

March 2, 2016

The Honorable Steve Bullock  
Governor of Montana  
State Capitol  
1301 E 6<sup>th</sup> Avenue  
Helena, MT 59601

Dear Governor Bullock:

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 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 Montana 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, there are opportunities in Montana to achieve substantial emissions reductions through the implementation of non-utility administered energy-efficiency policies and programs. Such programs include investments in combined heat and power generation, 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 initiatives Montana has undertaken by offering tax credits and deductions for energy-efficiency investments, and by encouraging the use of energy savings performance contracts. While Montana may not be supportive of the Clean Power Plan, if your state ultimately decides to submit a plan to avoid the imposition of a Federal Plan, we urge you to consider maximizing the use of efficiency as a least-cost mechanism by expanding your existing programs. 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 generation can meet almost 20 percent of Montana’s 2030 compliance limit

under the Clean Power Plan, all while saving customers money and growing the Montana economy. In fact, utilizing efficiency measures to reach Montana's limit would save the people of Montana \$84 million, not to mention avoiding nearly 1.5 million tons of carbon dioxide pollution, and reducing other toxic air pollutants that negatively affect our health.

Energy efficiency is not a "new" resource to meet customer energy needs; however, applying these tools to achieve carbon reduction goals under Section 111(d) of the Clean Air Act is an entirely new context. Several tools 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 into your plan, please contact the National Association of State Energy Officials at <http://cpp.naseo.org/asq>, or 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 because of the operating costs it saves and its value for resilience and risk reduction. Additionally, energy efficiency creates lasting, 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: Montana Public Utilities Commission; Montana Department of Environmental Quality, Energy and Pollution Prevention Bureau; Montana Department of Environmental Quality, Air Resources Management Bureau

Sincerely,

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