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STAFF REPORT

New Solar Homes Partnership Program Quarterly Progress Report

(October 1-December 31, 2018)

California Energy Commission

Gavin Newsom, Governor

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ABSTRACT

The New Solar Homes Partnership (NSHP) program contributes to California's continuing efforts to promote and develop clean, renewable electricity generation. This report provides an update on key NSHP program statistics for the fourth quarter of 2018. This report is produced as required by California Public Utilities Commission Decision 16-06-006, "Decision Funding Authorizations and Related Measures for Continuation of the New Solar Homes Partnership Program," approved June 9, 2016.

Keywords: New Solar Homes Partnership, NSHP, Commission, California Public Utilities Commission, CPUC, Decision 16-06-006, market-rate, affordable housing

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CHAPTER 1:

Introduction and Background

Senate Bill 1 (Murray, Chapter 132, Statutes of 2006) established the California Solar Initiative (CSI) with three goals: (1) installing solar energy systems with a generating capacity equivalent to 3,000 megawatts (MW); (2) establishing a self-sufficient solar industry within 10 years; and (3) placing solar energy systems on 50 percent of new California homes by 2020. The CSI is implemented by the California Energy Commission (CEC), the California Public Utilities Commission (CPUC), and the state's local publicly owned electric utilities in different programs that share common goals.

Launched in January 2007, the New Solar Homes Partnership (NSHP) program is the CEC's component of the CSI and is limited to new home construction in investor-owned utility (IOU) service territories. The program provides financial incentives for homeowners, builders, and developers to include solar energy systems on new, energy-efficient homes. The NSHP program goal under the CSI is to incentivize the installation of 360 MW solar capacity.

Participation in the NSHP program is a two-step process in which applicants reserve funding for a project in advance and receive an incentive payment upon completion of the project. Once the reservation application is approved, applicants have the reservation period to finish building construction, install the solar energy system, interconnect with the utility grid, complete third-party field verifications, and submit a payment claim package to the CEC.

A reservation application may cover a single site or multiple sites depending on the project. The NSHP program has multiple project types defined in the *NSHP Guidebook, Eleventh Edition* including:

- Solar as standard - Defined as developments of six or more residential units with solar on 50 percent or more of dwelling units.
- Custom homes - A project consisting of a single residence.
- Affordable housing projects - Projects that include affordable housing residential unit projects and affordable housing common area projects.
- Common area projects - Projects where the solar systems are installed on the nonresidential portions of market-rate residential developments.
- Virtual net metered¹ projects - These projects include affordable housing and market-rate housing projects.

¹ *Virtual net energy metering* is a tariff arrangement that allows a property owner to allocate credits from a single solar energy system to multiple units, in which each has an electric meter.

- Solar not as standard - Defined as projects where solar will be installed on less than 50 percent of the residential units.
- Small developments - Defined as developments with fewer than six residential units.

Funding Deadlines

Senate Bill 83 (Chapter 24, Statutes of 2015) established an encumbrance deadline of June 1, 2018, for the NSHP program, and a payment disbursement deadline of December 31, 2021. To fulfill these requirements, the CEC established a reservation submittal deadline of April 1, 2018, and a payment submission deadline of August 31, 2021. The first quarter of 2018 was the last quarter new reservation applications could be submitted for the NSHP program.

CHAPTER 2: 2018 Fourth Quarter Program Statistics

Reservations

After the April 1, 2018 NSHP program reservation deadline, the CEC has discontinued accepting NSHP program reservation applications. This public reservation submission deadline was set to satisfy the June 1, 2018 encumbrance deadline set in Senate Bill 83. After June 1, 2018, no additional reservations will be granted to accommodate new projects or adjustments to existing encumbrances.

Table 1: Reservations as of December 2018²

Project Type	# of Systems	Encumbrances	Capacity (MW)
Solar as Standard	69,267	\$132,603,254	255.53
Affordable Housing	407	\$19,015,741	12.40
Custom Homes	127	\$942,598	1.66
Other	1,407	\$5,556,937	8.61
Totals	71,208	\$158,118,530	278.20

Source: California Energy Commission

Payment Claims

For a site to receive a payment claim approval, the solar energy system must be installed, grid-connected, and third-party verified, and the building must meet or exceed the energy efficiency standards proposed in the applicant's reservation. Table 2 displays the number of payment claims approved in the fourth quarter of 2018.

**Table 2: Payment Claims Approved
October 2018 Through December 2018**

Project Type	# of Systems	Incentive Amount	Capacity (kW AC)
Solar as Standard	3,984	\$5,306,206	12,069.74
Affordable Housing	3	\$264,699	173.03
Custom Homes	27	\$109,391	192.49
Other	20	\$69,880	136.45
Totals	4,034	\$5,750,176	12,571.71

Source: California Energy Commission

² Reservations on this table are outstanding reservations not incentivized as of the indicated date. The reservations listed in this table were approved during the fourth quarter of 2018 and remained outstanding until December 31, 2018. Reservations on this report do not include disapproved, withdrawn, or canceled sites/projects.

Payment Claims Submitted and Approved

Table 3 shows the total number of payment claims submitted and approved during the fourth quarter of 2018.

Table 3: Payment Claims Submitted and Approved October 31, 2018 Through December 31, 2018

	Applications Submitted	Approved
Incentive Payment Claims	3,380	4,034

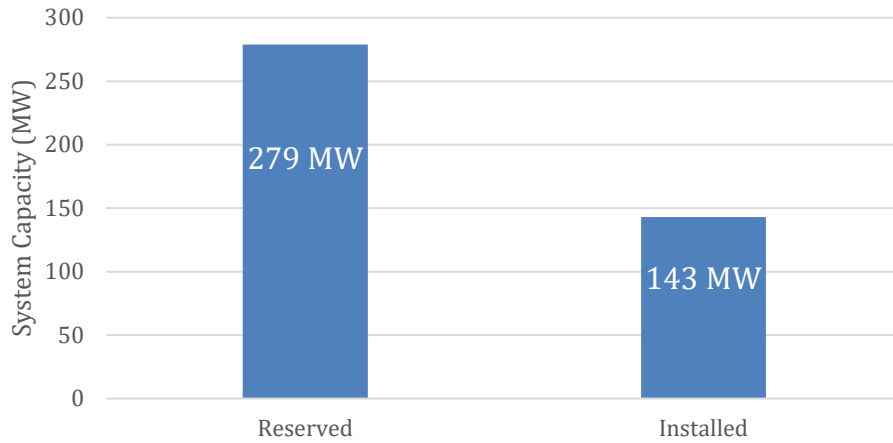
Source: California Energy Commission

Overall Progress Toward Meeting Program Goals

The goal of the NSHP program is to install 360 MW of solar energy capacity on new housing by December 31, 2021. As of December 31, 2018, the NSHP program has supported the installation of approximately 143 MW and reserved 279 MW. Combined, the NSHP program is on track to install 422 MW of solar PV.

Due applicant selected changes in final building construction, not all projects will be able to meet NSHP program requirements. Projects or sites no longer meeting NSHP program requirements will be disapproved. Sites disapproved, withdrawn, or expired are removed from program metrics and will not count towards the program goal tracker.

Figure 1: Progress Toward NSHP Program MW Goal (All Years)



Source: California Energy Commission

CHAPTER 3:

Funding Reporting

Established in 2007, the NSHP was allocated \$400 million from a funding source called the Public Goods Charge (PGC). Due to a lack of funding, the amount to be provided from the PGC funding source was later restricted to \$288.24 million. To address the shortage in promised funding, the California Public Utilities Commission made available through Decision 16-06-006 up to \$111.78 million in additional funding. This funding was collected from customers located in the investor owned utility territories.

Prior to utilizing the investor owned utility (IOU) funding source, the California Public Utilities Commission required the NSHP to fully disencumber all funding from the PGC fund. The utilization of IOU monies may decline as projects transition to utilize available PGC funds.³ IOU funds not incentivized by December 31, 2021, are forfeited and returned to ratepayers.

During the fourth quarter of 2018, all Renewable Resource Trust Fund (RRTF) monies, also referred to as Public Goods Charge (PGC) funding for the NSHP program, were paid out or encumbered. These amounts are shown in Table 4 below.

Table 4: NSHP Program Funding Paid and Encumbered as of December 2018⁴

	Encumbered	Paid
RRTF/ PGC Monies (Millions)	\$86.5	\$198.84
IOU Monies (Millions)	\$71.47	\$0

Source: California Energy Commission

³ PGC funding may become available due to changes in final and proposed project construction. Funding initially reserved for projects are reassessed during the payment claim. Final project incentives are based upon installed and third-party verified construction. Decreases in project incentives from the reserved amounts create additional funding availability.

⁴ NSHP project funding amounts are subject to change. The information in this section reflects funding amounts effective as of the creation date of this report.

CHAPTER 4:

Conclusion and Outlook

During the fourth quarter of 2018, NSHP program staff approved 4,034 incentive payment claims representing nearly \$5.8 million and over 12.5 MW of solar capacity. Based upon the reserved and installed MW capacities the NSHP program is on track to reach or exceed the installed solar electric capacity goal of 360 MW.

The NSHP program staff anticipate an increasing number of incentive payment claims per month in 2019-2020. To prepare for this increase, NSHP program staff are working with the CEC accounting office, Information Technology Services Branch, and the California State Controller to ensure incentive payment claims are processed in a timely manner, identifying and streamlining incentive payment processing procedures. In addition, staff are assisting program participants with payment claim applications, maintaining existing reservations, and helping with NSHP program-related inquiries and tasks.