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STAFF REPORT

New Solar Homes Partnership Program Quarterly Progress Report 2019 Fourth Quarter

Technology and Incentives Office
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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 2019. This report is produced in accordance with California Public Utilities Commission Decision 16-06-006, "Decision Funding Authorizations and Related Measures for Continuation of the New Solar Homes Partnership Program," dated 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

The New Solar Homes Partnership (NSHP) program was created as part of a statewide solar program called the California Solar Initiative (CSI). Senate Bill 1 (Murray, Chapter 132, Statutes of 2006) established three goals for the CSI:

1. Install 3,000 megawatts (MW) of solar generating capacity
2. Establish a self-sufficient solar industry
3. Install solar energy on 50 percent of new California homes by 2020

To reach these goals, the CSI established the New Solar Homes Partnership.

Launched in January 2007, the NSHP program is the California Energy Commission's (CEC) 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 types¹ defined in the *NSHP Guidebook, Eleventh Edition* including:

- Large development – developments of six or more residential units with solar on 50 percent or more of dwelling units (also referred to by Solar as Standard).
- 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 metered² projects – projects that include affordable housing and market-rate housing projects.

¹ The NSHP does not classify project types based upon single or multi-family construction. Either construction types may be used in Large Development, Affordable Housing, or other types as appropriate.

² *Virtual net energy metering* is a tariff arrangement that allows the electricity produced by a single solar energy system to be credited to multiple units, in which each has an electric meter.

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

Funding Deadlines

Senate Bill 83 (Committee on Budget and Fiscal Review, 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 application submittal deadline of April 1, 2018, and an incentive payment claim submittal deadline of August 31, 2021.

CHAPTER 2:

2019 Fourth Quarter Program Statistics

Reservations

After the April 1, 2018, NSHP program reservation application deadline, the CEC stopped accepting reservation applications. This reservation application deadline was established to satisfy the June 1, 2018 encumbrance deadline, provided for in Senate Bill 83 (Committee on Budget and Fiscal Review, Chapter 24, Statutes of 2015). No additional reservations were granted for new projects or adjustments to existing encumbrances after June 1, 2018. Table 1 displays the active reservations in the fourth quarter of 2019.³

Table 1: Active Reservations as of December 31, 2019

Project Type	# of Systems	Encumbrance Value (\$)	Capacity (MW)
Large Development	45,343	\$82,200,738	169.59
Affordable Housing	302	\$15,015,026	9.72
Custom Homes	41	\$155,329	0.33
Other⁴	242	\$1,983,472	2.76
Totals	45,928	\$99,354,565	182.40

Source: California Energy Commission

³ Since the program is not accepting new reservations, table 1 displays active reservations as of December 31, 2019. Reservations listed in this table were granted prior to the June 1, 2018 encumbrance deadline.

⁴ Other consists of NSHP project types: Common Area, Virtual Net Metered, Solar Not as Standard, and Small Developments.

Payment Claims and Program Activity by Project Type

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 2019.

Table 2: Payment Claims Approved October 1, 2019 Through December 31, 2019

Project Type	# of Systems	Amount of Funds Paid (\$)	Capacity (MW)
Large Development	2,134	\$1,820,810	6.15
Affordable Housing	6	\$526,801	0.33
Custom Homes	1	\$3,863	0.03
Other⁵	5	\$103,931	0.21
Totals	2,146	\$2,455,405	6.72

Source: California Energy Commission

Payment Claims Received and Approved in Fourth Quarter of 2019

Table 3 shows the total number of payment claims received and approved during the fourth quarter of 2019.

Table 3: Payment Claims Received and Approved October 1, 2019 Through December 31, 2019

	Received	Approved
Payment Claims⁶	2,658	2,146

Source: California Energy Commission

Incentive Payment Claim Processing Time

The NSHP team receives, documents, processes and approves the incentive payment claim for FI\$Cal submission with an average processing time of 4-6 weeks. Once approved, the California Energy Commission Accounting Office requires an additional 6-8 week processing time. The incentive payment purchase order is then transmitted to the State Controller’s Office for disbursement of incentive money with an average timeline of 2-4 weeks.

⁵ Other consists of NSHP project types: Common Area, Virtual Net Metered, Solar Not as Standard, and Small Developments.

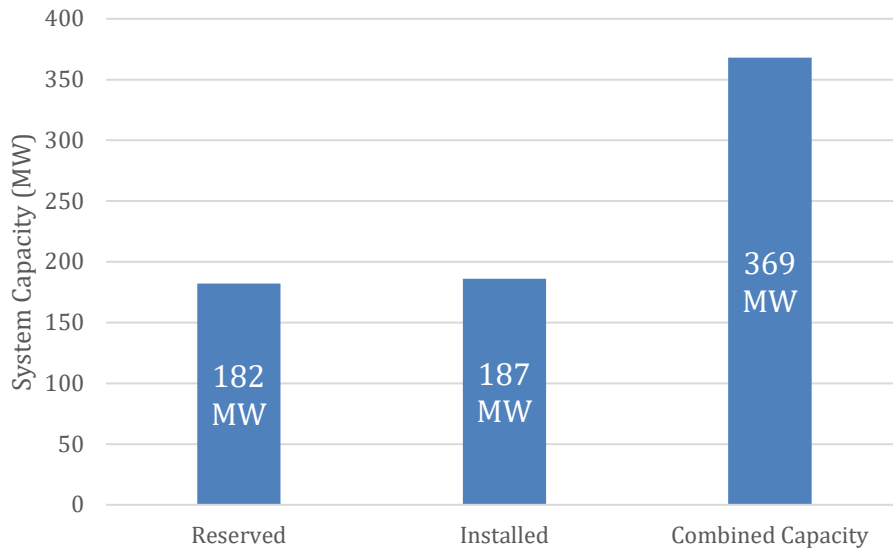
⁶ Each Payment Claim represents one site or system.

Overall Progress Toward Meeting Program Goals

A 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, 2019, the NSHP program has supported the installation of approximately 187 MW and has approximately 182 MW of reserved capacity. Therefore the NSHP program is on track to install approximately 369 MW of solar PV by 2021. Figure 1 represents this data.

Due to applicant selected changes in final building construction, not all projects will 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 Goals as of December 31, 2019



Source: California Energy Commission

CHAPTER 3:

Funding Reporting

Established in 2007, the NSHP was allocated \$400 million from the Public Goods Charge (PGC) account funded from fees collected from IOU ratepayers plus funding from the Renewable Resource Trust Fund (RRTF). To address a shortfall in program funding, the California Public Utilities Commission’s Decision 16-06-006 made available up to \$111.78 million in additional funding. This funding was collected from IOU ratepayers.

Prior to utilizing additional IOU sourced funding, the California Public Utilities Commission requires the NSHP to disburse all PGC funding.⁷

The accounting of RRTF/PGC and IOU funding through fourth quarter of 2019 is represented in Table 4 below.

Table 4: NSHP Program Funding Encumbered and Paid as of December 31, 2019

Funding Source	Initial Allocation	Encumbered	Paid
RRTF/ PGC Monies (Millions)	\$288.22	\$46.42	\$217.04
IOU Monies (Millions)	\$111.78	\$62.48	\$0
Total	\$400.00	\$108.90	\$217.04

Source: California Energy Commission

⁷ Previously reserved and encumbered but undisbursed RRTF funding may become available due to changes in projects. 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.

CHAPTER 4:

Conclusion and Outlook

During the fourth quarter of 2019, NSHP program staff approved 2,146 incentive payment claims representing \$2.46 million in incentive money and 6.72 MW of solar capacity. Based upon the reserved and installed MW capacities, the NSHP program is on track to install approximately 369 MW of solar electric capacity by 2021.

The NSHP staff makes every effort to maintain a positive business relationship with incentive applicants. This applicant base consists of affordable housing applicants, custom homeowners, builders, and major program stakeholders. The NSHP staff provides applicants support to effectively navigate the NSHP process. This working relationship promotes the NSHP's commitment to exceptional service.