Skyrocketing power bills tied to city debt in N.C. towns

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RALEIGH | Sandra Coley doesn't understand why her City of Wilson utility bill sometimes reaches $450 per month.

Coley and her husband keep the thermostat reading high when they're not at their two-bedroom home during the summer and tell their son to bundle up inside during the winter to stay warm.

"You try to cut the heat down to a certain amount," said Coley, 47, a nurse at a community health center. While Coley's bill contains other charges — water, natural gas and trash pickup — the high amounts still shock her: "I'm wondering whose bill we are paying."

Coley and hundreds of thousands of eastern North Carolina residents and businesses are paying higher rates for electricity because 32 cities decided in the late 1970s to borrow money to pay for power plants and ensure a steady supply for decades.

Today, the municipalities — including Greenville, Rocky Mount, Lumberton and Elizabeth City — are responsible for paying more than $2 billion in debt, which required $300 million in payments this year. This additional burden contributes to keeping average electric costs for a municipal customer roughly 20 percent to 50 percent higher than what traditional utility customers face, according to data provided by the trade association ElectriCities.

After potential solutions to ease the burden faded several years ago, a legislative committee meeting for the first time this coming week will put fresh eyes on the municipal power debt issue, with special attention likely on eastern towns and cities. Elected officials say doing nothing while the debt is paid down through 2026 will keep eastern North Carolina at a disadvantage trying to lure businesses to the region, and its low-income residents will keep struggling to pay power bills.

"We're going to cause irreparable harm to the areas served by ElectriCities ... areas that were already facing serious economic challenges before the economic downturn," said Sen. Buck Newton, R-Wilson, a co-chairman of the legislative committee. He said he can recall paying $600 a month for electricity in his home during the winter. Otherwise, he added, "we'll just set this area back beyond the rest of the state and the country."

The debt stems from the decisions of 51 cities statewide to invest in coal-fired and nuclear power plants by what were then called Carolina Power & Light Co. and Duke Power. The cities formed two municipal power agencies, one in the east and the other in the west, and issued bonds to make the investments.

Things went awry. The Three Mile Island nuclear disaster in Pennsylvania led to new nuclear plant requirements and cost overruns. CP&L's Shearon Harris plant in Wake County — the eastern agency took a 16 percent share in the plant — ended up costing $3.9 billion, or twice the original estimate. Declining fossil fuel prices and declining inflation exacerbated the risks of the strategy, leading to more borrowing. The debt peaked at $6.5 billion.

Today, the western consortium still owes a combined $1.4 billion, but the finances aren't as challenging for those 19 cities compared to the eastern municipalities, said Ken Raber, a senior vice president with ElectriCities, which manages the two agencies. While the eastern cities owed $2.2 billion at the start of the calendar year, the debt has been refinanced and more than $1 billion in principal has been paid since 1993, Raber said.

A 1999 blue-ribbon study to a special legislative committee offered three solutions: placing a uniform surcharge on all North Carolina electricity customers to pay debt; requiring the municipalities to sell their stakes in the power plants, with the state taking over any unpaid debt; or requiring the towns and cities to get out of the electric business altogether.

More than a decade ago, Duke and CP&L proposed taking over the municipal systems and their debt. ElectriCities then offered an alternative that would have allowed cities to remain in the business but sell their generation systems. A $2 per month customer surcharge and rate freeze also would have been required. The full General Assembly would likely sign off on any plan.

BJ Murphy, the mayor of Kinston, which is accountable for $195 million of the debt, is one a handful of ElectriCities mayors who've tried recently to drum up support for a debt solution. Duke Energy's pending merger with Progress Energy has appeared to delay the discussion. Murphy said outside consultants said the debt issue wasn't something that the two big utilities would consider to get their merger finalized.

New Bern Mayor Lee Bettis said he's not giving up on the merger as a way to ease financial pressure on the towns. New Bern and Rocky Mount, which combined are responsible for more than $500 million of the debt, challenged the merger on grounds it could harm wholesale power prices for the cities. Federal regulators asked Progress Energy and Duke last month to come up with ways to reduce its grip on the North Carolina market under the merger.

Bettis said he wants a debt solution that makes the region more competitive in economic recruitment. He also wants to end what he calls a sense of hopelessness among residents who continue to pay steep power bills.

"We're not asking for a bailout here," Bettis said. "We're asking for a level playing field."