

## **Green Tier Advisors**

June 6, 2008

### Proportionality 4.1

**ISSUE SUMMARY:** The goal is to create a proportionality process which would guide a Green Tier applicant through direction, targets, areas of emphasis, examples, etc. and provide a foundation for the Department's development and evaluation of Tier 2 contracts. The Advisors have already expressed reservation in making this issue purely economic by assigning dollar amounts (costs and benefits) to corresponding environmental goals, economic value of flexibilities and administrative costs for management and program participation. The Advisors have requested that a concise narrative comparison be developed for the process which can capture monetary information wherever possible.

**EDITOR:** Anke Hildebrandt

**BACKGROUND:** At the March meeting, the Advisors considered a variety of ways that proportionality could be considered and recommendations developed for the Department. A proposal for recommendations was framed and considered at March meeting. The Advisors made suggestions to the proposal and requested a new proposal for the June 6, 2008 meeting.

The essence of the revised process is that Tier 2 applicants would supply a letter of intent along with a narrative that enables comparison of incentives and commitments along with forming the basis for development of a Tier 2 contract. The purpose of the process is to make proportionality a consideration from inception to completion rather than a threshold test that is applied once the contract is completed.

A core element in the revised process is the identification of criteria that can be used by the applicant in crafting a letter of intent, used by parties during the subsequent development of the contract and used as a mirror at the end of the process to check if the necessary proportionality elements are present in the contract. In addition to guiding principles, other criteria such as the areas of emphasis (from December 7, 2006 meeting, copy attached), would identify categories of environmental performance without limiting their innovation, as well as, pointing to areas for possible targets which may equate to incentives.

**PROPOSAL:** The Advisors asked staff to begin by framing a process that could be used to develop a proposal for recommendations. Drawing from previous discussions, the Advisors have agreed upon common (but broad) "areas of emphasis" as well as utilizing the statutory definition of "superior environmental performance". Both of these sources combined with the eligibility requirements, form the basis for creating this process. The areas of emphasis and the broad statutory definition of superior environmental performance are generic enough to apply to any form of business or entity interested in participating in Green Tier. In the end this process should provide value on two levels.

For potential Green Tier participants:

- Clarify expectations for the letter of intent and the basis for developing a Green Tier contract;

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- Express, through areas of emphasis, where environmental performance is likely to equate to incentives
- Remove some uncertainty from the application and contract development process

For the Department:

- create a working document to assess the concept of proportionality without creating prescriptive standards
- provide a basis for informed transparency (i.e. a document that can be used for the public notice as well as informing and working with interested parties)

A revised version of the original Proportional Process with the changes requested by the Advisors is attached. To address the issues raised in the “Alternative” section the process could back up for a broader view on what the Green Tier Program’s intentions are.

**DISCUSSION:** The purpose of this issue paper is to:

- Discuss further modifications to the proportionality process;
- Offer edits/direct changes to the draft modifications;
- Consider other alternatives/problems not mentioned
- Direct staff towards the method by which the Advisors would like to have the process tested such as:
  - Pilot the process
  - Pilot the narrative idea as a tool
  - Generally share the ideas with participants
  - Share ideas with potential participants to ease application process
  - Use a focus group to analyze preliminary recommendations
- Direct further staff work prior to more active sharing
  - Do additional analysis of the process based upon existing or potential agreements

**DISCUSSION SYNOPSIS** (from last meeting): March 5, 2008 – Based on the discussion of the issues that were presented in the brief given to the advisors, the advisors requested modifications and a new brief for the June meeting. The advisors asked that the approach to proportionality:

- Not use the term “ledger” and move away from the “ledger” concept.
- Applicants submit a narrative that presents in comparative terms a list of benefits and costs as well as a clear statement of what their Superior environmental performance will be this will serve a social goal for informing/interacting with the public
- Encourage the capture and presentation of economic and quantitative environmental information that would give precision to the information shared publicly but not compromise the position of the applicant
- Emphasize the outreach that will occur as the point at which the more in depth discussion of proportionality occurs
- Presents what it costs to go above and beyond the regulatory requirements

The overall “narrative” should be both quantitative and qualitative describing what the participant will do and what flexibility is sought.

ATTACHED: Proportionality Process 1.1, Areas of Emphasis from December 2006 meeting