Industrial Energy Consumers of America
The Voice of the Industrial Energy Consumers

1155 15th Street, NW, Suite 500 • Washington, D.C. 20005
Telephone 202-223-1420 • Fax 202-530-0659 • www.ieca-us.org

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Steven Nadel
Executive Director
American Council for an Energy-Efficient Economy (ACEEE)
529 14th Street N.W., Suite 600
Washington, D.C. 20045-1000

Dear Mr. Nadel:

It has come to our attention that ACEEE advocates a policy position on industrial energy efficiency of great concern to energy intensive manufacturers. Specifically, we note that ACEEE is decidedly against industrial "opt-out" options from utility or government-sponsored energy efficiency programs and supports prescriptive and mandatory "self-direct" industrial energy efficiency programs.[1]

We request that ACEEE drop its opposition to industrial "opt-out" and that it reorient the ACEEE "self-direct" position to a wholly voluntary approach.

Industrial companies are and have long been responsive and sensitive to energy costs. As a result, they have consistently led energy efficiency initiatives at their facilities throughout the U.S. Continuous improvement in energy efficiency supports their efforts to lower energy costs, improve competitiveness and reduce emissions. This is especially important for energy intensive industrial companies where energy comprises a large portion of their operating costs. Also, innovation drives improvements in manufacturing processes and with those innovations comes enhanced performance in energy efficiency. They are interrelated and keep energy efficiency a key factor for consideration in all investment decisions.

Given this history, it is inappropriate for state and local governments, interested stakeholders, utilities and regulatory agencies to advocate for mandatory industrial participation and payment of utility or state mandated energy efficiency programs. It is also inappropriate to subject industrial facility managers to the regulatory burden that comes with mandated "self direct" programs. An industrial "opt-out" should be the rule, not the exception and any "self-direct" program should be voluntary, not mandatory.

[1]Follow the Leaders: Improving Large Customer Self-Direct Programs, October 2011, http://aceee.org/research-report/ie112; Meaningful Impact: Challenges and Opportunities in Industrial Energy Efficiency Program Evaluation, September 2012, http://aceee.org/research-report/ie122; Money Well Spent: Industrial Energy Efficiency Program Spending in 2010, April 2012, http://aceee.org/research-report/ie121

To fund energy efficiency programs, states typically implement a cost-recovery mechanism (CRM) on a customer's bill in the form of a rider or surcharge. Money collected is pooled and used to fund energy efficiency across multiple customer classes. Energy intensive customers have a strong financial interest in reducing their energy expenses, and individual industrial customers are in a better position to evaluate the energy savings potential from their specific industrial processes than a utility-wide program funded by a CRM. In addition, industrial customers should not be asked to subsidize investments for competitors or firms in other industries. For example, an industrial customer that has taken the initiative to reduce its costs by implementing energy saving measures at its manufacturing facilities should not have to pay for an energy efficiency program aimed to save energy and reduce costs at another, possibly competing, industrial customer's facility that has not endeavored to act on its own.

With the expansion of energy efficiency awareness at the state level, IECA has noticed a move towards ever more intrusive and burdensome provisions being adopted by state Commissions for industrials that make it harder – not easier – to "opt-out." For industrials, the cost of utility-sponsored energy efficiency programs, the utility lost revenues that are oftentimes awarded and other incentives that can be included to entice utilities to wholeheartedly embrace energy efficiency, can be costly burdens on those industrials that can and should be avoided. Having the industrial pay for these costs on the power bill redirects funds that the industrial would otherwise use to finance their own energy efficiency initiatives or produce related projects that can make them more competitive in the marketplace and increase jobs. Ultimately the industrial should be left to decide how their resources will be spent instead of forcing them to be spent on a mandatory energy efficiency program. For them, "opt-out" should be the rule rather than the exception.

For industrial customers, CRM fees are often used to fund technical assistance, energy management, and incentive programs that support energy efficiency investments. For some, manufacturers' ratepayer funded energy efficiency programs may naturally align to their business objectives and goals. However, more often than not, the advice obtained is rudimentary and not particularly helpful to the industrial that tends to have fairly sophisticated processes in place that were funded by the industrial to assess opportunities for reduction in energy use. Most of the opportunities identified by manufacturers themselves are in the industrial processes themselves. The technical advisory offices funded by CRM monies tend to focus on peripheral equipment such as HVAC and lighting systems in the facility. Since these peripheral systems do not comprise the largest energy use areas at the industrial facility, use of funds collected and use for this purpose is viewed as intrusive, wasteful and beyond the proper role of government.

Functioning in the real world of dynamic competitive global markets, industrial facilities have far more challenges to consider than just their consumption of purchased electricity. The manufacturer must have the freedom to balance allocation of capital across many competing and changing choices.

It is one thing for the regulator to encourage a local utility to spend resources to meet an energy efficiency goal for the residential and/or commercial sector that may not otherwise be inclined to invest in energy efficiency. It is quite another for the regulator to extend their reach and substitute their capital allocation judgment for that of the globally competitive industrial company. ACEEE should not oppose industrial "opt–out" and should agree to the presumption of “opt-out.” At most, ACEEE should invite the industrial to voluntarily “self-direct” and advocate that the regulatory burden associated with any self-directed program be as minimal as possible. Thank you for your attention to this subject.

Sincerely,

Paul N. Cicio
President

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $1.1 trillion in annual sales, over 1,000 facilities nationwide, and with more than 1.4 million employees worldwide. It is an organization created to promote the interests of manufacturing companies through advocacy and collaboration for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA membership represents a diverse set of industries including: chemical, plastics, steel, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, brewing, cement, agricultural equipment, and automotive.