California Building Industry Association

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In the matter of:	)	**Docket No. 06-NSHP-1**
	)	
The Design of the New Solar	)	California Energy Commission
Home Partnership Program:	)	Dockets Office, MS-4
Proposed Revisions to the	)	1516 Ninth Street
NSHP Guidebook	)	Sacramento, CA 95814-5512

Comments submitted on behalf of:

California Building Industry Association
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Sacramento, California 95814

Date: August 15, 2013

Introduction:

The California Building Industry Association (CBIA**)** is a statewide trade association representing over 4,000 member-companies involved in residential and light-commercial construction. CBIA member-companies are responsible for over 90% of the new homes built in California each year.

CBIA welcomes the opportunity to provide these comments to the California Energy Commission and we would like to reiterate our continued support for the comments jointly filed on behalf of CBIA, the Solar Energy Industries Association and The Vote Solar Initiative on December 19, 2012. In addition, CBIA strongly supports the comments being submitted by Lennar Corporation, one of the largest builders of new homes in the nation and in the State of California.

The following additional issues and/or concerns are provided in order of significance to CBIA:

1. **Levels of Additional Energy Efficiency Required of NSHP Participants**

   The CEC has and will continue to require increased levels of energy efficiency as a prerequisite for participation in the NSHP program. Initially, the NSHP program required levels of energy efficiency which exceeded the minimum state requirements by +15% and +35%. This was in response to the SB 1 statutory mandate for the CEC to encourage "appropriate energy efficiency improvements" in the new homes that would take advantage of incentive funding. The Level II requirement for +35% was later reduced to +30% after the CEC updated the minimum state efficiency standards and concerns were raised over the cost of complying with the +35% level of enhanced energy efficiency.

   In May of 2012, the CEC adopted updated minimum energy efficiency standards that will take effect on a statewide basis January 1, 2014. It is well understood that this update to California' energy efficiency standards incorporates the largest single increase in stringency (+25%) in the 35-year history of these important state standards. Unfortunately, this latest update also results in the largest single increase in compliance cost ever associated with an update of the standards (statewide average increased cost of $2,500/home).

   More importantly, the cost of going "above code" after January 1, 2014 is increasing significantly as a result of diminishing returns. While there are still a variety of ways to increase energy efficiency in new homes, the incremental cost of getting that next "percentage increase" in energy efficiency is going up exponentially. The following is an overview of projected compliance costs:

   2013 CEC RES: Compliance Costs for Reach I & II

   NOTE: The following compliance cost estimates apply only to Climate Zone 12 (Sacramento Valley). Cost estimates were provided to CBIA by ConSol who has been using various beta versions of the compliance software that the CEC will be certifying in September.

   2010 RES > **2013 RES = $2,510**

   With regards to minimum compliance with the 2013 energy efficiency standards, there is an estimated **$2,510** increased cost above that associated with the 2010 energy efficiency standards.

   REACH I (2013 RES + 15% increase in stringency) **= $4,415**

   In order to go approximately 15% beyond the 2013 RES, it will cost another $2,205 in addition to the $2,210 it cost to reach minimum compliance. As such, REACH I (+15%) will cost an additional $4,415 above today's 2010 code. ($2,210 + $2,205)

   REACH II (2013 RES +30% increase in stringency) **= $7,915**

   In order to go another 15% beyond REACH I, it will cost an additional $3,500. As such, going +30% above the 2013 minimum standards will cost an additional $7,915 above today's 2010 code ($2,210 + $2,205 + $3,500).

This substantial increase in cost, especially that associated with going +30% above code will drive most builders away from using the NSHP at a time when market dynamics are clearly showing signs favoring the increased use of solar. For example, if a builder is putting on a 4Kw PV system, **the additional $8,000 cost associated the +30% energy efficiency component will eat up the entire NSHP rebate.**

As California's housing sector continues to improve, the events of the next 2-3 years will play a key role in establishing the placement of solar as a standard feature among production home builders.

Clearly, maintaining the +15% and +30% energy efficiency thresholds for participation will push builders away from the NSHP program at a time when the CEC is seeking to increase acceptance of solar within the building industry. It should also be noted that this concern was reiterated by a broad cross-section of participants at the August 6th Workshop including representatives from utility companies (both IOU and municipal) as well as a host of energy consultants.

Recommendations:
We understand and support the CEC's desire to establish higher levels of energy efficiency as a prerequisite to participation in the NSHP program. However, we strongly recommend the CEC revisit the specific "percentage thresholds" being considered for Level I and (especially) Level II NSHP incentive funding.

One alternative would be the establishment of Level I and Level II energy efficiency thresholds of 10% and 15% respectively. Another alternative would allow participation in Level II funding via compliance with the Level I energy efficiency threshold **plus** the installation of one or more energy efficiency measures chosen from a list of prescriptive measures approved by the CEC (ie: plug load, demand side management, etc). Industry also remains open to other concepts and options not covered here and we would welcome the opportunity to continue our dialog with the CEC and stakeholders on this critical issue.

2. "Banking" of Solar Power at the Project level vs House-by-House Application

At the August 6th Workshop, CEC staff indicated a desire to explore the flexibility of "reservation funding at a project level rather than the sum of site incentives". CBIA strongly agrees with this concept as it recognizes the day-to-day changes which are so common with large, production-style residential projects. This approach could substantially reduce the time-consuming bureaucracy associated with making changes to the initial NSHP submittal in order to deal with relatively minor design changes in the field, such as the shifting of more solar from one dwelling to another within the same project.

CBIA would also respectfully request the CEC consider allowing the shifting of reservation from one project to another by the same builder/company, providing it both projects are within the same climate zone. Such flexibility would recognize that, as the housing sector improves, the pace at which the marketability of one project can improve substantially compared with that of another. CBIA also recognizes and shares the CEC's concern that such an option be fair and not place other NSHP participants at a disadvantage. Such an option would need to be one that establishes a complete transfer of the NSHP reservation from one project to the other. Coupled with the staff's recommendation relative to having the builder show "ongoing progress" in the construction process should effectively prevent any potential gaming of the system.

The benefit of such program flexibility will allow for the installation of solar on those projects which, for one reason or another are moving forward at a much quicker pace than that anticipated when the initial NSHP reservation was submitted. The benefit to the state is from the installation of the same amount of solar at a quicker pace. As with the previous item, CBIA remains open to further discussions on how this option could be effectively incorporated into the NSHP program.

3. **Miscellaneous Comments**:
   - **Partial Payment Option –** Industry strongly supports this concept. Since the inception of the NSHP program, the timely payment of incentive funding has been an ongoing issue. CBIA is pleased to see the CEC considering steps to allow for partial payment of incentive funds and will support qualifying criteria indicated by staff at the August 6th workshop.

   - **Decoupling of documents –** Industry also supports any and all "decoupling of documents" as a way of reducing required paperwork and (more importantly) speeding up the related administrative process related to participation in the NSHP program. We realize this is easier said than done; however, the benefits are clear. Some of the documentation paperwork currently required for participation in the NSHP program is related to other regulatory issues under the authority of the CEC but not directly relevant to the "solar installation".

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The following is a reprint of Comments submitted to this Docket on December 19, 2012:

Re: Docket No. 06-NSHP-1;
Comments on the Staff Workshop on Solar on New Residential Construction

I. INTRODUCTION

The Solar Energy Industries Association (SEIA)[1], The Vote Solar Initiative and the California Building Industry Association (collectively, the Filing Parties) jointly submit comments herein in response to the California Energy Commission's (Commission) request for comment following the staff Workshop regarding solar on new residential construction. The Filing Parties are grateful to the Commission and Commission staff for hosting the December 5, 2012 Workshop and considering the perspectives of a vast array of stakeholders on this important topic. The Filing Parties offer within these comments suggested revisions to the New Solar Homes Partnership (NSHP or Program) Guidebook intended to increase Program efficiencies and expand Program participation.

The Workshop provided a much-needed opportunity for stakeholders to publicly discuss trends in the new solar housing market, including the anticipated growth of the market, cost declines and projections, financing models, and consumer protections embedded in these models. Stakeholders expressed the need to update the Guidebook consistent with these trends and models, which we believe will go a long way towards improving the overall level of satisfaction with the Program. Towards this end, stakeholders appeared to unanimously urge the Commission to increase its level of meaningful stakeholder engagement on a consistent basis. On-going dialogue will provide an opportunity for all stakeholders, including the Commission and Program Administrators (PAs), to raise Program issues or concerns in a public and transparent forum with the added benefit of information exchange on upcoming Program changes, best practices, market trends, etc.

Finally, the Filing Parties would like to emphasize the word "Partnership" in NSHP; it is only through a partnership with the Commission, PAs, builders, solar industry, and other stakeholders will the Program meet its statutory goals of 400 MW of solar capacity by 2016 and Program goals of: 1) solar systems on 50% of all new homes by 2016; and 2) a self-sustaining new homes solar market. The building industry testified that it projects 15-20 percent solar penetration on new homes in 2012-13 and all signs point to a more robust Program as builders emerge from the economic recession and begin offering solar as a standard feature on certain developments, an unprecedented shift in the market.

However, much remains to be done if the "Partnership" is to meet the above goals. Specifically, as SEIA, CBIA and others testified during the Workshop, and as discussed in more detail below, the Filing Parties believe that it is essential that the Commission modernize and streamline the Program, while maintaining Program integrity and ratepayer protections, in order to reflect market realities and trends and provide builders with more flexibility, both of which would lower the Program's "soft costs" and help create the self-sustaining market to which we all aspire.

II. COMMENTS

A. The Commission Should Re-Establish the Advisory Committee to the New Solar Homes Partnership.

In keeping with the sentiment expressed by a wide range of stakeholders, including SEIA and CBIA, during the Workshop, the Filing Parties request that the CEC renew the Advisory Committee (Committee) to the NSHP, which, according to the Commission's website, "is an independent, informal stakeholder group that includes representatives from the building, utility, and solar industries." We understand the purpose of this Committee was the creation of a forum to discuss Program implementation and other issues. Alternatively, the Filing Parties suggest that the Program Administrators (PAs) could jointly host quarterly stakeholder meetings in a manner consistent with the extremely successful model employed as part of the California Solar Initiative (CSI).

Please note that the CEC has addressed the issue raised Item B (below)

~~B. The Guidebook Should Be Revised to Enable Homebuilders to be Interim Signatories to Solar Leases or PPAs.~~

~~The Filing Parties urge the Commission to revise the Guidebook to allow homebuilders to be interim signatories to solar leases or power purchase agreements (PPAs) for the sole purpose of reserving Program incentives. Such a revision would not, however, remove the existing Program requirement that the homeowner or "end use customer" ultimately be a signatory to a lease or PPA at the incentive claim stage. As envisioned, once a home closes escrow, the builder (interim lessee) would subsequently transfer the lease to the homeowner who would then be authorized to claim the incentive the builder had previously reserved.~~

~~It is important to consider that housing developments are often built without identified homeowners in place and undergo the planning and permitting process far in advance of a sales cycle. Solar installations can take place either concurrently or just after a home is built and the financing of such systems under the third-party ownership model usually requires that a solar lease be executed at the time of installation. However, because the homebuyer does not actually own the house prior to close of escrow, entering into a lease or PPA for a system to be installed on that property complicates the legal structure. Further documentation must be entered into by the builder and solar provider to~~

~~authorize the installation of the system. This complication slows down the installation process and serves no benefit to the homebuyer (to the contrary, it requires them to enter into a lease prematurely). Without authorization in the Program Guidebook for a builder to be an interim lessee, we are faced with a "chicken and egg" conundrum that has stalled the development of new solar homes and has threatened the ability of the Program to meet its statutory goals. If a builder cannot reserve incentives to offset the cost of a solar system prior to installation, the builder will likely forego solar.~~

~~Authorizing homebuilders to be interim signatories to solar leases or PPAs reflects the market realities of home building and third-party leasing models, which has significantly expanded the penetration of solar PV on new homes, as evidenced in the California Solar Initiative (CSI) database and in various recent studies. We urge the Commission to revise the Guidebook accordingly as soon as possible so as not to present a barrier to this financing model and risk not meeting the Program's statutory goals.~~

C. The Guidebook Should Be Revised to Clarify Application Requirements and Include Review Timeframes and Due Process.

The principal purpose of the Guidebook is to comprehensively detail all Program application requirements and we believe it does so in a satisfactory manner even though some improvements can be made. However, PAs routinely impose additional requirements that are not listed in the Guidebook or the online NSHP web portal. This practice creates confusion and inefficiencies for Program participants and increases the Program's "soft costs". In some cases, applications are rejected without any explanation or due process after many weeks of review.

In short, it is not entirely clear what is expected of applicants in practice and the Guidebook does not afford applicants with any due process in the face of arbitrary and capricious decision-making. For example, some PAs allow applicants to re-submit documentation while others simply reject applications and thus force applicants to start the process entirely anew after already experiencing extraordinary review timeframes.

In order to increase Program's transparency, certainty and equity, we request that the Commission revise the Guidebook as follows:

1) Clearly list in one section all application requirements applicable statewide. The Guidebook should unequivocally require the PAs to only enforce those requirements listed in the Guidebook.
2) Establish specific application review timeframes and allowances to correct application deficiencies within a certain window without the risk of rejection. Beyond this window, an application may be rejected or a PA and applicant may "meet and confer" and establish a mutually agreeable timeframe in which to resolve deficiencies.
3) Develop an appeals and dispute resolution process consistent across all PAs. Currently, the Guidebook does not prescribe any such process and, as a result, applications have been or could be rejected arbitrarily without any explanation or due process. For simplicity and expediency, the Joint Parties refer the Commission to the appeals and dispute resolution provisions in the CSI Handbook.

D. The Guidebook Should Be Revised to Authorize Community-Wide Incremental Increases and Establish a Kilowatt (kW) Banking System.

Given long lead times in housing construction, it is rarely possible to predict with 100% accuracy the ultimate size and number of solar systems on certain developments. The Guidebook appropriately recognizes this challenge and establishes a process to apply for incremental incentives. However, the current process is extremely inefficient and prohibitive to meeting the goal of installing 400 MW of solar on new construction by 2016. As an alternative, the Filing Parties urge the Commission to adopt additional means of flexibility by revising the Guidebook to allow builders to request to increase system sizes on a community or development level, as opposed to the current lot by lot allowance. A change of this nature will more favorably align Program procedures with the realities of the construction industry.

Additionally, in order to foster much needed flexibility for builders, the Filing Parties request that the Commission strongly consider the adoption of a kW banking system whereby a builder may transfer their NSHP reservations from one project to a neighboring project should market conditions or homebuyer demand changes. As the Commission is well aware, the housing market is continuing its slow rebound and market conditions are extremely volatile. As such, the marketability of solar as a standard feature on one project could increase significantly within a very short period of time. With the appropriate safeguards in place, the Filing Parties believe that a kW banking system would be a key catalyst to further transform the new solar housing market.

III. CONCLUSION

For the reasons addressed herein, the Filing Parties strongly urge the Commission to consider the recommendations for revisions to the NSHP Guidebook as soon as possible. We request that the Commission adopt revisions of a less complex nature as early as February 2013 and defer more complex revisions to April or May 2013. We appreciate the opportunity to submit these comments and hope to continue our close collaboration with the Commission and Commission Staff in order to maximize the NSHP's potential and achieve the 400 MW Program goal by 2016.

Respectfully submitted,

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