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

Administrator McCarthy,

The Southern Alliance for Clean Energy (SACE) appreciates the opportunity to submit these comments to the Environmental Protection Agency (EPA) on its proposed Clean Energy Incentive Program (CEIP) – a component of the Clean Power Plan (CPP). SACE is a regional non-profit organization that works across the Southeast to promote responsible energy choices that create global warming solutions and ensure clean, safe and healthy communities.

Our work with utilities and regulators to increase development of clean energy resources and decrease reliance on fossil-fueled power is primarily focused in states where we have offices and staff – Florida, Georgia, North Carolina, South Carolina and Tennessee. We work with allies in other Southeastern states to track utility planning engagement opportunities and highlight the true costs of fossil fuel power. Due to this broad geographical presence, SACE utilizes a regional approach and allows us to compare trends, share solutions and identify common interests.

Key Issues for CEIP Implementation in the Southeast

Energy Efficiency and Extreme Energy Burdens in Southeast

Along with incentivizing early development of renewable energy resources, the CEIP is also aimed at relieving energy burdens across the country by also incentivizing early adoption and implementation of energy efficiency programs that primarily benefit low-income communities. These economically vulnerable communities are most prevalent in the Southeastern United States. Mississippi, Louisiana, Alabama, Kentucky, Arkansas, Georgia, Tennessee, South Carolina, North Carolina and Florida all fall within the top-15 highest poverty rate states, with poverty rates ranging from 16%-21%.[1]

Table 1 Poverty Rates in the Southeastern U.S.

State	Percentage of People in Poverty (3-year average 2011-2013)	Difference From National Average (14.8%)
Alabama	16.1	1.3
Florida	15.0	.2
Georgia	17.6	2.8
Kentucky	18.0	3.2
Mississippi	20.6	5.8
North Carolina	17.0	2.2
South Carolina	17.2	2.4
Tennessee	17.7	2.9

[1] United States Census Bureau, Percentage of People in Poverty by State Using 2- and 3-Year Averages: 2010-2011 and 2012-2013, available at http://www.census.gov/hhes/www/poverty/data/incpovhlth/2014/tables.html

Accordingly, families in these states are also suffering under the highest energy burdens in our country, as identified by the American Council for an Energy Efficiency Economy (ACEEE).

Table 2: Highest Energy Burden Quartiles in the 10 Cities with the Highest Energy Burdens (ACEEE)[2]

	All households	Low-income households*	Low-income multifamily households	African-American households	Latino households	Renting households
1	Memphis (12.8%)	Memphis (25.5%)	Memphis (21.8%)	Memphis (19.4%)	Memphis (15.9%)	Memphis (18.5%)
2	Birmingham (10.8%)	New Orleans (18.9%)	Birmingham (16.2%)	New Orleans (16.4%)	Philadelphia (15.7%)	Birmingham (15.1%)
3	New Orleans (10.0%)	Birmingham (18.8%)	Atlanta (15.7%)	Kansas City (16.2%)	Pittsburgh (12.4%)	Atlanta (13.3%)
4	Atlanta (9.7%)	Atlanta (18.2%)	Pittsburgh (15.7%)	Pittsburgh (16.1%)	Kansas City (12.0%)	St. Louis (12.9%)
5	Providence (8.7%)	Philadelphia (16.7%)	Chicago (14.6%)	Cincinnati (15.6%)	Providence (11.7%)	New Orleans (12.6%)
6	Pittsburgh (8.6%)	Providence (16.7%)	Cincinnati (13.0%)	Milwaukee (15.5%)	Atlanta (11.5%)	Cincinnati (12.1%)
7	Cincinnati (8.5%)	Pittsburgh (15.7%)	St. Louis (12.9%)	Birmingham (15.4%)	Hartford (11.1%)	Cleveland (11.9%)
8	Kansas City (8.4%)	Cincinnati (15.5%)	Cleveland (12.3%)	Chicago (15.3%)	Phoenix (10.7%)	Pittsburgh (11.9%)
9	Philadelphia (8.3%)	Detroit (15.3%)	Hartford (11.8%)	Detroit (14.8%)	Birmingham (10.4%)	Providence (11.7%)
10	Dallas (8.2%)	St. Louis (14.8%)	Fort Worth (11.4%)	St. Louis (14.4%)	Detroit (10.2%)	Kansas City (11.7%)

* Low-income includes both single- and multifamily households.

Due to the high energy burdens and high instances of poverty in the Southeast, these states have the most to gain from participation in the CEIP. Unfortunately, all but one of the states in our region (Tennessee) are involved in challenging the legality of the CPP. Thus, the vast majority of our state agencies in the Southeast have suspended all engagement on the CPP until resolution of the legal challenges.

Even before the CPP stay, states like North Carolina intended to submit woefully inadequate state plans that would fail to incorporate any clean energy resources as compliance solutions. Against this backdrop, it seems unlikely all of our Southeastern states will take part in the CEIP. More moderate states, like Tennessee, may take part in the CEIP. Tennessee, of course, is nearly entirely served by TVA.

[2] ACEEE Lifting the High Energy Burden in America's Largest Cities, 2016. Available at http://aceee.org/sites/default/files/publications/researchreports/u1602.pdf

Due to how EPA has proposed to allocate CEIP credits, if a state chooses not to participate in this early-action program, any credits that were assigned to that state will be forfeited. As we suggested in our earlier CEIP comments under a related CPP regulatory docket, we support EPA reallocating any unused CEIP credits forfeited by non-participating states.[3]

The reallocation of these CEIP credits could take place between the submission of a state's initial compliance plan to EPA, in which they must either indicate participation in or opt-out of the CEIP, and the final state compliance plan submission. After determining which states have opted out, EPA should immediately re-allocate the credits that would have been available to the op-out states on a proportional basis among the states that indicated an intent to participate.

Unique Energy Market Structure in the Southeast

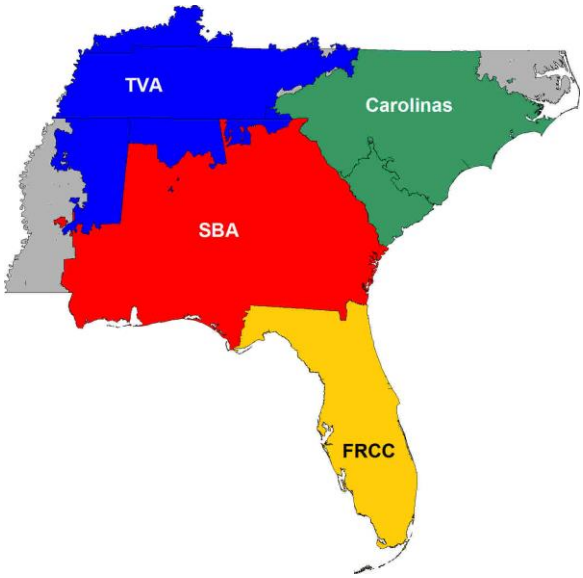
CPP, as well as CEIP, implementation in the Southeast will evolve somewhat differently from implementation in other regions of our country. One of the main reasons for this difference is the dominance of large, vertically-integrated utilities in the Southeast, that exist in weak, or nonexistent, wholesale power markets. Another key differential is that each of our four largest utilities, Tennessee Valley Authority (TVA), Southern Company, Florida Power & Light (FPL) and Duke Energy are all in various stages of development of new nuclear reactor units.

The effect of these unique Southeastern utility characteristics on compliance needs to be understood *before* our states begin crafting compliance plans. The Southeast has no authority, such as a Regional Transmission Organization (RTO), with regional jurisdiction over power markets or dispatch. Individual state public service commissions regulate Southeastern investor-owned utilities. Regional coordination is accomplished through the utilities themselves, without any formal interstate agreements. Areas in the

[3] Southern Alliance for Clean Energy comments on EPA Docket ID #EPA-HQ-OAR-2015-0734, Dec. 15, 2015, available at http://www.cleanenergy.org/wp-content/uploads/SACE_Comments-on-EPA-CEIP_121515.pdf

Southeast served by TVA, a federal public power authority, however, are regulated by a Board of Directors who are informed by a CEO, executives and staff. Thus, there is no clear regional dispute resolution process to resolve disagreements between state regulators on energy issues. The bottom line is that the buying and selling of energy in the Southeast has extensive multi-state coordination, but none of these organizations or agreements are currently being considered to provide regional coordination for CPP compliance.

These multi-state arrangements are illustrated by the map to the right. Power interchanges, planning areas, and balancing authorities in the Southeast are generally organized into four energy regions. In this mapped region, there are roughly 400 utilities that serve customers and are organized into 23 Planning Areas, as reported in the FERC Form 714 Planning Area Reports.[4] It is especially important to note the unique structures of the Southeastern energy market in the context of the CEIP.



It is evident that utilities in the Southeast operate and plan across state lines, even without formal interstate agreements. Below is a brief summary of how these utilities address dispatch issues, among other utility planning needs, despite the lack of a formal RTO process.

- There are three major multi-state dispatch agreements in the Southeast. TVA serves customers in 7 states using generation units principally located in 4 states. Southern Company's 4 state operating companies have a joint dispatch agreement. Duke Energy serves its Carolinas operating companies and several

[4] Federal Energy Regulatory Commission Form No. 714, Annual Electric Balancing Authority Area and Planning Area Report, available at http://www.ferc.gov/docs-filing/forms/form-714/data.asp

public utilities through unified dispatch. These arrangements are not subject to EPA, FERC or state environmental oversight, although the dispatch agreements are subject to state utility commission oversight.

- These same three utility systems conduct unified resource planning. In addition, several multi-state planning consortiums include other utilities in the three regions (TVA, Carolinas and SBA), principally to comply with FERC orders related to reliability, transmission and wholesale markets. These functions are also coordinated in peninsular Florida by similar multi-utility systems in the FRCC. Notably, neither the utilities nor state regulators have ceded authority over dispatch or resource planning to these consortiums – jurisdiction and control are jealously guarded.

We note the unique structure of the Southeast electric power market to highlight the need for EPA to afford for maximum flexibility in both earning and using CEIP credits for compliance.

Under the proposed rules, a multi-state utility system like TVA may be motivated to develop CEIP projects in states where it has covered units, where it would have a straightforward route to using earned CEIP compliance credits. TVA would only be able to develop CEIP-eligible low-income EE projects in Tennessee and Kentucky, where it owns CPP covered coal-fired EGUs, but not in Mississippi or Alabama, where TVA owns no coal-fired EGUs. This result could not be what EPA intended, given Mississippi and Alabama have some of the highest poverty rates and energy burdens in the country.

To address this issue, we recommend EPA create guidance for states that would clearly allow a utility to offer low-income EE projects throughout its multi-state service territory, regardless of whether it has covered units in each state. EPA guidance would need to provide a path for the states with covered units could allow for low-income EE projects implemented in another state to earn CEIP credits. In essence, the utility and the state would mutually agree to transfer jurisdiction over the CEIP credits from the state in which the projects are implemented to the state in which the covered units are located.

Additional Issues

SACE applauds EPA for proposing to allow renewable energy projects that benefit low-income communities to receive the same credit as low-income energy efficiency projects, as we had recommended in our previous comments. Energy efficiency is a cost-effective way to reduce carbon emissions, and EPA should incentivize early action in the same way that it does for renewable energy. In addition, we encourage EPA to explore additional ways to help ensure that sufficient funding and administrative support is available to launch local low-income energy efficiency programs.

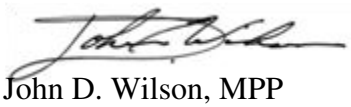
In defining low-income communities, SACE supports broad flexibility in states' discretion to establish whether a project is low-income. It appears that EPA's proposed guideline to allow any definition used prior to publication of the final CPP is reasonable. We also support the option for states' low-income definitions to be based on geographic areas.

SACE supports EPA's definition of "commence operation" for energy efficiency projects, and it is in line with our recommendation in previous comments. However, we continue to support allowing projects that commence operations earlier than September 2018. We are concerned that the later eligibility date could lead to delays in project investment, and we believe that January 2017 is a reasonable time to begin eligibility since some states and communities have already begun planning projects as a result of their interest in the CEIP.[5] Delaying investments that reduce emissions, especially those that help low-income communities struggling with unaffordable utility bills, would not be in the best interest of the public.

[5] We note that the specific timeline for CPP implementation and CEIP implementation, will be dependent on the outcome of the current legal challenge set to be heard in federal court in September 2016. Thus, the dates we suggest in our comment track with the current timeline for CPP implementation that is currently contained within the finalized CPP rule language and the draft CEIP rule language.

We applaud EPA for moving forward in finalizing the details of the CEIP so that states can be better informed and properly plan development of these energy efficiency and renewable energy resources.

Respectfully submitted,



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