

Meter beater

To save Marylanders money on electric bills, focus on efficiency

By Reid Detchon
February 5, 2008

On a sultry afternoon in August, when the temperature hits 100 degrees downtown, everybody in Baltimore has his or her air conditioning on, straining the electric power system to the max. But the days of cheap power are gone. High-cost supplies are required to meet the demand, and everybody pays for them - big-time.

Maryland power economics

As the cost of electric power in Maryland has grown in recent years, so has consumption. While the state's population grew by 5.7 percent between 2000 and 2006, electric power consumption grew by 4.1 percent and the average cost of a kilowatt hour grew by 47.6 percent.

Source: Energy Information Administration, November 2007

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 the Maryland Energy Administration and announced recently by Gov. Martin O'Malley takes the problem on directly. The plan sets an ambitious target of reducing consumption 15 percent by 2015 and then lays out a strategy to achieve it.

This 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 with what?

Maryland needs energy to support a growing economy, and acquiring new power supplies is going to raise rates by a lot more. Avoiding those expenses by investing in greater energy efficiency and waste reduction saves consumers more money than it costs. As the energy plan points out, we can meet our energy needs for 3 cents per kilowatt-hour by investing in efficiency, compared with 11 cents for new generation. That would save consumers billions of dollars.

Indeed, if Maryland were as efficient in its use of energy as California, we would each consume 42 percent less electricity, and our 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 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" such as double-pane windows and additional insulation that would 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 would save money for everyone in the system, at a much lower cost than building another power plant.

Why hasn't this happened? 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 bottom line. It wasn't the utilities' fault - it was the fault of the rules under which they operated.

We are in the process of changing 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 one of an array of new energy conservation efforts in states across 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 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, from the annoyance of smog that makes summertime air unhealthy to the global calamity of climate change that threatens our shores. Eliminating that waste will go a long way toward meeting the state's energy needs.

We must transform the way we produce and use energy in Maryland. Mr. O'Malley's 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.

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