

March 2, 2016

The Honorable Asa Hutchinson
Governor of Arkansas
500 Woodlane Street
Little Rock, AR 72201

Dear Governor Hutchinson,

As you know, energy efficiency is the lowest-cost demand side energy resource – cheaper than electric or gas generation and 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 while also reducing emissions, mitigating the cost impacts of Clean Power Plan implementation, and giving Arkansas 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 as well as the private sector. These programs have been very successful and can be expanded significantly. In addition, there are opportunities in Arkansas 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, 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 Arkansas has already made with regards to utilities, such as setting an energy efficiency resource standard and long-term savings targets. While Arkansas 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 this least-cost mechanism by expanding your existing energy efficiency policies and 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 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 nearly 50 percent of Arkansas’s 2030 compliance goal under the Clean Power Plan, all while saving customers money and growing the Arkansas economy. In fact, utilizing efficiency measures

to reach Arkansas's goal would save the people of Arkansas \$441 million, not to mention avoiding 6.4 million tons of carbon dioxide emissions and reducing toxic air pollutants that negatively affect our health.

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 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 incorporating energy efficiency in your plan, please contact the National Association of State Energy Officials at <http://cpp.naseo.org/asq>, as well as the signatories below.

We are ready to work with you and your state officials to ensure that your 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 its low operating costs and its resilience and risk reduction value. 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: Arkansas Public Utilities Commission; Arkansas Economic Development Commission; Arkansas Department of Environmental Quality, Air Quality Division

Sincerely,

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