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May 2, 2016

The Honorable Mike Nofs, Chair
Senate Energy and Technology Committee
P.O. Box 30036
Lansing, MI 48909-7536

Dear Senator Nofs,

On behalf of Ameresco, Inc., I am writing to express our opposition to Senate Bill 437, Section 11(3), which would authorize ratepayer subsidies to large utility companies for energy measures which are readily-financed by the private sector and through competitively-bid contracting methods, such as energy savings performance contracting.

Section 11(3) would authorize large electric utilities to fully cost-recover the design and implementation of a "portfolio of energy waste reduction programs" specifically for public and private schools, universities and community colleges. If the provision is adopted, it would likely replace an existing and competitive private marketplace with a utility program which would be delivered at a significantly higher-cost and at the expense of Michigan ratepayers.

It would also give utilities the ability to monopolize an existing market by eliminating the need for private sector companies that have been delivering energy efficiency retrofits to Michigan educational customers for more than 20 years. Section 11(3) would also require ratepayers to subsidize utility companies to operate in a market that they previously determined was not an attractive business opportunity.

This would affect a diverse constituency of engineering firms, mechanical contractors, electricians, and other energy and construction professionals in Michigan who currently implement this work through private sector project-delivery models. Ameresco, for example, has implemented more than $27 million in comprehensive energy efficiency projects across Michigan public entities, including at Monroe County Community College, Schoolcraft College, and Mesick Consolidated Schools. These projects utilized local suppliers, electricians and mechanical contractors—who will likely have limited access to the program proposed in Section 11(3).

For these reasons, we respectfully ask for the Committee to amend this provision and remove or modify the language which would "authorize the development, implementation, and full cost recovery" of energy waste reduction programs. If this language cannot be removed entirely, we would propose the Committee modify the energy waste reduction programs in the form of providing Michigan educational customers with "financial incentives for qualifying energy waste reduction measures" and allow for those educational customers to procure such measures at their discretion and apply for the financial incentives from the utilities.

We believe this approach would allow for greater access to the energy waste reduction program and enhance its cost-effectiveness by allowing educational customers to bundle such incented measures into larger capital projects

of which they are planning for, maximizing their value. Under this proposal, the energy waste reduction measures would also be implemented at a lesser-cost of delivery, because they could be competitively-procured among the Michigan private sector that has longstanding experience in delivering energy efficiency projects. It would also allow for schools, community colleges and universities to leverage these incentives into larger energy efficiency retrofits which may already be under development.

In our view, this would be a more cost-effective and inclusive model for all relevant stakeholders in Michigan, and it would provide private sector companies with greater access to an energy waste reduction program.

Respectfully,

Ashley N. Patterson
Vice President, Government Relations & Public Policy
Ameresco, Inc.

Testimony by:

Chris Masciantonio
General Manager, State Governmental Affairs
United States Steel Corporation

Before the:

Michigan Senate
Energy and Technology Committee
Chairman Senator Mike Nofs (R-Battle Creek)
SB 437

Wednesday, May 4, 2016
8:00 AM
Senate Hearing Room
Boji Tower
Lansing, MI

- United States Steel Corporation, headquartered in Pittsburgh, Pa., is an integrated steel producer with major production operations in the United States and Central Europe and has an annual raw steelmaking capability of 27 million net tons. The company manufactures a wide range of value-added steel sheet and tubular products for the automotive, appliance, container, industrial machinery, construction, and oil and gas industries.

- In Michigan, the company's Great Lakes Works is situated on the Detroit River in the communities of Ecorse and River Rouge and is comprised of both steelmaking and finishing facilities. Great Lakes Works has an annual raw steelmaking capability of 3.8 million net tons and produces hot-rolled, cold-rolled and galvanized sheet products for customers in the automotive industry.

- U. S. Steel also operates its' Automotive Research Center in Troy, Michigan. The Automotive Center provides the company with the ability to perform research using state-of-the-art equipment and computer-aided design, and serves as an information resource and technology leader for the application of advanced high strength steels for the automotive industry as they seek to reach rigorous CAFÉ and safety standards.

- In addition, the Automotive Center conducts customer application research, test services and development projects, often with our automotive customers. These innovative projects cover a variety of areas in forming/stamping, advanced material characterization, structural analysis/test, advanced CAE applications, and technology developments.

- U. S. Steel's total combined employment in Michigan is approximately 2,400.

- **United States Steel is also one of the largest electricity consumers in Michigan,** spending approximately $50 Million annually.

- The economic climate today for the American steel industry is particularly challenging – due in great part to the high level of steel imports flooding the market, a number of which are arguably being illegally dumped on our shores.

- U. S. Steel CEO Mario Longhi testified before Congress about the threat of illegal steel imports, and reminded our elected officials that "not since the late 1990s have we witnessed this torrent of steel imports. Total and finished steel products imported into our market by heavily subsidized, command-economies increased year-to-year between 22 to 90%. The last time we were at these levels, nearly half of American steel companies disappeared."

- In this ever increasingly challenging environment, U. S. Steel must be able to manage our production costs in order to remain competitive, and against unfairly traded products, and in the current worldwide steel market, where not all the competitors follow the rules.

- Maintaining 10% Customer Choice in Michigan's electricity market is a critical factor for the company's Great Lakes Works' ability to face the steel industry's difficult business conditions.

- **For these reasons, U. S. Steel supports,** and respectively requests that the Senate Energy Committee allow for our company to:

    - Maintain access to a viable competitive market for our electricity supply

- If this does not occur and our company is forced into a "utility tariff rate", it will quickly result in our Great Lakes Works shifting from having a competitively priced energy supply for steel production, to having one of the highest priced power costs among the eight states where the company currently has steel operations.

- The substantial increase in production costs will make it extremely difficult for U. S. Steel to operate its Michigan facilities competitively, and the timing could not be worse for our company, considering the current onslaught of imported steel products into the US market.

- The ability to 'shop' for electricity rates has allowed our Michigan Great Lakes Works to maintain competitively priced power rates. To remove that competitive advantage would prove to be of significant harm to U. S. Steel and our 2,400 employees in Michigan.

- Thank you for the opportunity to be before you today.