

# Utilities Commission Approves Smaller Increase on Fuel Cost for N.C. Customers

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## Revised cost reflects settlement agreement announced in September

RALEIGH, N.C., Nov. 17 /PRNewswire-FirstCall/ -- State regulators have approved a plan that will save residential customers nearly \$70 on their electricity bills in 2009, compared to an earlier proposal. The approved plan reflects an agreement among Progress Energy Carolinas, large industrial users and the state's consumer-advocacy agency to spread recovery of some fuel costs over three years, rather than recoup the costs in a single year.

(Logo: <http://www.newscom.com/cgi-bin/prnh/20020923/CHM008LOGO-c> )

New retail rates for Progress Energy's North Carolina customers take effect Dec. 1 and reflect record high prices for coal and natural gas in 2008, as well as costs to implement state-mandated energy-efficiency and renewable energy programs. For the residential customer using 1,000 kilowatt-hours (kWh) of electricity per month, the *average bill will rise 10.2 percent*, from the current \$96.86 to \$106.78. Of the total increase, 9.1 percent (\$8.82 on a 1,000-kWh bill) is for higher fuel costs, and the remaining 1.1 percent (\$1.10 on a 1,000-kWh bill) is for efficiency and renewable energy costs.

Progress Energy Carolinas provides electricity to 1.4 million households and businesses in the Carolinas, including 1.25 million in North Carolina. The company files annually to recover the cost of fuel used in electricity generation - coal, oil, natural gas and uranium. The fuel component in the company's retail rates reflects the actual cost of fuels used to produce electricity. By law, the company makes no profit on the fuel portion of its rates.

Fuel comprises the largest single operational cost for Progress Energy Carolinas, representing about \$1.9 billion in 2008.

In June, the company had proposed an overall increase of 16.2 percent, including fuel and costs associated with energy efficiency and renewable energy as mandated by the state's energy legislation, adopted in 2007. *The proposed increase was the largest in more than a decade and reflected the fact that coal and natural gas prices rose to record levels in 2008.* The filing also reflected a deferred fuel balance expected to be about \$300 million by the end of 2008. This balance includes fuel costs the company has not yet recovered from prior years.

The approved settlement will spread recovery of those costs over a longer period, reducing the effect of the increase on customers. Without the agreement, the 1,000-kWh

bill would have risen to \$112.57. Thus, the approved settlement will save customers \$69.48 over 12 months (based on 1,000 kWh per month usage).

"We know that any cost increase is unwelcome, particularly when many North Carolinians are struggling with rising prices in other aspects of their lives," said Lloyd Yates, president and CEO of Progress Energy Carolinas. "Higher prices are a new energy reality, but we're doing all we can to minimize the effect of cost increases on our customers. We can't change the global factors that are contributing to higher prices, but we can - and do - actively manage our use of fuels by negotiating the best possible terms on supply contracts, by operating our power plants safely and efficiently, and by encouraging our customers to use energy wisely every day."

Customers are encouraged to visit [www.savethewatts.com](http://www.savethewatts.com) to learn more from Progress Energy about using energy wisely and saving on energy costs. Progress Energy is implementing energy-efficiency programs to help customers save money and delay the need for building new power plants. The company is aggressively pursuing a goal of doubling efficiency among Carolinas customers in the next decade. N.C. Utilities Commission has approved a number of programs and is evaluating others proposed by the company.

Meanwhile, Progress Energy also is moving forward with renewable energy sources that make sense for the company's customers. In 2008, the company has announced contracts to purchase energy produced by three 1-megawatt-sized solar photovoltaic plants - one each in the N.C. mountains, Piedmont and coast. The company expects additional announcements on solar energy projects, as well as projects involving biofuels and other renewable energy sources, in the near future. The state's energy legislation established a requirement for N.C. utilities to provide a portion of their retail energy sales from renewable sources in the future. The requirement starts at 3 percent in 2012 and grows to 12.5 percent in 2021.

Under the plan approved by the N.C. Utilities Commission, commercial and industrial customers in North Carolina would see the same fuel-related percentage increase as residential customers. For commercial and industrial customers, the energy-efficiency and demand-side management and renewable energy costs vary based on size of the customer, energy usage and other factors. For the residential customer using 1,000 kWh per month, the efficiency/demand-side management cost will add 74 cents to the monthly bill, and the renewable energy cost will equate to an additional 36 cents per month.

Progress Energy Carolinas has maintained a deferred fuel balance (unrecovered fuel expenses) since 2000 in an effort to minimize the impact of rate increases on customers. At the time of the June 2008 filing, the deferred fuel balance was more than \$200 million. By the end of December 2008, it is expected to be about \$300 million.

After a slight increase in 2007, the prices of coal and other fuels used to produce electricity rose sharply in the first seven months of 2008. *Between June 2007 and June 2008, the market price for coal increased more than 160 percent and established several*

*records; natural gas prices rose 55 percent; fuel oil prices rose nearly 90 percent.*

Meanwhile, demand for coal in developing countries, particularly China and India, continues to rise, creating global supply and price issues.

Coal fuels about half the electricity that Progress Energy Carolinas generates for its customers. The company's nuclear plants account for the second-largest portion (44 percent in 2007). Plants that use natural gas and oil account for about 5 percent, with the remaining generation coming from hydroelectric plants in central and western North Carolina.

The other major component of the company's retail rates, the base rate, has not been increased since 1988. In fact, since 1991, the total price of electricity for Progress Energy Carolinas' N.C. customers has increased only about 15 percent, while the U.S. Consumer Price Index, a measure of overall inflation, has increased about 58 percent in that time.

Progress Energy, headquartered in Raleigh, N.C., is a Fortune 250 energy company with more than 21,000 megawatts of generation capacity and \$9 billion in annual revenues. The company is observing its 100th anniversary in 2008. Progress Energy includes two major utilities that serve 3.1 million customers in the Carolinas and Florida. Progress Energy is the 2006 recipient of the Edison Electric Institute's Edison Award, the industry's highest honor, in recognition of its operational excellence. The company also is the first utility to receive the prestigious J.D. Power and Associates Founder's Award for customer service. Progress Energy serves two fast-growing areas of the country, and the company is pursuing a balanced approach to meeting the future energy needs of the region. That balance includes increased energy efficiency programs, investments in renewable energy technologies and a state-of-the-art electricity system. For more information about Progress Energy, visit the company's Web site at [www.progress-energy.com](http://www.progress-energy.com).

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