

Testimony by Terrence J. Mierzwa  
to the U.S. Senate Committee on Energy and Natural Resources  
March 11, 2010

Good morning. My name is Terry Mierzwa, Executive Manager of Marketing, Energy Efficiency, and Research at Consumers Energy Company, headquartered in Jackson, Michigan. Consumers Energy provides service to 1.8 million electric customers and 1.7 million natural gas customers in Michigan's Lower Peninsula.

Thank you for this opportunity to testify on the draft text of a legislative proposal to implement the Home Star program.

**Background**

Consumers Energy is a strong supporter of energy efficiency. It is a key component of our Balanced Energy Initiative for meeting our customers' energy demands. In 2007 and 2008, we worked with our legislature and many interested parties to help craft and pass legislation that requires Michigan energy utilities to achieve annual energy savings targets through programs we offer to our customers. With strong bipartisan support, Governor Granholm signed Public Act 295 into law in October 2008.

We subsequently developed a comprehensive six-year plan for investing \$508 million in electric and gas energy efficiency programs for our residential, commercial, and industrial customers. The Michigan Public Service Commission approved our plan as filed in late May 2009. We launched our portfolio of new programs in late July and,

despite having only five months to do so, I am proud to say we exceeded our 2009 energy savings targets of 108,000 MWh of electricity and 300,000 Mcf of natural gas each by about 25%. We are off to a great start in 2010 as well.

Clearly, our customers appreciate these programs and are taking advantage of them. We estimate that more than 170,000 residential customers participated in at least one program last year, whether it was buying and installing compact fluorescent light bulbs, purchasing a high-efficiency furnace, or letting us pick up and recycle an old second refrigerator from their basement or garage. Similarly, about 9,500 commercial and industrial customers took advantage of our programs. They ranged from an elementary school in Swartz Creek that is saving \$2,300 annually after installing 22 occupancy sensors in 16 classrooms to a General Motors plant in Flint that is saving \$125,000 annually after replacing nearly 1,200 light fixtures with higher efficiency units. Just this month, we launched a new program called *Think! Energy* targeted at 4<sup>th</sup> through 6<sup>th</sup> graders throughout our service territory. We fully subscribed this program within a month and are now in the process of visiting 121 schools and making energy efficiency presentations to 13,000 students. In addition, each child will receive a Take Action! Kit to take home to review with their family. The kit contains two compact fluorescent light bulbs, a high-efficiency showerhead, a faucet aerator, and other easy-to-install measures. Our customers look to us as a natural resource for expert energy advice, and the measures that all of these customers installed will help them save money on their energy bills for many years to come.

I might add that the other major energy utility in Michigan, DTE, has followed a similar path as have the smaller investor-owned utilities, municipal utilities, and electric cooperatives. It is truly a statewide effort.

Michigan is certainly not the only state in which energy efficiency investment has been growing. A new report by the Consortium for Energy Efficiency shows that, since 2006, the combined budgets for electric and gas energy efficiency programs in the United States have more than doubled, growing from \$2.6 billion to \$5.3 billion.

It is clear that energy utilities are well-positioned to play a critical long-term role in delivering energy efficiency. In a recent EEI Power Poll, a national sample of residential consumers was asked what groups or organizations they would look to for more information on how to use electricity more efficiently. Almost 60 percent said they would look to their electric utility, which was two-and-a-half times as many (23%) who mentioned the second most popular source, retailers.

### **Program Infrastructure**

Successful implementation of energy efficiency programs by all of these utilities required development of the infrastructure necessary to bring them to market. We have hired implementation contractors, developed detailed policies and procedures, built Web sites, established call centers, built tracking systems, established rebate processing capability, and recruited and trained thousands of trade allies. The trade allies include “big box” retail stores, architectural and engineering firms, energy auditors, electrical contractors,

home improvement contractors, and heating and cooling contractors across the state. Our programs are operated in an open and transparent manner with independent, third-party evaluation of the results. All of this activity is conducted under the oversight of the Michigan Public Service Commission, which has responsibility for ensuring the prudence and cost-effectiveness of our energy efficiency investments. The Commission also plays an important role by its operation of various energy efficiency collaboratives through which utilities can better coordinate their program offerings and the public can provide its input.

We believe this Michigan model for operating energy efficiency programs is working quite well given the energy savings results achieved thus far, and it will continue to get even better with additional experience and collaboration. This model is not unique. More than twenty other states have legislated energy savings targets that are being achieved through similar programs, infrastructure, and collaboration.

### **Coordination with Federal Legislation**

The new legislation being proposed to this Committee can offer enhanced opportunities for our customers to become more energy efficient, and we believe that is a worthy goal. Improvements in energy efficiency are good for the economy as well as the environment. We appreciate the changes that have been made since the original draft and note that many align with our priorities. To that end, we have two key requests, as follows:

1. We want to ensure that the infrastructure we already have in place is not duplicated in the Home Star program. We believe it is important that energy efficiency be achieved in a cost-effective manner, and that states in which utilities are operating successful energy efficiency programs are especially well-positioned to ensure that outcome. By taking advantage of the infrastructure the utilities already have in place, we can avoid the creation of redundant infrastructure and administration, which means more of the money appropriated for this effort will flow directly to the consumers who want to improve the energy efficiency of their homes. It also means that the jobs created by these federal programs can be brought to market more quickly. Home Star will supplement and augment what we already have in place.
2. It is critical that federal legislation be harmonized with existing state legislation that has already set energy efficiency requirements for utilities. This can be done by making it very clear that utilities are allowed to participate and coordinate their programs with Home Star. That clarity will help to enable us to implement quickly and promote job creation, while showing our Commission that we have a role and should receive appropriate credit toward our energy savings goals. Otherwise, the federal dollars will be competing with our programs, making them less cost-effective, and potentially causing us to suspend them while federal incentives are in place. This would serve neither our customers nor trade allies well because they seek assurance of a sustained effort rather than a boom and bust

We very much appreciate that the drafters of this legislation have incorporated many of our suggestions and incorporated language that would give states such as Michigan the option to flow much of this activity through the existing infrastructure that has already been created by the utilities and has enabled each of us to operate successful, cost-effective energy efficiency programs. We hope that, as this proposed legislation undergoes debate within this Committee and later in the full Senate, this option to take advantage of existing utility program infrastructure is preserved.

Thank you for your attention.