October 2, 2012

California Energy Commission
Dockets Office, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512
Docket@energy.ca.gov

Re: Docket No. 12-EPIC-01; Comments on the Electric Program Investment Charge (EPIC) Program's Draft 2012-2014 Triennial Investment Plan

I. INTRODUCTION

The Solar Energy Industries Association (SEIA),[1] The Vote Solar Initiative (Vote Solar) and the California Building Industry Association (collectively, the Filing Parties) jointly submit comments herein in response to the California Energy Commission's (Commission) request for comment on the Draft 2012-2014 Triennial Investment Plan (Draft Plan) for the EPIC Program.

First, the Filing Parties would like to recognize the tremendous effort expended in the development of the Draft Plan. The Filing Parties fully support both the Vision and the Mission of the Draft Plan as a means to advance deployment clean energy technologies throughout the state.

Second, the Filing Parties would like to thank the Commission Staff for their inclusion of funding for the New Solar Homes Partnership (NSHP) as part of the Draft Plan. The proposed funding for NSHP indicates that the Commission clearly recognizes the importance of the NSHP's role in meeting the goals of the California Solar Initiative (CSI) and helping to achieve the state's zero net energy (ZNE) goals.

[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.

In addition, the Filing Parties are supportive of the Draft Plan's commitment to collaborate with, and provide assistance to, local governments to facilitate increased penetration of clean energy infrastructure. Identified as part of this effort is the need to reduce barriers to wide-spread deployment of clean energy projects, including streamlining the permitting process within local jurisdictions. Creating more uniformity and streamlining with regard to permitting will help to reduce "soft costs" associated with project development, ultimately increasing the economic viability of clean energy deployment. The Filing Parties also support efforts to address costs and uncertainties around interconnection and integration of customer-side resources.

While the Filing Parties are encouraged by many aspects of the Draft Plan, we urge the Commission to increase annual funding levels for the NSHP consistent with statutory requirements and unprecedented builder demand. Increasing funding in this manner will help transform the residential construction market and encourage builders to include solar as a standard feature on all new production housing. The Filing Parties are also concerned with the proposals to shorten the maximum reservation period for NSHP project incentives and to prohibit "reuse" of prior incentive reservations. The comments below elaborate on these issues and propose alterations to the Draft Plan.

II. COMMENTS

As the construction industry continues to rebound from the economic downturn experienced in recent years, builders need confidence that consistent and transparent incentives will be available in order to accelerate the adoption of solar as a standard feature on new production homes. The Legislature authorized $400 million, in absolute terms, for NSHP (Public Utilities Code Section 2851(e)(3)). According to the CPUC's Phase 2 EPIC Decision, approximately $150-200 million has been expended. In pre-workshop comments, SEIA and

Vote Solar requested that the balance ($200-250 million) be evenly divided by the number of years remaining in NSHP (5 years including 2012). However, the Draft Plan fails to explain how the Commission will fund NSHP consistent with this authorization and instead proposes total funding of up to $25 million annually for 2013 and 2014 and no funding for 2012 (a total of up to $50 million for 2012-2014) in the event that repayments are not made to the Renewable Resource Trust Fund (RRTF). While the balance of NSHP funding could be made available in 2015-16, we question whether this would be a rational approach given the high demand for solar on new housing today. Furthermore, we question whether it is appropriate to only rely on RRTF repayments for 2012 funding.

The Filing Parties believe the Draft Plan's proposed funding level conflicts with the CPUC's Phase 2 Decision 12-05-037 which signaled clear authorization to fully collect NSHP funds through the EPIC and allocate such funds as part of the EPIC Triennial Investment Plan. The Phase 2 Decision stated that the CPUC "would authorize funding for no more than the remainder of the $400 million in NSHP funding that was not already collected as part of the PGC, which [the CPUC understood] to be approximately $250 million."[2] The CPUC Decision further indicated that the collection of such funds "would not constitute an overall increase in rates, because it would replace the collections that were previously part of the PGC."[3] By limiting funding of the NSHP in a manner which may not ensure full program funding, the Draft Plan is inconsistent with the CPUC Decision.

Moreover, the Commission's proposed funding level does not comport with recent demand. The Filing Parties understand the annual allocation for 2013-2014 of up to $25 million to be based on analysis that "[s]ince 2007, the NSHP has issued incentive reservations at an

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[2] *See* CPUC Decision 12-05-037 at p. 58
[3] *Id.*

average rate of $24.8 million per year."[4] However, using an annual average that includes years in which the state's housing market experienced a substantial downturn is not truly reflective of a level that will sustain and enhance the progress that the market is clearly making. Further proof of this lies in the fact that "in 2011, incentive reservations totaling $32 million were issued, and nearly $40 million in reservations has been issued so far in 2012."[5] This analysis clearly demonstrates that NSHP participation is booming as the building industry comes out of the recession. Based on this sharp increase in recent years, the Filing Parties believe a more appropriate annual allocation would be one more closely tied to 2011-2012 reservations or approximately $40 million a year.

While recent data indicates the highest levels in annual program interest to date, analysis done by certain SEIA member companies projects a year-over-year doubling in NSHP installations between 2011 and 2013. This year-over-year increase, which is critical to achieving the 400 MW NSHP goal in a timely manner, assumes adequate NSHP funding as discussed above.

Although the Filing Parties hope to see annual funding increased in the final Investment Plan, we are also deeply concerned with the Draft Plan's statement that "as of September 2012, there is roughly $10 million available for NSHP incentive reservations."[6] Because new funding will not be available until either additional funds are repaid to the RRTF or the CPUC has approved the final Investment Plan (May 2013), there will likely be a number of months in which funding will be unavailable. The Filing Parties submit that this starting and stopping sends a chilling message to the builders and could force some of them to reconsider their participation in NSHP and thus stall progress toward meeting California's energy goals. Going forward, such

[4] *See* Draft Plan at p. 159
[5] *Id.*
[6] *Id.*

uncertainty must be removed to ensure that the NSHP can effectively incentivize solar as a standard feature on all new production housing and transform the market so that incentives will no longer be necessary.

Finally, the Filing Parties are concerned by the proposals to shorten the maximum reservation period for NSHP project incentives and to prohibit “reuse” of prior incentive reservations. The current 3-year reservation period was adopted based on evaluation reports from new builders and after much deliberation on the need to provide builders with an adequate planning period. For solar to be successfully integrated in the homebuilding industry, the feature needs to provide a minimum level of certainty and permanence so that homebuilders can integrate it into their business plan strategies. This includes training and education of staff, operational best practices, advertising, and marketing campaigns across multiple communities. A typical 100-home community takes several years to design, develop, construct, sell and close. Reducing the reservation term from anything less than 3 years will have a negative impact on achievement of the NSHP program goals.

III. CONCLUSION

For the reasons addressed herein, the Filing Parties strongly urge the Commission to increase the funding of the NSHP and retain the current 3-year maximum incentive reservation period in the final EPIC Plan. We appreciate the opportunity to submit these comments and hope to continue our close collaboration with the Commission and Commission Staff on this important issue.

Respectfully submitted,

/s/______________________

Steve Zuretti
Manager, California
Solar Energy Industries Association
Phone: 323.400.9715
szuretti@seia.org

/s/______________________

Kelly M. Foley
Attorney
The Vote Solar Initiative
Phone: 916.367.2017
kelly@votesolar.org

/s/______________________

Bob Raymer
Senior Engineer and Technical Director
California Building Industry Association
rraymer@cbia.org