November 8, 2015

EPA Docket Center
Attention Docket ID No. EPA-HQ-OAR-2015-0734
Environmental Protection Agency, Mail Code: 28221T
1200 Pennsylvania Ave., NW
Washington, DC 20460

Re: AGA Comments on EPA Considerations when Defining Criteria, Terms, and Requirements under the Clean Energy Incentive Program (CEIP) – Energy Efficiency and Direct Use of Natural Gas

Dear Administrator McCarthy:

The American Gas Association (AGA) appreciates the opportunity to comment in this informal stakeholder process on the criteria, terms and requirements EPA is contemplating for the Clean Energy Incentive Program (CEIP) under the Clean Power Plan (CPP). AGA supports this effort to provide incentives in the form of emission credits to encourage energy efficiency projects that assist low income communities.

EPA released a set of 15 questions in November 2015 for informal stakeholder input by December 15, 2015. We understand that there will continue to be a formal opportunity to submit more detailed comments on the CEIP as well as the proposed CPP model state plans by the January 21, 2016 deadline announced in EPA’s notice in the October 23, 2015 Federal Register.

These comments focus on two of EPA’s fifteen questions, which relate to the role of demand-side management and energy efficiency to assist low income communities. In particular, AGA urges EPA to recognize that direct use of natural gas to serve thermal loads in homes and businesses in low income communities as well as combined heat and power (CHP) and waste heat and power (WHP) will qualify for energy efficiency incentives under the CEIP. Using natural gas equipment for heating space and water is an exceptionally cost-effective method of demand-side management that can reduce CO2 emissions from affected fossil-fuel electric generating units (EGUs) while reducing energy costs for low income consumers.

AGA supports the role of gas in the CEIP as a distributed energy resource that can provide flexible, cost-effective solutions for space and water heating and cooling. Natural gas can be economically competitive with electric systems, as well as being lower carbon than some coal systems that might otherwise be used if gas was not available. These systems can be more efficient and cost-effective in low income communities. Using natural gas equipment for heating space and water is an exceptionally cost-effective method of demand-side management that can reduce CO2 emissions from affected fossil-fuel electric generating units (EGUs) while reducing energy costs for low income consumers.

AGA urges EPA to recognize that natural gas can be a low-cost, reliable energy source that can help low income communities reduce CO2 emissions locally and provide energy cost savings to low income consumers.

Thank you for your consideration of AGA’s comments on the CEIP criteria, terms, and requirements.

Sincerely,

[Signature]

American Gas Association
The American Gas Association, founded in 1918, represents more than 200 local energy companies that deliver clean natural gas throughout the United States. There are more than 71 million residential, commercial and industrial natural gas customers in the U.S., of which 94 percent – more than 68 million customers – receive their gas from AGA members. AGA is an advocate for natural gas utility companies and their customers and provides a broad range of programs and services for member natural gas pipelines, marketers, gatherers, international natural gas companies and industry associates. Today, natural gas meets more than one-fourth of the United States' energy needs.

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1. What Criteria should be used to Define Eligible Energy Efficiency (EE) Projects Implemented in Low Income Communities?

This question has two parts. First, what criteria should be used to define “low income communities?” Second, what criteria should be used to define “eligible EE projects?”

 a. AGA Supports NASEO Flexible Approach for Defining “Low Income Communities”

In comments filed Dec. 14, 2015, the National Association of State Energy Officials (NASEO) makes a persuasive case for using a geographic approach to identify “low income communities” while also allowing states flexibility to use a household approach to align with programs such as the Low Income Home Energy Assistance Program (LIHEAP). This added flexibility will also allow incentives for projects that help low income households located in otherwise higher income areas. AGA supports this flexible approach.

 b. Natural Gas Direct Use and Combined Heat and Power (CHP) Should Qualify as Eligible EE

One of the most cost-effective ways to achieve demand-side energy efficiency is to use natural gas directly in homes and businesses – called natural gas direct use. We urge EPA to clearly state that for purposes of awarding CEIP incentives, the term “eligible energy efficiency projects” includes natural gas direct use projects that assist low income communities.

AGA has prepared a white paper describing how direct use can help achieve the goals of the Clean Power Plan, while also reducing energy bills for consumers, including low income communities. The white paper, Dispatching Direct Use: Achieving Greenhouse Gas Reductions with Natural Gas Use in Homes and Businesses, is provided as an attachment to these comments. The following will provide a brief summary.

Direct use refers to natural gas used for space conditioning, water heating, cooking, and clothes drying. The direct use of natural gas is a low-emissions, low-cost energy solution for consumers. The use of natural gas appliances as an electric efficiency tool in low-income communities should qualify as an eligible energy efficiency measure under the Clean Energy Incentive Program.
The opportunities for cost-effective emissions reductions and energy efficiency in buildings through the direct use of natural gas is well established in technical literature.1,2

The use of natural gas in homes is among the lowest-cost energy solutions available for consumers. According to an AGA analysis, using natural gas can save homeowners 47 to 64 percent on their energy bills – a critically important factor when considering the suite of low-emissions energy options for possible inclusion under the CEIP to assist low income communities.3

Natural gas use is also among the most cost-effective methods for reducing greenhouse gas emissions. Based on the same AGA analysis, carbon dioxide equivalent (CO₂e) emissions are up to 34 percent lower compared with similar new homes fueled with electricity, propane, or fuel oil.4

Encouraging the use of natural gas in low income homes and communities as part of the CEIP can achieve significant, cost-effective, early carbon reductions from affected electric generating units.

As a practical matter, natural gas direct use can be implemented quickly. Many states already have programs to encourage customers to switch to natural gas to improve energy savings or to reduce emissions. Some programs specifically incentivize the replacement of less efficient electric equipment with efficient natural gas appliances to meet electric demand-side-management requirements. Utility efficiency portfolios, conversion programs, consumer education campaigns, and other efforts may be leveraged to count emissions reductions consistent with and eligible under the CEIP.5

It is important that EPA consider energy and emissions savings based on accurate measurements of energy efficiency and emissions impacts. AGA recommends the use of full-fuel-cycle measures of energy use and emissions. A full-fuel-cycle methodology enables a more comprehensive analysis of the total energy and emissions impacts of energy efficiency. A full-


4 Ibid.

fuel-cycle methodology is consistent with policy guidance from the U.S. Department of Energy’s statement of policy for adopting full-fuel-cycle analyses into energy conservation standards programs.

AGA also recommends that EPA use marginal calculation methodologies for evaluating the impacts of changes in electricity consumption, such as comparing new building energy efficiency design options, competing retrofit measures, or the impact of energy efficiency improvements. According to the Gas Technology Institute:

Average electricity generation emissions factors can be used appropriately to determine carbon footprint or GHG inventory. However, average emissions rates typically under-predict the emission reduction when used for energy savings through efficiency improvements because these averages include baseload generation such as nuclear or hydropower, which would not be affected by the efficiency improvement.

Marginal generation represents the next generation plant used, built, or avoided with that particular fuel type and heat rate, and can be complicated to determine precisely. Marginal generation may be location specific, or it may be generated from the local or regional power pool.

EPA recognizes several valid and established approaches to quantify emissions reductions using the non-baseload electricity mix. Non-baseload CO₂ emission factors are published by the EPA to facilitate the calculation of emissions reduction due to energy efficiency improvements. The use of eGRID sub-region non-baseload emissions factors is recommended by the EPA as a simple, low-cost method to estimate emission reduction potential, to explain emissions benefits to the general public, or to determine annual emission reductions or regional or national estimates. EPA’s non-baseload emission rates and methodology are currently used in several tools, including EPA’s Greenhouse Gas Equivalencies Calculator (http://epa.gov/cleanenergy/energy-

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resources/calculator.html) and Green Power Partnership’s Green Power Equivalency Calculator (http://www.epa.gov/greenpower/pubs/calculator.htm).

**Combined Heat and Power (CHP) ShouldQualify as Eligible EE:** AGA urges EPA to clearly state that combined heat and power (CHP) and waste heat and power (WHP) qualify as CEIP-eligible EE projects, for the reasons given in comments filed in this docket by NASEO and the Alliance for Industrial Efficiency.

2. What should be the Evaluation, Measurement and Verification (EM&V) Requirements for Eligible Projects?

AGA is a member of the Business Council for Sustainable Energy (BCSE), and we support the comments filed in this docket by BCSE regarding EM&V. AGA agrees that EPA should allow states with mass-based plans under the CPP to use the CEIP without having to include EM&V protocols in their state plans for EPA approval. As the BCSE notes in comments filed in this docket (p.4), “[m]ost states already have some form of EM&V process in place for evaluating utility ratepayer-funded energy efficiency programs, which have been vetted and approved under rigorous regulatory oversight.” EPA should allow states with mass-based plans to continue using their existing EM&V instead of undergoing a costly revision to participate in the CEIP for only two years. This would create a serious and unnecessary barrier to participation in the CEIP. For rate-based states, the EM&V protocol should be the same for both CEIP and CPP.

AGA appreciates the opportunity to comment. If you have any questions, please contact Pamela Lacey at (202) 824-7340 or Richard Meyer at (202) 824-7134.

Respectfully Submitted,

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