

March 2, 2016

The Honorable Terry McAuliffe
Governor of Virginia
1111 East Broad Street
Richmond, VA 23219

Dear Governor McAuliffe:

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 state’s 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 (CPP) implementation and giving Virginia residents and businesses control over their energy bills. In the coming months, as legal challenges to the CPP are addressed, Virginia has the opportunity to continue moving forward in an already emerging modern energy economy. 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.

Virginia’s experience with energy efficiency demonstrates the potential of programs administered by electric and natural gas utilities, and the private sector. Even with the recent reductions in the current portfolio of energy efficiency programs, there are still opportunities to achieve significant emissions and cost 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 Virginia’s extensive efforts that are currently underway to meet your state’s voluntary energy-savings targets, as well as the leadership put forth in your Energy Plan for a New Virginia Economy. 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 generation can meet 85 percent of Virginia’s 2030 compliance limit under the

Clean Power Plan, all while saving customers money and growing the Virginia economy. In fact, utilizing efficiency measures to reach Virginia's goal would save Virginians more than \$1.8 billion, not to mention avoiding over 7 million tons of carbon dioxide pollution, and reducing other toxic air pollutants that negatively affect our health.

Energy efficiency is not a "new" resource for meeting energy needs; however, applying this tool 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/asg>, 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: Virginia Public Utilities Commission; Virginia Department of Mines, Minerals and Energy, Division of Energy; Virginia Department of Environmental Quality, Air Division

Sincerely,

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