



December 15, 2015

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Comments from the Center for the New Energy Economy on the Environmental Protection Agency's proposed Clean Energy Incentive Program (CEIP)

The Center for the New Energy Economy at Colorado State University has been convening environmental officials, utilities, utility regulators and other stakeholders from 14 Western States¹ since June, 2014 on issues pertaining to the Clean Power Plan.

In recent conversations with state environmental officials regarding the CEIP, five key themes of initial feedback to EPA have emerged. CNEE is submitting this feedback to be responsive to EPA's December 15th deadline and we anticipate that additional comments may be forthcoming from Western States regarding the CEIP.

The following is a summary of five program design elements for the CEIP that CNEE recommends:

1. Grant the fullest possible discretion to the states in administering their CEIP programs.

EPA should seek to minimize the administrative burden and grant broad program flexibility to states. State participation in this limited duration program is directly related to how complicated it will be to implement. EPA should encourage states to develop their own innovative CEIP programs, which is appropriate for a voluntary initiative.

¹ AK, AZ, CA, CO, ID, MT, ND, NM, NV, OR, SD, UT, WA & WY.

2. The definition of a “low-income community” should be a state-level decision.

All Western States have some form of low-income definition whether for Federal Low Income Home Energy Assistance Program (LIHEAP) assistance eligibility², utility Demand Side Management (DSM) programs or other assistance programs designed to serve low-income households. Some states may find that the existing definitions used by utilities for their low-income DSM and weatherization programs would harmonize well with the CEIP. It is reasonable to anticipate that the majority of the low-income electricity reductions will come from existing or expanded utility DSM programs already targeting this sector. States may also find that they wish to extend these definitions to serve other vulnerable communities impacted by this rule. EPA should not create a new definition of “low-income community” just for the purposes of the two year CEIP program.

3. EPA should not segment the 300 million short ton matching pool into renewable and low-income energy efficiency allowances.

EPA should give states full discretion for allocating the matching pool and state allowances. If there is any ‘segmenting’ between renewable energy and low-income energy efficiency allowances it can and should be done by the individual states in their state plans. This allows the states to target the CEIP benefits to the kinds of projects that best match state policy objectives and needs. If EPA finds it necessary to allocate allowances between renewable energy and low-income energy efficiency, it should be done after CEIP-participating states have submitted their plans and only with any unused matching pool allowances available at that time.

4. Ensure that Evaluation, Measurement & Verification does not become the barrier to participation in the CEIP.

The vast majority of Western States, 12 of 14, have some form of EM&V protocol and cost-benefit test screening for utility energy efficiency investments³. In some cases, there are decades-old rules that have been closely adhered to by utilities and third party evaluation contractors. EPA should make every effort to accept these protocols and to

² <http://www.liheapch.acf.hhs.gov/snapshots.htm>

³ <http://database.aceee.org/state/evaluation-measurement-verification>

mitigate any additional reporting burden for the CEIP⁴. This is especially true for states that adopt a mass-based plan and, therefore, need to document an approvable EM&V protocol for 2020 and 2021 only. Finally, EPA should allow states to opt into the EM&V methodology yet to be proposed under the Federal Plan for their CEIP demonstration should they choose to do so.

5. EPA should develop an approach for maintaining stringency that does not disincentive a rate-based state from participating in the CEIP.

Maintaining stringency in rate-based plans in a way that does not disincentivize early action through participation in the CEIP should be a key focus of any forthcoming technical guidance. States have questions with respect to how state rate targets would be re-calculated or 'trued-up' based on their level of CEIP participation and when this target re-setting would be done.

One possible solution for maintaining stringency is to deduct a portion of future ERCs generated by CEIP projects themselves.

Finally, EPA should also ensure that any approach that adjusts a state's interim-period emission performance rates in order to maintain overall stringency does not preclude the state from participating in a trading ready approach.

CNEE looks forward to working with EPA on making the CEIP an appealing element to Western State plans.

⁴ <http://www2.epa.gov/cleanpowerplanttoolbox/evaluation-measurement-and-verification-emv-guidance-demand-side-energy>