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DOCKET

06-NSHP-1

DATE OCT 13 2006

RECD. OCT 16 2006

October 13, 2006

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 06-NSHP-1
1516 Ninth Street
Sacramento, CA 95814-5512

Re: Comments on CEC-Staff Draft Guidebook of October 5, 2006

In response to Docket No. 06-NSHP-1, Old Country Roofing submits the following comments in response to the October 5, 2006 workshop and the Draft Guidebook for the California Energy Commission New Solar Homes Partnership.

General Comments

Old Country Roofing (OCR), the largest residential roofing contractor in Northern California, strongly supports the development of an incentive program for solar that facilitates rapid growth of the solar new home market. We believe that builders are beginning to gravitate towards incorporating solar electric systems into their production building practices, and it is critical that these builders come away from their first experiences with solar feeling good about the technology, the pricing, the installation, and the paperwork, thereby leading them to wanting to standardize it into all of their projects.

We believe that the draft guidelines for the Solar New Home Partnership is a great step in the right direction, and with some additional fine tuning, the program is poised to be successful.

Program Eligibility Requirements

A strong launch to this program is critical for its success. Accordingly, OCR feels that any builder that is building to California's already strict energy code should be entitled to participate in the Solar New Home Partnership. That being said, we understand and support the concept of tying solar to higher levels of energy efficiency. Therefore, OCR recommends that the base case for Tier I be changed from requiring the builder to reduce the building's combined space heating, space cooling, and water heating energy from the stated 15% compared to the 2005 Title 24 Standards to being at the actual Title 24 Standards. Title 24 Standards are scheduled to be modified in 2008, and it makes sense to address the desired increase in energy efficiencies at that time.

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In Section H on System Installation, it references "Companies with roofing specific licenses." The specific roofing contractor's license is a C-39, of which details can be found on the CSLB website. Furthermore, a C-39 licensed roofing contractor should be allowed to install the panels on the roof, connect the wires between the panels, and take the wires as far as the junction box going through into the attic. From this point forward, all electrical connections must be made by an A, B, C-10, or C-46 licensed contractor.

Incentive Structure

The best way to ensure strong market penetration for solar on new homes is to set the rebate level such that homebuilders will be motivated to adopt solar and homebuyers on average will achieve a positive cash flow. Under the current real estate market conditions, where builders are scaling back operations, lowering overhead, and trying to keep their pricing low, they are extremely sensitive to taking on new features that add to their hard costs of building homes. These market conditions are being exacerbated by increasing prices for solar panels, which is being driven by strong and increasing global demand for solar PV.

Accordingly, we feel strongly that now is not the time to lower the rebate level to \$2.50. At a minimum, we recommend that the current \$2.60 per watt rebate level be maintained throughout the first year of the new program.

In addition, we believe that it is in the program's best interest to create an incentive structure to reward builders that choose to offer solar as a standard feature versus those that offer solar as an option. This is the fastest way towards achieving the Governor's goal of one million solar roofs. Accordingly, we recommend pursuing an incentive and/or disincentive adjustment to the rebate level based on the builder's commitment of solar.

OCR recommends the following adjustments based on commitment levels:

Offer solar as standard on 100% of project:	+\$0.30
Offer solar as standard on at least 20% of project and as option on rest of project:	+\$0.00
Install solar on model only and offer solar as option	-\$0.30

At an average installed system size of 2.5kW, the \$0.30 per watt translates into an incentive (or disincentive) of just over \$600 per house, which we believe is enough to generate a stronger commitment by the average production builder. Furthermore, this approach would likely result in a higher Realized Volume, thereby enabling the program administrators to more effectively manage the overall rebate levels.

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Trigger Mechanism

OCR recommends the adoption of a time dependent trigger, similar to the one in the existing ERP. Builders are focused on the net price that they pay, after rebates, and having unexpected rebate level changes in the middle of a bidding process may lead to confusion and a negative experience for the builder. With a time dependent trigger, this isn't an issue. With a volumetric trigger, this concern could be potentially addressed to some extent through warnings of pending drops in rebate levels, e.g. giving everyone a one-month advanced notice of a rebate level decrease. Regardless of what trigger mechanism is used, it is critical to have advanced notice of any rebate level change so that there are no surprises.

With regards to the calculation for the Realized Volume, based on the current structure of the program, we believe that the 80% estimate relative to the Reserved Volume might be too optimistic. Depending on how the program gets finalized and implemented, especially with regards to offering solar as an option, the option approach might be the more common route taken by builders. In such a scenario, based on the relatively limited success to date of selling solar as an option, we expect the realized volumes to be much lower – potentially less than 50%.

If our recommendation is incorporated with regards to a higher rebate for those builders standardizing solar, then we believe that the 80% target is reasonable.

Expected Performance Based Incentive

We are a bit concerned about the complexity of the program as it is currently drafted. One of the average builder's biggest concerns about "going solar" is the upfront incremental costs of offering solar. Under the current program, it is relatively easy to calculate the rebate level that a builder is eligible to receive for all homes in a given subdivision. Under the new program, it will take a significant amount of work to determine the actual rebates such builders would receive.

Reservation process

Application Form/Process – OCR recommends that the California Energy Commission reconsider the approach of allowing builders to apply for rebates without having in place supply and installation contracts.

Most builders have expressed their desire to not have to deal with the rebate paperwork. In most cases, they look to their installation partners to provide this service. Accordingly, we expect that 90+% of all applications will be facilitated by suppliers and not the builders themselves. In addition, we are concerned that it will be too easy for builders to apply and tie up funding without truly committing to actually building out the project. For these reasons, we

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feel that the benefit of simplifying the application process and having only one application form outweighs the limited benefit of having a two-step reservation process.

Options – We expect in the short term that the majority of builders that decide to integrate solar into their projects will do so through offering solar as an upgrade option. Currently, the new draft guidelines provide little information about this scenario and first address options on the reservation application form. (Please reference currently guidelines in Appendix 5.) Specifically, some of the issues that need to be addressed include:

1. Requirement that solar be installed on at least one model.
2. A cap needs to be set on how much funding is put aside for such projects. 50%, as referenced on the reservation application form, seems a bit high. OCR recommends a more reasonable number of 15%.
3. Once the cap is reached, a clear process for what happens next needs to be spelled out. For example, in the scenario where there is a cap of 15%, our recommendation is that once the 10% penetration level is achieved, the builder can submit a form requesting funding for an additional 10% of the homes in the subdivision (for a total of 25%) – such new funding to be determined based on the current level of the rebate. This will enable the builder to keep some continuity and predictability when offering solar as an option.

18 Month Checkpoint – We believe that there is value in having some sort of checkpoint to ensure that the project is moving forward. 18 months seems reasonable. The description in Section 8, however, seems to only address subdivisions where solar is a standard feature. The following scenarios should be clarified and differentiated:

- a) Standard Installation on 100% of Subdivision: 10% of the project's total homes need to have solar installed
- b) Standard Installation on certain % of Subdivision: 10% of the project's solar pre-plotted homes need to have solar installed
- c) Solar as Option: Does this 18 month checkpoint apply to the option scenario? If the builder put solar on at least one model and is selling homes prior to the checkpoint, OCR believes that this should be sufficient. OCR further recommends a 12 month checkpoint, rather than an 18 month checkpoint, to ensure that solar has been installed on model.

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