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CBIA Comments in Support of SMUD's Revised Community Solar Program

Additional submitted attachment is included below.



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January 31, 2020

California Energy Commission
Docket 19-BSTD-08
1516 Ninth Street
Sacramento, Ca 95814

RE: Support for SMUD's Neighborhood Solar Share Program – Revised Application

Dear Commissioners,

The California Building Industry Association (CBIA) is a statewide trade association representing 3,100 member-companies involved in residential and light-commercial construction. CBIA member-companies are responsible for over 85% of the new homes built in California each year. Please be advised of CBIA's strong support for the certification of SMUD's revised application for their Neighborhood Solar Shares Program.

The following comments are submitted in addition to our previous comments dated October 18, 2019 and November 1, 2019.

Background:

After several years of development and working intensely with stakeholders, the CEC in May of 2018 adopted major revisions to their Building Energy Efficiency Standards, including the nation's first mandate for renewable energy in new single-family homes and low-rise multifamily buildings.

It is important to note that the requirement for a "renewable energy component" was not limited to on-site rooftop photovoltaic energy systems. Recognizing the significant variations among residential construction projects throughout the state, the CEC's standards provided the builder with three very different compliance design options in meeting California's new renewable energy mandate, each with their own set of pros and cons.

- 1. The "for-sale" option:** This is where the builder installs rooftop solar and sells it to the homebuyer along with the rest of the home. While the entire cost of the rooftop solar system is passed along to the homebuyer, the homebuyer also receives 100% of the utility bill savings from the solar panels.
- 2. The "lease" or "power purchase agreement" option:** This represents the least-cost option for a new homebuyer and is where a third-party solar provider installs solar panels on the roof of the home. The third-party solar provider owns and maintains the rooftop system and enters into a 20-year arrangement with the homebuyer to provide a certain amount of electricity for a reduced rate. While this represents the least-cost option for a new homebuyer, the homebuyer does not receive the full utility bill savings associated with the "for-sale" option.
- 3. The Community Solar option:** This is where the builder complies with some or all the renewable energy mandate using solar energy produced at an **off-site** facility. This option will be especially useful in new low-rise multifamily buildings (where there may be three dwelling units located under the same area of roof) and high-density single-family home projects.

However, it should be noted that these three design options are just that; **they are design options** from which the builder can choose. Put differently, the CEC standards do not require a builder to use any one of these three compliance paths, only that the builder comply with the renewable energy component required for each dwelling. And for the Community Solar examples cited above, it may be impossible to find enough usable area on-site to install an adequate supply of solar panels. Besides, even if there were, it would probably serve our state's housing needs better to use such open areas for additional dwelling unit production and to bring in renewable energy from some remote, off-site source where the land is available and at much lower cost.

Key Trends Occurring in California's Housing Market:

- The PG&E Public Safety Power Shutoffs of 2019 were not well received by the public. As a result, there is a very strong and increasing market demand for the combination of rooftop solar and on-site energy storage for both new and existing homes. Since power shutoffs will be around for the foreseeable future, this market demand will be around for some time.
- Time-of-Use Rates are also contributing to the rise in consumer demand for the combination of rooftop solar and on-site storage.
- Multifamily construction has overtaken single-family home construction in California. For decades, single family home construction outpaced multifamily by a 2-to-1 margin. However, for eight out of the last nine years, multifamily has outpaced single-family construction. This is the new normal.

So what? The three points raised above help demonstrate the diverse and changing market to which California builders must respond. The first two points clearly reinforce the industry assertion that market demand for rooftop solar (and for on-site storage) is going to be **very** strong for the foreseeable future. And builders will be responding to that market demand.

At the same time, with the increase in multifamily construction, especially infill projects with tight lot constraints and limited rooftop area, builders will also be looking for off-site sources of renewable energy to meet this new mandate. Availability of "community solar" helps industry deal with these design constraints while at the same time helping the state meet its greenhouse gas reduction goals.

Bottom line: When it comes to new residential construction, one-size-does-not-fit-all. Housing markets in coastal areas differ significantly from those in the Central Valley region, as does the design considerations and constraints related to infill multifamily projects or high-density, production-style single-family home development compared with a high-end custom home built on a large expansive lot. The fact is, there is a wide array of housing needs and market forces to which builders must address. To that end, the CEC saw fit to allow for either on-site or off-site solar energy to meet the requirement for a renewable energy component for all new dwellings.

SMUD's Revised Neighborhood Solar Share Program:

SMUD's revised Solar Share Program is an example of one approach to providing community solar, but certainly not the only approach. However, in response to comments provided by interested parties in October and November, SMUD has made some very significant changes to their initial application. The most significant revisions are noted below:

Location & Size: The revised application makes it clear that SMUD will limit its supply of renewable energy to facilities located within the SMUD territory. In addition, the size of the community solar facilities supplying solar resources to the program will be scaled back to no

more than 20 megawatts, a significant reduction in the size of the facility initially being considered.

Builder Option: SMUD will allow builders participating in the Solar Shares Program the ability to offer either rooftop solar or community solar to prospective homebuyers.

Battery Storage: SMUD has once again clarified that it actively encourages and will continue to encourage customers to install on-site battery storage for load flexibility purposes.

Why is CEC Certification of the SMUD Program so desperately needed?

Now that SMUD has responded to public input and suggestions by various commissioners, it is vital that the program is certified to send the message to others who may be considering submitting their own community solar program that the process is fair, balanced and can be navigated to a successful conclusion. Further delay could unintentionally place this important design option into question and send the wrong message to not only those also considering the development of a community solar program, but to those builders who already were planning to use the SMUD Solar Share Program.

We were pleased to see that the CEC Staff Analysis found SMUD's revised proposal continues to comply with each of the administrative requirements set forth in §10-115. The fact that SMUD's revisions address issues beyond those required in §10-115 show a clear willingness on the part of the applicant to respond to the concerns raised by the public in a very positive manner. For this and the reasons stated earlier, CBIA strongly supports the CEC approval of SMUD's revised Neighborhood Solar Shares Program.

Sincerely,



Robert E. Raymer, PE
Technical Director/Senior Engineer