

US utilities hit as consumers go green

[Print](#)

By Sheila McNulty in Houston

Published: September 2 2009 17:40 | Last updated: September 2 2009 17:40

After an energy audit on her home this summer, Meredith Keelan spent \$12,000 to install six solar panels and deep insulation in her attic.

She fitted a solar-powered attic fan and bought a new fuse box. The solar fan means her mechanical ones rarely blow. Ms Keelan uses three times less power during the day, when the solar panels power her home, than at night, when she relies on the grid. Once she pays off these energy improvements, Ms Keelan will invest in six more panels, at \$1,700 each (€1,190, £1,045).

The high-school teacher believes she will recover her investment, on which she received a 30 per cent tax credit, in six years, through savings on her energy bills.

"I am ecstatic," she said. But power producers are not.

A growing number of businesses and residential customers are doing what Ms Keelan has done to reduce power use, putting extra strains on utilities already grappling with a drop in demand from industrial users as a result of the economic downturn.

Wholesale power demand was down 15.3 per cent in the second quarter compared to last year, according to data compiled by Credit Suisse Securities. Total retail demand was down 5.4 per cent, with industrial demand plunging 14.7 per cent, commercial demand falling 3.5 per cent and residential demand dropping 1.7 per cent.

The steep drop in US power demand in the first half of this year has led Credit Suisse to forecast the steepest annual decline since the second world war – a 2.8 per cent drop. The economic downturn and the weather are responsible for a large part of that. But even when markets recover, analysts say, demand will stay lower as consumers and regulators seek ways to reduce consumption.

"This has greatly challenged conventional wisdom that load growth was a given," said George Given, head of global power research at Wood Mackenzie, the consultancy. "It's unprecedented."

US utilities have been able to plan for 1-2 per cent demand growth annually for years, he said. Yet, apart from the decline in residential use, a large amount of the drop has come from industrial customers: "This caught utilities off-guard."

Mr Given believes that conservation efforts, which are easiest to implement, are reducing power demand, with people turning off giant plasma televisions when not watching and better managing overall energy use.

Many are ordering energy audits and following advice for lasting changes, such as double-glazed windows, improving insulation and buying energy-efficient heating and cooling units, as well as appliances.

"There is a mindset change in consumers," said John Berger, chief executive of Standard Renewable Energy, which sells energy audits and solar energy. Those who follow the advice in energy audits typically reduce power demand 20-30 per cent. "The demand for that service is going up exponentially," he said.

The company's energy efficiency and solar businesses have both grown about 20 per cent per month in the past six months.

The impact on utilities' bottom lines has led to talk about forcing consumers to pay a flat fee for electricity, so utilities will be profitable even if power demand continues to drop.

"It's desperate behaviour," Mr Berger said.

"Change and moving ahead is what this country is all about."

[Copyright](#) The Financial Times Limited 2009. Print a single copy of this article for personal use. [Contact us](#) if you wish to print more to distribute to others.