

Utilities power down on building plans

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A plan for a new coal plant in Michigan is being mothballed. Wind-energy developers in Oregon are cutting back on projects. And in Colorado, [Xcel Energy](#) says it may no longer need a proposed high-tension power line to the San Luis Valley.

All these projects are being hit by a shift in the utility industry created by increased energy efficiency, small generation projects, such as rooftop solar, and changes in public policy, industry analysts and executives say.

To be sure, the recession and a weak economy have contributed to a slowdown in the demand for electricity, but analysts say there also is a fundamental change afoot.

"We are entering a new era," said Doug las Larson, executive director of the Western Interstate Energy Board, adviser to governors of 12 Western states. "I think we'll see fewer transmission lines and power plants built."

In its seven-year resource plan filed Oct. 31, Xcel cut the estimated need for additional generation to 292 megawatts by 2020 — down from the 1,000 megawatts forecast in 2010.

As a result, Xcel said, a proposed \$180 million power line to the San Luis Valley to bring electricity from solar plants to the Front Range is not needed at this time.

Xcel also said it did not need to build any additional plants and can obtain the extra electricity from independent power producers.

The flagging economy, Xcel said, is one reason, but it also attributed the decline to its efficiency, or demand-side management programs.

The solar reward program, which has installed solar panels on nearly 10,000 homes and small businesses, creating 98 megawatts of generation, also has helped, Xcel said. Xcel estimates that energy savings in its seven-year plan will equal as much as 994 megawatts — equal to the size of its \$1 billion Comanche 3 power plant.

"It has taken a while for these programs to take hold," said Ahmad Faruqui, an economist with the Brattle Group, a consulting firm. "But they are very cost-effective."

Saving a kilowatt-hour costs a little less than 3 cents, while building a new plant to provide more energy costs 8 cents or more a kilowatt-hour, Faruqui said.

Expenditures on efficiency programs in Colorado have grown almost five-fold to \$85 million in the past five years, according to the Southwestern Energy Efficiency Program, or SWEEP.

The same trend can be found across the region as spending on efficiency programs — in Arizona, Nevada, New Mexico, Utah and Wyoming — is up from \$77 million in 2006 to \$280 million, according to SWEEP.

The money is going to initiatives such as rebates for efficient appliances, upgrades to commercial lighting systems, cooperation with developers to build more efficient buildings and energy audits of homes and businesses.

Utility efforts have been reinforced by federal efficiency standards for appliances, more knowledgeable consumers and improvements in technologies, Faruqui said.

Xcel has seen its biggest energy savings in residential and commercial lighting programs, said Deb Sundin, director of demand-side management for the utility.

"It is such a large use of electricity," Sundin said, "... and there have been such technological advances."

A compact fluorescent bulb uses less than half the energy as an incandescent bulb to generate the same amount of light, according to federal studies.

In about half the states, utilities also are being prodded by energy-efficiency standards that require a cut of 1 percent to 2 percent in sales each year, said Martin Kushler, a senior fellow at the American Council for an Energy-Efficient Economy.

Michigan's energy-efficiency standard went into effect in 2009 and played a small part in Consumer Energy, the state's largest utility, deciding to shelve plans for a new coal-fired unit, Kushler said.

Last March, the Colorado Public Utilities Commission raised the state's energy-efficiency standard so that it will require a 1.4 percent cut in energy sales in 2016.

One of the keys to getting utilities to sign on to selling less of their product was to come up with financial incentives, said Howard Geller, executive director of SWEEP.

In Colorado, for example, Xcel gets quick recovery of its energy-efficiency program costs and a percentage of the energy savings as a bonus.

In 2010, for example, Xcel spent \$54.7 million on programs and saved \$225 million — for which it is in line for a \$17.5 million bonus, Geller said.

"The bulk of the savings go to ratepayers," Geller said. The program is paid for by a charge on customer bills.

Decisions on lines and plants also are being affected by federal and state policies.

The prospect of federal tax credits for wind and solar projects expiring is another reason Xcel said it pulled back on the power line.

California has also changed its renewable-energy plans to emphasize locally produced energy, and that has led to some Pacific Northwest wind and power-line projects stalling, said Doug Johnson, a spokesman for the Bonneville Power Administration.

California Gov. Jerry Brown is proposing the state develop 12,000 megawatts of local generation — such as solar panels.

"The closer to home, the fewer transmission lines and the fewer power plants you need," Western Interstate Energy Board's Larson said. "Everyone is looking for power in their backyards."