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Turmoil in Power Sector

Falling Electricity Demand Trips Up Utilities' Plans for Infrastructure Projects

By REBECCA SMITH

Falling U.S. electricity production in the past two years is frustrating the utility industry and shaking up timetables for some major infrastructure projects.

Electricity output decreased 3.7% last year, the steepest drop since 1938, according to federal statistics, following a nearly 1% decline in 2008.

The recent downward trend is making it trickier for utilities to forecast future power consumption, a critical component of planning investments in new power plants and transmission lines.

The falling electricity demand and production are attributed to a weak economy, conservation efforts and, in 2009, a relatively mild summer in many parts of the country.

The possible completion date for the \$1.8 billion Potomac Appalachian Transmission Highline, or PATH project, that [Allegheny Energy Inc.](#) and [American Electric Power Co.](#) intend to build from West Virginia, through Virginia, to Maryland may be delayed by several years because of weaker electricity demand.

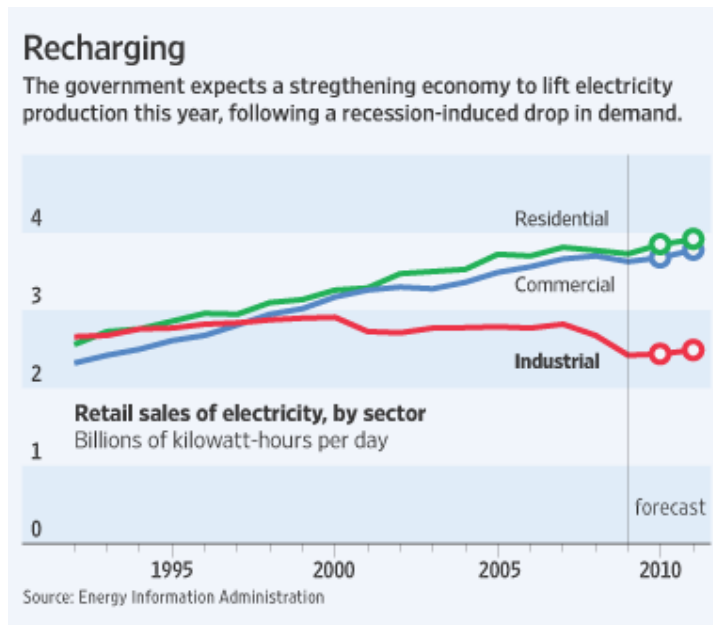
Government energy experts believe a strengthening economy will lift electricity production this year, but don't foresee a return to prerecession levels anytime soon. The Energy Information Administration expects industrial demand for electricity to increase 2.2% this year and 2.5% in 2011, which suggests a return to prerecession levels by 2013.

Energy industry consultants Black & Veatch, which recently polled utilities, said it expected "a moderate economic rebound" this year that would lift electricity demand 1.7% a year from 2010 to 2013 before slowing to a 1.1% growth rate. Those estimates take into account increasing energy-conservation efforts.

Mark Griffith, managing director of Black & Veatch, said utilities may be forced to defer infrastructure projects that weren't critically needed in light of the recent weak demand.

Puget Sound Energy said this week that it was reassessing its customers' energy needs, which it may have underestimated last summer, "in an effort not to overstate our need," said spokesman Roger Thompson. The utility based in Bellevue, Wash., now estimates that it will need 1,600 to 1,800 megawatts of new generating capacity by 2017, mostly to replace aging power plants and expiring energy contracts. The company plans to meet about a third of that through energy-efficiency investments that would permanently reduce consumption.

Puget Sound estimated that its energy efficiency efforts would reduce natural-gas consumption by the equivalent of 108,000 homes by 2020 and would cut electricity usage equal to 400,000 homes by that same date.



Utilities are being encouraged by regulators to find greener ways to meet customers' energy needs, relying less on fossil fuels that create pollution and waste-disposal problems.

"There have been tremendous numbers of cancellations of proposed coal-fired plants," said David Owens, spokesman for the Edison Electric Institute, a trade group for investor-owned utilities. "There has been a dash to gas," which burns more cleanly. EEI counts 43 coal plant cancellations or deferrals since 2008 and 15 new projects announced.

Lower energy use is already having an impact on the U.S.'s carbon-dioxide emissions. In 2009, emissions fell by 6.1% to

5.45 billion tons, according to the Energy Information Administration's monthly short-term outlook.

Greenhouse-gas emissions are expected to rise 1.5% to 5.53 billion tons in 2010 as a healthier economy lifts industrial demand.

A 1.7% increase in greenhouse-gas output is expected in 2011.

President Barack Obama has set a goal of cutting greenhouse-gas emissions to 17% below 2005 levels by 2020.

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