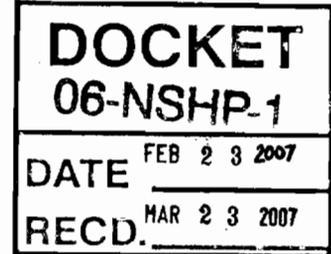


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February 23, 2007

Commissioner John Geesman
 Commissioner Jackalyne Pfannenstiel
 California Energy Commission
 New Solar Homes Partnership Committee
 1516 Ninth Street
 Sacramento, CA 95814-5504



RE: Docket No. 06-NSHP-1
 SDG&E's NSHP Administration Cost Estimate

Dear Commissioners:

In response to the February 7, 2007, request from California Energy Commission (CEC) staff SDG&E has reviewed the tasks enumerated in the working draft of the NSHP Outsourcing Task Options and provide the following cost estimates.

Discussion:

SDG&E believes that the New Solar Homes Program (NSHP) tasks identified on page 3 can be divided into two categories.

The first category represents those tasks that have significant synergies with SDG&E's existing Residential New Construction (RNC) Energy Efficiency (EE) program and would not require any incremental cost to implement. Those tasks include:

Technical Support

(Equipment Certification/List, Retailer Registration and Field Verification Protocol)

Consumer Outreach

(Consumer Education/Outreach/Marketing and Training)

Computer Support

(Application Database Development & Maintenance and Website Development & Maintenance)

The second category are those tasks that are labor intensive and are related to but incremental to SDG&E's current EE program activities. Those tasks include:

Application & Payment Processing

(Application Processing, Payment Review, Special Situations/Appeals/Fraud and Call Center)

Program Management

(Program Evaluations, Program Reporting and Field Verification & Monitoring)

Cost Estimate:

Given the significant synergies with SDG&E's existing RNC EE program, **SDG&E estimates that it can administer the Application & Payment Processing Task for \$150,000/year.** However, since SDG&E does not administer the California Solar Initiative program in its service territory, there are no program synergies for the Program Management task and, therefore, will require **\$50,000/year to administer the Program Management** task. In total, SDG&E estimates that \$200,000/year will be required by SDG&E to implement the NSHP -- George -- as part of the assumptions I think you need to provide some assumptions on how the \$150,000 and \$50,000 estimates were derived and what they will cover. The assumptions below primarily support the activities that don't require any additional funding.

Assumptions:

Listed below are some assumptions used in the development of these cost estimate:

- » Costs for the Application and Payment task include: design review and recommendations, application processing and database activities, plan review, project database entry in HERS providers registries, tracking of verifications and incentive payments. To ensure accurate and timely payments of incentives, the amount of plan types created and provided to the HERS raters will increase because plan elevations variations affects solar installations.
- » Costs for the Program Management task include: Regular program and project reporting requirements, including results for both NSHP and energy efficiency programs. Verification documentation to substantiate NSHP incentive payment.
- » The payment process will be the responsibility of the CEC.
- » SDG&E's Technical Support responsibilities include acting as the subject matter experts for these tasks, directing interested parties to official equipment lists, helping them understand the processes and protocols to get retailers registered, equipment certified and systems certified. This task does not include costs associated with certifying equipment, registering retailers, or performing HERS inspections.
- » SDG&E will support existing efforts for Consumer Outreach by leveraging existing field representatives that call on builders to promote energy efficiency.

Yours sincerely,

Bernie Orozco

NSHP OUTSOURCING TASK OPTIONS
Working Draft

| Task | Possible Options | | IOU Recommendations | Comments |
|--|--|-----|-----------------------------------|----------|
| | Share Tech Support; Day-to-Day Operations Outsourced | | IOU to check possible task option | |
| | CEC | IOU | | |
| Application & Payment Processing | | | | |
| Application Processing | | X | | |
| Payment Review | | X | | |
| Special Situations/Appeals/Fraud | X | X | | |
| Call Center | | X | | |
| Program Management | | | | |
| Program Evaluations | X | X | | |
| Program Reporting | X | X | | |
| Field Verification & Monitoring | | X | | |
| Technical Support | | | | |
| Equipment Certification/List | X | X | | |
| Retailer Registration | X | X | | |
| Field Verification Protocol | X | X | | |
| Consumer Outreach | | | | |
| Consumer Education/ Outreach/Marketing | X | X | | |
| Training | X | X | | |
| Computer Support | | | | |
| Application Database Development & Maintenance | X | X | | |
| Website Development & Maintenance | X | X | | |
| Energy Commission Responsibilities | | | | |
| NSHP Guidebook Policy/Regulations | X | | | |
| SB-1 Requirements | X | | | |
| PV Calculator Maintenance | X | | | |
| Payment Approval & Processing | X | | | |
| Auditing IOUs | X | | | |
| Payment Record Retention (STD204) | X | | | |
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