



November 3, 2015

Dear Chairman Nesbitt and Members of the House Energy Policy Committee,

As a group of manufacturers and service providers with a significant Michigan presence, we encourage you to support energy efficiency investment and therefore not vote in favor of substitute House Bill 4298 (H-3). Our companies have a long and successful history of doing business in Michigan. We have a dedicated and loyal workforce composed of 15,000 employees in the state 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.

All Michigan consumers and businesses benefit when we eliminate energy waste. Energy efficiency programs are the lowest-cost energy resources available, costing three times less than other options.¹ By continuing to invest in energy efficiency, we can reduce total energy costs for all Michigan customers, mitigate fuel and electricity price increases, and build a more affordable, reliable electricity system.

For these reasons we strongly support Governor Snyder's goal to reduce energy waste by at least 15% over the next 10 years. This energy waste reduction goal will enable Michigan to keep energy costs affordable, enhance reliability, and invest in its workforce and local economies.

We do not support substitute House Bill 4298 (H-3) because it will not be effective in achieving the Governor's goal, and it will not ensure the continuation of benefits provided by the Energy Optimization Standard. For example, the substitute proposes a more stringent cost cap on Energy Optimization investment – 1% of a utility's retail annual sales revenue versus the 2% level currently in place. This provision would cut in half the allowed investment in energy optimization. As such it would reduce, rather than increase, the cost-effective efforts to eliminate energy waste in Michigan.

We urge the Legislature to support effective policies that will enable Michigan to achieve the Governor's goal, equivalent to energy savings of at least 1.5% per year on average. Specifically, we recommend that you support energy legislation that will:

1. Retain or expand Michigan's successful Energy Optimization Standard.

The Energy Optimization Standard has been a tremendous success for Michigan. Under the current Standard, which requires electric savings of 1% per year, energy saving programs have exceeded their goals every single year and are creating \$3.75 in economic benefits for every

¹ 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. The Commission reports that energy efficiency costs 2 cents/kWh, while the cost of electric supply is 6.4 cents/kWh overall.



dollar spent.² Additionally, the Standard requires energy saving actions to compete head-to-head with other options and demonstrate their cost-effectiveness.³ Rather than jettison this proven approach, we support the continuation or expansion of the Energy Optimization Standard.

2. Eliminate artificial restrictions on the level of investment allowed for energy waste reduction efforts, which cost less than other options.

By artificially restricting the level of investment allowed for energy waste reductions efforts, Michigan is forced to purchase more expensive options and to increase utility bills. Michigan should eliminate any artificial restrictions on Energy Optimization investments so that Governor Snyder's goal can be met and Michigan does not miss out on any cost-effective saving opportunities. It does not make sense to place an arbitrary cost cap on the least-costly option for Michigan while other more expensive options do not have cost caps.

3. Pursue additional energy waste reduction opportunities above and beyond what the current Energy Optimization Standard delivers to achieve the Governor's goal.

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 and strong IRP process, as a supplement to the existing Standard, would deliver the remaining portion of the Governor's 15% goal. For example, Energy Optimization programs could provide at least 1% savings, and additional efforts to reduce energy waste through an effective IRP process could saving at least another 0.5%, thereby exceeding 1.5% annually.

We are concerned about a possible elimination the Energy Optimization Standard or its replacement with less effective alternatives. We are also concerned about the introduction or tightening of artificial cost caps that would restrict energy efficiency investment levels and force Michigan to pursue more expensive alternatives. These proposals concern us because they would raise energy costs for everyone. Additionally, they introduce uncertainties that make it harder for us to consider Michigan in our long-term investment decisions. **For these reasons, we urge you to build upon the successes of the Energy Optimization Standard and not support substitute House Bill 4298 (H-3) or any legislation that does not address our three recommendations above.**

In closing, our companies stand ready to work with you to develop an effective energy policy for Michigan -- one that would ensure the continued benefits that the Energy Optimization Standard has

² Michigan Public Service Commission, "2014 Report on the Implementation of P.A. 295 Utility Energy Optimization Programs In Compliance with Public Act 295 of 2008," November 26, 2014.

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



Johnson
Controls



United
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delivered for Michigan and our businesses. We welcome the opportunity to work with you to make the necessary changes that would allow us to support the energy bills.

Sincerely,

Whirlpool Corporation

Johnson Controls

United Technologies

Ingersoll Rand

Schneider Electric

CC:

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Representative LaFontaine

Representative McBroom

Representative Outman

Representative Pettalia

Representative Hughes

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