DOCKET
06-NSHP-1
DATE OCT 12 2006
RECD. OCT 12 2006

Bernie Orozco
Director
State Governmental Affairs

Ph. (916) 492-4244
Fax (916) 443-2994
borozco@sempra.com

October 12, 2006

California Energy Commission
Dockets Office, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

RE: Docket Number 06-NSHP-1 (New Solar Homes Partnership)

Dear Commissioners:

San Diego Gas & Electric Company ("SDG&E") appreciates this opportunity to offer its comments on the New Solar Homes Partnership ("NSHP") Draft Guidebook ("Guidebook") currently under development, and to supplement its comments made at the October 5, 2006, workshop on NSHP program administration issues. In these comments, SDG&E first addresses the administration issues, and then provides comments on the Guidebook.

NSHP Program Administration

The California Energy Commission ("CEC") should enlist the utilities, specifically SDG&E, Pacific Gas and Electric Company, Southern California Edison Company, and Bear Valley Electric Service (as practicable) to administer the NSHP program in their respective service territories to leverage existing infrastructure of and coordinate administration with energy efficiency ("EE") programs, demand response programs, and California Solar Initiative efforts, which have functional marketing and outreach, system inspection, interconnection approval, and Net Energy Metering billing systems and protocols supporting these programs. SDG&E has both the infrastructure and experience to process large numbers of project applications, complete system inspections and verifications, and process incentive payments. The following summarizes SDG&E's qualifications to act as an administrator of the NSHP program:

- SDG&E is fully committed to immediately implement the NSHP program in SDG&E's service territory and to assist the CEC in creating a self-sustaining market for solar homes where builders incorporate high levels of EE and high performing solar systems.

- SDG&E is uniquely qualified to administer the NSHP program in its service territory because it has delivered and is currently successfully delivering the residential new construction program to the building/contractor community.

- SDG&E has established successful working relationships with builders/contractors and trade allies for over 7 years in implementing its residential new construction programs.

- SDG&E has worked with approximately 300 builders on residential new construction housing developments in its service territory.

- SDG&E representatives will work with builders during the planning and construction process to properly size and install utility infrastructure.

- Internal to SDG&E, program infrastructure is already in place which can be quickly modified, as necessary, to incorporate the NSHP program into its portfolio of programs. SDG&E has 4.5 full time equivalent ("FTE") spread over seven field employees, 2.0 FTE spread over seven program management employees and three interns working part-time that are dedicated to its new construction program and will not require additional staffing to be able to market the NSHP program to builders/contractors. Administrative costs are projected to be relatively low. Synergies and leveraging among programs and operational efficiencies will be achieved.

- SDG&E has extensive experience in handling large numbers of applications and incentive administration. In 2004/2005 alone, SDG&E administered EE rebate and audit programs for more than 120,000 participating customers, and administered EE budgets totaling more than $90.0 million. In the 2004/2005 program cycle, SDG&E enrolled in the residential new construction energy efficiency program, California ENERGY STAR® New Homes Program, 118 developments equating to over 11,300 dwellings units with a total incentive commitment of $2,733,900.

- SDG&E has consistently demonstrated its commitment to and has been highly successful in administering demand-side management programs since the 1980's and EE programs since the mid-1990's which have yielded verifiable energy savings to its ratepayers as well as the State of California valued at over $340.0 million.

- Although not directly related to the NSHP program but indicative of the Utility's ability to successfully administer programs, SDG&E also administers low income (California Alternate Rates for Energy ("CARE") and Low-Income Energy Efficiency ("LIEE")) programs and demand reduction ("DR") programs that are designed to assist large numbers of customers with their energy bills or load reduction to ensure greater reliability of the state's electric system. In 2005 alone, SDG&E received and approved more than 109,500 CARE applications and treated in excess of 11,250 low-income residences. SDG&E has enrolled over 17,000 customer accounts in its DR programs.

- During the 2001 energy crisis, SDG&E successfully administered the Legislature's SBX1 5[1] funded energy efficiency and low-income outreach and energy efficiency program activities. For energy efficiency, SDG&E managed over $8.0 million in rebates resulting in 15 GWH of savings. For its low-income programs, SDG&E administered over $13.0 million to increase outreach of its low-income programs and services and to provide EE measures to qualified low-income households which yielded an increase in LIEE program savings of 6 GWH.

In the following discussion, SDG&E supplements its comments made at the October 5, 2006 workshop. For ease of reference, the comments follow the order of the issues put forth by Bill Blackburn to the panelists.

1. Commitment, Structure

- **Commit to Program Administrator?**

SDG&E believes it is the best qualified administrator of the NSHP program in its service area for a number of reasons. First, SDG&E has many years of experience in developing and implementing successful residential new construction energy efficiency programs. Second, SDG&E has account executives in place that have already established relationships with most major new builders in the San Diego Area. These individuals act as the utility's liaisons with the building industry helping builders identify energy efficiency opportunities and managing energy efficiency projects. SDG&E has also successfully worked with custom home builders. Third, in compliance with Senate Bill ("SB") 1 and

[1] Senate Bill 5 (Chapter 7, April 11, 2001, 1st Extra-Ordinary Session) also referred to as SBX1 5.

the 2005 Integrated Energy Policy Report ("IEPR"), the CEC expects that the NSHP program will leverage EE improvements while deploying photovoltaics. It would be both efficient and effective to have SDG&E offer and coordinate with builders its portfolio of EE programs and solar to better ensure they are evaluated consistent with the SB1, IEPR and the Energy Action Plan loading order. Fourth, this program is also intended for new construction affordable housing applications. The NHSP program could provide potential leads to SDG&E's program managers in charge of programs such as CARE, Medical Baseline or the Family Electric Rate Assistance program – programs that are designed to provide assistance to low-income or special needs customers. Finally, SDG&E's new construction program management experience that would benefit the NSHP program includes Title 24 compliance modeling and experience working closely with the California Home Energy Rating System providers.

- **What kind of structure or model do you envision? (Similar to the Self Gen Working Group?)**

SDG&E envisions a structure whereby the NSHP program would be administered by SDG&E's Residential New Construction group leveraging the strengths of its existing experienced staff of seven account executives and ongoing working relationships with builders and trade allies. SDG&E has considerable experience working with builders and trade allies resulting from its long involvement in energy efficiency programs which can be used to successfully promote and manage the NSHP program. The existing program management infrastructure can be used to maximize the synergies between the NSHP program and the current residential new construction program, Advanced Home program, which promotes increased adoption of EE in residential new construction developments in San Diego. This current program compliments the NSHP by incenting new homes to exceed code by 15% or more. In addition, SDG&E will be proposing to the CPUC to add a second tier at 35% above code that will specifically incorporate solar technology. Finally, from an administrative perspective, the SDG&E Advanced Home program processes and documentation requirements are similar to the NSHP program which should minimize incremental administrative expenses.

From a statewide perspective, SDG&E recommends that a statewide working group be established similar to the existing SGIP Working Group ("WG") that would be comprised of representatives from the three electric IOUs that have worked together for several years developing, administrating, and implementing energy efficiency programs. SDG&E would also encourage Bear Valley Electric Service and a representative from the solar industry to participate in the statewide working group as well. Additionally, SDG&E suggests that a representative from the solar field be added to SDG&E's Energy Efficiency Public Advisory Group ("PAG"). The current PAG advises on the Advanced Home program and with the NSHP program incorporated as an additional component this oversight will support both programs without creating a second, overlapping advisory organization. The SDG&E PAG consists of representatives of the CEC, CPUC, Utility Consumer Action Network, San Diego Regional Energy Office and representatives of other local businesses, consumer organizations, local city/county governments and academia among others.

- **What mechanism, such as a contractual, MOU, etc. is needed?**
- **How will payments be made? (CEC may be required to make payment)**

SDG&E suggests that the PIER program's contract structure be used for the NSHP program. PIER program implementation has functioned effectively and provides a useful model for a program of this type. Through its contract with the CEC, SDG&E could receive quarterly payments for program administration (all costs excluding customer incentive payments) and incentive payments. SDG&E would make incentive payments to program participants in conjunction with their energy efficiency payments.

Currently, SDG&E manages the payments of incentives to program participants for all its energy efficiency programs including the residential new construction EE programs. Payment for the NSHP incentives could be incorporated into that existing process and verification of documentation could be handled by the utility. Alternately, if the CEC is required to make the payment directly to the applicant, SDG&E would assemble the necessary documentation to support the applicant and forward the payment request to the CEC.

2. Cost, Timing, Roles

- **What administrative costs do you expect?**

SDG&E expects the administrative costs for this program to be modest. By utilizing the synergies with EE programs, SDG&E will be able to keep the NSHP costs at or below 5% of program expenditures or approximately $275,000 annually. The current version of the Guidebook states that "Five percent of incentives received or expected must be subtracted from the rebate amount if the incentives are from other utility incentive programs, a State of California sponsored incentive program, or a federal government sponsored incentive program, other than tax credits." [2] Although SDG&E is somewhat unclear as to the precise intent of the statement in the Guidebook, SDG&E recommends that the 5% holdback for projects receiving other incentives be used to fund the costs associated with administering the program. In the alternative, SDG&E suggests that utilities be encouraged to keep program costs to a minimum by leveraging other utility programs that interact with the building community and NSHP program funds be allocated to fund this incremental effort.

- **What role is needed with the CPUC?**

It is not anticipated that a CPUC role in the administration of the NSHP program beyond the scope of its normal review of energy efficiency programs would be required. CPUC approval, for example, is required for any significant changes to SDG&E's energy efficiency programs. SDG&E believes that the current proposal to add a second tier to its Advance Home Energy program at 35% better than Title 24 code would require CPUC approval. SDG&E, however, if required to seek CPUC approval of the additional tier would also request expedited review and approval of the modification to the CPUC authorized Advance Home Program.

- **What timeframe should we expect to make the transition from CEC to utility?**

SDG&E's residential new construction employees are currently engaged with and well known within the building industry promoting energy efficiency programs. With the synergies between program requirements for NSHP and existing residential new construction utility programs, SDG&E can begin implementing this program almost immediately. As such, SDG&E expects to be able to assume the administration role within 30 days after the Contract/MOU agreement with the CEC is finalized.

3. Coordination

- **How can oversight, marketing/outreach and program evaluation be coordinated?**

<u>Local</u>: SDG&E recommends oversight, marketing/outreach and program evaluation be coordinated with its other residential new construction programs with input from the SDG&E PAG. Because the CEC is a member of this group, CEC program review would occur regularly throughout the year.

<u>Statewide</u>: SDG&E recommends that statewide activities, such as oversight, marketing/outreach and program evaluation, be coordinated through a NSHP working group made up of the existing IOU

[2] Page 11 of Draft Guidebook

residential new construction program managers and include a representative from Bear Valley Electric Service and solar industry representative. The existing IOU new construction working group, which already holds regular meetings, would offer an effective method to provide program oversight, statewide marketing and outreach to the building industry and evaluation of program effectiveness.

- **How can we make the program (database, admin differences, etc.) seamless and transparent throughout the state?**

The current residential new construction programs are recognized as statewide efforts managed locally by each utility. SDG&E suggests making the most of the existing statewide EE infrastructure by using the existing EE residential new construction utility teams to establish the core of the NSHP working group. This would greatly streamline planning and communication processes in this same market. The group would meet regularly to review projects, establish policy and resolve issues.

During the course of the workshop, parties were also asked to comment on two additional issues:

1) How to integrate programs such as solar, line extensions, and energy efficiency (utility, customer, etc. perspective).

SDG&E has already assigned a representative and support staff, as needed, from its Electric Distribution group that is dedicated to photovoltaic installations. This individual and support staff acts as the centralized PV contact and works with builders on their interconnection agreements and line extensions. In addition to this proven, successful approach, SDG&E proposes having a "one stop shop" for builders interested in participating in the NSHP by utilizing Account Executives who would act as the builder's single point of contact coordinating the NSHP, energy efficiency and interconnection activity for the specific project.

2) What changes would need to be made to the draft Guidebook if administration were to be assumed by the utilities?

Once program administration is granted to the utilities, SDG&E will coordinate with the CEC any amendments that might be necessary to the Guidebook for the processes to facilitate program participation and documentation. SDG&E suggests two possible areas that may require modification relate to the reservation and payment processes to reflect utility administration involvement. SDG&E in the document attached provides general comments and questions related to the draft Guidebook for CEC review and consideration.

In closing, SDG&E appreciates the opportunity to be able to provide written comments on the draft Guidebook and for the reasons articulated above urges the CEC to appoint the utilities as administrators of the NSHP program in each of their respective utility service territories.

Yours sincerely,

Bernie Orozco

ATTACHMENT

SDG&E Comments and Questions on the
New Solar Homes Partnership Draft Guidebook
(September 2006, CEC-300-2006-17)

General Comment
In reviewing the draft Guidebook ("Guidebook") the funds for the program are interchangeably referred to as rebates and incentives. To provide clarity to the building industry SDG&E recommends that the funding available for this program be consistently referenced to as an incentive.

Page 2, Paragraph 3
The Guidebook references the provision of non-financial support services, offering marketing and technical assistance to builders, as well as training to building officials and salespeople. SDG&E has assumed that the reference to non-financial support services refers to the marketing and technical assistance to builders, etc. which are services that are already offered through existing utility new construction programs and could be modified to incorporate solar related activities/information as well. Does the CEC envision different non-financial support services being provided? To avoid duplication, SDG&E suggests that this support could be provided through existing utility administered programs.

Page 4, II. Program Eligibility Requirements
Program participation is defined as homes, condominiums or other multifamily housing. Is the program open to both low-rise and high-rise residential construction? If it is open to high-rise construction, SDG&E assumes that there is no height limitation (number of habitable stories) for participation?

Page 4, B. Residential Building Energy Efficiency
SDG&E recommends that the ENERGY STAR® appliances being required by the program be described in greater detail. A distinction should be drawn between an installed appliance, such as a dishwasher, versus a supplied appliance, such as a refrigerator.

Page 11, C. Other Incentives May Affect the Rebate Amount
SDG&E requests that the CEC clarify if the five (5) percent subtracted from the rebate amount pertains to utility energy efficiency programs. Currently the programs support increased energy efficiency through an incentive to the builder whose developments exceed compliance with the Building Energy Efficiency Standards by 15%. This incentive does not directly support lowering the cost of the photovoltaic system as detailed in the Guidebook.

Page 12, IV. Reservation Process, Paragraph 3
"Only one reservation and one rebate payment will be allowed for each site during the reservation period." SDG&E seeks clarification whether this means that a builder would need to submit a reservation form for the entire development if they wish that project to be included in the reservation period? Is the incentive paid only at the completion of the development?

Page 15, 4. Energy Efficiency Documentation
For clarification purposes, what format is envisioned for the lighting documentation referenced in this section of the Guidebook? Would details on the plans suffice or is a light schedule required? Is this a verification element for the HERS rater?

Is a CF-1R required for each plan type, elevation, option that may occur in the development? Since variations in windows, options, etc. can cause changes in the compliance margin; SDG&E suggests that a CF-1R be required for each plan type, option or other changes that would impact the compliance margin. These plans could be verified by the program management plan review staff if the utilities are administering the program.

Page 16, 8. Eighteen Month Checkpoint-Required Documentation
Is the intent that the map showing all the homes where PV systems are to be installed should have the actual construction pad plotted showing orientation on the lot?

Page 19 3. Energy Efficiency
The Guidebook states that documentation must be provided for <u>each residential unit</u> demonstrating savings of at least 15%. For most multi-family dwellings, such as apartment buildings, compliance is usually performed on the whole building and not the individual dwelling units. Is the intent of the NSHP program to have a separate compliance analysis performed for each dwelling and the various permutations that could occur by floor or location in the building? SDG&E recommends that compliance not be required on an individual dwelling unit basis for multifamily buildings but rather a whole building analysis be done and the performance level be at 15%/35% for the building. Additionally, does the CEC envision that common areas in affordable housing projects are modeled separately to achieve an improvement of 20% above code in energy efficiency or would these areas be included in the complete building analysis assuming all other Building Energy Efficiency Standards are met?

Page 22, Energy Efficiency Documentation
Is the applicant required to supply the CF-4R from the HERS Rater to verify the actual installation of system and testing results? The Guidebook currently only references the CF-6R.

Page 27, Appendix 2-System Size Justification
What document does the CEC envision will be required to be submitted for the building's on-site estimated annual electricity consumption? For multi-unit dwellings would this information be required to be provided by dwelling unit or building (see modeling question from page 19)?

SDG&E requests that the CEC clarify what is meant by "licensed energy rater."

Page 34, C. Field Verification and Diagnostic Testing Process
Currently the statewide utilities use the HERS Providers databases to document projects and facilitate HERS Rates to record field verification. Does the CEC envision that this would continue as a method to record the NSHP participation? It is important that the HERS providers as well as the HERS raters are aware of program participation and requirements. SDG&E plans to work closely with the HERS Providers to develop training and information for the HERS raters to ensure accurate field verification and recordation.