

## CALIFORNIA ENERGY COMMISSION

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November 13, 2015

Mr. Timothy J. Sullivan  
Executive Director, Acting  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

RE: NOTIFICATION OF EXHAUSTION OF NEW SOLAR HOMES PARTNERSHIP PROGRAM FUNDING AND REQUEST TO CONSIDER PROGRAM CONTINUATION PURSUANT TO PUBLIC UTILITIES CODE SECTION 2851(e)(3)

Dear Mr. Sullivan: *Tain*

This letter is to notify the California Public Utilities Commission (CPUC) that the California Energy Commission estimates funding for the New Solar Homes Partnership (NSHP) Program will be exhausted in or around September 2016. This request is sent pursuant to Public Utilities Code section 2851 (e)(3), which authorizes the CPUC to require Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company (collectively investor owned utilities, or IOUs) to continue the NSHP Program pursuant to guidelines established by the Energy Commission until the \$400 million funding limit in the law is reached. Section 2851 (e)(3) also authorizes the CPUC to designate a third party, including the Energy Commission, to administer the continuation of the NSHP Program.

To avoid market disruption and potential adverse impacts on California's solar and zero-net energy goals, the Energy Commission respectfully requests that the CPUC initiate action pursuant to Section 2851 (e)(3) to: (1) require the IOUs to continue the NSHP Program by collecting additional program funds until the \$400 million funding limit is reached, by requesting approximately \$111.78 million; (2) designate the Energy Commission to serve as the administrator of the continued NSHP Program; and (3) establish any necessary administrative and oversight-related requirements for the continued NSHP Program. This request may be addressed as part of CPUC Rulemaking 12-11-005, since the scope of that proceeding was expanded in July 2014

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to address issues related to the source and level of funding for solar on new construction under the NSHP Program pursuant to section 2851.

Continuing the NSHP Program until the funding limit is consistent with important environmental and economic goals established by the state, including:

1. Installing 3,000 megawatts of solar by the end of 2016, establishing a self-sufficient solar industry, and placing solar on 50 percent of new homes by 2020 (California Solar Initiative)
2. Having all newly constructed residential homes be zero net energy by 2020 (2008 Long-Term Energy Efficiency Strategic Plan, 2007 and 2013 Integrated Energy Policy Reports, Net Residential Zero Net Energy Action Plan 2015-2020)
3. Reducing greenhouse gas emissions to 1990 levels by 2020 (Assembly Bill 32), and to 80% below 1990 levels by 2050 (Governor's Executive Order S-3-05)
4. Supporting the growth of green energy jobs (Governor Brown's Clean Energy Jobs Plan)

When the CSI program was being created, the CPUC was given authority to oversee solar incentives for the commercial and existing residential portions of the state's market. In contrast, the Energy Commission was given authority to oversee solar incentives for the new residential portion of the market, in large part because of its existing responsibility in developing and implementing the state's energy standards for new buildings (Title 24, Part 6 Building Energy Efficiency Standards).

The Energy Commission successfully developed and launched the NSHP Program in 2006-2007, at a time when the new home construction market in California was severely contracting at the initial stage of the recession. Despite this challenge, the Energy Commission administered the program from 2007 to early 2008. When program administration was shifted to the IOUs from 2008-2014 under contract with the Energy Commission, the Energy Commission provided detailed oversight and quality control for processing of all funding requests and had final approval of all payment claims.

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When it became clear that administration of the program could be accomplished at lower cost to the public and with faster processing times by the Energy Commission than the IOUs, administration of the program was brought back "in house," beginning September 2014. This has improved consistency in applying the rigorous and often complex eligibility requirements of the NSHP.

With its experience as the original designer and past/current administrator of the program, the Energy Commission believes it is the appropriate entity to continue administering the program if the CPUC chooses to continue the program. Since taking over program administration in September 2014, the Energy Commission has worked hard to reduce a backlog of up to four months of reservation requests and payment claims inherited from the IOUs, and achieved a much more manageable backlog of less than one month today. These efforts have greatly improved the efficiency and cost effectiveness of the program.

As a result, representatives from the building and solar industries have stated publicly in various forums that the NSHP program is operating more smoothly and effectively now that there is a single administrator, a single source of consistent information and guidance, and a single point of contact for questions and concerns.

Further, by administering the program in house rather than contracting with the IOUs, the Energy Commission estimates significant cost savings for California ratepayers. The IOU contracts to administer the program collectively totaled \$1 million each year, and the IOUs had indicated they would be requesting an increase in that amount at the next contract renewal. By augmenting the number of staff assigned to the NSHP Program, the Energy Commission has been able to administer the program at a much lower cost, with estimated savings of approximately \$400,000 based on the existing IOU contracts.

Enclosed with this letter is pertinent information to support the Energy Commission's request for the CPUC to continue the NSHP Program and designate the Energy Commission to serve as administrator of the continued program. The enclosed information discusses the CPUC's authority to take the requested action; need for expedited consideration; background of the NSHP Program; anticipated date when current program funding will be exhausted; justification for continuation of the program; amount of and justification for the additional funding requested; justification for Energy

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Commission administration of the continuation program; recommended level of CPUC oversight; and suggested mechanism for accounting and transferring program funding, if the program is continued and the Energy Commission is selected to serve as the program administrator.

The Energy Commission respectfully requests that this matter be taken up immediately and a decision issued expeditiously to avoid an interruption in the NSHP Program that could have severe negative effects on the solar housing market, the solar industry, and achievement of California's zero net energy goals for new homes.

Thank you for your consideration of this matter. If you have questions about this request, please contact Suzanne Korosec from the Energy Commission's Renewable Energy Division at [suzanne.korosec@energy.ca.gov](mailto:suzanne.korosec@energy.ca.gov) or (916) 654-4516, or Gabriel Herrera from the Chief Counsel's Office at [gabe.herrera@energy.ca.gov](mailto:gabe.herrera@energy.ca.gov) or (916) 654-5141.

Sincerely,



Robert P. Oglesby  
Executive Director

Enclosures