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Stimulating Smarter Utilities

GELLERMAN: As any kid with a sidewalk lemonade stand knows - the more lemonade they sell, the more money they make. That's the same business model that energy utility companies traditionally use. More sales, more profit. Now, imagine selling less and making more.

Well, basically that's part of the Obama administration's economic stimulus plan. It's called decoupling. And joining me to explain how decoupling works is Dr. Joe Romm.

He's a senior fellow with the Center for American Progress. Dr. Romm, welcome.

ROMM: My pleasure.

GELLERMAN: Decoupling sounds like economic alchemy. How does it work?

ROMM: Well, as you said, utilities make more money by selling more electricity. And if they can sell enough more electricity then they can build new power plants and increase utility rates. So they sort of have a double incentive to get people to use more electricity. That's the way the regulations are written. Now a few smart states like California and Maryland have rewritten utility regulations to decouple utility profits from the sale of electricity, and that is called decoupling.

GELLERMAN: Well, I'm having a little bit of trouble getting my mind around this. How did they sell less electricity to me and yet they can make more money?

ROMM: Well, the way they do it is they raise rates a very small amount, one or two percent on everyone and use that money to help subsidize energy efficiency rebates and energy efficiency audits and other programs to help customers save money, so that they replace new power generation with saved electricity. So, instead of raising your rates a lot with let's say building a new nuclear or coal plant, they raise rates a very little and then actually lower your energy bill by helping you become more energy efficient. So, when you change the regulations, you can actually deliver much more energy services for much less money.

GELLERMAN: There was a report out I guess by University of California Berkeley that said that the average Californian uses 40% less power than the average American uses.

ROMM: Yes, that's right. The average Californian uses about 40% electricity than the average American, while obviously living, you know, a very gadget oriented, high tech lifestyle.

GELLERMAN: Well, it sounds like a no-brainer then. How many other states are considering this?

ROMM: Well a number of other states are considering it. I think most importantly is that Congress has put into the stimulus bill a requirement that if a state is gonna take money for

energy efficiency, they are gonna have to change their utility regulations. And I expect that in the energy bill that will be coming out of Congress later this year after the stimulus bill, there will be other efforts to encourage decoupling.

GELLERMAN: But what do the utilities say about this. They must love the idea.

ROMM: Well, in the beginning, they were kind of hesitant and often opposed to this just because they've been making money the old fashioned way for, you know, almost a century. But, yes, there's no question that if you were to talk to, for instance, Pacific Gas and Electric in California, they would tell you that they are very happy with the new model because energy efficiency has other benefits to the utility. It means that they don't have to build new power plants and cite new power lines and, of course, those things annoy the public. So, yes, the utilities that have come to adopt this, many of them are very happy about it.

GELLERMAN: Dr. Romm, what's the potential here for decoupling? I mean if every state took decoupling measures, what would that mean in terms of energy saved and dollars saved?

ROMM: If the entire country has the same electricity grid as California, then we would actually reduce U.S. total greenhouse gas emissions by one third, but our energy bills wouldn't be any higher. So, I think the potential savings are enormous both environmentally and in people's energy bills.

GELLERMAN: Another part of the president's stimulus package has something called smart metering. What's that?

ROMM: Well, right now your meter is often in your basement, as it is in my home, or outside your house. You have no idea how much electricity you're using on a daily basis. So, wouldn't it be nice to be able to call up on your computer what your electricity use is any time? It turns out when you do that, people are encouraged to use energy more efficiently. In places like California they have tried having your meter control some of your appliances so that during times of peak power demand where you're approaching a blackout, the utility can actually cycle your air conditioning unit off fifteen minutes every couple of hours and you won't notice, but it might save the entire grid from collapsing. So, as we move toward smarter appliances and electric cars and distributed renewable energy we are definitely going to need smarter meters.

GELLERMAN: Dr. Romm, thank you very much.

ROMM: My pleasure.

GELLERMAN: Joe Romm is a senior fellow with the Center for American Progress and he runs the blog Climateprogress.org.

[MUSIC: Tom Rossi "Coupling" from First One (Salma Har Productions 2004)]

GELLERMAN: Just ahead – how sweet it isn't - imported honey. Keep listening to Living on Earth!

[CUTAWAY MUSIC: Booker T & The MG's: "Kinda Easy Like" from Melting Pot (Stax Records 1983)]

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