

[Orlando Sentinel](#)

You May be Getting Fatter Bill from OUC

January 27, 2009

*BY KEVIN SPEAR
ORLANDO SENTINEL*

The economic meltdown and environmental concerns are behind a proposed double-digit hike in electric rates by the Orlando Utilities Commission.

Board members of the city-owned utility meet at 2 p.m. today to consider a recommended increase of 13.7 percent for all electric customers that would be effective March 1. The meeting is open to the public and will be held on the seventh floor of the OUC building at 100 W. Anderson St. in downtown Orlando.

For residential customers, the increase could be as high as 15 percent. That would boost a bill from about \$104 to \$120 for a typical monthly consumption of 1,000 kilowatt-hours.

While that's on top of the utility's 7 percent jump approved late last year, it's still much less than it might have been. OUC officials said that without hiring freezes, reductions in contract labor and postponed projects, the rate hike up for consideration could have been 24 percent.

OUC wants to raise its rate, in part, to make up for a drop in electric revenues.

For years, the utility has seen a steady climb in the number of electricity customers, reaching the current count of about 200,000.

Now, along with Florida's virtually stagnant population growth, OUC is seeing zero growth in new accounts. On top of that, owners of homes and businesses are learning to use less electricity each month.

"Things are tighter, and people are just using a little bit less," said John Hearn, OUC's chief financial officer. "We're not sure we're really at the bottom at this point. We still see some difficult times ahead."

For similar reasons, OUC proposes also to raise its residential water charges by \$1 each month and by 15 percent for commercial customers.

Another factor behind the proposed electric-rate hike is OUC's plan to put away money for investment in a nuclear-power plant.

Many utilities in the nation are eager to start up new nuclear plants as an alternative to burning coal and natural gas to generate electricity.

In particular, coal burned by electric utilities is a huge source of carbon dioxide, a key greenhouse gas linked to global warming. President Barack Obama and congressional leaders have pledged to bring dramatic cutbacks in greenhouse-gas pollution.

For utilities such as OUC, which gets 75 percent of its electricity from a pair of coal-powered generators, the future looks to be potentially expensive.

Last month, OUC board members gave top utility officials authority to start nailing down a deal to buy a significant amount of nuclear power from Progress Energy Florida, a far larger and privately owned utility.

Progress wants to build a pair of nuclear reactors on a newly purchased tract of 3,000 acres in Levy County and not far from its existing nuclear plant in Citrus County.

The cost, which includes construction of transmission lines, is expected to top \$17 billion. As now projected, the plant would start up between 2016 and 2018.

OUC board members authorized executives to sign a preliminary agreement -- and to make a nonrefundable deposit of \$3.7 million -- to buy nearly 6 percent of the new power plant. That would bring OUC as much as 125 megawatts of electricity, or enough to supply about 100,000 homes.

OUC said no such preliminary agreement has been signed yet.

"We're still doing our evaluation and still talking to Progress," Hearn said.

Other components of OUC's proposed rate hike are increased coal costs, expected expenses in complying with additional power-plant pollution controls and growing operating costs.

All Florida utilities have wrestled with similar issues of rising environmental costs and declining customer revenues.

Progress customers recently got a 25 percent increase and are bracing for the possibility of an additional hike, including a \$10 bump next year and \$17 in 2011 to help pay for the nuclear-power plants.

Bucking the trend, Florida Power & Light Co. customer bills fell from \$111.12 to \$109.55 this year. That's in part because the utility, the state's largest, relies heavily on natural gas. That fuel has been dropping in cost, although it is vulnerable to sudden jumps in price.

Ted Kury, energy-studies director at the University of Florida Public Utility Research Center, said utilities are facing pressures from many directions.

Some of the worst off are struggling just to pay their fuel bills from last year.

Kevin Spear can be reached at kspear@orlandosentinel.com or 407-420-5062.