



TESTIMONY ON SENATE BILL 438
August 19th, 2015

Byrd - Good morning Chairman Nofs, Vice-chair Proos, Vice-Chair Hopgood and the other ladies and gentlemen of the Committee.

On behalf of the Michigan Energy Efficiency Contractors Association or MEECA, I would like to thank you for the opportunity to have the voice of Michigan's energy efficiency contractors heard in these proceedings. My name is Brindley Byrd, executive director of MEECA. I am joined today by Brad Bartholomew, founding president of our association, founder of Energy Savings Services and president of Bartholomew Heating & Cooling. I want to thank him for taking time away from his businesses to come here from Kalamazoo and speak with you today.

MEECA's primary purpose is to advocate that Michigan have the most robust, reliable, qualified and predictable energy efficiency industry in the nation. We are working across several sectors to build an integrated energy efficiency market as you can see in this bubble graphic on slide 3 of our presentation.

Brad - Our members have acknowledged the important role Michigan's Energy Optimization programs have played in helping establish and grow our state's energy efficiency industry. They have also weighed in on the critical role these programs will play in the future of their businesses. You can see this summarized on slide 4.

Simply stated, our utility-based energy efficiency programs are a cornerstone of Michigan's energy efficiency market and have had a powerful impact on our state.

Byrd - As an example of the impact these programs have had, MEECA utilized its membership to assemble and aggregate data on savings in K-12 and post-secondary schools. Special thanks goes to DNV GL for their work compiling the data and creating the heat maps. You can see starting on slide 5

that 735 schools in 465 participating school districts save over \$12-million a year on energy costs – money taxpayers save every year. Savings that in fact grows as the price of energy increases, as it does, over time.

Slide 6 shows that 72 colleges or universities also participated in utility rebate programs saving \$6.4-million on annual energy costs. This savings could pay the in-state tuition for 558 students.

Brad – As we stated in comments submitted to this committee on July 6th, MEECA does like some of what we see in the bill relating specifically to efficiency programs. We see that deleting the itemized charge on the bill removes what has been a bit of an impediment to scaling Michigan's energy efficiency industry. Additionally, the fix to electric decoupling contained in Senate Bill 437 is very helpful.

Byrd – It is more than a little unclear what happens to the electric EO or energy waste reduction (EWR) programs in the untried or tested proposed integrated resource planning process also outlined in Senate Bill 437. Here's what we do know: 1) Michigan almost certainly would not have such robust EO programs were it not for Public Act 295, 2) To date, it is rather conclusive that without some sort of energy efficiency standard or mandate utilities do not deploy energy efficiency as much without standards as they do with, 3) Expanding our state's energy efficiency market can be done without additional mandates on utilities.

Brad – MEECA has submitted to Senator Proos proposed language that sets up a two-tiered incentive model for utilities who achieve what we call 'energy savings performance goals'. Doing as I do with my salesmen: give them higher incentives for bringing in higher sales volumes. We propose to keep both the 0.75% natural gas savings goals and the 1.0% electric savings goals as minimums. This sets the bottom of a two-tier incentive model using the current incentive levels as that which is paid for achieving the minimum savings goals. Utilities that achieve the 'alternate annual incremental savings goals' would receive a higher incentive percentage. Slide 7 shows our proposed two-tier incentive model to expand the utility-based energy waste reduction programs.

As a business owner, this is a model that makes sense to me.

Byrd – This incentive model applies when a utility submits their energy waste reduction provisions as part of their integrated resource plan. It is the way in which investor owned utilities can profit from expanding energy waste reduction in Michigan. This not only makes business sense for the utilities, it provides valuable predictability in Michigan’s utility-based energy efficiency programs.

We do have a suggestion to look at the language in the bill relating to the Michigan Energy Measures Database (MEMD). This database is revised every year. Reference to the tool should include something to the effect of the most current version rather than a specific year.

Lastly, we do have some question as to the continuation of or removal of the spending cap on energy optimization. For the record, MEECA reiterates its stance that no spending cap should be in place for any energy waste reduction program.

Thank you for your consideration in our proposals moving away from mandates/standards and towards goals/incentives.

We look forward to working together to eliminate energy waste.

We would be more than happy to take any questions.

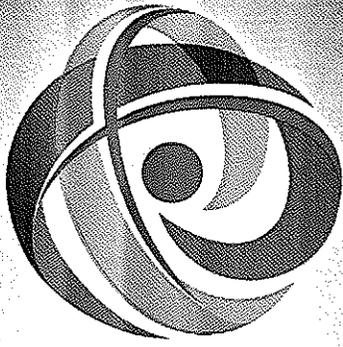
Respectfully Submitted,



Brad Bartholomew
President



Brindley Byrd
Executive Director



MEECA

**MICHIGAN ENERGY EFFICIENCY
CONTRACTORS ASSOCIATION**

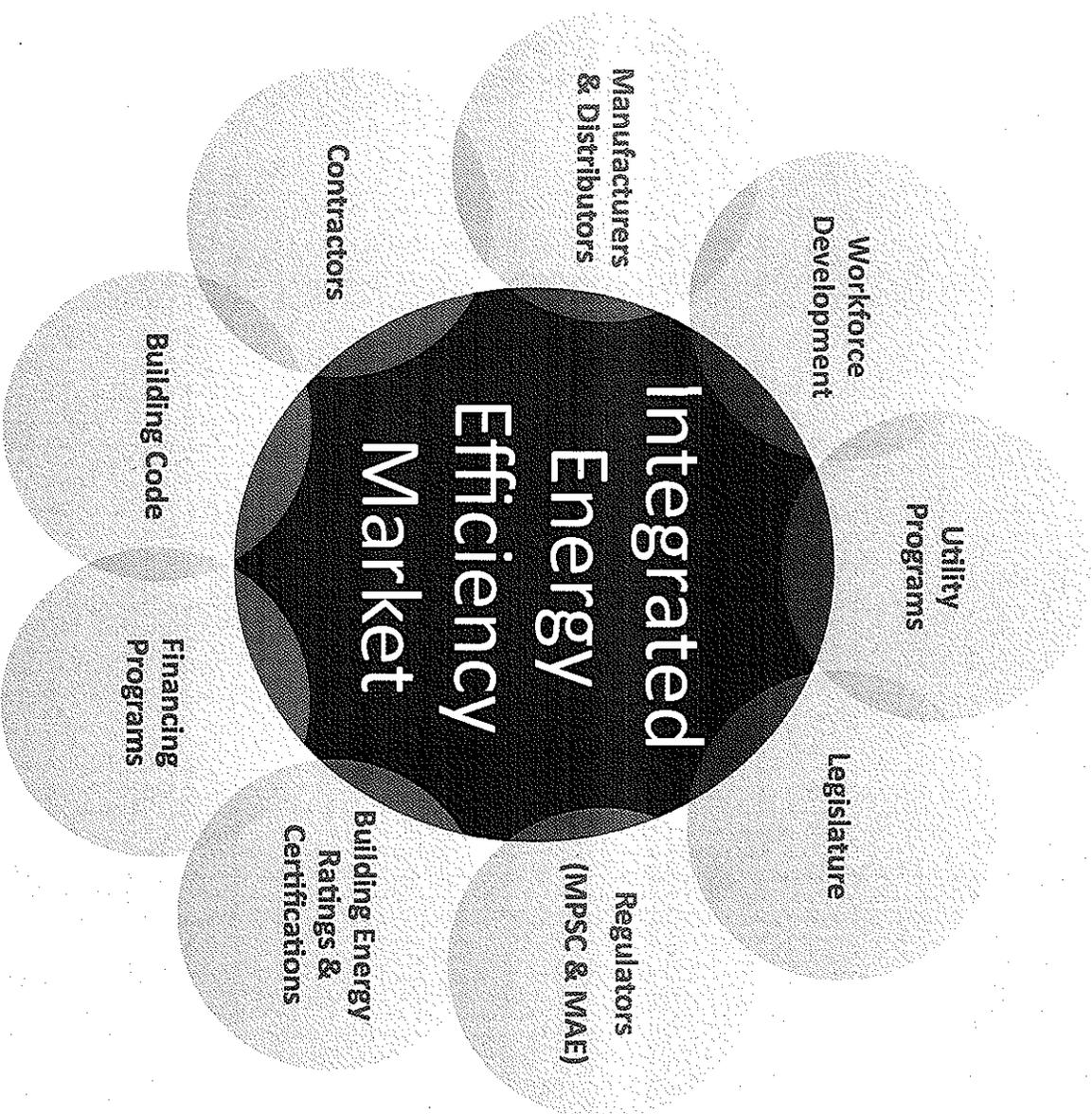
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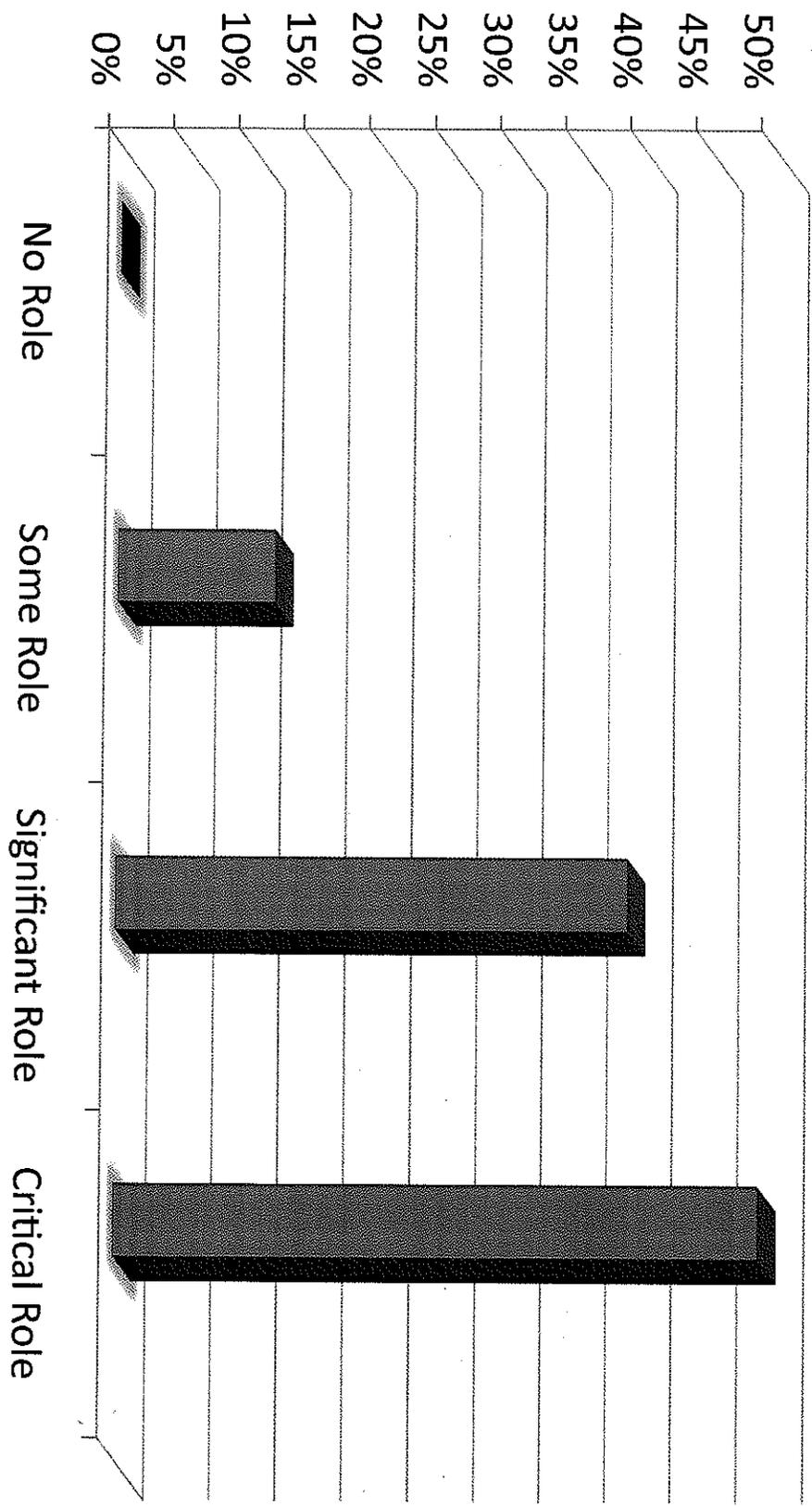
Core Purpose

To advocate that Michigan has the most *robust, reliable, qualified and predictable* energy efficiency industry in the nation.

Integrated EE Market



Contractors' View of the Role of EO in Next 10 Years to Expand MI's EE Market



Savings By The Numbers (K-12)

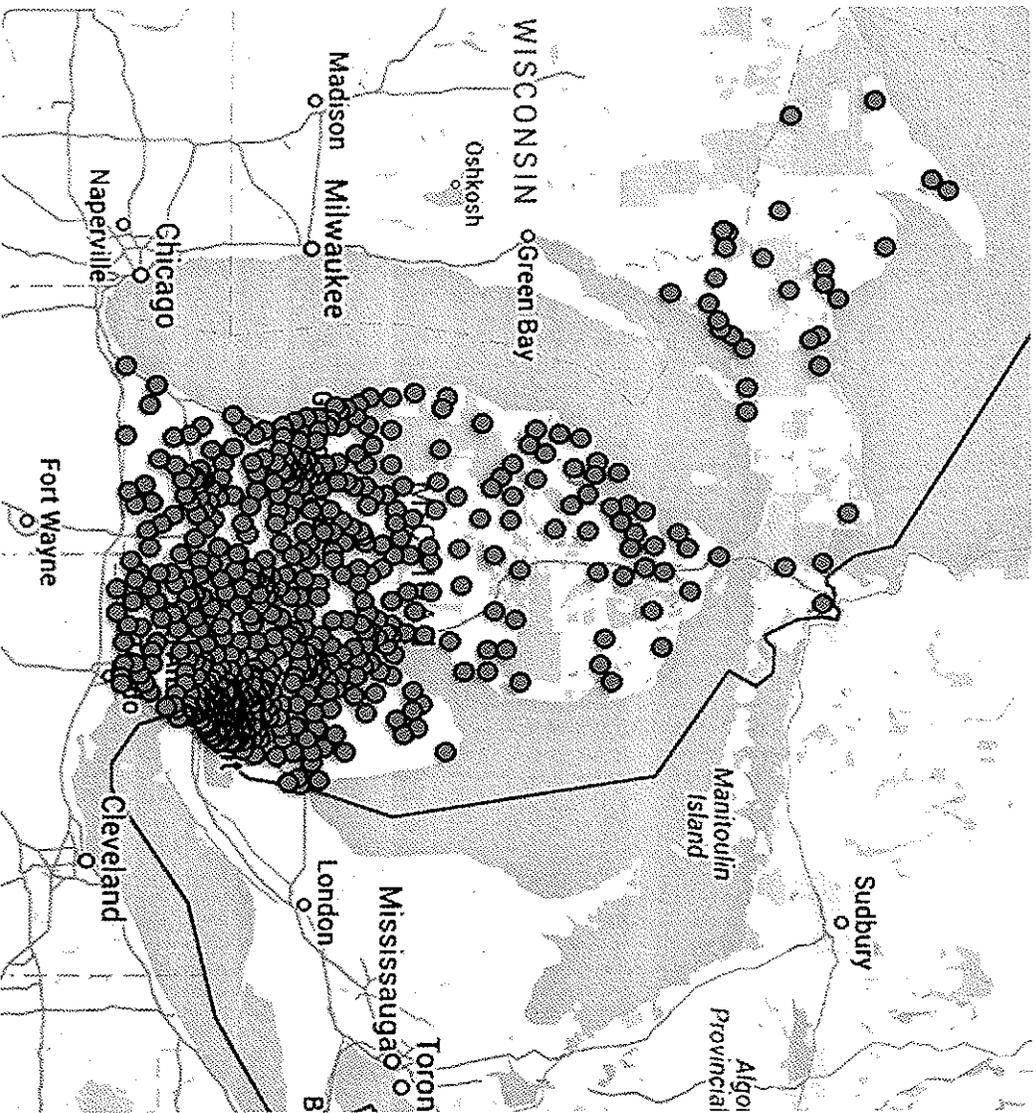
735 K-12 schools within 456 districts (of total 555 public school districts) have received:

- **\$15,930,905** in incentives since 2009
- Saving **114,565,120 kWh** And **1,058,291MCF**

Saving taxpayers **\$12.2M** less energy costs ANNUALLY

Source: Aggregated DTE, Consumers Energy, Energy Efficiency UNITED and Energy Optimization program data 2009-2014*

*Not all data sets included for all years.



Savings By The Numbers (Post-Secondary)

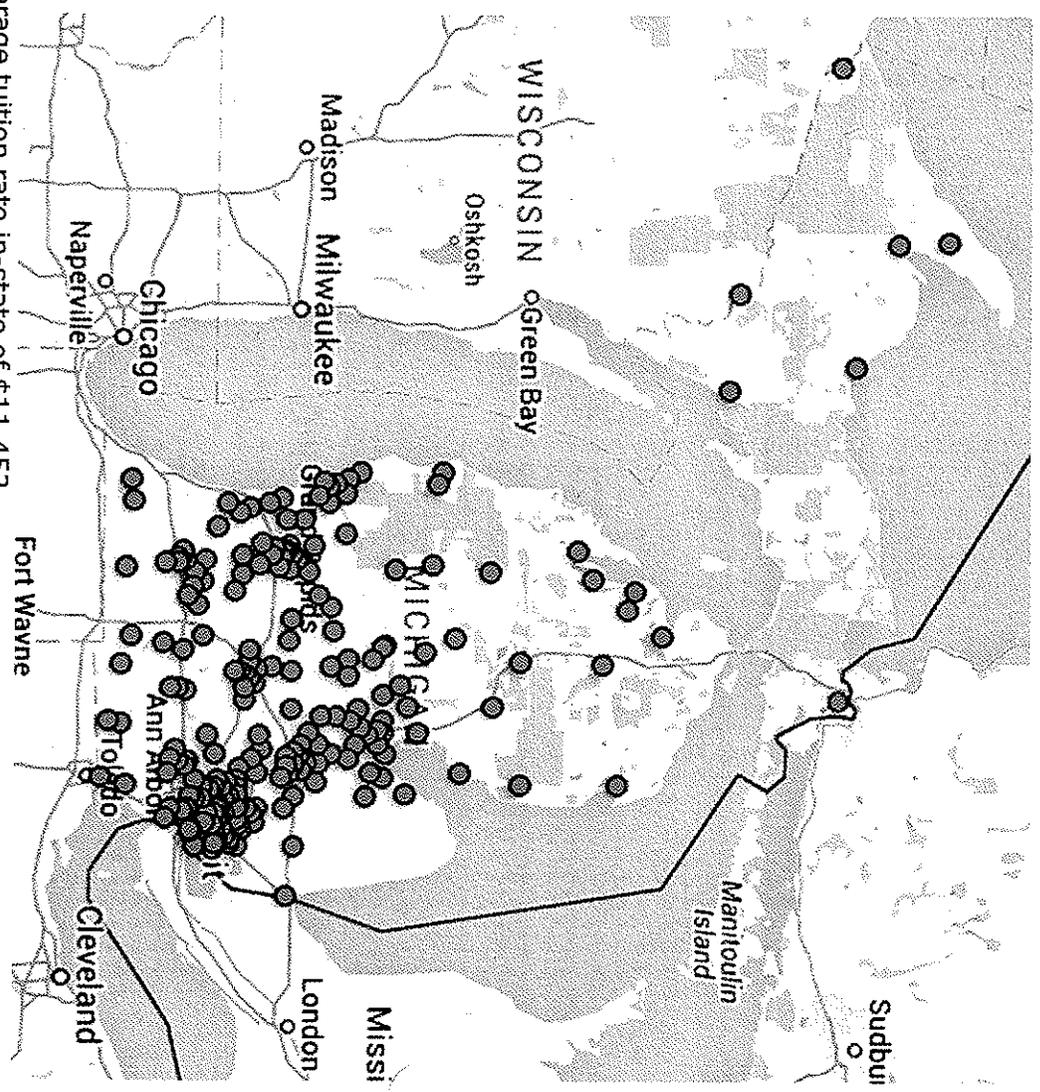
72 Colleges and Universities out of 105 have received:

- **\$6,422,819** in incentives since 2009
- Saving **51,263,453** kWh and **735,422** MCF annually

▪ Paying **\$6.4M less** in energy costs annually

▪ Enough in-state tuition for **558 students** to attend a MI college or university*

*according to the House Fiscal Agency Sept. 2014 average tuition rate in-state of \$11,452.



Two-tiered Incentive

TIER 1: Minimums	TIER 2: Alternative Annual Incremental
<p>Savings</p> <ul style="list-style-type: none"> 1.0% Electric 0.75% Gas <p>Incentive</p> <ul style="list-style-type: none"> 25% of the net present value of life-cycle cost reductions 15% percent of the provider's actual energy optimization program expenditures 	<p>Savings</p> <ul style="list-style-type: none"> 1.25% in 2016 1.50% in 2017 1.75% in 2018 2.0% in 2019 and beyond <p>Incentive</p> <ul style="list-style-type: none"> 30% and 20%



Questions

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