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To Save Consumers Money, Start with Their Energy Bills

By Reid Detchon

On an sultry afternoon in August, when the temperature hits 100 degrees on Calvert Street, everybody in Baltimore has their air conditioning on full blast. The electric power system is being strained to the max. All the cheap power is gone. High-cost supplies are required to meet the demand, and everybody pays for them – big-time.

Reducing that energy use – and avoiding “peak” demand – is the best way to save Maryland consumers money on their electricity bills. Fortunately, the energy plan developed by Governor O'Malley and the Maryland Energy Administration takes the problem on directly. It sets an ambitious target of reducing consumption 15 percent by 2015 and then lays out a strategy to achieve it.

The O'Malley energy plan will encourage utilities to work with consumers to eliminate the energy waste in our homes and businesses – but already there have been a few squawks that it would raise electric rates. The question is: compared to what?

With a growing economy, Maryland needs to invest in new power supplies, and that's going to raise rates by a lot more. Avoiding those expenses by investing in greater energy efficiency and waste reduction doesn't cost consumers money, it saves them money. As the energy plan points out, we can meet our energy needs for three cents per kilowatt-hour by investing in efficiency, compared to 11 cents for new generation. That will save consumers billions of dollars.

Indeed, if Maryland was as efficient in its use of energy as California, we would each consume 42 percent less electricity, and our electric bills would be lower today than they were before the recent rate increases.

How would we do that? According to the U.S. Department of Energy, just using products with the EnergyStar label can cut energy bills by 30 percent. New refrigerators and air conditioners are that much more efficient.

Or take the classic problem of new home construction: Both the builder and the buyer want the house to be as affordable as possible – and too often that means cutting out efficiency “extras” like double-pane windows and additional insulation that will save energy and money every year for the next 50 years. The cost of those “extras” should be paid by the utility. Preventing that energy from being used and wasted will save money for everyone in the system, at a much lower cost than building another power plant.

Why hasn't this happened already? Until recently, Maryland utilities made money by selling their product: the more power they sold, the more money they made. Reducing

demand would hurt their own bottom line. It's not the utilities' fault – it's the fault of the rules under which they operate. We need to change those rules to make energy efficiency our top priority. Last fall the Maryland Public Service Commission took a first step in that direction through a process called “decoupling” – that is, delinking sales from profits – for some of the state's utilities.

This is part of a broader wave of activity sweeping the country as consumer advocates rethink the historic state regulatory compacts with utilities. Set up 100 years ago to encourage the use of cheap, abundant electricity, the regulatory system no longer fits the times. It must be adjusted to encourage investment in efficiency – to reduce the amount of energy that is being produced, delivered and wasted.

Wasted energy – whether from leaky windows, an inefficient water heater, or the old refrigerator keeping the beer cold in the basement – costs everyone a lot of money for no reason. It also worsens the environmental impact of our electricity use – both the air pollution that makes summertime air unhealthy and climate change that threatens our shores.

Gov. O'Malley should be commended for recognizing that we must transform the way we produce and use energy in Maryland. His plan is an important first step toward a new regulatory compact with utilities. Its adoption will be a boon to consumers and an act of far-sighted leadership for other states across the nation. The new state electricity plan is smart and bold and absolutely necessary.

Reid Detchon is Executive Director of the Energy Future Coalition, a nonpartisan public policy initiative in Washington, DC.