

March 2, 2016

The Honorable Mark Dayton
Governor of Minnesota
20 West 12th Street
St. Paul, MN 55155

Dear Governor Dayton:

As you know, energy efficiency is the lowest-cost demand side energy resource – cheaper than electric or gas generation or renewables. Even with the U.S. Supreme Court’s recent stay of the Clean Power Plan, the electric power sector is evolving toward a cleaner, more efficient energy system. As the regulators and energy planners in your state continue their daily work to ensure reliable and affordable electricity to consumers, we encourage you to maximize your investment in energy efficiency. By reducing the need for central power generation, energy efficiency provides emissions reductions quickly, locally, and at a lower cost than other compliance options. It is also the only option that achieves sustained local job creation and concurrently reduces emissions while mitigating the cost impacts of Clean Power Plan implementation and giving Minnesota residents and businesses control over their energy bills. Actions such as improving manufacturing energy efficiency, reducing commercial buildings’ energy use, and delivering residential energy efficiency upgrades are the quickest and cheapest means to meet energy demand while simultaneously improving air quality.

Today, every state has at least some experience delivering energy-efficiency programs administered by electric and natural gas utilities and the private sector. These programs have been very successful and can be expanded significantly. In addition to these familiar programs, there are opportunities in Minnesota to achieve significant emission reductions through the implementation of non-utility administered energy-efficiency policies and programs. Such programs include investments in combined heat and power (CHP), adoption of building energy codes that leverage above-code green building certification, residential retrofit financing programs and procurement of energy savings performance contracts (ESPCs) to upgrade large buildings and facilities. Non-utility efficiency programs, taken as a whole, generate as much investment in energy savings as utility programs and should not be underestimated. For example, the ESPC market in the U.S. generates more than \$5 billion annually in new investments.

We commend the energy-efficiency investments Minnesota has already made, such the recent installation of two CHP projects and the long-term savings targets in place for both electricity and natural gas as part of the state’s energy efficiency resource standard. The Clean Power Plan offers new incentives to expand your existing programs and maximize the use of this least-cost mechanism for compliance. To maximize cost-effective emissions reductions under the plan, we also recommend that you opt into the Clean Energy Incentive Program (CEIP).

The attached fact sheet shows how the implementation of a few common energy-efficiency policies, such as adoption of an energy-savings target, updated building energy codes, and increased use of combined heat and power can meet over 100 percent of Minnesota’s 2030 compliance goal under the Clean Power Plan, all while saving customers money, creating jobs, and growing the Minnesota

economy. In fact, utilizing energy-efficiency policies could save Minnesotans \$549 million by 2030 and avoid over 13 million tons of carbon dioxide emissions by 2030.

Energy efficiency is not a “new” resource; however, applying these tools to achieve carbon reduction goals under Section 111(d) of the Clean Air Act is an entirely new context. Several resources are available for your staff and responsible state agencies to guide your decisions about Clean Power Plan implementation options, regardless of whether you pursue a mass-based or a rate-based plan. For further information and to ask questions specifically about incorporation of energy efficiency in your plan, please contact the National Association of State Energy Officials at <http://cpp.naseo.org/asq>, as well as any of the signatories below.

We are ready to work with you and your state officials to ensure that efforts to reduce emissions via the Clean Power Plan or any other means are as cost effective as possible. **Energy efficiency is the cleanest, fastest, most cost-effective compliance strategy available, and has the most direct impact on controlling consumers’ utility bills.** Energy efficiency is also embraced by the private sector, for the operating costs it saves and its value for resilience and risk reduction. Additionally, energy efficiency creates lasting, local, non-exportable jobs and grows the economy while reducing consumer costs. We encourage you to use it robustly, and we stand ready to assist you.

Cc: Minnesota Public Utilities Commission; Minnesota Department of Commerce, Division of Energy Resources; Minnesota Pollution Control Agency, Air Quality Section

Sincerely,

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