

**Alliance to Save Energy * American Council for an Energy-Efficient Economy
American Gas Association * Citizens Utility Board of Wisconsin
Conservation Law Foundation * The Dow Chemical Company * Edison Electric Institute
Energy Future Coalition * Environment America * Environment Northeast * Fresh Energy
Honeywell International Inc. * Illinois Environmental Council
Izaak Walton League of America * Michigan Environmental Council
Michigan Energy Alternatives Project * Midwest Energy Efficiency Alliance
National Venture Capital Association * Natural Resources Defense Council
Ohio Environmental Council * Physicians for Social Responsibility * Sierra Club
Southern Alliance for Clean Energy * TechNet * The Wilderness Society
World Wildlife Fund**

January 27, 2009

Dear Speaker Nancy Pelosi and Republican Leader John Boehner:

We write to express our strong support of Section 7006 (“Additional State Energy Grants”) in the American Recovery and Reinvestment Act of 2007 (H.R. 1). This provision will spur significant investments in energy efficiency, which will create jobs, save consumers and businesses money on their energy bills and reduce greenhouse gas emissions. Section 7006 awards additional funding for the State Energy Program to states that seek to achieve additional efficiency improvements by implementing pro-efficiency utility regulatory policies and modernized building codes.

Current regulatory policies in many states tie investor-owned utilities’ financial health directly to the quantity of electricity and natural gas their customers use. Such policies inhibit efforts of utilities to promote energy efficiency, even though the average cost of energy efficiency programs is significantly lower than the cost of new supply options, such as new power plants and pipelines. Section 7006 provides a robust federal incentive for states to remove these barriers to promoting efficiency by adopting policies that ensure utilities 1) obtain cost recovery for prudent investment in energy efficiency, 2) have an earnings opportunity tied to verified success in delivering cost-effective energy savings, and 3) will not under- or over-recover authorized fixed costs as electricity and natural gas sales volumes change. These provisions afford states considerable flexibility in designing pro-efficiency regulatory policies.

According to the July 2006 National Action Plan for Energy Efficiency report (developed by more than 50 federal, state, utility, consumer, efficiency, and environmental organizations), well-designed efficiency programs “can help customers make sound energy use decisions, increase control over their energy bills with savings of 5 to 30 percent, and empower them to manage their energy usage.” The report also states that such programs “are saving energy at an average cost of one-half of the typical cost of new power sources and about one-third of the cost of providing natural gas.”

Building energy codes are also an important tool for increasing energy efficiency. Many states, unfortunately, have not adopted up-to-date building energy codes. Section

7006 would encourage states to adopt and implement the most up-to-date model building energy codes, or other codes with equal or greater energy savings. The most up-to-date model codes are the 2009 IECC (for residential buildings) and the ASHRAE Standard 90.1-2007 (for commercial buildings).

We greatly appreciate the inclusion of Section 7006 in H.R. 1. This section will help our country significantly expand energy efficiency, which is our cheapest and cleanest energy resource.

Sincerely,

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cc: Chairman Henry Waxman, House Energy and Commerce Committee
Representative Joe Barton, Ranking Member, House Energy and Commerce
Committee
Chairman Edward J. Markey, Energy and Environment Subcommittee, House Energy
and Commerce Committee
Representative Fred Upton, Ranking Member, Energy and Environment
Subcommittee, House Energy and Commerce Committee