



STATE TECHNICAL FORUM ON EE/RE
Call #5 Summary – February 28, 2005
Supplemental Environmental Projects

Participants: ?? state officials participated in the call (see the attached participant list)

Key Issues Discussed:

- Differences between State and EPA guidelines on SEPs
- Types of EE/RE projects funded under SEPs
- Verification of EE/RE projects and environmental benefits under SEP agreements
- Leveraging other state programs to maximize EE/RE projects
- Restrictions on use of SEP funds for EE/RE in some states

Summary of Presentations & Discussion:

I. Overview (See also Background and Discussion questions, PQA)

EPA's SEP Toolkit released Feb. 2005 will be updated frequently to include the latest experience with EE/RE SEP projects. EPA would like input from states for future versions of the toolkit. Contact: Art Diem, US EPA; 202..... diem.art@epa.gov

II. Colorado's Experience: Incorporating EE/RE in SEPS (See PowerPoint presentation, Jill Cooper, Colorado Department of Public Health and Environment)

A. Background

- CO has its own SEP guidelines: does not require nexus between violation and use of SEP funds other than a geographic relationship. Encourages projects with multi-media benefits.
- EPA has authority to review the penalty to determine if it is appropriate
- CO prefers SEP projects that are focused on prevention rather than controls
- Allow violators to "donate" funds to a project, which is more appealing to some because it does not require the penalty "multiplier" that applies to in-house EE/RE projects.
- SEP completion report requires violator to document the environmental benefits of the project
- STEPP Foundation: a non-profit, third party that issues RFP and evaluates bidding projects to determine consistency with SEP agreement. Approximately \$2.5-3 million of SEP project dollars have gone through STEPP for a 20% administrative fee. Has allowed greater administrative capacity than CO DPH & EP could provide; therefore, they have been able to invest more in EE/RE projects.
- Examples: solar on schools, wind project, Green Lights projects, rebuilding drinking water systems.
- Interaction with State Energy Office: State Energy Office has successfully bid to provide projects.
- Factors that increase success:
 - o Including legislators in the project selection process has been a key factor in avoiding controversy over the appropriateness of the funded projects.

- Educating enforcement lawyers on the RE opportunities (tours of NREL)

B. Challenges:

- Appearance of inappropriate use of penalty monies

Jill's contact information:

III. Other State Approaches

A. Rick Sprott, UT Public Service Commission

- Stressed importance of making a SEP agreement easy
- UT is working on developing standardized language that can be adopted by any violator
- Allows violator to buy green tags rather than identify and directly fund an EE/RE project
- BE foundation used to diversify opportunities to purchase green tags and increase transparency. Want to avoid perception that all the SEP dollars are going to the only company in the state that offers green tags.
- \$1.2 million invested in EE/RE through SEPS

B. Frank Courtright, MD Department of Environmental Protection

- Often facility comes to the state with ideas for EE/RE SEPs
- Example: local power plant invested \$75,000 to install solar panels on school which is also used as a teaching tool.

C. John Noller, Missouri Department of Natural Resources

- MO Attorney General recently released state guidelines for SEPs making it more restrictive than in past
- Modeled after EPA guidelines, must be a nexus between violation and remedy and must be on violator's site.
- SEP agreement must be reviewed by AG
- Penalty funds must go to funding public schools; SEPs are not considered penalties

IV. Discussion & Questions

A. Would having access to a portfolio of reproducible and scaleable projects facilitate the use of EE/RE in SEPs?

- Might be a role for state energy offices to develop a list of eligible projects.
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- In New England, the ISO-NE qualifies anything that enters NEPOOL, don't worry about which service territory it is delivered to. NERC tag being used to verify delivery.

B. How do states handle banking and forward markets in RECs?

- WREGIS has standing orders where certificates are depositing in generators account and then transferred over when generation occurs.
- MA: Banking is limited to 30% of RPS obligation in MA. Not sure what affect it will have on supply or prices of RECs in the future.

C. What is the experience of states in tracking the avoided emissions associated with renewable generation?

- WREGIS does not track emissions at this time – only provides monthly data, not hourly, so don't know what emissions are being displaced.
- MA does track emissions, but still isn't adequate for the purpose of getting SIP credits. Need hourly data for determining marginal emission rate. Also has been some problem is matching utility emissions data as reported to EPA (e.g. SO₂) and data reported to MA State REC. Should be the same, but in practice it has been difficult.
- TX has not found it difficult to track output of wind farms hourly, but it is difficult to match generation with offset emissions hourly.

E. Issues that may benefit from further discussion?

- Verifying delivery of renewable generation (or RECS) to the utility's service territory
- Disaggregation of REC attributes for use in different markets or for various compliance programs.
- Banking and its effect on supply and price of RECs in future
- Discrepancy in sales and load obligation data in tracking generation.