

March 2, 2016

The Honorable Dennis Daugaard
Governor of South Dakota
500 East Capitol Avenue
Pierre, SD 57501

Dear Governor Daugaard:

As you know, energy efficiency is the lowest-cost demand side energy resource – cheaper than electric or gas generation or renewables. Even with the 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 South Dakota 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 South Dakota 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, 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.

While South Dakota 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 existing programs like the loan program for energy-efficient investments, and the South Dakota Energy Smart initiative. 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 South Dakota’s 2030 compliance goal under

the Clean Power Plan, all while saving customers money, creating jobs, and growing the South Dakota economy. In fact, South Dakotans could save \$239 million over the course of the compliance period and avoid over 1.8 million tons of carbon dioxide emissions, not to mention avoid emitting tens of thousands of tons of harmful air pollutants.

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: South Dakota Public Utilities Commission; Bureau of Administration, Energy Management Office; South Dakota Department of Environment and Natural Resources, Air Quality Program

Sincerely,

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