



May 7, 2015

**Maureen Sertich, Whirlpool Corporation
Testimony before the House Energy Policy Committee**

Dear Chairman Nesbitt and Members of the Committee:

For the record, my name is Maureen Sertich, Whirlpool Corporation's sustainability lead for North America. In my role, I manage sustainability initiatives for all Whirlpool products sold in North America, as well as initiatives that support the efficiency of our North American operations.

Today I am testifying on behalf of Whirlpool Corporation and four other large businesses – Ingersoll-Rand, Johnson Controls, Schneider Electric, and United Technologies. We appreciate the opportunity to offer these comments.

Our companies have a long and successful history of doing business in Michigan and providing opportunities and solutions for consumers and businesses to save money on their utility bills. Altogether, our five companies have a dedicated and loyal workforce of approximately 15,000 employees in the state.

At Whirlpool in particular we're very proud not only to be the world's largest home appliance company, but also to have over 4,000 employees and contractors at our global headquarters and technology centers in Benton Harbor and Saint Joseph.

As a group of manufacturers and service providers with a significant Michigan presence, we **applaud Michigan's leadership to date in advancing energy efficiency and encourage you to support the state's energy efficiency policies through the continuation of Michigan's very successful Energy Optimization Standard.** As large employers and major energy consumers, we understand firsthand how energy policies affect the cost of doing business. We also recognize that all Michigan consumers and businesses benefit when we reduce energy waste. Under the Energy Optimization Standard, energy saving programs have exceeded their goals every single year and are creating \$3.75 in economic benefits for every dollar spent.¹ Energy efficiency programs are the lowest-cost energy resources available, costing three times less than other options. By continuing to invest in energy efficiency, we can reduce total energy costs for all Michigan customers; mitigate the impact of fuel and electricity price increases; and build a more affordable, reliable electricity system. Therefore, we do not support legislation – such as HB 4297 – that would repeal or replace the successful Standard.

¹ 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.



Allow me to provide a few examples of the positive economic impacts that the Standard has provided, why we think it is beneficial to Michigan residents and businesses, and why it should be continued.

First, energy efficiency helps large commercial and industrial facilities reduce their energy costs so that they can compete on an international scale. A couple of years ago Whirlpool made a \$155 million commitment to build our new North American Headquarters and Refrigeration Technology Center and renovate existing facilities here in Michigan. When we made this investment, we also committed to making these new facilities as efficient as possible – reducing our energy use significantly compared to our old facilities. We did this because, in the commercial and industrial sectors, the purchase and use of high efficiency products are key tactics for businesses to reduce operational costs through reduced energy consumption. Even small achievements in operational efficiency can result in significant positive improvements in the performance and competitiveness of a business.

Energy efficiency and demand response programs such as those employed under the Energy Optimization Standard often make the difference in a business' decision to invest in energy efficient products and systems versus competing investments in the context of tight return on investment (ROI) criteria and internal competition for capital. As global companies, we understand that there are lots of potential investment opportunities to be made around the world, but only limited capital resources to do so. The Energy Optimization Standard programs give us greater ability to make those investments here in the state of Michigan, rather than in another state or country.

Additionally, these investments don't just benefit the individual facility, but ultimately help reduce operating costs for all Michigan businesses. That's because eliminating energy waste through Energy Optimization is less than one third of the cost of other energy options.² We recognize that electricity bills will be higher for our businesses and all Michigan consumers if other energy resources are pursued instead of Energy Optimization. However, a robust multi-year Energy Optimization Standard gives companies like ours confidence that policy makers are committed to keeping energy costs low, through policies that are clear and that we can count on, and therefore Michigan will be a good place to do business for years to come.

Second, Energy Optimization programs support services that directly benefit many businesses and local communities across the state. As a further example of economic benefits that can result from energy efficiency programs, we can take a closer look at one mechanism for delivery of energy efficiency services: performance contracting. Several of our companies are engaged in providing performance contracts for local businesses and communities to help them eliminate energy waste. The key point here is that energy efficiency programs developed under the Energy Optimization Standard can play a significant role in building the economic case for a performance contract. Over the years that our businesses have provided these services in Michigan, our public sector clients have received incentives to pursue these energy saving contracts, which has resulted in hundreds of millions of dollars in total investment activities in communities throughout the state.

² 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.



Third, the energy efficiency programs support products and services that have created many direct and indirect jobs throughout Michigan. At Whirlpool, we've always been focused on providing energy efficiency. Through the hard work of our engineers at our Global Headquarters in Benton Harbor, we've been able to develop products that not only deliver the performance and features that people want, but also do so energy efficiently. For example, a washing machine today will use 77% less energy than it did in 2000, and a refrigerator today uses about as much energy as a 60 watt light bulb. We see great potential for more innovation going forward – for example, we think our new heat-pump dryers and connected appliances could help save consumers billions of dollars in energy costs.

It is policies like the Energy Optimization Standard that provide the regulatory and market certainty that our company needs to make investment decisions and long-term plans for our workforce in Michigan so that we can focus on creating innovative energy-saving products. Repealing the EOS would introduce uncertainties regarding the Michigan market and therefore in our long-term investment decisions.

It is important to understand that the positive economic impacts of energy efficiency programs also stretch well beyond the manufacturer and the end user of the product. For example, with our efficient appliances, the product distribution network necessarily relies upon local businesses – in the forms of regional distributors and local contractors – as lynchpins for delivering, installing and maintaining our products. These are jobs that can't be outsourced. Any programs that assist in prompting investments in energy efficient appliances also assist in stimulating economic growth for the local businesses that comprise the appliance distributor network.

For all these reasons, we believe continued support for Energy Optimization is beneficial for Michigan residents and business. We recognize that this is a critical time for Michigan's energy policy future as the state faces new environmental regulations, expected capacity shortfalls, and other major challenges. We are encouraged by the general agreement we've seen from the state's leaders that energy efficiency has an important role to play in this future. For example, Governor Snyder called on the state to reduce energy waste by 15% over the next 10 years – or about 1.5% per year. We note that no state has ever reduced energy waste by that amount without an Energy Optimization Standard. In fact, states with an energy efficiency standard are nearly four times more effective at reducing energy waste than those without one. Michigan is no exception – the state has exceeded its expected energy savings goals in every year since the Standard was implemented. Eliminating the Energy Optimization Standard, or replacing it with an unproven alternative, puts Michigan residents and businesses at significant risk of higher energy costs and supply shortages in the future.

We acknowledge that meeting Michigan's significant energy needs may require new approaches that can increase the level of investment in energy efficiency. To that end, we think there are many ways to supplement the existing EOS to encourage more energy efficiency. Among these options is an enhanced Integrated Resource Planning (IRP) process. However, we don't think any of these options require Michigan to repeal or replace the EOS, which we noted is working very well. In fact, we believe that any alternatives being considered can and should be used to supplement a continued multi-year commitment to the EOS. For example, an IRP process can be layered on top of the existing effective Energy Optimization Standard as a base, to ensure the continued delivery of benefits to customers in Michigan and the market certainty of a base level of activity through the EOS, plus additional efforts through an IRP process to acquire additional cost-effective energy efficiency savings. With the Governor calling on the state to reduce energy waste by at least



1.5% per year, it makes good sense to keep one well-performing existing tool in the toolbox – the Energy Optimization Standard – to achieve at least 1% of the 1.5% savings proposed.

In conclusion, Energy Optimization is the least expensive, most certain option available. We urge this Committee to recognize that fact by continuing the Energy Optimization Standard and not supporting its repeal as proposed by HB 4297. The Standard ensures that Michigan residents are able to benefit from a base minimum level of investment in the lowest cost energy option – an option we already know outcompetes other energy resources. Maintaining the Standard does not prevent us from doing more. But without the Standard, we run the risk of doing less – and if that happened we would have to turn to more expensive options that drive up the cost of energy and would exacerbate Michigan's capacity shortfall. Given the success of the Energy Optimization Standard to date, we see its continuation as a low-cost, low-risk strategy for meeting a part Michigan's future energy needs that we can build upon.

We look forward to working with you on energy legislation this session. We understand that several major energy-related proposals have been made this legislative session. We are carefully tracking each of these proposals and look forward to providing input to you on their specific provisions.

Thank you for the opportunity to offer testimony before the Committee today.