



Perhaps unavoidably, the [stimulus package](#) that passed the House on Wednesday authorizes broad investment goals, but offers few details. In some instances, this leaves us with much opportunity for honest debate.

Consider, for instance, the various authorizations related to improvement and expansion of the electric grid. With up to \$8 billion in loan guarantees, \$6.5 billion for federally-owned transmission expansion, and \$4.5 billion for grid modernization, that is up to \$19 billion of economic stimulus dollars devoted to the grid.

This raises at least two fundamental questions: Would this approach provide effective economic stimulus? Is this where the [U.S. Department of Energy](#) should be spending energy dollars first?

Consider transmission investment as economic stimulus. In this regard, transmission lines come in two flavors – those that are about to be built anyway (no added stimulus there), and those that will take several years to move from concept to design, design to proposal, and proposal to approval. That suggests that these funds are not going to provide much in terms of short-term stimulus. Long-term public works projects are important, too. But is stimulus spending in this sector likely to create more jobs than the industry would create on its own?

Consider, as well, the question of where the money is needed most. Transmission lines generally serve utility customers who have little choice about where to buy their transmission service. These captive customers provide a predictable revenue stream that makes most utilities favored borrowers. Public utilities should provide one of the most promising outlets for private investment, even under current constraints. Federal agencies need transmission, too, but it is not necessary for them to pay for the lines with cash.

Where, then, might these funds be directed to provide short-term stimulus and promote better energy policy? I think the answer involves focusing on Job One: eliminating wasteful energy use. Anything that we can do that reduces energy consumption and saves money should be done. And it should be done first. We shouldn't build power plants or transmission lines to provide power that isn't necessary in the first place.

There are other portions of the bill that would provide states with funds for energy efficiency programs. To make a difference, the transmission dollars could be used to tackle one of the thorniest efficiency challenges: reducing energy use in buildings that are not owner-occupied.

Efficiency wonks refer to this as the split incentive problem. Why should a building owner want to insulate, weather strip, or change out an old refrigerator in a building where utility service is billed to the tenant? Conversely, why should a tenant worry about saving energy when utility service is included in the rent, or when the tenancy is of limited duration? Congress could authorize grants and tax credits for landlords who upgrade their buildings. The projects could start up right-away (creating new jobs), the improvements would cut energy bills (leaving more disposable income), and the energy benefits would begin to pile up from the outset.

We are not likely to see an emphasis on that kind of approach this time around, but we have to conquer the split incentive if we have any hope of reaching even our interim greenhouse gas reduction goals. Why not start now, when we so badly need those jobs?