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ELECTRONIC DELIVERY

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Re: Comments of Pacific Gas and Electric Company on the CEC STAFF'S DRAFT NEW SOLAR HOMES PARTNERSHIP GUIDEBOOK (DRAFT GUIDEBOOK - PUBLICATION # CEC-300-2006-017) AND OTHER NEW SOLAR HOMES PARTNERSHIP (NSHP) ISSUES

Pacific Gas and Electric Company (PG&E) respectfully submits the following comments on the CEC's draft NSHP guidebook and related issues raised at the October 5, 2006, workshop.

Thank you for considering our comments. Please feel free to call Bruce Bowne at 415-973-6164 or myself at (415) 973-6463 if you have any questions about this matter.

Sincerely,

Les Guliasi

LGG

Enclosure

COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY ON THE STAFF'S DRAFT NEW SOLAR HOMES PARTNERSHIP GUIDEBOOK (DRAFT GUIDEBOOK - PUBLICATION # CEC-300-2006-017) AND OTHER NEW SOLAR HOMES PARTNERSHIP (NSHP) ISSUES

I. EXECUTIVE SUMMARY

Pacific Gas and Electric Company (PG&E) respectfully submits these Comments on the CEC-Staff Draft Guidebook of October 5, 2006. PG&E appreciates this opportunity to provide comments on the New Solar Homes Partnership (NSHP) Draft Guidebook.

PG&E strongly supports the New Solar Homes Partnership program. The NSHP brings together Energy Efficiency (EE) and solar generation, building on the strengths of each. The NSHP should help meet the goal of creating a self-sustaining market for energy efficient, high performing solar homes.

PG&E applauds the overall design of and specific elements included in the NSHP proposal. First, the NSHP incorporates EE and solar self-generation at the beginning stages of new home development. Incorporating green strategies at the early design stage optimizes both EE and solar economics. Second, the NSHP follows the loading order, emphasizing energy efficiency first as a more cost effective solution to lower overall energy use. Third, the NSHP optimizes solar system efficiency by leveraging good practices ranging from registering installers to establishing guidelines for optimal PV system performance.

PG&E is ready and eager to take responsibility for administering this important program within the PG&E service territory. In these comments, PG&E addresses issues and questions posed at the October 5, 2006, NSHP Workshop, and provides general comments on the Draft Guidebook.

II. DISCUSSION

A. PG&E Is in the Best Position to Administer the NSHP Program in its Service Territory.

PG&E strongly believes it's in the best position to administer the NSHP in its service territory starting on January 1, 2007. PG&E has demonstrated strong support for energy efficiency, solar power, advanced metering, demand response, and greenhouse gas programs and policy. PG&E has made significant and on-going commitments to educating the development and design community through its Pacific Energy Center, and PG&E has a record of accomplishments as the program administrator of existing energy efficiency and self-generation programs. PG&E has the systems and structures in place to administer the NSHP program in a cost efficient manner to meet program goals, and in such a way as to meet the needs of developers, builders and homebuyers.

1. PG&E has Demonstrated Strong Support for Energy Efficiency, Solar Power, and Energy Education

PG&E has been a strong supporter of regulatory and legislative environmental policy. For example, PG&E supported the CPUC's California Solar Initiative (CSI) and SB1 (Chapter 132, Statutes of 2006), the legislation supporting the CSI and raising the net metering cap. In 2006, PG&E also supported the climate change and emissions reduction bill (AB 32 - Chapter 488), the green house gas emissions bill (SB 1368 - Chapter 598), the bill for a carbon sequestration study (AB 1925 – Chapter 471), and the accelerated renewable portfolio goals (SB 107, Chapter 464, Statutes of 2006). PG&E supported these bills, all of which have been signed into law, because they harmonize with our commitment to the environment and to our customers.

PG&E has been recognized as a leader in Energy Efficiency by the Environmental Protection Agency. PG&E's Residential New Construction Program has won the

prestigious Energy Star Award for "Regional, State and Community Leadership in Energy Efficiency" for the past four years. During that period over 18,000 new homes participated in our Residential New Construction program. PG&E currently has a Residential New Construction team that has relationships with over 150 builders and developers within our service area. We have offered a Residential New Construction program to builders for the past 15 years. That program has evolved to encourage builders to construct homes that exceed minimum Title 24 building energy code standards as well as meet builder and consumer market demands for energy efficient new homes.

PG&E support for solar extends to programs PG&E has created using shareholder funds. In 2004, PG&E created the Solar Schools Program, which provides funding for solar systems at schools as well as educational materials and curriculum related to solar power for teachers and students. PG&E expanded the Solar Schools Program in 2006. Reaching out to all parts of our community, PG&E created the Solar Habitat Program, a partnership between PG&E and local Habitat for Humanity chapters to help fund solar electric systems on Habitat-built homes in northern and central California.

PG&E's support for, and efforts around solar energy, were recognized in 2005, when PG&E won the annual Solar Electric Power Association (SEPA) Public Awareness and Industry Leadership award and PG&E has learned that it will again be recognized in 2006. In addition, PG&E was recently honored to be named "Education Innovator of the Year" by the San Francisco Business Times for designing and implementing the Solar Schools Program.

2. PG&E has a Proven Program Administration Track Record and is Putting Systems in Place to Administer the NSHP starting January 1, 2007

PG&E has earned substantial industry support for administering the Self-Generation Incentive Program (SGIP) and energy efficiency programs. PG&E has infrastructure in place today to process thousands of energy efficiency rebate applications, interconnect thousands of new business customers and customer Distributed Generation (DG), and issue rebate checks. These systems are currently being expanded and adapted to administer the CSI in 2007 and to significantly improve the customer experience. PG&E can leverage these resources to start administration of the NSHP on January 1, 2007.

In D.06-08-028[1], the CPUC determined that the SGIP administrators, including PG&E, should continue and expand their administrative role for the California Solar Initiative (CSI) (D.06-08-028, pg. 58-59). In the Phase I CSI Decision, the CPUC recognized that many (but not all) stakeholders support PG&E as an administrator of the CSI program, including the Joint Solar Parties, the utilities, DRA, Michael Kyes, Solargenix, TURN, and Sun Light (pg. 56). In addition, among the reasons for choosing the SGIP administrators as the CSI administrators was that the current administrators could be ready to in a short amount of time (pg. 59). This advantage would extend to the CEC NSHP as well.

PG&E has been successfully implementing energy efficiency programs, since the mid-1980s, providing incentives to tens of thousands of customers every year. In 2005 alone, PG&E issued over 130,000 energy efficiency rebate checks. PG&E has further demonstrated its ability to manage programs through its successful Low

[1] Opinion Adopting Performance-Based Incentive, an Administrative Structure, and Other Phase One Program Elements for the California Solar Initiative

Income Energy Efficiency (LIEE) program; CARE program providing support to low-income customers; and demand response and load management programs serving a broad variety of customers.

3. PG&E Will Take an Integrated Approach to the NSHP

By virtue of its role in utility new business, energy efficiency, and solar interconnections, PG&E has a far-reaching presence as the NSHP "energy services project manager." PG&E's position is to integrate the energy services called for in the NSHP into a seamless and transparent process.

PG&E supports full coordination within the programs it administers and supports. PG&E has already moved forward with an Integrated Demand Side Management (IDSM) approach to delivering energy efficiency, demand response, load management and distributed generation programs to its customers. PG&E supports the language in SB 1, which requires that reasonable energy efficiency improvements be implemented as a requirement for CSI eligibility. PG&E believes an integrated approach best meets both individual and overall customers' energy needs, and is in line with the principles adopted in the California Energy Action Plan.

PG&E is also committed to transforming the new business process. In testimony filed in its 2007 General Rate Case (Phase 1), PG&E described its Work and Resource Management (WRM) initiative (2007 GRC Exhibit PG&E-10). The WRM initiative is focused on improving energy delivery work processes, in particular the standardization of design and estimating of new/replaced facilities, scheduling of work, the dispatching (assignment) of work to crews and/or employees, the management of large projects, and the organizational alignment of work processes. It will introduce fully integrated work scheduling tools and processes that will enable

improved work initiation, resource management, job closing, project management, and quality management. The WRM initiative's goal is to enable crews to arrive at a work site with a complete and consistent job package (design, permits, work instructions, and clearances) and all the necessary materials.

As part of the WRM effort, PG&E is transitioning many business functions to Resource Management Centers (RMCs) to emphasize consistency, standardization, and effective use of expertly trained staff. As of October 9, 2006, PG&E has opened four RMCs and will open the remaining three by the end of 2006. A few of the anticipated results of consolidating work at the RMCs is better communication and improved efficiency in processes and practices and consistent procedures across PG&E's service territory. In short, the RMCs will enable PG&E to use consistent, priority-setting processes to complete jobs more efficiently.

PG&E believes that the NSHP will benefit from PG&E's transformation effort. PG&E also believes the new business process will be improved if PG&E is appointed as the NSHP administrator because early notification of NSHP developments can be integrated into WRM new business improvements. As part of the overall coordination effort, PG&E is streamlining self-generation and net energy metering into new business applications and processes. PG&E also recognizes that new solar home interconnections can affect utility designs. Therefore, integrating the solar interconnection into our new business process will result in a timely, accurate and economic utility design.

PG&E is the natural choice to be selected as the CSI program administrator in its service territory. PG&E will work with CEC staff to transition functions related to program eligibility requirements, efficiency requirements, incentive structure,

reservation process, payment process, and field verification. With its proven ability to leverage its knowledge and experience across a variety of program areas, PG&E should be the NSHP administrator of choice.

B. PG&E Supports The CEC's Request To Have Utility New Construction Programs Provide The Funding Needed For Incentives For Both Energy Efficiency Tier I And Tier II

For 2007, PG&E is planning to offer a two tiered incentive structure for its Residential New Construction (RNC) energy efficiency program which would align with the CEC's NSHP. Tier I would be the existing RNC program which is 15% above 2005 Title 24 with optional prescriptive measures (appliances, lighting, and adding cool roofs). Tier II would be similar in design with the requirement being 35% above Title 24, also with optional prescriptive measures (appliance, lighting, and adding cool roofs). PG&E's 2007 proposed program design aligns with the CEC NSHP by offering the same specifications above Title 24 code and additional measures such as appliances and lighting. PG&E does support a higher incentive level for measures that include a demand reduction component. However, PG&E will need to obtain additional savings credits for the demand reduction components in order to support higher incentive levels, and still have a cost effective measure. This will entail working with the Statewide Peer Review Group (PRG) and Program Advisory Group (PAG) and filing an advice letter with the CPUC on the above-proposed program design for 2007. In the interim, PG&E will provide the Tier II energy efficiency rebate level commensurate with the measure savings values set forth by the CPUC for the 2006-2008 approved energy efficiency programs.

C. Administration Issues Identified at the October 5, 2006, NSHP Workshop

1. What Kind of Structure or Model Do You Envision and How Can We Make the Program Seamless and Transparent Throughout the State?

Based on PG&E's experience in administering the SGIP, PG&E anticipates the need for periodic meetings among program administrators and CEC staff to discuss administrative issues, and ensure administrative consistency among the administrators. PG&E will join the other administrators in coordinating the meetings and sharing the leadership needed to make the meetings effective. PG&E recommends these program administrator meetings should be held monthly in the first two quarters of 2007 (as the program is launched), and at least quarterly after the program is launched.

In addition to the program administrator meetings, PG&E recommends establishing a public process similar to the existing CEC Emerging Renewables Program, in which meetings are held by CEC staff and Commissioners to solicit public input on changes to the CEC NSHP. These meetings should be held semi-annually, although they may need to be held quarterly in 2007 as the program is launched.

Some parties ask whether a single statewide administrator would provide a better model than multiple utility administrators. These parties express frustration with having to coordinate with multiple administrators across the state on the same program. PG&E believes that a single statewide administrator is not the solution. A statewide administrator only adds another party to coordinate with. It does not modify the need to coordinate with the utilities, which will be handling the energy efficiency programs and interconnecting the energy infrastructure on new homes. PG&E believes that rather than adding a new administrator to coordinate with, the parties should focus on how multiple, good energy programs can be made consistent and support each other, and on how to streamline and minimize the transaction costs for participants in these

programs. We believe further improvements are possible here.

PG&E has extensive experience in administering statewide programs in energy efficiency, demand response, load management and SGIP. By using the same NSHP guidebook as other program administrators, and participating in regular program administrator meetings with CEC staff, we can ensure that the program is seamless and transparent.

2. **What Mechanism, Such as Contract, MOU, etc. is Needed?**

PG&E believes that it can administer the NSHP with a contract similar to other contracts it has negotiated with the CEC in the past, utilizing standard CEC terms and conditions when appropriate, and adding details on the scope of work, compensation, payment schedule, and other relevant details. PG&E will look for prior utility-CEC contracts that are most similar, and will use these or others that the CEC may suggest, as a starting point. In any case, we are confident the needed agreement can be in place as needed for a January 1, 2007, handoff.

3. **What Costs and Timeframe Do You Expect?**

Given no major changes to the NSHP as described in the draft guidebook, PG&E can begin administering the program on January 1, 2007. Administrative costs would be consistent with the CSI and SGIP programs, which is less than 5% of the program budget. Because of the scope of PG&E's other activities in solar and energy efficiency programs, incremental costs of administration for NSHP will be minimal.

4. **How Can Oversight, Marketing/Outreach and Program Evaluation be Coordinated?**

Overall program details will be set by the CEC, and unless different incentive levels are adopted depending on local demand, as the CPUC has decided, the program details will be the same across the various Investor Owned Utility service areas.

However, there are other details that should vary by region. PG&E strongly supports ensuring that some of the NSHP outreach and education efforts be done on a service territory basis, as opposed to a statewide basis. A service territory approach will best ensure that accurate and detailed information is available regarding applicable rates and tariffs, geographic information, and EE program information specific to each service area. Furthermore, solar performance will vary by location, as will expected rate savings based on rate schedules, which differ from one utility to another.

PG&E is committed to improving the education and outreach aspects of EE, and the NSHP. PG&E already offers a rich and growing program of education to customers, vendors, contractors, and other parties interested in solar. Potential opportunities include an expanded number of solar outreach workshops for home and small business owners (offered in conjunction with our existing solar classes at our Pacific Energy Center and Stockton Training Center)[2], solar tours of homes and businesses, educational forums, contractor training and training for local building inspectors. Adding NSHP to PG&E's existing education and outreach program will provide access for customers to the full suite of services available to help them manage their energy needs.

PG&E supports using HERS raters to inspect energy efficiency measures as well as solar installations for projects that participate in the NSHP.

D. Other Comments on the NSHP Draft Guidebook

In general, PG&E would like to see as much consistency in policy between the CPUC CSI and CEC NSHP Handbooks and processes as possible. PG&E recognizes that both handbooks are under development, and believes this is an excellent opportunity to capture

[2] See http://www.pge.com/solar classes.

such inconsistencies for the final guidebooks. Some specific areas currently are inconsistent, and others are in need of clarification:

Mixed-use property: Currently mixed-use property (which includes both residential and non-residential use in the same building) is not eligible for the CEC NSHP program. However, it has not been clarified that mixed-use properties would be eligible for the CPUC CSI program. PG&E encourages the CEC and CPUC to clarify which program these customers should participate in.

Previously installed equipment: The current CEC NSHP excludes any equipment that has been installed more than 24 months before receiving a reservation, which would permit already installed equipment to receive an incentive. In the CPUC CSI, the current recommendation is that the participants receive a confirmed reservation prior to final interconnection authorization (to discourage free-riders in the program, and ensure that the participants are aware of the eligible rebate level prior to installing the equipment). PG&E encourages the CEC to match the CPUC approach in this area.

PV Calculator: The CPUC CSI decision requires a consultant to be hired to develop the Expected Performance Based Buydown (EPBB) characteristics, and develop a tool. While the RFP states that we expect as much consistency as possible between the two processes, it is possible there will be some differences. We encourage the two agencies to cooperate on these similar tools.

Incentive Amounts and Decline Schedule: The current CEC NSHP Guidebook assumes that 20% of the systems will not be installed, and directs the administrator to reserve 20% more MW than stated for that step. However, the guidebook also states that "Funds reserved for systems that do not get installed will be reallocated at the rebate level in effect at the time when they are no longer reserved, and the volume targets from that point on will

be adjusted to include the cancelled volume." If the cancelled MW volume are being included in subsequent levels (or steps) and reservations are being issued at 120% of the step, it appears that the issue of canceled or withdrawn applications are being accounted for twice, and could result in the program exceeding its budget. PG&E recommends that the cancelled projects are reallocated within the volume triggers, and that the administrator only reserves up to 100% of the MW volume in a step. This method is consistent to the current CPUC CSI proposal.

Appliances and Lighting required in NSHP Tier I and Tier II: Clarification is needed on what appliances the CEC is referring to. Lighting – is that specific fixtures in specific rooms within the house or all lighting fixtures?

Rebate incentive levels for Tier II projects: Since the CEC is requesting the utilities provide energy efficiency incentives for Tier 1 and Tier II (which are based energy savings that can be achieved at those levels), is the CEC going to consider offering a higher solar incentive for Tier II to encourage more participation at that level?

Interaction with CSI statewide application and database: Will the NSHP be part of the statewide application and database being developed for the CPUC's portion of CSI? PG&E supports the NSHP to be part of the statewide application and database which is being developed for the CPUC's portion of CSI. If this database is not available on January 1, 2007, PG&E is prepared to process NSHP applications within its existing Residential New Construction database.

III. CONCLUSION

PG&E is prepared to administer the NSHP program starting January 1, 2007. PG&E believes the program developed by the CEC is well structured to meet the goals of the program. PG&E

can leverage processes it has in place to administer the program with an integrated, cost efficient approach.

Comments submitted on October 12, 2006.