.
 1. The Application Fee will be 0.5% of Unadjusted Requested SGIP Incentive.
 2. Program Administrators will invoice the Host Customer (Utility Customer of Record) upon receipt of the Reservation Request Form package.
 3. The Host Customer will have 30 days to submit payment in order to retain their position on the Level 1 Wait List and/or activate the Reservation Request. Program Administrators will also accept payments from either the Applicant or a third party on behalf of the Host Customer for a particular project. The payment must reference the project application number.
 4. Program Administrators will only accept Application Fees in the form of a check. Cash, credit cards, money orders, promissory notes, etc. will not be accepted.
 5. Returned checks will result in the Program Administrator rejecting the Reservation Request from SGIP.

6. Failure to submit payment within 30 days, will result in the cancellation of the Reservation Request.

- If a project is withdrawn from a Wait List prior to receiving a Conditional Reservation, the Application Fee will be returned in full to the Host Customer.
- If upon eligibility screening, the project does not qualify for a Conditional Reservation, the Application Fee will be returned in full to the Host Customer.
- Once a Conditional Reservation is granted and the project is cancelled or withdrawn by the Applicant and/or Host Customer, the Application Fee will be forfeited.
- Once a Conditional Reservation is granted and the project is rejected by the Program Administrator for failing to meet Proof of Project Advancement or Reservation Expiration Date requirements, the Application Fee will be forfeited.
- Application Fees will be linked to reservation numbers, not to the project sites; therefore the project must be completed under the same reservation number as the one linked to the Application Fee. If a project reservation is allowed to lapse, and the project is later built under a new reservation, the Application Fee for the previous reservation will be forfeited.
- If an Applicant submits a Reservation Request and Application Fee for the same project to two different Program Administrators (example: one to SoCalGas and one to SCE), and receives a Conditional Reservation from one of the Program Administrators, the Applicant has 14 calendar days to submit in writing a request to withdraw the Reservation Request from the second Program Administrator without losing the second Application Fee. If the Applicant fails to withdraw the second Reservation Request within 14 calendar days, the Application Fee submitted with that Reservation Request will be forfeited.
- If a Conditional Reservation is granted and the \$/W rebate level has been reduced (due to Commission directive, declining rebate structure, etc.), the Applicant and Host Customer will be notified and given 14 calendar days to withdraw their Reservation Request without losing their Application Fee. If the Applicant fails to withdraw the Reservation Request within 14 calendar days, the Application Fee submitted will be forfeited.
- Application Fees will be retained until the completion of the proposed SGIP project and will not be adjusted downward due to changes in system size.
- Upon completion and verification of the installed SGIP project and incentive payment, the Application Fee will be returned in full to the Host Customer.
- No interest shall be paid on Application Fees.
- All forfeited Application Fees will be re-allocated to the Program Administrator's incentive budget.
- If a project that has met Proof of Project Advancement and received a "Confirmed Reservation and Incentive Claim Form" from the Program Administrator is withdrawn due to extenuating circumstances beyond their control, the Application Fee may be returned pending Program Administrator approval.

Exceptions to the Application Fee

The following reservations and projects are exempt from submitting the new Application Fee:

- Reservations for projects submitted in PY2001-PY2004;
- Reservations received in PY2005 that have received a Conditional Reservation letter (as defined in the SGIP Handbook);

- Projects that have submitted the Proof of Project Advancement (as defined in the SGIP Handbook); and
- Projects that have funding allocated, but are under review as of the Application Fee implementation date due to review of waste heat calculations, emission review, renewable fuel supply, or forecasted or new construction load verification).