

Energy savings plan could be pioneer

New utility program set up to help residents pay for sustainable projects

By JEFF MONTGOMERY, The News Journal

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A new energy conservation utility could make Delaware a national leader amid the wave of state energy conservation programs, experts said.

The Sustainable Energy Utility, the entity approved in the closing days of the General Assembly, will work to drive down the prices of energy-efficient appliances, buildings and motor vehicles for consumers and businesses.

The measure could yield big savings for residents and cut Delaware's carbon dioxide emissions by more than 30 percent by 2020. That's more than the ambitious 20 percent target set under a landmark bill signed by New Jersey Gov. Jon Corzine on Friday.

"Certainly it's got a lot of promise," said Bill Prindle, deputy director of the American Council for an Energy Efficient Economy, based in Washington. The group promotes energy efficiency as the primary way to cover future energy demands.

The utility will run as a nonprofit, but other crucial details about how it will operate remain unsettled.

Sen. Harris B. McDowell III, D-Wilmington North, chief sponsor of the plan, said \$30 million in bonds can be sold to finance a revolving fund that will fund conservation and renewable energy measures. The approach builds on similar measures put in place by other states.

Projects that would qualify include solar electric building installations, geo-thermal heating and cooling systems, home weatherization projects and purchases of fuel-efficient hybrid vehicles, air conditions and other major appliances.

Consumers would get money upfront to help defray the costs of such purchases, which are typically more expensive. They would then pay back a portion of their saving to help keep the utility afloat. The terms of the repayment program have not been worked out.

"We really don't want to hamstring the process," McDowell said, pointing out that Delaware plans a nationwide request for proposals to operate the utility. "There are a lot of different ways you can envision it," including use of traditional banks to manage small individual repayment schedules.

Individuals and businesses would share a small portion of their energy savings during the first few years after their purchases, allowing the agency to send the money into new investments. Larger projects for homes and businesses would send a share of the proceeds from renewable energy tax credits to the utility.

"I expect to see a lot more of that coming across the country," said Tom Tuffey, a former Pennsylvania energy program manager who now directs the Philadelphia-based Center for Energy, Enterprise and the Environment. "There's a tremendous demand now for energy improvement, and it comes from energy cost escalation, which you saw in Delaware, and from concern about energy security and climate change."

Last year, residents and businesses were hit with an electricity rate hike that sent bills up from 59 percent to more than 100 percent.

John M. Byrne, who directs the Center for Energy and Environmental Policy at the University of Delaware, said that participating residents could save an average of \$1,000 annually.

The utility could spur investments in alternative energy -- such as solar panels and small windmills -- that would produce 300 to 400 megawatts of electricity. Through conservation under the utility, another 300 megawatts of electricity could be saved. All told, the utility could create or save enough energy to power more than 650,000 homes.

The new electricity sources and conservation savings combined would roughly match the output of the Indian River power plant. It also would exceed the amount of electricity sought under a state-mandated power purchase deal for Delmarva Power & Light, part of a state energy controversy now headed for Superior Court.

"We see a number of states where there's a very clear intent to meet the majority of new energy needs through efficiency and some kind of a mix of renewable energy," Prindle said. "Depending on how fast a state is growing, you can meet a lot, if not most, of the trough through just more efficient technologies. ... That's kind of a radical shift."

Prindle said for the program to be effective, the utility must educate consumers on the benefits of Energy Star products, appliances that consume less energy.

Byrne said that the utility could help consumers make purchases directly through the Internet or through more traditional sales avenues. Delaware's Energy Office, which participated in developing the law, also will have information available on the program.

McDowell said Delaware closely studied Vermont's conservation utility before developing Delaware's plan.

Efficiency Vermont provides advice and technical and financial assistance for energy efficiency investments by state residents, businesses and institutions. A surcharge on electric bills finances the program, saving residents an estimated \$207 million since 2001.

"We get a pool of money and in turn what we do is try to affect the markets," said Efficiency Vermont spokesman Art Sousa. "We try to get people to buy efficient appliances or put in new lots, new motors, refrigeration, and in return we report the savings. We're closely monitored."

Vermont's governor recently vetoed an attempt to expand the program through a tax on Vermont Yankee nuclear power plant operations, potentially leading to a special session of that state's legislature this week.

Prindle said that the stakes are high for all states, particularly in the Northeast.

"What you see, given the tightness of the markets, is that even a small decrease in demand or an increase in something like wind can back off the need for gas-fired generation," he said.

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