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May 4, 2016

Dear Chairman Nofs and Members of the Senate Energy and Technology Committee,

We are major Michigan businesses and employers with a long, successful history of doing business in the state. We have a dedicated and loyal workforce composed of 15,000 employees that we hope to grow in the future. As large employers and major energy consumers, we understand firsthand how Michigan's energy policies affect the cost of doing business and the state's economic competitiveness. For this reason we have been active in discussions on energy legislation in both the Michigan House and Senate.

All Michigan consumers and businesses benefit when we reduce energy waste. Investing in reducing energy waste is the lowest-cost energy resource available, costing one-third the amount of other options.¹ By continuing to invest in energy waste reduction, we can lower total energy costs for all Michigan customers; mitigate fuel and electricity price increases; and build a more affordable, reliable electricity system. **As such we strongly support Governor Snyder's goal to reduce energy waste by at least 15% over the next 10 years, or 1.5% per year on average.** This energy waste reduction goal will enable Michigan to keep energy costs affordable, enhance reliability, and invest in its workforce and local economies.

We urge the Legislature to support effective policies that will enable Michigan to achieve the Governor's goal. Specifically, we recommend that you:

- 1. Retain or expand Michigan's successful Energy Optimization Standard (renamed the "Energy Waste Reduction Standard" in Senate Bill 438).**

The Energy Optimization Standard has been a tremendous success for Michigan. Under the Standard, energy saving programs have exceeded their goals every single year and are creating \$4.38 in economic benefits for every dollar spent.² Additionally, the Standard requires energy saving actions to compete head-to-head with other options and demonstrate their cost-effectiveness.³ We support the continuation of the Energy Optimization Standard through at least 2021 at the current level of at least 1.0% of electric energy sales.

Notably, several states have been able to achieve energy waste reduction levels equal to

¹ Michigan Public Service Commission, "2015 Report on Energy Optimization Programs and Cost-effectiveness of PA 295 Standards In Compliance with Public Act 295 of 2008," September 30, 2015. The Commission reports that energy efficiency costs 2 cents/kWh, while the cost of electric supply is ~6.0 cents/kWh overall. See also: Michigan Public Service Commission, "Report on the Implementation of the P.A. 295 Renewable Energy Standard and the Cost-Effectiveness of the Energy Standards," February 13, 2015.

² Ibid.

³ Certain low-income measures are not required to pass cost-effectiveness criteria, but are included in Energy Optimization portfolios to meet other policy goals.

or greater than the Governor's goals. However, no state has ever done so without a policy like the Energy Optimization Standard.⁴ In fact, states with energy efficiency standards are nearly four times more effective at reducing energy waste than those without one.⁵

2. Eliminate or at least raise the artificial restrictions on the level of investment allowed for energy waste reduction efforts.

By artificially restricting the level of investment allowed for energy waste reduction efforts, Michigan is forced to purchase more expensive options and to increase utility bills. Michigan should eliminate any artificial restrictions on investments to reduce energy waste so that Governor Snyder's goal can be met and Michigan does not miss out on any cost-effective saving opportunities. Alternatively, the current cost cap of 2% of utility revenues should be raised to 3% to ensure adequate funding for the least-cost energy resource.

3. Pursue additional energy waste reduction opportunities above and beyond what the current Energy Optimization Standard delivers.

We support a strengthened Integrated Resource Planning (IRP) process — one that would supplement the savings achieved by the existing Energy Optimization Standard — to identify and achieve additional energy waste reductions. An effective IRP process, as a supplement to the existing Standard, would deliver the remaining portion of the Governor's 15% goal.

4. Support appropriate, performance-based incentives for utilities to deliver effective programs to reduce energy waste.

We support performance-based incentives for utilities to deliver effective programs to reduce energy waste. These incentives should be tied to actual utility performance based on clearly-defined goals and activities that are sufficiently monitored, quantified, and verified. In addition, they should be appropriately designed in order to minimize costs to Michiganders while still encouraging strong utility performance.

5. Use competitive markets and private contractors to deliver energy waste reduction products and services to customers.

A robust third-party market helps to ensure the delivery of comprehensive energy efficiency services to more customers at lowest cost. Unfortunately, Senate Bill 437 includes anti-competitive language that would undermine the important work that

⁴ American Council for an Energy Efficient Economy, "The 2014 State Energy Efficiency Scorecard," October 22, 2014.

⁵ American Council for an Energy Efficient Economy "IRP vs. EERS: There's one clear winner among state energy efficiency policies," December 16, 2014.



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third-party energy service companies conduct with Michigan's public sector. This language would also increase costs for ratepayers unnecessarily.

Our companies do not support Senate Bills 437 and 438 (the language in the S-2 substitutes currently) because these bills do not support these core policies. Attached to this letter please find a summary of the policies Michigan needs and that our businesses support, and a summary of how the provisions in the S-2 substitutes fall short.

In closing, our companies stand ready to work with you to develop an effective energy policy for Michigan. We would welcome the opportunity to continue discussions with you to provide additional information about the benefits that the Energy Optimization Standard has delivered for Michigan and the importance to our businesses of reducing of energy waste in Michigan.

Sincerely,

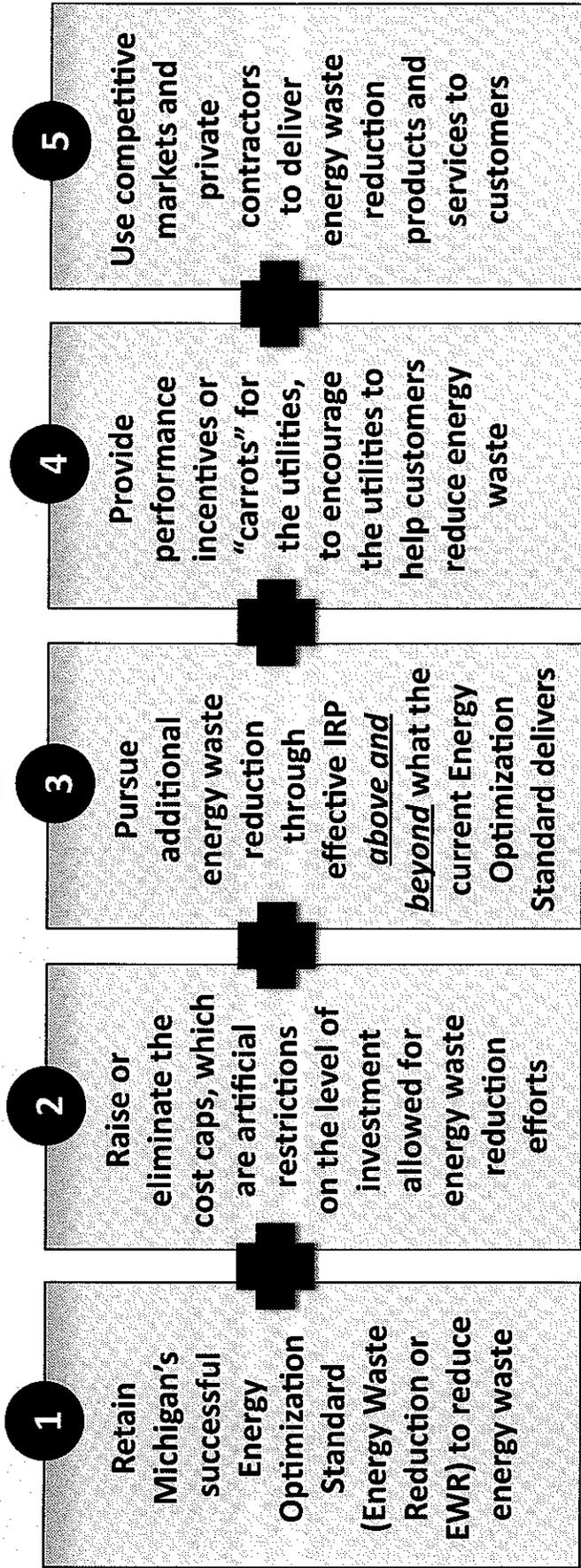
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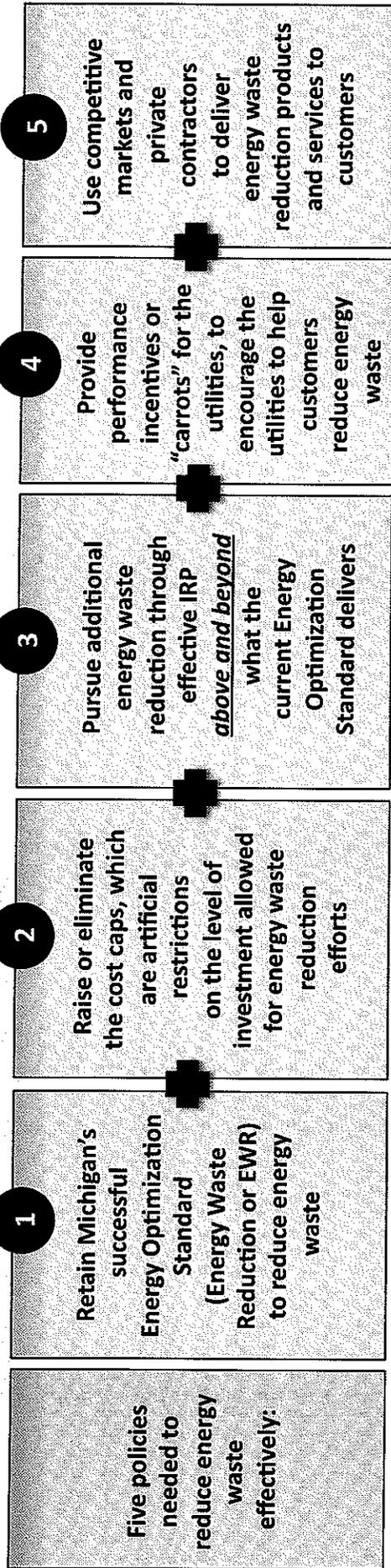
Michigan Businesses Encourage the Legislature to:

REDUCE ENERGY WASTE IN MICHIGAN

Reduce energy waste by at least 15% over 10 years (Governor Snyder's goal)
Keep business and consumer energy costs lower by reducing energy waste
Invest in the lowest cost energy resources for the future
Employ effective policies that provide market and regulatory certainty

5 POLICIES NEEDED TO ACHIEVE OUTCOMES





	EWR (EO) Standard	Cost Caps	IRP	Incentives	Markets
Michigan Businesses	Retain Standard of 1% or higher annual energy waste reduction through 2021 (6 years)	Raise the cost cap to 3% of utility revenues (or eliminate the artificial cost cap)	1% Standard as floor and add 0.5% energy waste reduction through IRP to achieve at least 1.5% total	Has already-high incentives for utilities (up to 15% of costs)	Support competitive markets and third-party delivery
Senate 438 and 437 Substitutes (Nofs)	EWR Standard of 1%, but only through 2018 (3 years)	Cost cap kept at 2% of utility revenues (too low to achieve additional energy waste reduction)	Inadequate commitment to reducing energy waste (IRP language should be stronger)	Higher utility incentives (up to 20% of costs), & "decoupling" incentive at 1%	Anti-competitive utility services and full cost recovery for schools programs
House Agreement (Nesbitt)	EWR (EO) Standard of 1% through 2021 (6 years)	Cost cap raised to 3% of utility revenues	Inadequate EWR commitment (IRP language should be stronger)	Has already-high incentives for utilities (up to 15% of costs)	Opportunities for competitive markets and third-party delivery

Note: Red font indicates provisions that are not consistent with the policies recommended by Michigan businesses.