

Energy conservation missing from Xcel plan

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Xcel Energy Inc. has filed reams of paper with state regulators to justify its plan to meet the state's rising demand for electricity, but one thing you won't find in there is an energy conservation program.

In fact, Xcel officials say that when the existing, \$75 million energy conservation program to save 124 megawatts of power ends in 2005, it won't be replaced.

Xcel has proposed building a \$1.3 billion, 750-megawatt coal-fired power plant in Pueblo. The state's largest utility, with 1.2 million customers, has proposed extending its contracts with independent, third-party power providers and getting up to 500 megawatts of power from wind.

It has proposed having customers start paying for the coal plant in January, in an effort to cut the cost of financing the plant.

But the lack of an energy conservation program in the proposal has roused the ire of environmental groups and the concern of some businesses. They say Xcel isn't taking a serious look at alternatives to building new power plants.

Some of the same interests are pushing Amendment 37, which would require the state's utility companies to get 10 percent of their power from renewable supplies, such as wind and sunlight, by 2015. The groups also say that conserving energy is cheaper than building more power plants.

So far, the \$75 million conservation program, called Demand Side Management, or DSM, has given out \$25 million in rebates to commercial and industrial customers that install energy-efficient equipment. The program already has saved about 50 megawatts of power, and Xcel has said it expects to meet the goal of saving 124 megawatts of power by the end of 2005.

A megawatt can serve the electricity demands of about 1,000 people.

Senior Xcel officials told a group of reporters in September they think conservation rebate programs are patently unfair.

"Customers who do not install demand side management [conservation equipment] pay higher electric bills," said Fred Stoffel, Xcel's vice president of policy development.

"You're taking money from customers and using it to pay rebates to other customers," Stoffel said.

While Xcel does have a conservation program in Minnesota, where the utility is headquartered, "it's public policy in Minnesota," Xcel CEO and Chairman Wayne Brunetti told the group. "Customers in Minnesota also pay an extra \$50 million to pay for those programs. There's no free lunch."

That argument misses the point, said conservation supporters.

While paying for rebate programs may cost consumers a bit of money, the increase pales in comparison to the cost of paying for new power plants, particularly a coal plant, said Howard Geller, executive director of the Boulder-based Southwest Energy Efficiency Program.

And conservation offers other benefits to the environment, ranging from avoiding emissions from power plants that would otherwise have to be built to meet the demands to saving the water that would otherwise be used to run the power plants, Geller said.

Energy conservation programs are allowed to compete against the cost of building new power plants, under Xcel's proposal, but the rules make it much harder for demand side management proposals to win the competition, according to Geller and Xcel.

"They're going to have to build new power plants, but DSM should be part of their operations. It should be part of their portfolio," Geller said. "It's good for businesses, good for consumers and good for the utility too."

Companies involved in the rebate program say they want it to continue.

Chuck Silkman, energy manager for health provider Kaiser Permanente, said the rebates lower the cost of retrofit projects and help the company be more aggressive in conserving energy.

"It reduces the payback, so it puts them [energy-conserving retrofits] on a higher priority," he said. "If we can get below a three-year payback, we can put them higher on the list of projects competing for funding."

Without the incentives, Kaiser would continue its energy conservation programs because it views them as helping improve the environment and health of its members, "but probably not as aggressively as we are with the incentives," Silkman said.

Kaiser is retrofitting its 20 buildings in Colorado and spent a couple hundred thousand dollars this year installing new, energy-efficient light bulbs, Silkman said.

Light Bulb Supply Co. recently completed work on lights at five Kaiser buildings that will save about 140 kilowatt hours of energy and shave \$33,000 off Kaiser's annual energy bills, said Kurt Schwabauer, manager of sales and marketing.

"In most office buildings at least 50 percent of the energy costs are lighting," said Bill Leake, executive vice president of the Denver-based company. Leake bought the 44-year-old company with his wife Paula in 1975.

"People look up and say 'If I take half these tubes out, I can reduce my electric bill.' It's a low-hanging fruit and, relatively speaking, easy to do," Leake said.

The rebates typically pay about 20 percent of the cost of the retrofits, Schwabauer said. Without the rebates, the clients would have to bear the entire cost of the new equipment and would likely pass those costs along to their customers, he said.

About 25 percent of the Light Bulb Supply's business involves rebates from Xcel's demand side management program, Leake said, adding that the company has a contract with Xcel to get its clients to conserve nearly 1 megawatt of power, about 1,000 kilowatts, by the end of 2005.

"It would be unfortunate if the program did not continue," Leake said. "It's good for the end user, it's good for the environment and it's a prudent investment by Xcel. It's cheaper to buy back a power plant that way than build a brand-spanking-new power plant."

While there are no plans to continue Xcel's conservation program, it's possible a new one will take its place. The existing program was created in 2000 as part of a settlement agreement between Xcel and other groups involved in the state's energy planning process. This time around there are again several groups advocating for conservation programs, said Ken Reif, director of the state Office of Consumer Counsel.

"There's significant evidence that DSM works. It's cost effective and overall less expensive for consumers than many supply-side alternatives," Reif said. "We're advocating somewhere in the neighborhood of 500 megawatts of DSM. I don't know what the company will do with that."

Said Mark Stutz, a spokesman for Xcel, "We've had DSM programs in Colorado for decades, and there's no reason to think it will not be a significant part of the resources in future years."

In other words, it's quite likely that state regulators and other parties will force Xcel to continue an energy conservation program -- just like the utility has been forced to do in the past.

Energy conservation is simply smart thinking, said Schwabauer. "We all have to breathe the same air. We all drink the same water. If they can do something to avoid building a power plant and save the environment, how can they put a price on that? It's not unfair at all. It's to the benefit of the user."