

Reality shorts out electricity goal

Utilities are submitting conservation proposals, but customers will pay

By Paul Adams | Sun reporter
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Gov. Martin O'Malley wants you to use less electricity, building on the premise that the cheapest and least-polluting kilowatt is the one never used.

But the goal he set in July - getting every Marylander to cut electricity use by 15 percent in seven years - is running up against the technical and financial realities of the power industry he wants to reform.

Utilities recently met his call to action with proposed conservation programs that together could cost ratepayers hundreds of millions of dollars over many years and still fall short of the goal.

Conservation measures

The governor wants Marylanders to use 15 percent less electricity by 2015. Here are a few ways utilities propose to make that happen. Cash rebates for:

- Purchase of compact fluorescent light bulbs
- Certain energy-efficient appliances Rebates and lower rates for cutting demand at peak times:
 - Smart thermostats and control switches allowing utilities to cycle air conditioners and water heaters off when demand spikes
 - Advanced meters to record energy use throughout the day. Those who put off washing dishes and doing laundry until evening will get discounted rates Who pays:
 - Utilities would recover upfront costs for the programs through rates, but industry officials say they would pay for themselves through savings

Most rely on a mix of cash rebates and new technology aimed at prodding customers to cut back. The proposals - many building on programs first announced early this year - were recently laid out in regulatory filings after the state Public Service Commission asked utilities to submit conservation plans.

Regulators will meet with utility officials during the coming weeks to further study the plans.

Final recommendations will be made next year.

One program already moving ahead is Baltimore Gas and Electric's plan to promote high-tech thermostats and switches allowing it to turn off household air conditioners on the hottest summer days, when the power grid is stressed to its limit. The devices received favorable reviews in a pilot program involving a small number of customers this year.

Utility officials calculate that most of the programs will pay for themselves several times over in energy savings to ratepayers, who would pay upfront costs through a charge on bills.

But while they support the initiative, some have called the governor's EmPower Maryland goal "aspirational." Though a growing number of states are setting similar goals, there are scant examples of utilities nationwide achieving such ambitious conservation levels in the time frame laid out.

Part of the problem is that consumers are loading their homes with power-hungry plasma televisions, digital cable boxes and other electronic gadgets that drive per capita consumption higher. Such devices tend to offset conservation gains made through investments in high-efficiency appliances and other measures.

"In total, I would say there is a degree of caution that the 15 percent as a literal goal is achievable," said Mark Case, BGE's senior vice president of regulatory affairs.

Maryland Energy Administration officials agree it will take more than just utilities to get the job done. But they say the companies need to do more than what has been proposed so far.

"Cost-effective programs exist to achieve the EmPower goal, but utilities will need to significantly expand the scale and breadth of their program filings," Malcolm D. Woolf, director of the MEA, said in a November letter to the Public Service Commission.

The MEA said its own analysis shows that conservation proposals by BGE - the state's largest utility - get to about a quarter of the EmPower goal. Allegheny Power did about the same, while Pepco's programs achieve about 79 percent of the goal for its territory.

However, comparisons are difficult because each utility used different assumptions when devising plans and various methods for calculating savings. The difference in approaches partly explains why some utilities appear to come closer to the target than others.

It remains to be seen whether lawmakers or regulators will impose mandates, which could include a system of financial rewards and penalties to push the industry to do more.

The urgency is a reflection of the state's long neglect of conservation measures. MEA officials point out that consumers here are decades behind their counterparts in California, where the average person uses 42 percent less power.

Unless something is done, ratepayers face ever-rising bills and the prospect of an energy shortfall

that could result in rolling blackouts on hot summer days as early as 2011.

Advocates say the call for utility proposals was intended to provide a starting point in a longer-term process.

"There is a lot at stake in terms of dollars and in terms of how consumers understand the challenges we are facing," said Steven B. Larsen, PSC chairman. "We've got so much work to do that, frankly, we need to not worry about whether we can exactly meet the 15 percent [by 2015] goal today, but rather get the programs in place ... and start working toward the goal."

Most of the utilities have put forth programs to help customers invest in energy-saving equipment. Others would pay homeowners to make smarter decisions about how and when they use electricity.

Perhaps the simplest example is a plan to expand the use of rebates to get people to replace traditional light bulbs with compact fluorescents, or CFLs, which use a fraction of the power and last longer. BGE already has a light bulb rebate program in place that is on pace to get 660,000 CFL bulbs into area homes by year end - double the number projected for 2007. The utility recovers the cost of the program through its rates.

Similar rebate programs are in place to get customers to replace old, energy-wasting appliances with newer ones that meet a strict high-efficiency standard.

Coming next year is BGE's plan to get up to half of its 1.1 million customers to put so-called "load control" switches on their cooling systems. The switches would allow the utility to remotely reduce household energy use when power is scarce - and at its most expensive - on hot summer days. The new switches would replace less sophisticated ones that have been in use since the 1980s, and the rebates offered for participants would be increased.

If enough households have the switches, the utility can effectively "sell" the added generation capacity back to the grid. The savings generated would be passed back to all customers - even those who don't participate in the program. The utility calculates that the program will more than pay for itself.

"They have a program that would actually reduce bills in the first year," Larsen said of the plan.

BGE and other utilities also are studying a plan to equip homes with new high-tech meters that will make it easier to reward customers with lower rates if they divert energy use to off-peak hours. Those who put off doing laundry or dishes until evening would pay less per kilowatt.

Critics point out that such pricing programs divert energy use, rather than eliminate it. At the same time, advanced meters - which cost up to \$200 per home - are expensive compared with other conservation measures that are available. The meters would be paid for by ratepayers through a surcharge on bills.

The state people's counsel, which advocates on behalf of utility customers, said it needs more

information about the programs before passing final judgment.

Said Theresa V. Czarski, deputy people's counsel: "We don't want ratepayers paying for a white elephant in the end."

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