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Re: Docket No. 12-EPIC-01; Comments on the Electric Program Investment Charge (EPIC) Program's First Triennial Investment Plan

I. INTRODUCTION

The Solar Energy Industries Association (SEIA)[1] and The Vote Solar Initiative (Vote Solar) jointly submit comments herein in response to the California Energy Commission's (Commission) request for comment on the development of the First Triennial Investment Plan (Plan) for the EPIC Program. Consistent with SEIA's oral remarks provided during the August 9, 2012 EPIC Workshop, SEIA and Vote Solar urge the Commission to include funding for the New Solar Homes Partnership (NSHP) as part of the EPIC Plan.

The Commission launched NSHP in January 2007 as a part of the California Solar Initiative (CSI). The goal of NSHP is to create a self-sustaining market for solar on new residential housing, including affordable housing, through a 10-year, $400 million incentive program to install 400 MW of solar capacity. Over the past 5½ years, the NSHP has played an unparalleled role toward achieving this goal.

However, further progress is at risk given the demise of the Public Goods Charge, the original source of NSHP funding that the Legislature failed to re-authorize. Accordingly,

[1] The comments contained in these comments represent the position of the Solar Energy Industries Association as an organization, but not necessarily the views of any particular member with respect to any issue.

providing for continuity of funding for the NSHP through the EPIC Program is of paramount importance for maintaining and accelerating this progress, particularly as the housing market is showing signs of recovery, and achieving several State policy goals: the reduction of peak demand, continued diversification of California's energy resource mix,[2] and, importantly, the transformation of the housing market such that solar will be offered as a standard feature on new homes.[3] Finally, NSHP is also critical to achieving the goal of 100% zero net energy (ZNE) new homes in California by 2020.

II. THE NSHP PROVIDES SIGNIFICANT BENEFITS AND ITS FUNDING MUST BE CONTINUED.

Since its inception, the NSHP has proven to be a critical driver of solar adoption by new homebuilders. The widespread installation of solar PV on new homes was due in large part to the long-term program certainty afforded under the NSHP. Such certainty is critical because build cycles are typically 2-4 years for development communities.

The NSHP also provides a long list of important benefits to homeowners, including protection from utility rate increases and the lowering of energy costs for a broad cross-section of utility ratepayers including, but not limited to, low to moderate income households, first-time homebuyers, ethnically and geographically diverse communities and senior citizens. In addition, the opportunity for immediate cash flow positive investments through net energy metering (NEM) participation and the ability to pay for the costs of solar systems through mortgage and third-party financing has made solar an affordable and accessible option for many homeowners whom otherwise would not likely have installed solar systems and enhanced energy efficiency features on their residence. Lastly, and perhaps most importantly, the Program has increased the

[2] California Public Utilities Code, Section 2827(a).
[3] In SB 1 (2006), the Legislature established a goal "to place solar energy systems on 50 percent of new homes in 13 years," i.e., by 2020. This goal remains codified in California Public Resources Code, Section 25780(a).

value of California homes. According to the 2011 Lawrence Berkeley National Laboratory report entitled *An Analysis of the Effects of Residential Photovoltaic Energy Systems on Home Sales Prices in California*, California homes with installed solar systems sell, on average, for a premium of $17,000 compared to houses without solar.[4]

While the NSHP has experienced some challenging years, in large part because of the mortgage crisis and resulting downturn in the construction industry, builders are now demonstrating significant interest in constructing solar homes in the production housing sector and consumers are responding, especially in the category of first time home buyers. Over the past year, several of the state's largest production-style builders have started incorporating solar PV as a *standard* feature on all the homes in a given project as opposed to just offering it as a design option. As such, thousands of single-family dwellings are now being constructed with solar as a standard feature which in turn means that the designers, contractors and building officials involved with these projects are becoming intimately familiar with this technology. In turn, this will impact the national market and at scale, will contribute to the continuing decrease in price points for solar modules and systems.

However, without the funding leverage provided under the NSHP, these companies would not have incorporated solar as a standard feature and, thus, many homeowners would not be afforded the benefits of solar ownership. To ensure that these benefits accrue to future homeowners, SEIA and Vote Solar request that the Commission include NSHP funding as part of the EPIC Plan.

[4] http://eetd.lbl.gov/ea/emp/reports/lbnl-4476e.pdf at p. 46

III. THE CPUC HAS PUBLICLY RECOGNIZED THE NEED FOR FUNDING THE NSHP.

In its Phase 2 EPIC Decision (12-05-037) issued May 24, 2012, the CPUC repeatedly stressed the need to continue funding the NSHP. For example, the CPUC states that "we agree…that the NSHP is an important program as part of the CSI and we would like to see it continued."[5] However, the CPUC did not include NSHP in the Decision since it interpreted statutory language as constraining its ability to fund NSHP through EPIC. This conclusion was, however, independent of the CPUC's own policy preference. The CPUC illustrates this conflict when it states "[i]n the case of the NSHP, funding would have been recommended on a policy basis, but legal constraints capping the CSI budget limit staff's ability to recommend additional funding without legislative change."[6]

With the recent passage of the budget trailer bill, SB 1018, the purported restriction of funding the NSHP through the EPIC no longer exists. Had SB 1018 been passed into law at the time of the CPUC's Decision, it is clear from the CPUC's own words that funding for the NSHP would have been mandated as part of the EPIC. SEIA and Vote Solar urge the Commission to take into account the CPUC's clear advice as it develops the Plan.

IV. PROPOSED EPIC FUNDING LEVELS

Absent a more precise forecast of new solar housing construction in California, we urge the Commission to propose NSHP funding in its EPIC Plan at approximately $120 million over three years (2012-2014) or $40 million/year. According to the CPUC's Decision, of the $400 million statutorily authorized for NSHP, approximately $150-200 million remains uncollected or

[5] CPUC Decision 12-05-037 at p. 56
[6] *Id.* at p. 47

unspent.[7] We arrived at the above figures by simply dividing a rough approximation of the uncollected balance ($200 million) by five years (2012-2016), the remaining years of the CSI program.

The uncollected balance does not account for any monies that may be repaid by the Legislature. Last fiscal year, the Legislature generously repaid approximately $25 million to the Renewable Resources Trust Fund (RRTF), which the Commission redirected to NSHP and for which we are grateful. The 2012-13 Budget Bill signed by the Governor proposes to make additional repayments to the RRTF but this amount will not be known until the end of this fiscal year. While it would be appropriate for the Commission to "true-up" proposed NSHP funding with any repayments to the RRTF, presuming they are redirected to NSHP, we urge the Commission to do so in its second Triennial Investment Plan so that NSHP funding can be reinitiated with predictable funding levels over the course of the first Plan.

V. CONCLUSION

For the reasons addressed herein, SEIA and Vote Solar strongly urge the inclusion of the NSHP in the EPIC Plan. We appreciate the opportunity to submit these comments as well as the Commission's efforts to date and look forward to working with the Commission to ensure the development of an appropriate and comprehensive EPIC Plan.

Respectfully submitted,

/s/_____

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[7] This range does not account for the monies borrowed by the Legislature for General Fund purposes. Including these monies brings the total uncollected balance to approximately $250 million.

/s/ _____

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