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# FPL Raised Rates Even though Fuel Costs Fell Utility's Increases in 2008 Outpaced Other Big Energy Providers

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Fuel prices have dropped dramatically from their peak last summer, but South Florida utility bills haven't followed suit.

A *Sun Sentinel* review of residential electric rates for the largest utility in each of the five largest states shows [Florida Power & Light](#) Co. increased prices the most last year because of fuel costs.

[FPL](#) boosted electric bills by 2.6 percent because of its fluctuating fuel expenses. [Pacific Gas & Electric Co.](#) in California and Commonwealth Edison Co. in Illinois boosted prices slightly less than FPL. TXU Energy in Texas and [Consolidated Edison](#) Co. of New York decreased rates.

### Why the difference?

It depends, in part, on how and when utilities project their fuel costs. FPL also has long-term fuel contracts — details of which are kept secret for competitive reasons — so it saves most on agreements struck when fuel prices are low.

"It is true that oil and natural gas prices have dramatically dropped. However, you cannot use the fuel volatility in the marketplace as a point of reference as those price levels were not part of FPL's original projections," said FPL spokesman Mayco Villafana, adding that FPL's overall rates for typical customers are still the lowest in the state.

Another difference is that in Florida and California, electric rates are regulated by state government, which means it can take longer for utilities to pass changes in fuel costs to customers, say analysts with the [University of Florida's](#) Public Utility Research Center. Regardless of the state oversight, Florida utilities can ask to change rates as often as they want.

[Progress Energy](#) Florida announced Thursday it would lower its rates, in part, because of the lower cost of fuel. FPL did a fuel forecast in early November that slightly decreased rates starting in January, though the combination of fuel and other fees still mean customers are paying more than they did a year ago.

That's little consolation to customers of Florida's largest utility.

"They raise the rates like there is no end in sight, and when oil comes down \$100 a barrel they lower the rates" only slightly, David Schepps, an FPL customer in [Boca Raton](#), wrote in an e-mail. Natural gas prices have dropped more than 25 percent and oil prices have plunged about 50 percent since early 2008.

### Fuel costs

FPL's fuel fee for a residential customer using 1,000 kilowatt hours — slightly less than what the average FPL typical customer uses each month — jumped from \$52.27 in January 2008 to \$60.41 in August. That increased the typical monthly residential bill from \$102.63 to \$110.77.

Consumer advocates blasted FPL for the increase and the utility adjusted the fuel fee to \$54.92 in January, making the average monthly electric bill \$105.28. From January 2008 to January this year, that's a net rate increase for typical monthly residential customers of 2.6 percent, just based on changes in FPL's fuel fee. Adding adjusted fees for nuclear projects, storm damages and other costs, the overall bill is \$109.55.

Close behind FPL is ComEd, with a 2.5 percent increase because it purchased one-fifth of its energy at higher costs in March through the Illinois' energy auction process. On the other end of the spectrum, TXU decreased monthly bills for its typical Texas customer by 6.2 percent based on changing fuel costs.

The cost of transporting fuel and a particular utility's fuel mix can affect electricity prices. Natural gas is what primarily dictates changes in fuel fees and energy supply costs at the five utilities.

FPL customers shouldn't give up on possible rate decreases, said Charles Acquard, the executive director of the National Association of State Utility Consumer Advocates. "Given how much gas prices have come down, [customers'] rates I assume are going to be down in 2009 versus 2008," Credit Suisse analyst Daniel Eggers said last month during a meeting with FPL executives.

FPL President Armando Olivera said it's too soon to tell.

"I have been through enough of these cycles to say it is way too early in the year for us to be speculating," Olivera said at the meeting. "And remember, a significant portion of our supply comes from the Gulf of Mexico, and so a very active hurricane season can arguably put some upward pressure on prices."

Florida utilities are not allowed to earn a profit on their fuel costs. But there are gray areas in what utilities are allowed to include in the fuel fees they recoup from customers.

For instance, a Florida Public Service Commission staff audit in 2008 found FPL included some lobbying costs and an executive's bonus and relocation expenses. FPL agreed to remove them.

### Changing utility bills

The *Sun Sentinel* compared rates at the largest utilities in the five largest states. The following shows how a typical residential bill changed from January 2008 to January 2009 because of fuel costs.

State	Largest utility	Customers	Net change in bill*
Florida	Florida Power & Light Co.	4.5 million	2.6 percent increase
Illinois	Commonwealth Edison Co.	3.8 million	2.5 percent increase
California	Pacific Gas & Electric Co.	5.1 million	1.4 percent to 1.7 percent increase
New York	Consolidated Edison Co. of New York	3.2 million	2.6 percent to 4.9 percent decrease
Texas	TXU Energy	2.1 million	6.2 percent decrease

Sources: U.S. Census, California Public Utilities Commission, Pacific Gas and Electric Co., TXU Energy, Consolidated Edison Co. of New York, Florida Power & Light Co., Commonwealth Edison Co.

\*Fuel and energy supply costs can vary based on a number of factors, including fuel mix, transportation, projections and contracts.

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