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Testimony Before The Michigan House Energy & Technology Committee
January 17, 2012
By Sean Reed, Executive Director, Clean Energy Coalition

Introduction

Chairman Horn and distinguished members of the committee, thank you for the opportunity to testify on behalf of Clean Energy Coalition regarding the importance of funding energy efficiency and renewable energy projects on a statewide level.

My name is Rebecca Filbey. I am a project manager for Clean Energy Coalition and work as part of our organization's Communities team. I am providing testimony today on behalf of our founder and executive director, Sean Reed, who couldn't be here today due to a family emergency. Clean Energy Coalition is a non-profit, non-partisan organization based in Ann Arbor that is dedicated to promoting clean energy technologies as a way to create healthier, energy-independent communities. Since its launch in 2005 Clean Energy Coalition has managed innovative energy efficiency, renewable energy and clean transportation projects valued at more than $60 million.

Synergy Between Non-profits & ESCOs

We are extremely pleased that the committee is today discussing the role of energy performance contracting in meeting the current and future energy needs of Michigan's cities. We are equally happy to hear that the committee has taken up the issue of energy efficiency, especially in light of last year's Low Income & Energy Efficiency Fund termination, and is considering possible solutions to assist municipalities with their energy needs.

There are many synergies between energy performance contractors, also known as energy service companies or ESCOs, and non-profit organizations like Clean Energy Coalition. In many of the municipalities where we previously worked, in fact, our grants aimed to compliment performance contracts that were already in place or were anticipated. In other programs managed by our organization, including the launch of Michigan's first Property Assessed Clean Energy program in Ann Arbor, a financing program for energy projects in commercial properties, we are working hand in hand with ESCOs to achieve program goals and deliver maximum savings results to commercial property owners.

How Do We Best Serve Michigan's Most Struggling Municipalities?

It is important to recognize however that performance contracting is not always the right fit, particularly with regards to Michigan municipalities that are under extreme financial stress – cities that are struggling to avoid bankruptcy or takeover by emergency financial managers. In these cities, where credit histories or bond ratings are poor, ESCOs, which are, after all, for-profit entities, may be less willing to enter into contracts. Where they are, they tend to need at least 10-15 year commitments to contracts, which city councils wrestling with pressing financial constraints are often extremely wary to approve.

In late 2011, Clean Energy Coalition Executive Director Sean Reed provided testimony twice before this committee in an effort to reinstate two contracts between our organization and the Michigan Public Service Commission cumulatively valued at more than $9 million that had

been cancelled as a result of a 2011 Court of Appeals decision. This ruling stated that the MPSC did not have the authority to manage the state's Low Income & Energy Efficiency Fund.

With support from our MPSC-funded Cities of Promise program, Clean Energy Coalition was able to bring immediate monetary help to cities that did not have to incur any additional debt; rather they could immediately experience the benefits of energy savings. Our staff worked alongside municipal employees to identify long-term solutions to city energy problems, as well as to provide technical expertise, training, outreach and education to municipal staff and the general public.

A key element to this work was ensuring financial sustainability: Clean Energy Coalition implemented revolving energy funds in each city. Instead of paying for debt servicing to an outside company, a portion of the money saved by the city on utility costs would go into a special fund within the city to be utilized with future energy projects. This helped ensure that cities would have access to funding for energy-related work long after our grants had ended. Not only were cities experiencing immediate utility cost savings, improved building performance and occupancy comfort, but also they were building foundations for financial stability over the long term.

Give Emergency Financial Managers The Tools They Need

In previous appearances before this committee, Clean Energy Coalition Executive Director Sean Reed spoke about how our LIEEF-funded work was not duplicative of utility Energy Optimization programs. He mentioned that our organization was working with the most troubled communities in Michigan. These communities do not have the resources, in terms of staff, time or money, to work at the bar set by energy optimization programming, nor are their needs at a level where energy optimization programming can suffice.

We make the same point today with regard to energy performance contracting. The vital technical assistance we were providing to Michigan's Cities of Promise is not something that can be easily duplicated by a for-profit performance contract. While we applaud the legislature for reaching a short-term solution to provide heating assistance for vulnerable citizens this winter, we would like to remind the committee of other important work that was funded by the former Low Income & Energy Efficiency Fund. The Clean Energy Coalition's Cities of Promise program served an unmet need in the municipal infrastructure of the state's most struggling communities. The Michigan legislature has seen fit to pass legislation triggering emergency financial managers. Why wouldn't the legislature see fit to support these managers with the necessary tools to reduce municipal expenditures for years to come?

As this committee explores mechanisms to grow Michigan's clean energy industry, as well as to address pressing municipal fiscal concerns, I ask that you look at the full picture and recognize that organizations such as ours have a vital role to play in advancing these goals: often in partnership with our for-profit collaborators such as ESCOs. With this in mind, I implore you to take action on reinstating the funding for Clean Energy Coalition's cancelled MPSC contracts.

Thank you for the opportunity to speak today, for considering our request, and for your diligent work on behalf of Michigan's citizens and communities.