

Florida legislator regrets letting utility pass on cost

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A Florida Republican is urging North Carolina's legislators against making it easier for Progress Energy and Duke Energy to raise customer rates to pay for new nuclear plants.

Sen. Mike Fasano wrote legislators that he had voted in favor of such legislation in 2006 in his own state but subsequently concluded it was "unfair to consumers and bad public policy."

Fasano sent his letter last month and addressed it to fellow state legislators. The pro-nuclear legislation Fasano warns against has not been introduced in North Carolina, but the utilities have signaled it is one of their legislative priorities for this session.

Fasano has served as Senate president pro tempore, Senate majority whip and House majority leader between 2000 and 2010 in Florida.

"I believe that it is inherently unfair for utilities to ask their customers, our constituents, to front the costs of massive and expensive construction projects that are not even guaranteed to be completed," Fasano wrote. "These risky investments ought to be the responsibility of utility shareholders and their investment partners, not the average ratepayer that is already struggling to pay their monthly utility bill or keep their business afloat."

Fasano's letter was made public Tuesday by a coalition of anti-nuclear and consumer groups seeking to derail early cost recovery for nuclear projects in North Carolina. The critics say that the utilities are improperly trying to shift risk from shareholders to customers.

Utilities' argument

Utility executives have said that early cost recovery, before nuclear construction begins and during construction, will reduce the overall cost of the nuclear project by paying off interest rather than carrying debt payments for a decade or more.

Both Bill Johnson, CEO of Raleigh-based Progress Energy, and Jim Rogers, CEO of Charlotte-based Duke Energy, have acknowledged that Wall Street financial institutions will not lend the billions of dollars needed for nuclear plant development and construction without such a law in place. Several other states have adopted such policies, including South Carolina.

"While the timing is yet to be determined, we believe it is vital to have legislation of this sort in place to be able to appropriately evaluate options for nuclear energy now and in the future," Progress spokesman Mike Hughes said.

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Progress had spent \$745 million on the Levy nuclear project in Florida as of Dec. 31. Progress customers in the Sunshine State have been billed for nearly \$400 million in pre-development costs. The company is on track to recover nearly \$150 million more this year, which will add \$5 a month to the typical household bill for 1,000 kilowatt hours of usage. The cost to residential customers there will increase to as much as \$50 a month when Progress' nuclear expenditures are expected to peak in 2020.

Progress and Duke have proposed building a total of six new reactors in North Carolina, South Carolina and Florida, but the projects have been delayed. The two North Carolina companies in January announced a corporate merger that will create the nation's biggest electric utility.

In Florida, Fasano has proposed repealing the law that allows early nuclear cost recovery. He has also suggested that Progress refund its customers costs recovered to date.

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