



December 14, 2015

Gina McCarthy
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue NW
Washington, DC 20460

Re: Docket ID Number EPA-HQ-OAR-2015-0734

Administrator McCarthy,

On behalf of the Southeast Energy Efficiency Alliance (SEEA), I am pleased to submit to the U.S. Environmental Protection Agency (EPA) the enclosed comments on the proposed Clean Energy Incentive Program (CEIP) – a component of the Clean Power Plan. These comments reflect the views of SEEA, and not the organization’s members or entities represented on our board of directors. SEEA does not take a position on EPA’s authority to issue the Clean Power Plan. Instead, SEEA hopes to provide perspective on how EPA can best leverage energy efficiency to accomplish the public policy goals set forth in the CEIP.

SEEA is a 501(c)(3) nonprofit organization headquartered in Atlanta, Georgia. Established in 2007, SEEA is a nonpartisan organization with a sound commitment to forging productive partnerships among stakeholders. As the only Regional Energy Efficiency Organization (REEO) serving the southeastern United States, SEEA represents the 11-state territory of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee and Virginia. By convening partners, strengthening enabling policies and strategic programs, and educating stakeholders through technical advisory services, SEEA has established a strong track record of leveraging its extensive network to promote energy efficiency market transformation across the region.

Energy efficiency is the least-cost energy resource available for meeting states’ energy and environmental needs, and there remain significant benefits to be reaped from further investment in this resource. Ensuring that these investments and their associated benefits are shared by low-income communities is an important public policy goal for the Southeast, and the CEIP is an important tool in supporting this goal.

SEEA’s comments highlight the importance of avoiding overly restrictive eligibility criteria to ensure that this program is appropriately leveraged. Specifically, SEEA’s comments focus on the following questions posed by EPA in the “Clean Energy Incentive Program Next Steps” memo, issued on October 21, 2015.¹

¹ U.S. Environmental Protection Agency. “Clean Energy Incentive Program Next Steps” (October 2015). Available at http://www.epa.gov/sites/production/files/2015-10/documents/ceip_next_steps_10_21_15.pdf.

Criteria for eligible projects, including those for energy efficiency projects implemented in low-income communities.

SEEA recommends broad eligibility criteria to ensure the CEIP is accessible and appropriately leveraged, and consideration of a variety of emerging program models.

Definition of “low-income community” for eligible energy efficiency projects.

SEEA recommends a geographically based definition, or multiple definitions, that reflect existing definitions and program infrastructure.

The date from which a project may be deemed eligible to qualify for the CEIP.

SEEA recommends an expanded timeline for project eligibility to allow for ramp-up.

EM&V requirements for eligible projects, requirements for M&V reports of quantified MWh, and requirements for verification reports from an independent verifier.

SEEA recommends flexible and not overly prescriptive EM&V requirements that parallel those in place for other projects credited through the Clean Power Plan.

SEEA looks forward to continuing to collaborate with EPA and regional stakeholders to chart a path forward for energy efficiency as a core element of the CEIP. Please do not hesitate to reach out if we can be of further assistance.

Respectfully submitted,



Mandy Mahoney
President, Southeast Energy Efficiency Alliance

I. Energy Efficiency Offers Many Benefits to Low-Income and Vulnerable Communities in the Southeast

Energy efficiency is an important resource for low-income communities in the Southeast, providing critical direct and indirect benefits that support the welfare of these communities, and the power system as a whole.

The Southeast has historically been characterized by high levels of poverty. From 2011 to 2013, an average of 17.2 percent of the residents within SEEA’s eleven-state geographic footprint lived in poverty, compared to a national average of 14.8 percent.² In 2014, average residential retail prices stood at 11 cents per kilowatt hour (kWh) in SEEA’s eleven-state footprint, compared to the national average of 12.52 cents. Low rates, however, do not equate to low bills. The region’s average utility bills are among the highest in the nation. In the same timeframe, average monthly residential energy bills in the Southeast were \$131, compared to the national average of \$114.11.³ This is due to multiple factors, including the significant cooling and heating loads associated with seasonal temperature variations in the Southeast and the lack of efficiency investment programs.

Energy efficiency is a critical resource that delivers tremendous value for low-income populations in the Southeast. Beyond simply dollars and cents, added benefits in comfort, health and safety of homes and buildings have been demonstrated to match or even exceed the benefits from direct financial savings.⁴

Low-income energy efficiency programs offer significant non-energy benefits that extend far beyond reducing customer bills. In addition to these direct benefits, energy efficiency supports the welfare and well-being of low-income and other vulnerable populations through its role in the utility system. Energy efficiency lowers total system costs through production capacity cost and energy savings, transmission and distribution capacity savings and avoided line losses.⁵ Increasing the affordability of the utility system overall impacts all customer classes, effectively creating an added layer of benefits for low-income customers. **As EPA contemplates the final form of the Clean Energy Incentive Program (CEIP), it should consider energy efficiency’s multiple levels of benefit for low-income communities, and ensure that it effectively leverages them in implementation of the CEIP.**

² U.S. Census Bureau. Interrelationships of Three Year Average State Poverty Rates: 2011 - 2013 (Current Population Survey, March 2012-2014). Available at <http://www.census.gov/hhes/www/poverty/data/incpovhlth/2013/stategrid.xls>.

³ U.S. Energy Information Agency. 2014 Average Monthly Bill- Residential. Available at http://www.eia.gov/electricity/sales_revenue_price/pdf/table5_a.pdf.

⁴ American Council for an Energy-Efficient Economy. “Low-Income Programs.” Available at <http://aceee.org/topics/low-income-programs>.

⁵ Ken Colburn and Jim Lazar. Regulatory Assistance Project. “Recognizing the Full Value of Energy Efficiency” (September 2013). Available at www.raponline.org/document/download/id/6739.

II. EPA Should Incorporate a Variety of Reasonable and Existing Eligibility Criteria that Enable Participation in the Clean Energy Incentive Program

- 1) EPA should develop broad eligibility criteria to ensure that the CEIP is accessible and fully leveraged.
- 2) EPA should look to existing definitions and infrastructure in arriving at a definition of “low-income communities” and ensuring that benefits of these programs accrue to their targets.

The CEIP will generate nearly 80 million additional short tons of additional value in the Southeast, catalyzed by the 300 million put forth by EPA. As shown below, assuming a conservative allowance price of \$4, with 50 percent of available credit supporting energy efficiency, and 50 percent supporting renewable energy investments, southeastern states will see an additional injection of \$300 million for energy efficiency in low-income communities over the two years in which the CEIP is in place. By comparison, in 2013, electric ratepayer-funded efficiency spending in these same states on *all* program types totaled less than \$600 million.⁶ **Accordingly, SEEA finds that there is little concern for CEIP credits being oversubscribed by a few large projects or developers.**

Table 1. Estimated Investment in Low-Income Energy Efficiency Programs Through the Clean Energy Incentive Program

State Name	State CEIP Set-Aside, 2022-2024 Total (Short Tons)	Energy Efficiency at 50% Share (Short Tons)	EPA Match (Short Tons)	Total Credit Available (Short Tons)	Total Value at \$4/Ton
Alabama	9,538,668	4,769,334	4,769,334	9,538,668	\$ 38,154,673.44
Arkansas	6,682,003	3,341,002	3,341,002	6,682,003	\$ 26,728,012.31
Florida	9,868,433	4,934,217	4,934,217	9,868,433	\$ 39,473,733.86
Georgia	8,418,449	4,209,224	4,209,224	8,418,449	\$ 33,673,795.99
Kentucky	15,131,031	7,565,515	7,565,515	15,131,031	\$ 60,524,123.57
Louisiana	4,574,653	2,287,327	2,287,327	4,574,653	\$ 18,298,613.79
Mississippi	1,091,574	545,787	545,787	1,091,574	\$ 4,366,296.82

⁶ Gilleo, Annie et al. American Council for an Energy-Efficient Economy (ACEEE). “The 2014 State Energy Efficiency Scorecard” (October 2014). Available at <http://aceee.org/sites/default/files/publications/researchreports/u1408.pdf>.

North Carolina	8,170,892	4,085,446	4,085,446	8,170,892	\$ 32,683,566.33
South Carolina	5,049,322	2,524,661	2,524,661	5,049,322	\$ 20,197,286.69
Tennessee	6,654,063	3,327,031	3,327,031	6,654,063	\$ 26,616,250.80
Virginia	4,235,909	2,117,954	2,117,954	4,235,909	\$ 16,943,635.85
Southeast Total	79,414,997	39,707,499	39,707,499	79,414,997	\$ 317,659,989.46

In addition to utility-administered energy efficiency programs, numerous state agencies and NGOs in the Southeast offer energy efficiency programs that target low-income populations. In many cases, multiple actors in diverse sectors partner to provide program offerings. The broad range of players involved in developing, funding and delivering these programs makes it difficult to point to a “one size fits all” model that provides the most appropriate framework for programs eligible under the CEIP.

Targeting energy efficiency investments effectively through strategic implementation of the CEIP, while allowing for flexibility and innovation in program design and delivery, is an important priority for the Southeast. As such, the definition that EPA arrives at should not be overly restrictive, in order to enable broad access and participation. **Eligible projects should include a robust spectrum of efforts, including utility ratepayer-funded programs, cost-sharing partnerships, non-ratepayer-funded retrofits that incorporate leverage funds, and energy savings performance contracts.**

SEEA believes that a geographically based definition (i.e., Census tract- or neighborhood-level, or zip codes with above-average concentrations of low-income individuals) is most appropriate, and allows for the most comprehensive approach to program delivery. While a broader definition does hold some risk, both the robust pool of available credits and the long-term value of attracting energy efficiency providers and project developers to low-income communities provide a counterbalance. In addition, existing tools may help offset this risk and ensure that investments effectively target low-income customers. To accomplish this goal, analysis through tools like EJSCREEN, or through resources in place through the Low-Income Home Energy Assistance Program, could be required as part of the credit application process, or could be utilized by reviewers to ensure that proposed programs are appropriately targeted.

SEEA also recommends that eligible energy efficiency projects not be restricted to a single sector (i.e., residential buildings), but that, comports with a geographic scope, projects in non-residential buildings also qualify. The Southeast has seen the emergence of a number of highly effective programs that leverage savings from non-residential buildings to directly benefit low-income communities. For example, in Arkansas, the Clinton Climate Initiative’s successful Home Energy Affordability Loan, or HEAL, leveraged savings from retrofits in large facilities to finance home retrofits for employees. Emerging

models such as BlocPower⁷ also seek to integrate savings from residential and commercial properties to maximize benefits.

Accordingly, the definition, or definitions, that EPA selects should reflect those currently referenced in federal programs. Ultimately, as overlap and synergies between various government agencies increase, it may be useful to arrive at a single federal definition. Southeastern low-income programs commonly leverage funding from a variety of sources, often partnering with state governments and private sector players that administer low-income weatherization services. Importantly, many of the programs that reach low-income customers benefit from federal financial resources, which by and large do not utilize a common definition. To maximize the benefit achieved from the CEIP, EPA should avoid restrictive definitions that may limit the extent to which these funds can be leveraged.

III. The Clean Energy Incentive Program Should Leverage Existing Infrastructure and Emerging Program Models

- 1) *EPA should examine the needs and challenges to existing low-income energy efficiency programs to support expansion and scaling of these programs under the CEIP.*
- 2) *EPA should consider a variety of emerging program models to ensure the CEIP does not inhibit their growth.*

Many of the existing “low-income” energy efficiency efforts around the country – particularly utility-administered programs – have struggled to achieve significant penetration. In addition, federally funded programs like the Weatherization Assistance Program have not reached scale, with need outstripping available resources on a regular basis.⁸ New, innovative models are needed to achieve scaled energy savings opportunities for low-income communities, and EPA should provide the latitude for the CEIP to support them.

Utility-administered energy efficiency programs that specifically target low-income populations are available in some utility jurisdictions. However, coverage is uneven, as is the level of investment and penetration, as demonstrated below.

⁷ BlocPower website. <http://www.blocpower.org/>.

⁸ WATE.com. “More Than 1,000 Low-income Knoxville Families on CAC Weatherization Waiting List” (November 2015). Available at <http://wate.com/2015/11/30/more-than-1000-low-income-knoxville-families-on-cac-weatherization-waiting-list/>.

Table 2: Low-Income Electric Energy Efficiency Funding and Participation in the Southeast (2014, Select Investor-Owned Utilities)⁹

State/Program Administrator	Total Electric Energy Efficiency Funding	Low-Income Electric Energy Efficiency Funding	Low-Income Funding as a % of Total Funding	Low-Income Program Participation (Customers)
FL/Florida Power & Light	\$115,738,000	\$126,000	<1%	884
FL/Gulf Power	\$12,378,060	\$629,000	5.1%	2,326
KY/LG&E & KU*	\$29,869,000	\$4,847,000	16.2%	2,700*
LA/Entergy Gulf States Louisiana & Entergy Louisiana LLC* ¹⁰	6,407,112	\$561,239	8.8%	1,409
MS/Mississippi Power ¹¹	\$1,086,799	\$92,825	8.5%	196
NC and SC/Duke Energy Carolinas	\$58,530,127	\$1,917,192	3.3%	9,082

Source: E Source DSM Insights

⁹ As-filed numbers (vs. actuals) indicated by asterisk. Total portfolio funding amounts do not include demand-side solar or demand response.

¹⁰ Louisiana Public Service Commission Docket No. R-31106. Available at <http://lpscstar.louisiana.gov/star/ViewFile.aspx?id=31fd36bf-b0b4-409a-b15b-a1db7f03afaf>.

¹¹ Southeast Energy Efficiency Alliance. "Mississippi Rule 29 Summary of Annual Reports" (July 2015). Available at <http://www.seealliance.org/wp-content/uploads/MS-Rule-29-Annual-Reports-Summary-2014-FINAL.pdf>.

More traditional utility-administered programs targeting low-income customers have been in place in the Southeast for many years. In particular, the “neighborhood energy saver” model, originally piloted in the early 2000s by what was then Progress Energy in Florida. This model presents a counterpoint to the traditionally customer-initiated low-income programs. This community-based approach now exists in Florida, the Carolinas and Mississippi.

In recent years, the Southeast has seen a proliferation of innovative programs administered by states, utilities and NGOs that have shown promise in effectively targeting low-income customers. Manufactured housing programs, while often not explicitly classified “low-income programs,” have also proven an effective vehicle for reaching these communities. The Southeast is also home to high concentrations of manufactured housing. According to U.S. Census Bureau manufactured housing data, in 2013, just over 56,000 units were placed across the nation, with the Southeast comprising nearly half.¹² In 2008, the Tennessee Valley Authority (TVA) launched an ENERGY STAR Pilot Program for Manufactured Homes, whose territory is marked by a high concentration of manufactured homes. In 2011, TVA moved to an upstream model, and through partnerships with manufacturers – including one with a 75 percent market share in the Valley, the program has achieved significant results to date, including nearly 21 GWh saved in 2014 alone.^{13 14}

Interest in multifamily housing programs as a vehicle for reaching low-income communities has also been growing. A recent study by Energy Efficiency for All estimates efficiency programs in multifamily affordable housing could cut electricity usage by as much as 32 percent and natural gas by 24 percent.¹⁵ Multifamily programs in the Southeast have attracted significant interest of late, with major utilities such as Entergy New Orleans and Georgia Power considering their inclusion within their respective program portfolios.

Innovative financing approaches, such as on-bill financing or on-bill repayment, have proven effective in overcoming upfront barriers to energy efficiency investments, as well as customer credit limitations. These financing models provide a mechanism whereby the upfront cost of energy-saving improvements is funded by the electric utility or a third-party financier, and program participants are able to repay the cost through a monthly payment on their electric bill. Specifically, on-bill models have been successfully employed by cooperative utilities in the Southeast. The Help My House! program, administered by the Electric Cooperatives of South Carolina in 2011 and 2012, led to 34 percent energy bill reductions in the 125 participating homes, helping members save an average of \$288 per home per year after loan

¹² U.S. Census Bureau. Manufactured Homes Placed by State. *Available at*

<http://www.census.gov/construction/mhs/placbystate.html>.

¹³ Nowak, Seth et al. American Council for an Energy-Efficient Economy (ACEEE). “Leaders of the Pack: ACEEE’s Third National Review of Exemplary Energy Efficiency Programs (June 2013). *Available at*

<http://aceee.org/sites/default/files/publications/researchreports/u132.pdf>.

¹⁴ Tennessee Valley Authority (TVA). “TVA Energy Right Solutions 2013 Highlights Report.” *Available at*

https://www.tva.gov/file_source/TVA/Site%20Content/Energy/EnergyRight%20Solutions/highlights_2014.pdf.

¹⁵ Energy Efficiency for All. “Potential for Energy Savings in Affordable Multifamily Housing” (May 2015). *Available at* <http://www.energyefficiencyforall.org/sites/default/files/EEFA%20Potential%20Study.pdf>.

payments.¹⁶ In addition, cooperative utilities in Kentucky and North Carolina have implemented debt-free on-bill programs using an opt-in tariff. Some cooperatives in Arkansas and other states are exploring their options to do the same. While these tariffed on-bill programs are not limited to low-income customers, they effectively target this market, and should be eligible for credit under the CEIP.

Finally, EPA should clarify language on whether the CEIP will support energy efficiency *measures*, *projects* or programs – terms which are used, often interchangeably, in both EPA guidance and the current dialogue surrounding the CEIP. To maximize the impact and effectiveness of the CEIP, this program should leverage and build upon existing infrastructure, and potentially, existing programs. **Accordingly, SEEA recommends that EPA permit new energy efficiency measures installed under existing programs to qualify.**

IV. EPA Should Allow an Expanded Ramp-up Period for Projects

While energy efficiency programs can be deployed quickly, adequate ramp-up time must be allowed to thoughtfully design and target programs, and to achieve desired levels of volume.

As currently written, projects eligible for generating credit under the CEIP must commence operation after the submittal of a state compliance plan, or September 6, 2018. **This timeline is overly restrictive, allowing only a 15-month window for program ramp-up, and should be expanded to allow states the time needed to generate robust savings in 2020 and 2021.** In addition, it should be noted that many states in the Southeast have already expressed their intent to request an extension until 2018, and that many of these states are also interested in the CEIP. Southeastern states need additional time to ensure that the investments they make are fruitful and strategic, and that they support high achievement in 2020 and 2021.

A recent SEEA study reviewed the ramp-up rates of southeastern utilities in the energy efficiency space.¹⁷ While leading utilities have been able to ramp up energy efficiency programs fairly quickly, reaching region-leading levels in a handful of years, others have not seen the level of investment necessary to do so. In addition, Quick Start programs that allow for ramp-up are generally fairly “out of the box,” where low-income programs may require more tailored design and deployment.

As mentioned previously, low-income energy efficiency programs provide a number of benefits, including creating jobs, in many cases for the very populations they are designed to serve. Since energy efficiency

¹⁶ Environmental and Earth Study Institute (EESI). “The Help My House Model.” Available at <http://www.eesi.org/obf/coops/helpmyhouse>.

¹⁷ Katie Southworth and Abby Schwimmer. Southeast Energy Efficiency Alliance. “Southeastern Utility Program Ramp-up Rates” (April 2015). Available at <http://www.seealliance.org/wp-content/uploads/Resource-Paper-2-Ramp-up-Rates-FINAL.pdf>.

programs often offer training and workforce development components, additional time is needed to allow for these benefits to be realized. **Accordingly, SEEA recommends that EPA allow increased time to support adequate ramp-up of programs eligible under the CEIP.**

EPA may choose to consider a number of approaches for extending this timeline – applying an earlier eligibility threshold, allowing states to extend the CEIP period, or allowing a second phase CEIP, using remaining unallocated credits from the first phase of the CEIP.

V. EM&V Requirements Should Balance Rigor and Flexibility

- 1) *EM&V requirements under the CEIP should parallel those in place for other projects credited under the Clean Power Plan.*
- 2) *EM&V requirements should be flexible and not overly prescriptive, in order to ensure that energy efficiency is fully leveraged within the Clean Energy Incentive Program, and the Clean Power Plan generally.*

EM&V requirements for project eligibility should be sufficiently flexible so as not to restrict participation. In addition, accommodation should be made for the timeframe needed to complete evaluation activities, which may extend past the early action period. **Projects should be qualified and credited as long as EM&V is underway by the end of the early action period.**

In addition, experience under previous air programs has demonstrated that, in the presence of narrow eligibility criteria or other requirements that may be perceived as overly complicated, programs are likely to be undersubscribed. For instance, transaction costs and administrative burdens of measuring and verifying energy savings have been cited as barriers to full deployment of energy efficiency under programs such as the NO_x SIP Call, SO₂ Trading Program, and National Ambient Air Quality Standards.¹⁸

In order to simplify and streamline the application process for projects falling under the Clean Energy Incentive Program, and to minimize administrative burden or confusion, **SEEA recommends that EPA finalize the same requirements for the CEIP as it does for other projects generating ERC credit under the Clean Power Plan.** As SEEA will indicate in subsequent comments regarding EPA's draft EM&V guidance, here too, simplicity, accessibility and ease of implementation are key, as is the development of supporting resources.

Historically, because low-income programs are closely tied to public policy goals beyond achieving cost or energy savings, they have been evaluated with more flexible criteria than other utility-run programs do at the Commission level. For example, low-income programs may not be required to achieve the same

¹⁸ Jeremy Tarr et al. Nicholas Institute for Environmental Policy Solutions. "Energy Efficiency and Greenhouse Gas Limits for Existing Power Plants: Learning from EPA Precedent" (June 2013). Available at http://www3.epa.gov/statelocalclimate/documents/pdf/eere_rpt.pdf.

cost-effectiveness benchmarks that other ratepayer-funded programs do. Should EPA make any alteration to the EM&V requirements put in place for programs eligible under the Clean Energy Incentive Program, **SEEA recommends that these changes support less restrictive requirements, rather than more.** For example, EPA may consider laying out a few core EM&V criteria, while allowing for greater flexibility in the remainder.

Again, we thank EPA for creating this and other opportunities to provide comment and feedback to its Clean Power Plan proposals and remain ready to provide assistance should it be needed.