

January 21, 2016

Gina McCarthy
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue NW
Washington, DC 20460
VIA EMAIL to: a-and-r-Docket@epa.gov

Re: Docket ID Number EPA-HQ-OAR-2015-0199

Comments on the EPA's Proposed Federal Plan

Administrator McCarthy,

On behalf of the Midwest Energy Efficiency Alliance (MEEA), the South-central Partnership for Energy Efficiency as a Resource (SPEER), the Southeast Energy Efficiency Alliance, (SEEA), and the American Council for an Energy-Efficient Economy (ACEEE), I am pleased to submit to the U.S. Environmental Protection Agency (EPA) the enclosed comments on the Proposed Federal Plan.¹ MEEA is a membership organization of state and local governments, energy utilities, research institutes, manufacturers, energy service providers and advocacy organizations working to advance energy efficiency in North Dakota, South Dakota, Kansas, Nebraska, Minnesota, Iowa, Missouri, Wisconsin, Illinois, Michigan, Indiana, Ohio, and Kentucky. MEEA works collaboratively with all stakeholders to support programs, policies, education and training initiatives, and emerging technologies that have produced significant energy efficiency investment, energy and cost savings, economic growth, and enhanced environmental preservation across the Midwest. SPEER, the non-profit regional energy efficiency organization for Texas and Oklahoma, aims to accelerate the adoption of advanced building systems and energy efficient products and services throughout its region. SPEER's work focuses on building energy codes, high performance commercial buildings, local government initiatives, and policies that advance energy efficiency. SEEA is an independent, nonpartisan nonprofit organization that promotes energy efficiency as a catalyst for economic growth, workforce development and energy security across 11 southeastern states. SEEA serves Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee and Virginia. ACEEE, a nonprofit, 501(c)(3) organization, acts as a catalyst to advance energy efficiency policies, programs, technologies, investments, and behaviors. Projects are carried out by ACEEE staff and collaborators from government, the private sector, research institutions, and other nonprofit organizations.

¹ *These comments reflect the views of the signatories of this document and not necessarily the views of any one co-signing organization's members or individual entities represented on its board of directors*

The scope of these comments is limited to encouraging the EPA to allow demand-side energy efficiency to receive Emission Rate Credits in states where a Federal Plan is implemented – should the EPA select a rate-based implementation scenario. Energy efficiency, as denoted in the comments, encompasses energy savings achieved through ratepayer-funded energy efficiency programs as well as privately-funded projects, federally-funded programs, and building energy codes.

MEEA, SPEER, SEEA, and ACEEE look forward to continuing to collaborate with EPA and with regional stakeholders to chart a path forward for energy efficiency as a core element of states' compliance with the Clean Power Plan. Please do not hesitate to reach out if we can be of further assistance.

Respectfully submitted,



Stacey Paradis, Executive Director
Midwest Energy Efficiency Alliance
sparadis@mwalliance.org

Doug Lewin, Executive Director
South-central Partnership for Energy Efficiency as a Resource
dlewin@eepartnership.org

Mandy Mahoney, President
Southeast Energy Efficiency Alliance
mmahoney@seealliance.org

Steve Nadel, Executive Director
American Council for an Energy-Efficient Economy
shayes@aceee.org

Allowing Energy Efficiency to Earn Emission Rate Credits in a Rate-based Federal Plan

MEEA, SPEER, and ACEEE encourage the U.S. Environmental Protection Agency (EPA) to include energy efficiency as a compliance strategy under the Federal Plan. Specifically, if EPA chooses a rate-based Federal Plan, we urge the EPA to allow energy efficiency projects that have undergone formal evaluation, measurement, and verification (EM&V) to receive Emission Rate Credits (ERCs) in states where a Federal Plan is implemented. We discuss three areas of consideration below: characteristics of energy efficiency resources, robustness of EM&V, and cost effectiveness of energy efficiency.

The proposed Federal Plan grants eligibility to renewable energy generation – including generation from wind, solar, geothermal power, and hydropower – to generate ERCs and adjust states' emission rates. Energy efficiency projects, like renewable energy projects, may be implemented outside of existing affected electrical generating units, and by entities other than owners of affected electrical generating units (for example: building owners, industrial facilities, and small businesses). Energy efficiency shares close similarities, in particular, with distributed renewable energy generation resources: it is a zero-emission resource, projects are implemented close to load, projects are geographically dispersed, project owners represent a diverse set of entities, and projects are implemented on the customer side of the meter.

EPA suggests that the Federal Plan limits eligibility to “measures that can be directly metered” in order to ensure a feasible process for ERC issuance across “a potentially large number of jurisdictions.”² Certainly, direct metering offers a standardized approach to measuring energy consumption. Likewise, however, coordinated evaluation, measurement, and verification (EM&V) efforts also allow for a standardized approach to measuring energy savings. EM&V is formally accepted by public utility commissions and other regulators throughout the country as the mechanism used to measure the impact of rate payer-funded energy efficiency programs and projects.

Additionally, processes and frameworks to carry out the EM&V of demand-side energy efficiency measures have already existed for several years in many states, both in the Midwest and across the country. In the Midwest, the state of Illinois, for example, has an Energy Efficiency Stakeholder Advisory Group (SAG), which works with utilities, third party evaluators, and interested stakeholders to review draft EM&V plans and reports, coordinate Technical Reference Manual updates, and facilitate net-to-gross ratio discussions. This entity has already begun exploring how the state's EM&V protocols comport with the EPA's draft EM&V Guidance. In the Northeast, the Regional Evaluation Measurement and Verification Forum brings together nine jurisdictions to develop standardized, transparent guidelines and tools to conduct the EM&V of energy savings through energy efficiency.³ In the private sector,

² 80 F.R. 64994

³ EM&V Forum, Northeast Energy Efficiency Partnerships, January 12, 2016. Webpage: <<http://www.neep.org/initiatives/emv-forum>>

efficiency providers (energy service companies, or ESCOs) regularly conduct EM&V in order to demonstrate fulfillment of savings guarantees. Given that the first compliance period for a Federal Plan will not begin until 2022, ample time exists for the EPA and states to develop coordinated EM&V practices and protocols. Therefore, we feel EM&V is a robust mechanism that accurately quantifies energy efficiency impacts and can sufficiently act in lieu of the “metered” energy criteria suggested by the EPA. We support the requirement that energy efficiency projects comply with the EPA’s EM&V Guidance to earn ERCs under a Federal Plan.

The EPA has committed to administering EM&V for CEIP eligible demand-side energy efficiency projects, if it were to finalize a mass-based federal plan. This commitment suggests that if the EPA were to finalize a rate-based federal plan, it would have the technical and administrative capacity to carry out EM&V of demand-side energy efficiency projects, thereby allowing these projects to generate ERCs.

Finally, excluding energy efficiency from the set of resources eligible to generate ERCs under the Federal Plan would effectively raise the cost of compliance with the Federal Plan. The EPA has acknowledged that energy efficiency “is a highly cost-effective means for reducing CO₂ from the power sector.”⁴ Several studies have shown that energy efficiency is in most cases the least-cost option for compliance with the Clean Power Plan’s carbon emission reduction targets.⁵ Nationally, the levelized cost of saved energy from energy efficiency is lower than the levelized cost of new wind, natural gas combined cycle, coal, nuclear, biomass, or solar PV resources.⁶ Restricting eligibility for ERC generation to limited generation resources would therefore raise the cost of compliance for states subject to the Federal Plan; and jeopardize its impact as a cost-saving regulation.⁷

⁴ EPA, Regulatory Impact Analysis, section 3.7.1, p. 119.

⁵ See Hopkins, J. Center for Climate and Energy Solutions. “Modeling EPA’s Clean Power Plan: Insights for Cost-Effective Implementation.” May 2015.

⁶ Molina, M. and Neubauer, M. ACEEE. “Still the First Fuel: National Review of the Cost of Utility Energy Efficiency Programs.” PDF File: <<http://aceee.org/files/proceedings/2014/data/papers/8-1233.pdf>>

⁷ See Macedonia, J., *et al.* Bipartisan Policy Center, “Insights from Modeling the Proposed Clean Power Plan.” p. 21. PDF File: <<http://bipartisanpolicy.org/wp-content/uploads/2015/04/BPC-Clean-Power-Plan-Slides.pdf>>