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Price jolt: Electricity bills going up, up, up

By Paul Davidson, USA TODAY

Here's a shocker: Electricity bills are heading up. Way up.

Utilities across the USA are raising power prices up to 29%, mostly to pay for soaring fuel costs, but also to build new plants and refurbish an aging power grid.

Even more dramatic rate increases are ahead. The mounting electric bills will further squeeze households struggling with spiraling gasoline prices.

"Consumers now face a tough reality on electricity," says Mark Cooper of Consumer Federation of America.

The increases come after rising fuel prices already have driven up utility bills nearly 30% in the past five years, the sharpest jump since the 1970s energy crisis. Fuel costs are again the main culprit. In Virginia, Potomac Edison, citing high coal and natural gas prices, plans to raise rates 29% on July 1, pushing an average monthly residential bill from about \$70 to \$90. AmerenUE, Missouri's largest utility, recently asked for its first rate increase in 20 years, a 12.1% boost, mostly to cover higher fuel costs. Customers of Public Service Co. of Oklahoma were socked with a 25% rise on June 1.

The price of coal, which fires half of U.S. power plants, has doubled since last year, largely because of surging energy use in countries such as China and India. Natural gas prices are up nearly 50% on high U.S. demand. In California, drought has forced Pacific Gas & Electric to replace cheap hydroelectric power with natural gas, helping to prompt it to seek 13% rate increases.

The cost to build a power plant has also gone up, more than doubling since 2000. South Carolina Electric & Gas wants to boost rates 37% by 2019 to cover its share of two nuclear reactors costing \$10 billion.

Some utilities are seeking several increases. In New York City, Con Edison, which raised rates 4.7% in April, seeks increases of 5% in each of the next three years to fund \$5.5 billion in equipment after a 2006 Queens blackout. That's on top of an anticipated 13% rate increase this summer for higher fuel charges. "We must make sure that our system has the highest reliability," says Con Ed spokesman Michael Clendenin.

Queens Assemblyman Michael Gianaris says Con Ed wasted funds on new plants elsewhere and urges regulators to reject the proposal. "I say not one penny more until reforms are done," he says.

Expect bigger rate shocks if federal legislation, anticipated by 2010, passes and forces coal-fired generators to pay fees to emit global-warming gases. American Electric Power, the largest coal-fired generator, will have to raise rates 115% to pay higher fuel costs, build new plants and recover global-warming fees, says Hugh Wynne of Bernstein Research. But Wynne says regulators could temper increases by trimming profits.

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