



## Tennessee Interfaith Power & Light

A Spiritual Response to Climate Change

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### **Clean Power Plan Comments**

**Docket ID:**

**EPA-HQ-OAR-2013-0602**

Tennessee Interfaith Power and Light (TIPL) is a statewide network of faith groups that spiritually responds to the moral challenges of climate change. You can learn more about us at our website: [tenniopl.org](http://tenniopl.org).

TIPL appreciates the opportunity to place into the public record the comments of TN Interfaith Power and Light on the EPA Clean Power Plan. We are most grateful that the federal government is taking action to protect our climate.

We as a nation now understand that the burning of massive amounts of fossil fuels has caused climate change. Oil and coal have fueled the industrial growth and our high standard of living. We are the generation benefitting from carbon pollution, but it is our children and their children who will suffer the burdens of the increasing weather extremes of unabated climate change: increased hunger, homelessness, a decline in public health, and changes within the natural world that will no longer support the well-being of future Tennesseans as it has ours. Through our inaction, we impose the costs of our behavior on our children and upon the most vulnerable.

Climate change is fundamentally a moral issue. The core moral principle embodied within the climate change challenge is that we should not harm others for our self-benefit. If we unintentionally cause harm to another, then compensation for the harm is expected.

Our national moral response to climate change turns on our willingness to act on climate and restrain our indulgence in benefitting from carbon pollution. While many would agree that our children should not bear the burden of our private gain, we still have yet to determine what it is worth to us to avoid the suffering of future generations, suffering caused by our behavior.

A closely allied moral belief is upholding the value of life. The well being of others is as important as ours. People living in the future have the same value as those living today. Are future citizens of Tennessee less valuable than Tennesseans living today?

Many believe that we have special responsibilities to be stewards of Creation and protect the sanctity of the natural world. How much are we willing to sacrifice to fulfill that responsibility?

The small but real chance exists that unabated carbon pollution will cause an utter climate catastrophe that risks the collapse and perhaps extinction of the human population. The moral question is how important is it to avoid a climate catastrophe that might put at risk the very survival of our species. The time to think about the future of humanity is upon us.

As extreme weather events connected to the planet's warming climate become increasingly common, low-income communities are positioned to suffer the worst consequences during the aftermath of natural disasters. These communities are simply more vulnerable and much more at risk to the impacts of climate change. At both the domestic and international level, there is extreme inequality in terms of who contributes most to climate change and who is harmed most by it.

Climate change is a threat multiplier. Social variables such as age, income, and health or disability status often determine community residents' ability to prepare for, respond to and recover from climate catastrophes. In addition, low income neighborhoods often are located in areas that have greater exposure to hazards such as flooding or extreme heat. In the absence of proactive efforts to address equity concerns in resilience planning, climate change will reinforce and worsen current socioeconomic disparities, resulting in greater burdens and lessened opportunity for low-income and other disadvantaged populations.

### **Specific Concerns**

- **Lack of environmental justice requirements within the plan.**
- **Difficulties State of TN will have in ensuring environment justice within its compliance plan without a mandate to do so.**

#### **1. Lack of environmental justice requirements within the Clean Power Plan**

Gina McCarthy, EPA Administrator, wrote:

“Making a visible difference in communities for all Americans is one of my top priorities. EPA must work each and every day hand-in-hand with other federal agencies state and local governments, tribes, and local communities to improve the health of American families and protect the environment all across the country.

“Advancing environmental justice is a critical part of achieving that goal. Everyone deserves the opportunity to live, work and play in a clean and healthy environment. Low-income, minority and tribal communities are often overburdened by pollution, face disproportionate human health impacts, greater obstacles to economic prosperity, and increased vulnerability to climate change.”

Plan EJ 2014 is EPA's roadmap for integrating environmental justice into its programs, and policies with the long-term goals of protecting the environment and health in overburdened communities; empowering communities to take action to improve their health and

environment; and establish partnerships with local, state, tribal and federal organizations to achieve healthy and sustainable communities.

A goal of Plan EJ 2014 is to incorporate environmental justice into rulemaking to increase meaningful involvement and improve public health and the environment for overburdened communities. However, the draft Clean Power Plan rule does not require environmental justice be integrated into state plans beyond the effects of coal pollution upon air quality.

EPA has encouraged states to include EJ considerations in their plans. We encourage EPA to require states to include EJ considerations in their plans.

Tennessee is an extreme example of a state that is most at risk of failing to consider environmental justice concerns. Without such an EJ requirement, there is no certainty that Tennessee will do so.

Obviously, EPA currently values environmental justice. However, the absence of environmental justice requirements in the Clean Power Plan makes state consideration of environmental justice optional with the exception of the impacts of the pollution of operating coal plants upon vulnerable communities.

Tennessee would benefit from EJ requirements within the Clean Power Plan. The draft rule of the Clean Power Plan makes the State of Tennessee's climate protection responsibilities clear. But nowhere within the draft plan does it say that the state has the responsibility to protect all Tennesseans from the hazards of climate change by regulating carbon pollution. Nowhere in the draft plan does it say that the state has the responsibility to ensure that the health and well-being of even the most disadvantaged are not compromised so that others may benefit from the harm they generate.

Climate goals will not be met without targeted strategies to address the unique circumstances of low-income populations and other vulnerable communities. The systematic engagement of leaders and advocates who authentically represent the concerns of low-income community members in climate-protection efforts can generate publicly endorsed plans that are more attendant to equity concerns and carry more public support. The process of engagement itself will help to build social cohesion within states, which is a critical dimension of carbon reduction efforts. Lessons from place-based innovation with intentional focus on meaningful civic engagement as well as the inclusion and benefit of low-income communities will improve the effectiveness of the field as a whole.

The integration of social equity into any carbon reduction planning process will increase the quality and reduce the extent of inequitable impacts. Conversely, the lack of attention to social equity in low-carbon initiatives is likely to lead to the worsening of existing inequalities.

**Core reasons to integrate social equity into the state plan include:**

- **Moral imperative.** As a human society, we have an obligation to ensure that policies and institutions do not disadvantage or exclude weaker groups.
- **Reach and impact.** Introducing an equity focus to carbon reduction initiatives will help extend the reach and overall impact of carbon initiatives.

- **Political support.** Transition will bring new costs and responsibilities to consumers, industry, and regulators that will require political support. Disadvantaged communities have a political voice that can help drive through new policies and regulation, or conversely, resist change.
- **Mobilizing hidden assets.** Disadvantaged communities hold a range of economic assets and resources – land, investment funds, purchasing power, social networks, skills and knowledge – that are increasingly recognized but still largely under-utilized in low-carbon strategies.
- **System impacts.** Equitable approaches can increase the efficiency and impact of carbon reduction investments by simultaneously generating new wealth creating opportunities and social and economic benefits for deprived communities and for society as a whole.

**Recommendation:** TIPL recommends that within the Clean Power Plan states be required to demonstrate environmental justice within their compliance plans. Some considerations EPA might require:

- States demonstrate that equity was part of the planning process from the very beginning. A strategy based on social equity considerations will look very different from a strategy that brings equity in at a later stage. If the marginalized are not part of the planning, the plan will not reflect their voices.
- States find the best path through the challenges of developing a plan to reduce carbon pollution in a socially equitable manner that reflects the distinct ethnic, social, economic, and political qualities of each state.
- States demonstrate that the needs of disadvantaged stakeholders' capacity to participate were developed through understanding the different motivations, needs, and barriers and developing collaborative strategies to address them.
- State compliance plans ensure a fair distribution of the costs and benefits of carbon reduction.

States have the potential to promote equitable planning approaches, but this does not diminish the important role of EPA to:

- Ensure that the benefits of carbon reduction measures are fairly distributed and the costs are financed through progressive means.
- Make available an appropriate and differentiated range of financial incentives, support and advice for different socio-economic groups.

## **2. Difficulties State of TN will have in ensuring environment justice within its compliance plan without a mandate to do so.**

The price impacts from the EPA's proposed Clean Power Plan will be the subject of intense attention: electricity costs can affect the competitiveness of business, particularly those engaged in energy-intensive activities, with implications for economic output and jobs. Increases and decreases in electricity rates and costs affect the disposable income of all residents, with ramifications tied to quality of life, ability to meet other financial obligations, and the degree of spending in the general economy.

### **Nearly 30% of Tennessee Households Live in Unaffordable Housing**

Unaffordable housing is defined as households that spend 30% or more of their income on housing costs. For a homeowner, housing costs includes mortgage, utilities, and property taxes. Housing costs for a renter are rent and utilities.

In Tennessee, 24.1% of homeowners and 42.6% of renters live in unaffordable housing. 20% of working families are severely housing cost burdened, meaning that they spend 50% of their income on housing. The numbers of Tennesseans living in unaffordable housing continues to rise.

About 33% of all Tennessee households are renters. More than 42% of Tennessee households that rent are cost burdened. One-quarter of renters spend more than half their income on housing costs.

**Tennessee Households Living in Unaffordable Housing**

	<b>Total Households Cost Burdened</b>	<b>Percent Cost Burdened</b>
Homeowners	404,598	24.1% of all homeowners
Renters	311,354	42.6% of all renters
Total	715,952	28.7% of all households

### **Energy Burden**

Energy burden is the share of annual household income that is used to pay annual energy bills. For example, if a household has an annual energy bill of \$1,000 and a gross annual income of \$10,000, the energy burden is 10%. Home energy burden, by definition, refers to heating and cooling alone. Heating and cooling together make up 50-60% of annual low-income power bills, depending on weather and price of the energy.

Families living on low wages, disability payments, or a fixed income like Social Security face spending an average of roughly 14% of their income on energy. The energy bill can reach 70% of monthly income during the hottest and coldest months.

In 2001, 11% of U.S. households could not afford to pay their energy bills at least once during the year. This was the most common of all inability-to-pay problems reported by the 21 million households who could not afford one or more essential services or goods that year. Several studies have demonstrated a strong connection between a family's inability to pay its home energy bills and some obvious and not-so-obvious consequences:

- Children are removed from their homes because of loss of heat or electricity.
- Senior homeowners are forced to leave their homes because they cannot keep up with their energy bills.
- Inability to pay utilities is second only to inability to pay rent as a reason for homelessness.

Nearly half of those who could not afford their energy had incomes too high for public assistance eligibility, and nearly every one of them was a working family. Those in poverty were by far the most likely to experience crisis-proportion hardships: hunger, utility shutoff and eviction.

### **TVA's Energy Efficiency Programs Are among the Most Limited in the Nation**

Since 2008, TVA's energy efficiency program has saved energy equivalent to what a nuclear power plant would generate. Yet Tennessee ranks 38<sup>th</sup> among the states in energy savings, largely because TVA has one of the smallest energy efficiency programs in the nation. Some state programs achieve energy savings twelve times greater than that achieved by TVA.

### **TVA's Energy Efficiency Programs Not Accessible to Those with the Fewest Resources**

TVA's current energy efficiency programs incentivize customers to spend their own money to install energy efficiency measures, such as attic insulation, air sealing, or heating and cooling equipment upgrades. Customers pay a modest amount for a TVA home energy audit to obtain recommendations to make their homes more efficient to cool and heat so that they can access the TVA rebates for installing these measures. Customers select a TVA approved contractor. The contractor does the work, the customer pays the contractor, and then the customer applies for the TVA rebate to help defray the out-of-pocket costs of the installed energy efficiency measures.

The design of this energy efficiency program assumes that the customer has money to pay for the energy efficiency work or has at least a 620 credit score to access a TVA on-bill financing program. Only those who own a home are eligible.

Excluded from TVA's energy efficiency program are renters, those with a credit score below 620, and those who do not have the money to cover the cost of installing the energy efficiency measures. TVA's current energy efficiency programs are inequitable because lower income people do not have the discretionary income to participate in the TVA home weatherization program nor the credit score to finance energy efficiency improvements through TVA.

**TVA Does Not Have a Lower Income Energy Efficiency Program:** According to the Consortium for Energy Efficiency's 2013 study, the national average for utility spending on lower income programs is 7% of the total energy efficiency program budget. TVA spends no money on lower income energy efficiency programs.

### **Inequity of TVA Energy Efficiency Programs**

- **Every household pays for TVA energy efficiency programs:** The cost of TVA energy efficiency programs, meager as it is (\$75 million in FY 2015), is paid by every consumer of TVA power across its service area through monthly power bills. All the households that lack the resources to access TVA energy efficiency programs pay for TVA's energy efficiency programs.
- **Lower income households do not benefit from TVA energy efficiency programs:** The nearly one-third of Tennesseans living in unaffordable housing most need relief from higher power bills, but they are excluded from TVA energy efficiency programs as they lack the financial resources to do so.
- **Lower income households have no protection from increasing power bills:** Even modest increases in electricity costs can have a disproportionate impact on the budgets of lower-income customers. While moderate and higher income households can take advantage of energy efficiency to reduce their power bills, no such option is available to those most in need of protection from higher energy bills.

- **TVA has no programs for lower income households:** TVA does not invest any resources into lower income programs because TVA has said that if it did, it would cost other customers more.

### **Disadvantage of the State Of Tennessee in Ensuring Fairness and Protection of Consumers.**

It concerns Tennessee Interfaith Power and Light that the Tennessee Department of Environment and Conservation (TDEC) does not have the experience and tools to ensure fairness and protection of utility customers within the development of its compliance plan.

State planning should not stop with designing the implementation of CO2 emission-control plans. States must also have the responsibility to ensure that the costs and benefits of CO2 program compliance are distributed fairly among different types of customers. States can take steps to ensure that, to the maximum extent feasible, the compliance costs are minimized so lower-income customer, in particular, are protected fairly.

In this context, Tennessee does not have the tools needed to address and fairly manage the distribution of compliance program costs and benefits among customers because it has no authority over or experience in TVA rate making or program design processes.

Because EPA has delegated to the State of Tennessee the authority to implement and enforce its environmental regulations, TVA must comply with TDEC regulations. This is the same basic framework under which the Clean Power Plan will be implemented and enforced by TDEC. However, TVA has always protected its rate making authority from state oversight. Thus, TDEC lacks the expertise and tools needed for customer protection in both rate making procedures and design of TVA energy efficiency programs to ensure equity.

### **State Tools to Manage Potential Program Cost Impacts**

States have various traditional ratemaking tools that will help them allocate costs relegated to CO2 compliance in fair and equitable ways among customer classes. Additionally, most other states have considerable experience in designing energy efficiency programs to align program support with program benefits. Finally, most other states have deep experience in designing and using various mechanisms to protect lower-income customers.

Public utility commissions (PUCs) of many states have developed means to address cost impacts of rising energy bills on lower income customers.

- PUCs require extensive processes be followed by utilities before low-income customers may be disconnected for lack of bill payment. **There is no oversight of disconnection policies within the TVA service area.**
- Many state PUCs have fixed discount caps on rates that may be charged eligible low-income customers. **Neither TVA nor the State of Tennessee has provided this form of energy burden relief.**
- Many PUCs have mandated dedicated funding for low-income energy efficiency programs, requiring utilities spend or minimally contribute to the installation of energy-efficiency programs and measures to weatherize the homes of lower-income households. **TVA has a zero budget for lower-income energy efficiency programs.**

In most states, utility regulators endeavor to set utility rates in a manner that allocates costs to those customers whose usage patterns causes the costs to be incurred in the first place. For example, with time of use pricing, those customers whose usage tends to increase during peak periods, when relatively expensive power production costs occur, tend to pay a higher rate that reflects peaking power costs.

State PUCs have the obligation to fairly and equitably allocate investments and expenses of regulated utilities. PUCs are bounded by laws, regulations, and judicial precedent which guides them to allocate costs and benefits in a manner that follows this concept, often phrased as *fair and equitable, not unduly preferential, just and reasonable, or non-discriminatory*.

Specifically with respect to energy efficiency programs, PUCs typically consider fairness and equity consideration when approving utility spending on and collection of costs for energy efficiency programs and measures. Ratemaking and energy efficiency program design generally operate in parallel to assure a *fair and equitable* mix of energy efficiency programs and costs for different types of customers. Several observations can be made:

- Most states have at least some experience with reviewing and approving expenditures for implementation of energy efficiency programs and measures, across all rate classes, and many states have developed energy-efficiency programs and precedent over many years, even decades.
- Across the country, the percentage of spending on energy efficiency is roughly equivalent to the breakdown of revenues collected from each customer class.
- Even in states with a long history of having supported utility energy efficiency programs paid for in electricity customers' rates, PUCs are still finding that there are cost-effective opportunities to get further electric system savings. As electricity prices change over time, additional cost-effective energy-efficiency opportunities also increase.

### **Protecting Lower-Income Consumers**

Lower-income people spend a disproportionate share of annual income on energy costs, and any increase in electricity costs to those customers can create genuine hardship, drawing away income that is needed for other basic necessities.

At least in the initial periods of CO<sub>2</sub>-compliance programs, electricity prices are expected to increase slightly – with longer-term impacts reversing over time. Even modest increases in electricity costs can have a disproportionate impact in the budgets of lower-income customers.

**The State of Tennessee has no experience with the use of any of these tools to protect lower income customers to ensure that costs related to CO<sub>2</sub> compliance are allocated in a fair and equitable way among customer classes or that the design of energy efficiency program that align program supports with program benefits.**

**The State of Tennessee is unprepared to govern cost allocation fairness and equity, ensure that the lower-income benefit from energy efficiency program implementation, or to address the disproportionate impacts of energy costs on low-income customers.**

**Recommendation: We urge EPA to require states to incorporate EJ into the development of their compliance plans.**

Without EJ requirements firmly in place within the state compliance planning process, the most vulnerable within Tennessee will have no protection from being ignored within the state's planning process for its compliance plan.

**TIPL recommend that EPA use the following criteria to assess the design and impact of carbon reduction plans in relation to equity:**

- Does the proposed plan reflect the knowledge and priorities of the communities that are most impacted?
- Who benefits from or is negatively affected by the plan?
- Are existing disparities or disproportionate impacts lessened or exacerbated?
- Will the communities currently most impacted benefit from the plan?
- What are the equity impacts of the state plan in relation to social and economic benefits (type, quantity, and value?)
- Who benefits from the state plan financially, economically, and socially?
- Who pays for the state plan financially, economically, and socially?
- Who has been involved in the planning and decision-making process of this state plan?

Tennessee Interfaith Power & Light is grateful for this opportunity to comment on EPA's Clean Power Plan, a plan that would be made even more excellent with the inclusion of EJ requirements.

May Godspeed.

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**Resources:**

[Moral Response to Climate Change. TN Interfaith Power & Light](#)

[Health Effects of Living in a Hot Home.](#) (TIPL)

[Health Effects of Living in a Cold Home.](#) (TIPL)

[Knoxville Energy Burden](#) (TIPL)

[EPA's Clean Power Plan: State Plans and Consumer Impacts,](#) Paul Hibbard, et al. Analysis Group. July 2014.

[2012 State of the Efficiency Program Industry,](#) Hilary Jane Forster, et al., Consortium for Energy Efficiency. March 28, 2013.