

Patrick plans conservation to meet rising energy needs Aim is to avoid building new power plants

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Hoping to make Massachusetts a national showcase for energy conservation, Governor Deval Patrick will announce plans today to offset the state's annual increases in electricity demand with equivalent energy-efficiency and conservation measures by 2010.

As the economy has grown and as many homeowners have added electronics and air-conditioning, the state's total electric usage has been increasing at about 1 percent annually, the equivalent of adding about 170,000 new average-sized houses every year, US Energy Department data show.

But Patrick contends that the state can conserve at least that much more electricity every year and keep overall demand frozen indefinitely, for much less than the cost of building new power plants.

Patrick's policy will include legislation to require that utilities such as [NStar](#) and National Grid pay for all energy-conservation efforts that, in cost per unit of power saved, are less expensive than buying that much power from energy suppliers. That could include subsidizing the cost of customers installing lower-consumption lighting such as fluorescent bulbs or replacing appliances and industrial gear.

Also, the Department of Public Utilities this week is formally launching proceedings to implement a major policy shift for utilities that separates, or decouples, how much profit they make from the amount of energy their customers buy. As a rule, utilities lose money by getting customers to conserve, because their revenues are tied directly to how many units of energy they deliver.

Patrick wants to allow utilities, as they promote conservation, to be able to raise electricity delivery rates to offset lost revenue. He hopes that by ending the financial disincentive he can encourage utilities to promote conservation.

Customers would still save money. Their total delivery charges would hold steady, and they would save on the cost-of-energy part of their bill as they use less electricity.

"All we're trying to do is fully unleash energy efficiency, so it can compete with generation," said Ian A. Bowles, the state's secretary of energy and environmental affairs.

The plan could create 3,500 jobs for people selling energy-efficiency products and services, Bowles said.

Patrick, in a statement e-mailed to the Globe, said: "Reducing our usage through energy efficiency will save money, create jobs, and boost our clean-energy economy."

House Speaker Salvatore F. DiMasi, who has his own energy bill, said he backs Patrick's plan. "The governor and I are committed to bold action on energy reform, and setting this ambitious goal for energy efficiency shows we are willing to do the hard work necessary to make that happen," DiMasi said.

Senate President Therese Murray is also supporting Patrick's conservation goal.

Most states are increasing spending on conservation, and California, Connecticut, Rhode Island, and others are implementing versions of rate decoupling and laws that require conservation before building new generating capacity.

But Chris Cashman, spokesman for the National Governors Association, said he knew of no other state that has committed to a policy of zero growth in electric demand through conservation.

The fact that Massachusetts is losing population, though, makes reducing electric demand considerably easier than elsewhere.

Frank Gorke, director of the advocacy group Environment Massachusetts, said: "What we have lacked is leadership on energy policy in Massachusetts in recent years. We've been rudderless. This is a big change and very exciting."

NStar, which serves 1 million electric customers in Boston and 80 Eastern Massachusetts communities, is "eager to participate in this discussion," said spokeswoman Caroline Allen. "The 2010 goal is an admirable and aggressive one. We believe that reducing energy consumption while still growing the economy is vital."

National Grid senior vice president Robert McLaren said his company is also enthusiastic and considers the no-increased-demand goal to be attainable.

But some in the electric industry, including the the [New England Power](#) Generators Association, doubt projections that the state can increase conservation indefinitely to hold electric demand flat. Such forecasts have been made by groups like Northeast Energy Efficiency Partnerships of Lexington.

"I don't think we're going to be able to conserve our way out of growth, but that's certainly a good ideal to aim for," said Robert J. Rio, vice president of environmental programs for Associated Industries of Massachusetts, the state's biggest business lobby with more than 7,000 members.

"There's nothing wrong with setting an ideal, as long as you recognize there may be a time you need to build" power plants, he said.

Rio said that his group will closely scrutinize how utilities are compensated for promoting conservation, adding that utility delivery charges are overdue for thorough review by state regulators. "Verifiable, real energy conservation that saves everyone money is a good thing, but it has to be real, and it has to be verifiable," he said.

Electricity is billed by the kilowatt-hour, the electricity needed to keep 10 100-watt light bulbs burning for an hour. Typical residences and small businesses use 500 kilowatt-hours a month.

Massachusetts utilities now collect about \$125 million annually to promote conservation, through a charge of one-quarter cent per kilowatt-hour. Roughly half goes to subsidizing more efficient lighting, a quarter to better air conditioning systems, and the rest on other measures.

Between 2003 and 2005, the average cost of measures funded through utility bills to save a kilowatt-hour of energy fell 15 percent, to 3.2 cents, according to a recent analysis by the state Division of Energy Resources.

Meanwhile, the average cost of producing electricity jumped 61 percent, to 8.9 cents, or nearly triple the cost of conservation.

"The big picture . . . tells us today we should be able to triple or quadruple the amount of energy savings and have it all be cheaper than generation," Bowles said. " We need to get rid of these perverse disincentives that keep it from happening."

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