

Self-Generation Incentive Program Semi-Annual Renewable Fuel Use Report No. 13 for the Six-Month Period Ending December 31, 2008

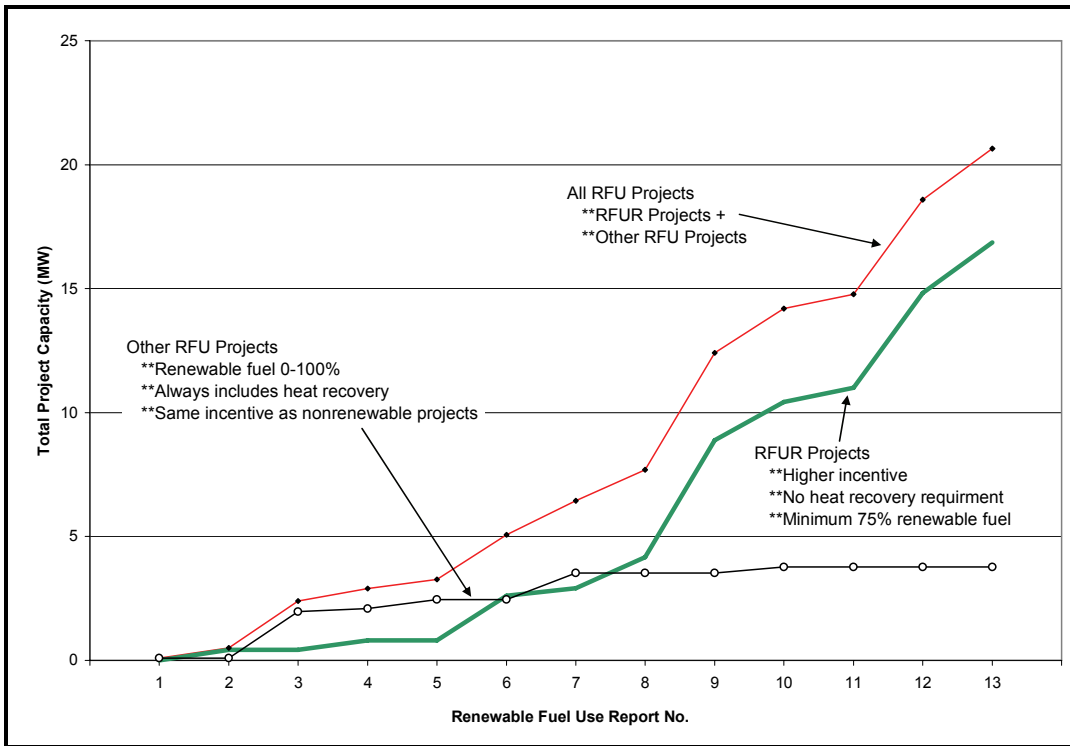
1. Summary

The purpose of this report is to provide the Energy Division of the California Public Utilities Commission (CPUC) with updated information on fuel use and installed costs of Self-Generation Incentive Program¹ (SGIP) projects utilizing renewable fuel.² The six-month reporting period for this report extends from July 1, 2008, to December 31, 2008 and includes analysis of all such projects installed since the SGIP's inception in 2001. This is the thirteenth report in the series. The project capacity covered by each report is depicted graphically in Figure 1.

¹ The SGIP provides incentives to eligible utility customers for the installation of new self-generation equipment. The program is implemented by the CPUC and administered by Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE) and Southern California Gas Company (SCG) in their respective territories, and the California Center for Sustainable Energy (CCSE), formerly the San Diego Regional Energy Office (SDREO), in San Diego Gas and Electric (SDG&E) territory.

² The SGIP Handbook defines renewable fuels as wind, solar, and gas derived from biomass, landfills, and dairies. Renewable fuel use in the context of this report effectively refers to biogas fuels obtained from landfills, wastewater treatment plants, food processing facilities, and dairy anaerobic digesters.

Figure 1: Project Capacity Trend (RFU Reports 1-13)

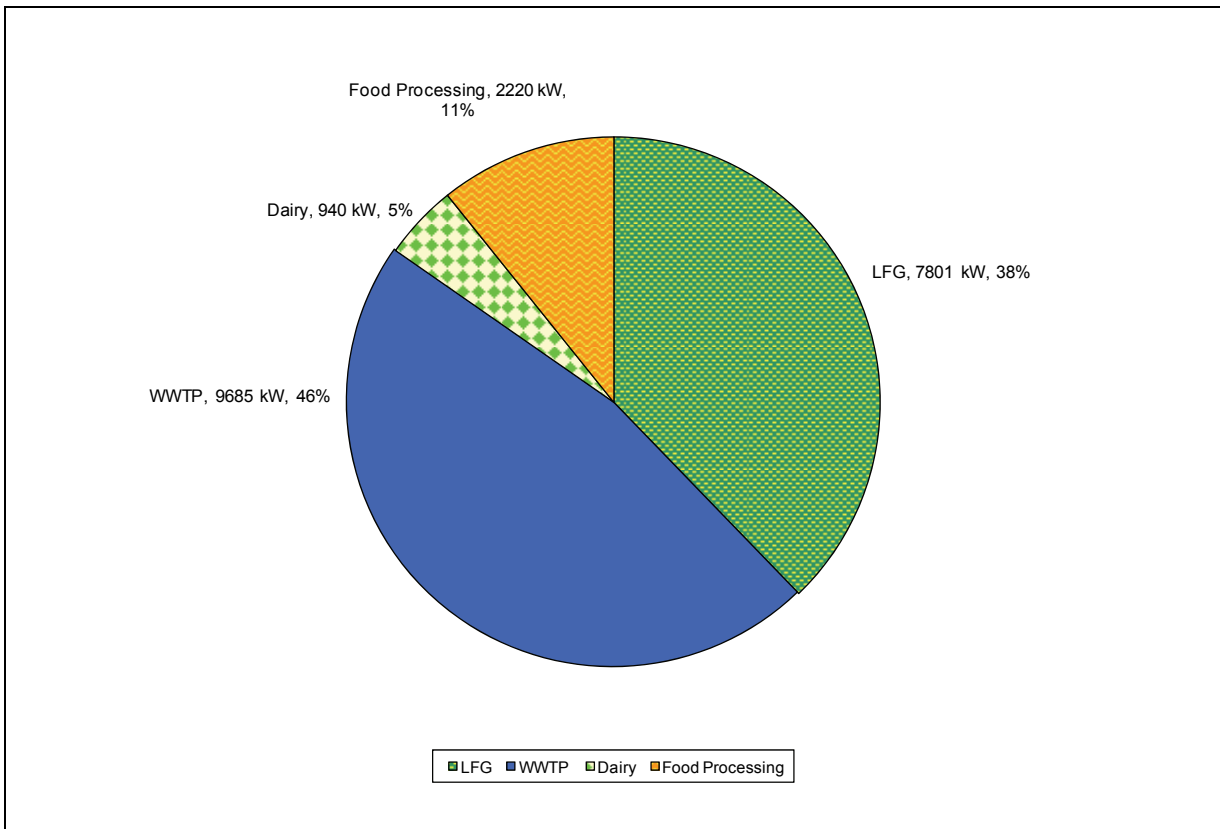


The incentives and requirements for SGIP projects utilizing renewable fuel have varied through the years. In this report, assessment of compliance with the program's minimum renewable fuel use requirements is restricted to the subset of projects (i.e., Renewable Fuel Use Requirement (RFUR) projects) actually subject to those requirements by virtue of their participation year and project type designation. However, the analysis of project costs included in this report covers all projects using some renewable fuel (i.e., Renewable Fuel Use (RFU) projects). All RFUR projects are also RFU projects; however not all RFU projects are RFUR projects. This distinction is responsible for differences in project counts in this report's tables. For example, Table 1 reports on RFUR projects whereas Table 9 lists all RFUR projects as well as those RFU projects not subject to the program's minimum renewable fuel use requirements.

While all RFUR projects could use as much as 25 percent non-renewable fuel, most operate completely from renewable fuel resources. To date, 79 percent of the RFUR projects have operated solely on renewable fuel. The SGIP requires the remaining projects to limit their use of non-renewable fuel to 25 percent on an annual fuel energy input basis. Data are not yet available for all dual-fuel projects; however up to and including RFU Report #12 there had been no instances where available data indicated non-compliance with the program's renewable fuel use requirements. The current report contains the first instance of noncompliance with these requirements.

RFUR projects typically use biogas derived from landfills or anaerobic digesters as the renewable fuel source. Figure 2 shows a breakout of RFUR projects as of December 31, 2008 by source of biogas (e.g., landfill gas or digester gas) on a rebated capacity basis. On a rebated capacity basis, nearly half of the biogas used in SGIP RFUR projects is derived from wastewater treatment plants (WWTP); and over a third is derived from landfill gas (LFG) projects. Dairy digesters provide the smallest contribution at approximately five percent of the total rebated RFUR project capacity.

Figure 2: Breakout of Renewable Fuel Use Requirement Projects by Fuel Type



Project cost data available for the samples comprising renewable and non-renewable SGIP projects completed to date were analyzed. Average costs of those renewable projects are higher than the average costs of those non-renewable projects. However, the combined influence of small sample sizes and substantial variability preclude drawing general conclusions about incremental costs likely to be faced by participants in the future.

Confidence intervals calculated for populations comprising both past SGIP participants and all others are very large. There was a limited quantity of cost data for fuel cells and IC engines. This limited amount of data increases the uncertainty associated with the mean

costs of fuel cells and IC engines. As a result, it is impossible to say with 90 percent confidence that the mean value of the costs of renewable IC engines and fuel cells is any higher than the mean value of the costs of non-renewable IC engines and fuel cells. This counter-intuitive result suggests that data for past projects should not be used as the sole basis for SGIP program design elements affecting future participants. Engineering estimates, budget cost data, and rules-of-thumb likely continue to be more suitable for this purpose at this time.

2. Purpose of this Report

The purpose of this report is to provide the Energy Division of the CPUC with updated information on fuel use and installed costs of SGIP projects utilizing renewable fuel.

The report identifies the compliance of renewable fuel use projects in the SGIP with specified renewable fuel use requirements. In particular, no more than 25 percent of the annual fuel consumption (determined on an energy input basis) of a renewable fuel use project can be derived from non-renewable resources. These projects, which are *exempt* from waste heat recovery requirements, are referred to as Renewable Fuel Use Requirements (RFUR) projects in this report.

In addition, the report includes comparisons between costs of RFUR projects and other projects that are subject to heat recovery requirements. The reason for this comparison is a concern that RFUR projects could have lower project costs than other projects, which could result in fuel switching. The analysis of project costs includes examination of waste heat recovery and fuel treatment equipment costs.

This information is provided to the Energy Division to assist staff in making recommendations to the CPUC concerning modifications to the renewable project aspects of the SGIP. This report complies with Decision 02-09-051 (September 19, 2002) that requires SGIP Program Administrators (PAs) to provide updated information on completed renewable fuel use projects on a six-month basis.³ The six-month reporting period for this report

³ Ordering Paragraph 7 of Decision 02-09-051 states:

“Program administrators for the self-generation program or their consultants shall conduct on-site inspections of projects that utilize renewable fuels to monitor compliance with the renewable fuel provisions once the projects are operational. They shall file fuel-use monitoring information every six months in the form of a report to the Commission, until further order by the Commission or Assigned Commissioner. The reports shall include a cost comparison between Level 3 and 3-R projects....”

Ordering Paragraph 9 of Decision 02-09-051 states:

“Program administrators shall file the first on-site monitoring report on fuel-use within six months of the effective date of this decision [September 19, 2002], and every six months thereafter until further notice by the Commission or Assigned Commissioner.”

extends from July 1, 2008, to December 31, 2008 and includes analysis of all such projects installed since the SGIP's inception in 2001.

3. Summary of Operational RFUR Projects

Three new RFUR projects were completed during the six-month reporting period. Additionally, one project completed in March 2008 was not included in Renewable Fuel Use Report #12 and therefore is being added now.⁴ As a result of these four projects, there were a total of 39 RFUR projects operational in the SGIP as of December 31, 2008. This represents an increase in RFUR capacity documented in the prior RFU Report (No. 12) of approximately 2.9 MW and a relative increase in capacity of approximately 17 percent. A complete list of all SGIP projects utilizing renewable fuel is included as Appendix A. Principal observations about the recently completed RFUR projects include:

- The four new RFUR projects were distributed among SGIP PAs in northern and southern California; one project each for SCE (fuel cell) and SCG (fuel cell), and two projects for PG&E (internal combustion (IC) engine; microturbine).
- The new microturbine and IC engine RFUR projects use landfill or digester gas exclusively (i.e., no non-renewable fuel contribution). Both of the new fuel cell projects are equipped with supplies of both renewable and non-renewable (natural gas) fuel.
- One project (microturbine) operates on landfill gas while three operate on digester gas. All three digesters are located at wastewater treatment plants.

The 39 operational RFUR projects represent nearly 17 MW of installed generating capacity. The prime mover technologies used by these projects are summarized in Table 1. Sixty percent of the total rebated RFUR capacity use IC engines. Fuel cells, an emerging technology, account for twenty percent of RFUR project capacity. The average size of microturbine projects is approximately 180 kW, whereas that of renewable-powered fuels cells is 690 kW and that of renewable-fueled IC engines approximately 640 kW.

⁴ The omission from RFU Report No. 12 was caused by a disruption in the process used to update Itron's project status tracking information using project status information provided by the Program Administrators.

Table 1: Summary of Prime Movers for RFUR Projects

Prime Mover	No. Projects	Total Rebated Capacity (kW)	Average Rebated Capacity (kW)*
FC	5	3,450	690
MT	18	3,220	179
IC Engine	16	10,201	638
Total	39	16,871	433

FC = fuel cell; MT = microturbine; IC engine = internal combustion engine

*Represents an arithmetic average

Figure 3: Contribution of Biogas Fuel Type by Prime Mover Technology

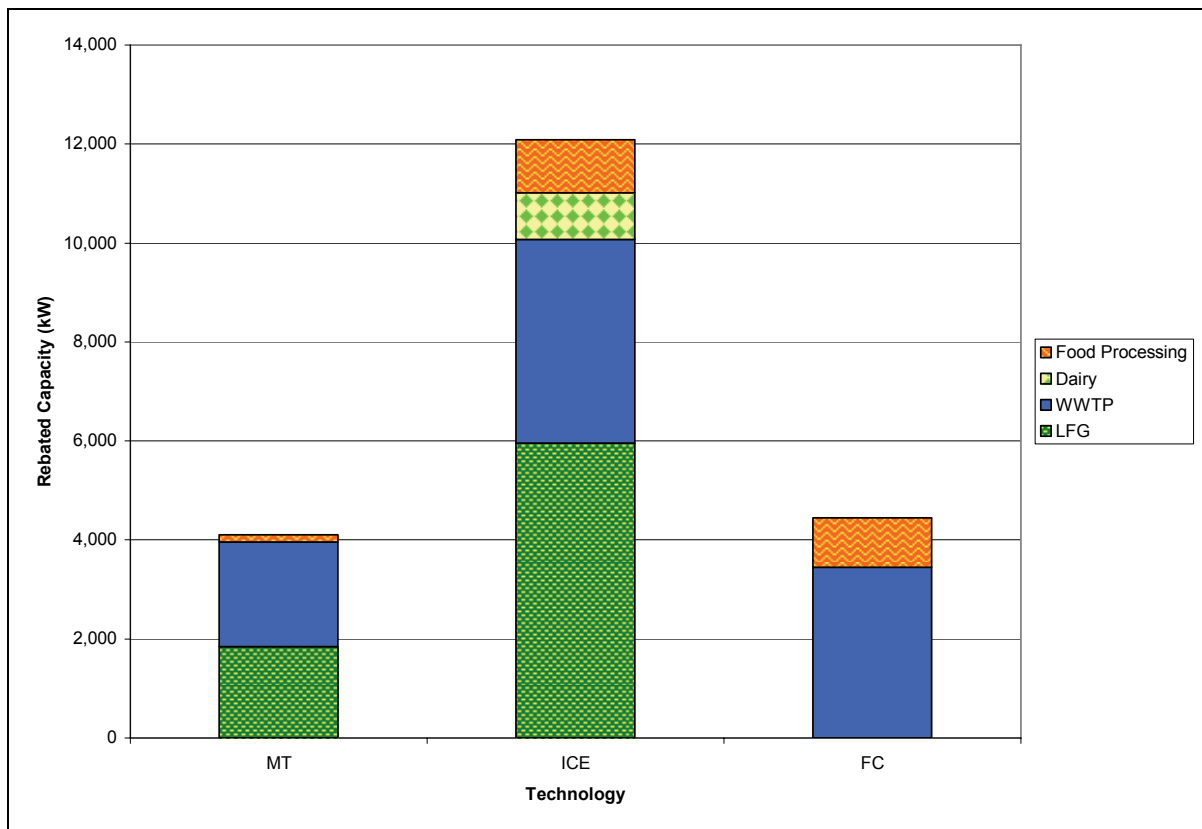


Figure 3 provides a breakdown of the relative contribution of the different biogas fuels by prime mover technology. Several observations can be made from examining Figure 3. Biogas powered IC engines, which represent the largest rebated capacity of SGIP RFUR facilities, are fueled primarily with biogas derived from landfills and wastewater treatment plants. From a different perspective, Figure 3 also shows that dairy digesters use IC engines almost exclusively for power generation. Figure 3 also shows that biogas-powered fuel cells installed under the SGIP to date have been associated only with wastewater treatment facilities or food processing facilities.

While all RFUR projects could use as much as 25 percent non-renewable fuel, most operate completely from renewable fuel resources. Nearly 70 percent of the total RFUR project capacity represents such projects. Fuel supplies for RFUR projects are summarized in Table 2.

Table 2: Summary of Fuel Supplies for RFUR Projects

Fuel Supply	No. Projects	Total Rebated Capacity (kW)
Renewable only	31	11,523
Renewable & non-renewable	8	5,348
Total	39	16,871

Many of the renewable fuel use projects recover waste heat even though they are exempt from heat recovery requirements. Waste heat recovery incidence by renewable fuel type is summarized in Table 3. Verification inspection reports obtained from PAs indicate that 26 of the 39 RFUR projects recover waste heat. All but three of the 25 digester gas systems include waste heat recovery. Waste heat recovered from digester gas systems is generally used to pre-heat waste water sludge prior to its being pumped to digester tanks. Less than one-third of the landfill gas systems include waste heat recovery. Those systems that do recover heat do not use it directly at the landfill site. Instead, the landfill gas is piped to an adjacent site that has both electric and thermal loads, and the gas is used in a prime mover at that site.

Table 3: Summary of Waste Heat Recovery Incidence and Type of Renewable Fuel for RFUR Projects

Renewable Fuel Type	No. of Sites	Sites With Heat Recovery	Sites Without Heat Recovery
Digester Gas	25	22	3
Landfill Gas	14	4	10
Total	39	26	13

4. Fuel Use at RFUR Projects

As shown in Table 2, 31 of the 39 RFUR projects obtain 100 percent of their fuel from renewable resources. By definition, all 31 of those projects are in compliance with the SGIP's renewable fuel use requirements. Information on fuel use of the remaining eight projects follows:

- **PG&E A-1313.** Metered daily electric generation, biogas consumption, and natural gas consumption data were obtained from the SGIP participant for this microturbine system. These data indicate that natural gas usage during the current reporting period was five percent of the total annual fuel input.
- **PG&E A-1490.** This fuel cell project came on-line in April 2008. Metered electric generation, biogas consumption, and natural gas consumption data were obtained from the SGIP participant. These data indicate that natural gas usage during the current reporting period was 15 percent of the total annual fuel input.
- **SCE PY03-017.** This IC engine system was designed to use natural gas for back-up and piloting purposes. The SGIP participant provided metered electric generation, biogas consumption, and natural gas consumption data for previous reporting periods. However, in Q2 2008 the participant's SGIP contract reached the end of its term and data will no longer be available from this participant. During the period when data were provided and the system was under contract the actual contribution of nonrenewable fuel never exceeded 25 percent on an annual fuel input basis.
- **SCE PY06-062.** This fuel cell system is located at a wastewater treatment facility and utilizes renewable fuel produced by a digester system. A fuel blending system controls the mix of renewable and non-renewable fuel. No metered data are yet available to assess the actual fuel mix during this reporting period.
- **SCE PY04-158 and SCE PY04-159.** These two systems are located at the same wastewater treatment facility and utilize renewable fuel produced by the same digester system. These two projects are grouped together here because they share a common fuel blending system. The fuel blending system controls the mix of renewable and non-renewable fuel. No metered data are yet available to assess the actual fuel mix during this reporting period. In SCE's September 2006 installation verification inspection reports, the participant identified that the systems were using 80 percent digester gas and 20 percent natural gas. Itron will install natural gas metering at this project to verify that the non-renewable consumption remains below the requisite 25 percent of annual fuel use on an energy input basis.
- **SCE PY03-092.** This 500 kW fuel cell project uses natural gas for backup fuel supply and piloting purposes. The fuel cell system is composed of two molten carbonate fuel cells, each of which is rated for 250 kW of electrical output. Renewable fuel used by this system is produced as a by-product of a municipal wastewater treatment process. A natural gas metering system has been installed by SCG to monitor natural gas usage. Biogas use is not metered.

Itron received natural gas usage data from SCG and metered electric output data from the applicant for the 12-month period ending December 31, 2008. An assumed electrical conversion efficiency was used to estimate total fuel use during periods of electricity generation. During this reporting period there were many hours when instead of being generated electricity was being consumed to maintain a “hot standby” condition. As noted above, biogas use is not metered. For purposes of assessing compliance with the SGIP’s renewable fuel use requirements we assume that no biogas is used while the system is in a “hot standby” condition. The resulting estimate of non-renewable fuel contribution is 32 percent. In conclusion, during this reporting period the non-renewable fuel use was at least 32 percent and the system was not in compliance with the SGIP’s renewable fuel use provisions.⁵

- **SCG 2006-036.** This fuel cell system is located at a wastewater treatment facility and utilizes renewable fuel produced by a digester system. A fuel blending system controls the mix of renewable and non-renewable fuel. No metered data are yet available to assess the actual fuel mix during this reporting period.

Fuel use compliance for dual-fuel systems is summarized in Table 4. Overall, between 33 (85 percent) and 38 (97 percent) of the RFUR projects comply with the SGIP’s 25 percent non-renewable cap. Currently there are insufficient data to draw definitive conclusions about five RFUR projects. Assessments for projects where metering is possible will be discussed in future reports.⁶

⁵ In these calculations an electrical conversion efficiency of 33.6 percent was assumed. This value was calculated as 80 percent of the actual efficiency measured for several other SGIP fuel cells operating on natural gas. The intent was to develop an efficiency likely to be lower than the actual efficiency. If the actual efficiency is higher than 33.6 percent – which it likely is – then the actual non-renewable fuel use is higher than 32 percent. It is for this reason that in Table 4 the Renewable Fuel Use is reported as being *less than 68 percent*.

⁶ As shown in Table 4, for one RFUR project the SGIP contract between the participant and the PA has expired. As a consequence of the SGIP contract reaching the end of its term, data necessary to assess actual renewable fuel proportions are no longer available.

Table 4: Fuel Use Compliance of RFUR Projects Utilizing Non-Renewable Fuel

PA Project ID No.	PA/ Incentive Level	Technology/ Fuel Type	Capacity (kW)	Operational Date ⁷	Annual Natural Gas Energy Flow (MM Btu) ⁸	Renewable Fuel Use (% of Total Energy Input)	Meets Program Renewable Fuel Use Requirements?
PY03-092	SCE/ Level 1	FC/ Digester gas	500	3/11/2005	2304	<68	No
PY03-017	SCE/ Level 3-R	IC Engine/ Digester gas	500	5/11/2005	EXPIRED	EXPIRED	EXPIRED
PY04-158	SCE/ Level 3-R	IC Engine/ Digester Gas	704 ⁹	11/15/2005	NA	NA	NA
PY04-159	SCE/ Level 3-R	IC Engine/ Digester Gas	704	11/15/2005	NA	NA	NA
1313	PG&E/ Level 3-R	MT/ Digester Gas	240	3/6/2007	785	95	Yes
PY06-062	SCE/ Level 2	FC/ Digester gas & Natural gas	900	3/4/2008	NA	NA	NA
1490	PG&E/ Level 2	FC/ Digester Gas	600	4/24/2008	5151	85	Yes
2006-036	SCG/ Level 2	FC/ Digester gas & Natural gas	1200	10/27/2008	NA	NA	NA

“NA” ≡ “Not Available”. Metered data necessary to calculate estimates of natural gas energy use are not yet available.

“EXPIRED”. The SGIP contract between the participant and the PA has expired. As a consequence of the SGIP contract reaching the end of its term data necessary to assess actual renewable fuel proportions are no longer available.

Incentive levels for renewable fuel projects have changed over time and are roughly defined as below for the purposes of this report¹⁰:

⁷ Since assignment of a project’s operational date is subject to individual judgment, the incentive payment date as reported by the PAs is used as a proxy for the operational date for reporting purposes.

⁸ This field represents the natural gas consumption during the 12-month period ending December 31, 2008. The basis is the LHV of the fuel.

⁹ In Renewable Fuel Use Reports #9 and #10 this project’s size was reported as 296 kW. That was the capacity used in incentive calculations. The actual physical size of the system is 704 kW. In this particular circumstance, there were two separate applications, both 704 kW of physical capacity, for a total combined capacity of 1,408 kW. The maximum total incentive is one MW. As a result, one application was rebated in full (rebated capacity of 704 kW) while the second application was rebated up to the remainder of the eligible kW (296 kW). The result was a much lower value for rebated capacity than physical capacity.

¹⁰ Itron has moved away from using incentive levels in the annual impact evaluation reports because of the confusion caused by changes in the incentive levels. Incentive levels are reported here only because of the manner in which incentive levels were used to designate RFUR classification.

- Incentive Level 1: Originally an incentive level for PV, wind and fuel cells powered by renewable fuels
- Incentive Level 2: Fuel cells powered by renewable fuels
- Incentive Level 3: Used for a short time to designate microturbines, IC engines, and small gas turbines using renewable fuels
- Incentive Level 3-R: Microturbines, IC engines, and small gas turbines using renewable fuels
- Incentive Level 3-N: Microturbines, IC engines, and small gas turbines using non-renewable fuels

5. Cost Comparison between Renewable Fuel Use (RFU) and Other Projects

Beginning in September 2002, RFUR projects were eligible for a higher incentive level than non-renewable projects. The size of this incentive premium was designed to account for numerous factors, including:

- RFUR projects face higher fuel pre-treatment costs
- RFUR projects might not face heat recovery equipment costs
- RFUR projects do not face fuel purchase expenses

Concerns were expressed in CPUC Decision 02-09-051 that Level 3-R project costs could fall below Level 3 costs, as Level 3-R projects are exempt from waste heat recovery requirements. As a result, Level 3-R projects could potentially be receiving a greater-than-necessary incentive, which could lead to fuel switching. To address this concern, the CPUC directed SGIP PAs to monitor Level 3 and Level 3-R project costs.

It is possible to use historical SGIP project cost data to examine fuel treatment and heat recovery costs faced by SGIP participants. Eligible installed costs for all fuel cell, microturbine, and IC engine projects operational as of December 31, 2008, are summarized in Table 5. The summary distinguishes between fuel type¹¹ and heat recovery incidence to facilitate independent examination of the principal factors influencing costs of projects utilizing renewable fuel. Several of the groups for which summary statistics are presented in Table 5 comprise only a few projects. In these instances the sample sizes play a very important role in determining ability to draw general conclusions from the data. The combined influence of sample size and sample variability on the inferential statistics is discussed below in the section titled *Uncertainty Analysis*.

Table 5: Summary of Project Costs by Technology, Heat Recovery Provisions & Fuel Type

Tech	Includes Renewable Fuel?	Includes Heat Recovery?	No. Projects	Eligible Installed Costs (\$/Watt)				
				Range	Median	Mean	Std. Dev.	Size-Weighted Average
FC	Yes	Yes	6	4.51 – 9.85	6.64	7.04	2.20	6.33
	Yes	No	0	-----	-----	-----	-----	-----
	Yes	Yes or No	6	4.51 – 9.85	6.64	7.04	2.20	6.33
	No	Yes	14	5.06 - 18.00	6.92	8.56	3.73	7.60
IC Engine	Yes	Yes	15	1.08 – 5.70	2.64	2.59	1.26	2.51
	Yes	No	3	1.71 – 2.87	2.66	2.41	0.62	2.69
	Yes	Yes or No	18	1.08 – 5.70	2.65	2.56	1.16	2.55
	No	Yes	205	0.85 – 10.70	2.29	2.50	1.21	2.26
MT	Yes	Yes	13	2.26 - 11.30	3.99	5.13	2.69	4.55
	Yes	No	10	1.23 - 5.39	3.61	3.47	1.27	2.89
	Yes	Yes or No	23	1.23 - 11.30	3.75	4.40	2.30	3.78
	No	Yes	108	0.70 - 6.39	3.10	3.22	1.14	3.04

Besides the cost of waste heat recovery equipment, fuel clean-up costs may account for much of the differential between renewable and non-renewable project costs. The bases of heat recovery equipment and fuel clean-up equipment cost comparisons are described below.

Heat Recovery Equipment Costs

All of the projects using renewable fuel include fuel-conditioning equipment. Most of the renewable fuel projects include heat recovery even though most of them were not required to.

¹¹ To assess the difference in costs between those technologies using renewable fuel resources versus those using only non-renewable fuels, fuel types are differentiated in Table 5 by identifying those using any amount of renewable fuel as a “Yes” classification.

Any difference observed between the average costs of these two groups could be due to the difference in provisions for heat recovery. This relationship is expressed symbolically in Equation 1. For example, the heat recovery difference for microturbines (\$1.66) is calculated as \$5.13 minus \$3.47.

$$\Delta Heat Recovery = \left(\frac{RFU}{w/HR} \right) - \left(\frac{RFU}{w/oHR} \right) \quad \text{Equation 1}$$

Where

RFU = renewable fuel use

HR = heat rate

w/ = with

w/o = without

Fuel Treatment Equipment Costs

All of the non-renewable fuel projects include heat recovery equipment. Many of the renewable fuel projects include heat recovery even though most of them were not required to. Any difference observed between the costs of these two groups could be due to the difference in provisions for fuel treatment (which is usually, but not always, limited to gas clean-up such as removal of hydrogen sulfide). For example, the fuel treatment difference for internal combustion engines (\$0.09) is calculated as \$2.59 minus \$2.50.

$$\Delta Fuel Treatment = \left(\frac{RFU}{w/HR} \right) - \left(\frac{NG}{w/HR} \right) \quad \text{Equation 2}$$

Where

NG = natural gas

Weighted Average RFU Equipment Costs

All of the non-renewable fuel projects include heat recovery equipment. Many of the renewable fuel projects include heat recovery even though many were not required to employ heat recovery. By looking at the observed difference in costs of these two groups, it is possible to see the average overall influence of different SGIP requirements. For example, the RFU difference for internal combustion engines (\$0.06) is calculated as \$2.56 minus \$2.50.

$$\Delta RFU = \left(\begin{array}{c} RFU \\ w/or\ w/o\ HR \end{array} \right) - \left(\begin{array}{c} NG \\ w/HR \end{array} \right) \quad \text{Equation 3}$$

Uncertainty Analysis

Project cost data are available for all completed projects. The sampling error included in difference of means results calculated for projects completed in the past is zero because project cost data are available for all of these projects. However, the key question faced by the CPUC and other program designers is:

How accurately do the cost differences calculated for projects completed in the past represent the cost differences that are likely to be faced by program participants in the future?

This question is more difficult to answer. The answer depends on many factors, including:

1. The number of projects completed in the past.
2. The variability exhibited by cost data for the projects completed in the past.
3. The possible changes in system costs through time yielded by experience, economies of scale and/or technology innovation.

Cost comparison discussions for microturbines, IC engines, and fuel cells are presented below. Difference of means results are augmented with 90 percent confidence intervals about these means. In each of these cases the confidence intervals are based on the sample statistics (e.g., n, mean, std. dev.) presented in Table 5.

Microturbine Project Cost Comparisons

Cost comparison results for microturbines are summarized in Table 6. These data show, for instance, that the average incremental cost associated with presence of heat recovery was \$1.66 per Watt for SGIP participants with completed projects. When this value is used to estimate the incremental cost of heat recovery not only for completed projects but also for projects that will be completed in the future, it is necessary to summarize the uncertainty of the estimate.¹²

Table 6: Microturbine Project Cost Comparison Summary

Physical Difference	Difference of Means (\$/Watt)	90% Confidence Interval (\$/Watt)
Heat Recovery	1.66	0.07 to 3.25
Fuel Treatment	1.91	1.24 to 2.58
RFU	1.18	0.64 to 1.72

The 90 percent confidence intervals presented in Table 6 summarize uncertainty in estimates of the incremental costs associated with several key physical differences for the population comprising projects already completed as well as those that will be completed in the future. For heat recovery the lower bound of the confidence interval is just seven cents per Watt. This counterintuitive result implies that systems without heat recovery might be nearly the same cost as those with it. The possibility of this unlikely result, along with the very large confidence interval, are likely simply due to the small quantity of, and considerable variability exhibited by cost data available for SGIP projects completed in the past. This is a representative example of the general rule that caution must be exercised when interpreting summary statistics when sample sizes are small.

¹² Uncertainty is assessed by calculating confidence intervals around the point estimates. Standard statistical tests are used to describe the likelihood that the two samples underlying the two means used to calculate each incremental difference came from the same population. When n_1 & $n_2 \geq 30$ then a z-Test is used to determine confidence intervals. When n_1 or $n_2 < 30$ then a t-Test is used.

IC Engine Project Cost Comparisons

Cost comparison results for IC engines are summarized in Table 7. Results for the incremental difference due to heat recovery are not presented because all but three of the renewable IC engine projects completed to date have included heat recovery even though it was not required by the SGIP. The differences between means are small in comparison to the variability exhibited by past costs of renewable fuel projects. This variability combined with relatively small numbers of renewable fuel projects results in very large confidence intervals.

Table 7: IC Engine Project Cost Comparison Summary

Physical Difference	Difference of Means (\$/Watt)	90% Confidence Interval (\$/Watt)
Fuel Treatment	0.09	-0.45 to 0.63
RFU	0.06	-0.43 to 0.55

Fuel Cell Project Cost Comparisons

Due to the sensitivity of fuel cells to contaminants in the gas stream, gas clean-up costs for fuel cells powered by renewable fuels—which contain sulfur, halide, and other contaminants—should be higher than gas clean-up costs for fuel cells operating with cleaner fuels, such as natural gas. Cost comparison results for fuel cells are summarized in Table 8. Results for the incremental difference due to heat recovery are not presented because all renewable fuel cell projects completed to date have included heat recovery even though they were not required to by the SGIP. The 90 percent confidence interval for fuel cells is very large, which is not surprising given the emerging status of this technology and the small number of facilities.

Table 8: Fuel Cell Project Cost Comparison Summary

Physical Difference	Difference of Means (\$/Watt)	90% Confidence Interval (\$/Watt)
Fuel Treatment	-1.52	-4.38 to 1.34
RFU	-1.52	-4.38 to 1.34

Cost Comparison Summary

Comparison of the installed costs between renewable and non-renewable-fueled generation systems operational as of December 31, 2008, reveals that average non-renewable generator costs have been lower than average renewable-fueled generator costs. However, these

averages pertain to past program participants. The fundamental question motivating examination of RFUR project costs is stated explicitly below:

Do SGIP project cost data for past participants suggest that project costs are changing in ways that could necessitate modification of incentive levels received by future SGIP participants?

Confidence intervals calculated for populations comprising both past *and* future SGIP participants are very large. This suggests that data for past projects should not be used as the sole basis for SGIP program design elements affecting future participants. Engineering estimates, budget cost data, and rules-of-thumb likely continue to be more suitable for this purpose at this time.

Appendix A

List of All SGIP Projects Utilizing Renewable Fuel

All SGIP projects supplied with renewable fuel are listed in Table 9. Renewable Fuel Use Requirements (RFUR) projects subject to renewable fuel use requirements and exempt from heat recovery requirements are identified in the column titled “RFUR Project?” Only a small portion of these projects is also equipped with a non-renewable fuel supply. These projects are identified in the column titled “Any Non-Renewable Fuel Supply?”

Table 9: SGIP Projects Utilizing Renewable Fuel

PA Project ID No.	PA/ Incentive Level	Technology/ Fuel Type	Capacity (kW)	Operational Date ¹³	RFUR Project?	Any Non-Renewable Fuel Supply?
0007-01	CCSE/ Level 3	MT/ Digester gas	88	8/30/2002	No	No
PY02-055	SCE/ Level 3-R	MT/ Landfill gas	420	4/18/2003	Yes	No
PY01-031	SCE/ Level 3	IC Engine/ Landfill gas	970	9/29/2003	No	No
110	PG&E/ Level 3	IC Engine/ Digester gas & Natural gas	900	10/23/2003	No	Yes
PY02-074	SCE/ Level 3-R	MT/ Landfill gas	300	2/12/2004	Yes	No
0026-01	CCSE/ Level 3	MT/ Digester gas	120	4/23/2004	No	No
514	PG&E/ Level 3-R	MT/ Digester gas	90	5/19/2004	Yes	No
298	PG&E/ Level 3-R	MT/ Digester gas	30	8/4/2004	Yes	No
0023-01	CCSE/ Level 3	MT/ Digester gas	360	9/3/2004	No	No

¹³ Since assignment of a project’s operational date is subject to individual judgment, the incentive payment date as reported by the PAs is used as a proxy for the operational date for reporting purposes.

Table 9: SGIP Projects Utilizing Renewable Fuel (Continued)

PA Project ID No.	PA/ Incentive Level	Technology/ Fuel Type	Capacity (kW)	Operational Date	RFUR Project?	Any Non-Renewable Fuel Supply?
379	PG&E/ Level 3-R	MT/ Landfill gas	280	1/14/2005	Yes	No
PY03-092	SCE/ Level 1	FC/ Digester gas & Natural gas	500	3/11/2005	Yes	Yes
640	PG&E/ Level 3-R	MT/ Landfill gas	70	4/14/2005	Yes	No
641	PG&E/ Level 3-R	MT/ Landfill gas	70	4/14/2005	Yes	No
PY03-045	SCE/ Level 1	FC/ Digester gas	250	4/19/2005	Yes	No
PY03-008	SCE/ Level 3-R	MT/ Landfill gas	70	5/11/2005	Yes	No
PY03-017	SCE/ Level 3-R	IC Engine/ Digester gas	500	5/11/2005	Yes	Yes
842A	PG&E/ Level 3-R	MT/ Digester gas	60	5/27/2005	Yes	No
PY03-038	SCE Level 3-R	MT/ Digester gas	250	7/12/2005	Yes	No
747	PG&E Level 3-R	MT/ Digester gas	60	7/18/2005	Yes	No
653	PG&E Level 2	FC/ Digester gas	1000	8/9/2005	No	Yes
833	PG&E/ Level 3-N	MT/ Digester gas	70	9/1/2005	No	Yes
PY04-158	SCE Level 3-R	IC Engines/ Digester gas	704 ¹⁴	11/15/2005	Yes	Yes
PY04-159	SCE Level 3-R	IC Engines/ Digester gas	704	11/15/2005	Yes	Yes
483	PG&E/ Level 3-R	IC Engines/ Digester gas	300	1/13/2006	Yes	No
313	PG&E/ Level 3-R	MT/ Digester gas	300	3/16/2006	Yes	No
1222	PG&E Level 3-R	IC Engines/ Landfill gas	970	3/24/2006	Yes	No
1297	PG&E/ Level 3-R	MT/ Digester gas	280	4/7/2006	Yes	No

¹⁴ In Renewable Fuel Use Reports #9 and #10 this project's size was reported as 296 kW, the capacity used in incentive calculations. The actual physical size of the system is 704 kW.

Table 9: SGIP Projects Utilizing Renewable Fuel (Continued)

Project ID No.	Program Administrator/ Funding Level	Technology/ Fuel Type	Capacity (kW)	Operational Date	RFUR Project?	Any Non-Renewable Fuel Supply?
856	PG&E/ Level 3-R	MT/ Landfill gas	210	5/5/2006	Yes	No
658	PG&E/ Level 3-R	IC Engines/ Digester gas	160	5/22/2006	Yes	No
1313	PG&E Level 3-R	MT/ Digester gas & Natural gas	240	7/17/2006	Yes	Yes
PY05-093	SCE Level 3-R	IC Engines/ Landfill gas	1030	9/1/2006	Yes	No
1316	PG&E Level 3-R	IC Engines/ Landfill gas	970	10/2/2006	Yes	No
1559	PG&E Level 2	IC Engines/ Digester gas	160	11/16/2006	Yes	No
1308	PG&E Level 3-R	IC Engines/ Digester gas	400	11/17/2006	Yes	No
1505	PG&E Level 2	IC Engines/ Landfill gas	970	11/24/2006	Yes	No
1298	PG&E Level 3N	MT/ Digester gas & Natural gas	250	1/19/2007	No	Yes
1528	PG&E Level 2	MT/ Digester gas	70	3/16/2007	Yes	No
PY06-094	SCE Level 2	IC Engines/ Digester gas	500	5/27/2007	Yes	No
1577	PG&E Level 2	IC Engines/ Digester gas	80	10/1/2007	Yes	No
2005-082	SCG/ Level 3R	IC Engines/ Digester gas	1080	1/15/2008	Yes	No
2006-014	SCG/ Level 2	IC Engines/ Landfill gas	1030	2/21/2008	Yes	No
PY06-062	SCE/ Level 2	FC/ Digester gas & Natural gas	900	3/4/2008	Yes	Yes
0270-05	CCSE/ Level 3R	MT/ Landfill gas	210	4/4/2008	Yes	No

Table 9: SGIP Projects Utilizing Renewable Fuel (Continued)

Project ID No.	Program Administrator/ Funding Level	Technology/ Fuel Type	Capacity (kW)	Operational Date	RFUR Project?	Any Non-Renewable Fuel Supply?
1490	PG&E/ Level 2	FC/ Digester gas & Natural gas	600	4/24/2008	Yes	Yes
1640	PG&E Level 3-R	IC Engines/ Digester gas	643	7/29/2008	Yes	No
1498	PG&E Level 3-R	MT/ Landfill gas	210	8/5/2008	Yes	No
2006-036	SCG/ Level 2	FC/ Digester gas & Natural gas	1200	10/27/2008	Yes	Yes