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Utility's Idea: Higher Bills for Less Electricity

By Marianne Lavelle

North Carolina could become the testing ground for a new energy-saving concept that some industry leaders would like to see deployed nationwide: Households would pay more to get less electricity.

If you aren't shouting, "Sign me up!" then you haven't fully absorbed the paradigm shift that Duke Energy CEO James Rogers says is needed to face the realities of electricity supply and demand in the years ahead. The delivery system that still relies on 1950s-era technology is struggling to serve a growing population, with its ever wider array of electronic gadgets and elaborate home entertainment centers. Technology exists to upgrade to a "digital grid" that would help households curb their energy use, but the industry hasn't invested in these advances because there's no prospect of a return for delivering less energy.

Rogers says that state laws and regulations need to be changed to allow utilities to earn the same return for saving energy as they earn for building a power plant. So on May 7, his company–now one of the largest utilities in the nation because of its merger with Cinergy last year–started the ball rolling. Duke filed a petition requesting that the North Carolina Utilities Commission change the rules to allow Duke to be similarly compensated for delivering a megawatt or a "save-a-watt," in Rogers's words.

"It's important for utilities to provide universal access to energy efficiency products and services, in the same way that electrification of America helped us move into the modern world," Rogers said in a recent interview with U.S. News. "In the 21st century, the challenge is to make sure that everyone–rich, poor, big or small companies–has access to efficient use of electricity."

But what does that mean for electric bills? The rate increase that Duke is requesting in the program's first year is modest: 0.00129 cent per kilowatt-hour for residential consumers; for a household using 11,000 kilowatt-hours per year, that would mean an additional charge of about $14 per year. This "energy efficiency rider" would be subject to adjustment each year, under the proposal Duke submitted to the state.

Households will be paying a higher rate, Rogers argues, but it will be less than they would pay if Duke were forced to meet all of the growing demand of the coming years (a projected 40 percent increase by 2030) by building new power plants.

This is not to say that Duke will not have to build new power plants, however. In its filing, Duke makes quite clear that it plans new natural gas, coal, renewable, and even nuclear generation. But Duke projects that it can meet half of the 3,400 new megawatts of power North Carolina is projected to need by 2012 with a "fifth fuel"–energy efficiency. And although the price per kilowatt-hour will be higher, in theory, the impact on the bill would be moderated because homes would be using less energy.

Duke's plans start out small–with residential energy efficiency assessments and incentives for customers to install more energy-efficient appliances and equipment, such as compact fluorescent light bulbs, high-efficiency air conditioners, and heat pumps. Duke also anticipates offering a "Power Manager" program, giving households a monthly credit from July to October in exchange for allowing Duke Energy to cycle their central air conditioning on the hottest days when the system is experiencing peak demand.

Duke would also study deployment of an "Advanced Power Manager" through a pilot program that would install "smart meter" technology in the home. The utility would be able to, for example, power down a customer's refrigerator for 10 minutes an hour to save energy. Duke says such a system "enables customers to participate in energy efficiency without disrupting their lifestyle or normal business practices."

It's a fine line that Duke is seeking to walk. The utility, naturally, does not want to inconvenience customers enough that they complain about what it calls its "novel and progressive" approach to energy.

At the same time, Rogers admits that one of the reasons there has been so little investment in energy efficiency is that everyone takes electricity for granted. "The energy bill, from the consumer's perspective, is very much back of mind," says Rogers.

His goal is to move energy efficiency to a more front-of-mind concept, while not changing comfort or convenience for customers. And as chairman of the national industry group the Edison Electric Institute, he hopes to promote the idea beyond Duke's 3.9 million customers in five states. "The thing I want to be my legacy is trying to change the business model to create universal access to energy efficiency," he says.