

TESTIMONY OF DR. MARTIN KUSHLER
American Council for an Energy-Efficient Economy (ACEEE)
Regarding House Substitute Bill HB 4298 S.3
November 4, 2015

Thank-you for the opportunity to provide testimony to this committee. To begin, let me make clear that I oppose, and advise against, replacing Michigan's Energy Optimization standard with an Integrated Resource Planning (IRP) approach. I've previously testified here that "IRP only" states achieve energy efficiency savings that are less than one-third of what states with an energy efficiency standard save, and less than one-fourth of what Michigan is already achieving under our Energy Optimization standard.

Nevertheless, I do not oppose the concept of *adding* an IRP capability to an existing Energy Optimization standard. However, if you are going to do IRP, it should be done properly.

The proposed approach to IRP contained in HB 4298 is deficient in several respects. If the Committee is interested, I would have several suggestions for strengthening the approach to IRP, which would make it more comparable to the best states in terms of the conduct of integrated resource planning.

However, in the interest of time, I will focus on the single sentence in the bill which is most problematic, and which in fact ruins the credibility of the entire IRP approach presented in the bill.

Section 6T (11) concludes with the following sentence:

"THE COMMISSION SHALL NOT ALLOW AN ELECTRIC UTILITY TO RECOVER COSTS FOR ENERGY WASTE REDUCTION PROGRAMS THAT EXCEED 1.0% OF THAT UTILITY'S TOTAL ANNUAL RETAIL SALES REVENUE"

This sentence is contrary to the entire purpose of an IRP, which is to analyze what additional resources will provide the optimal mix to provide reliable electric service to customers at least cost. The IRP analysis is supposed to determine how much of which type of resources should be acquired by the utility. To artificially cap the amount of one particular type resource is not only discriminatory, it defeats the purpose of doing the analysis in the first place.

Moreover, since we know from years of experience in Michigan as well as nationally that energy efficiency ("energy waste reduction") is the cheapest of all resource options, artificially capping the amount of that resource will raise total costs to all ratepayers....because greater amounts of more costly electric resources will have to be acquired. Under Michigan's current Energy Optimization policy, utilities are presently spending 2% of revenues on energy efficiency, and the MPSC reports that the programs are very cost-effective (already saving ratepayers billions of dollars). Incredibly, the proposed language above would force those successful current energy efficiency programs to be cut in half!

Based on data in the MPSC's most recent annual report, I estimate that every year that the proposed 1% spending cap was in place would cost Michigan electric ratepayers an additional \$500 million in total electric utility costs, compared to what is being achieved under the current Energy Optimization policy created by PA 295.

The above-cited language in HB 4298 not only directly conflicts with the intent and practice of integrated resource planning, it would significantly increase utility costs to Michigan ratepayers.