

FPL delivers jolt: Bills may soar

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WEST PALM BEACH — Consider it an early warning.

The president of Florida Power & Light Co. said Wednesday that soaring costs for oil and natural gas have pushed FPL's projected fuel expenditures up by \$400 million.

That means the company is on the verge of notifying regulators that it may have to ask consumers to pay "significantly" more next year to foot the bill.

"In the space of three weeks, the run-up has been breathtaking," Armando Olivera said during a meeting with the editorial board of The Palm Beach Post.

"Electric rates will go up significantly next year if we don't see a turnaround in fuel prices," the FPL president said.

Mike Bedley, a partner with Apex Power Co. in Davie, said Florida consumers bear all of the risk associated with fuel costs for utilities such as FPL.

"There is nothing for the consumer to look forward to, nothing in the near future, unless oil or gas prices drop," Bedley said. "Prepare for the worst and buckle down. Lower your consumption, just like gasoline."

FPL tells the Public Service Commission each year what it thinks it will have to pay for fuel in the coming year. The estimate for 2008 was \$6 billion, but if projected increases top \$600 million, the utility will need to notify the PSC that it has reached a threshold of 10 percent above the estimate.

Even if the threshold is reached, it doesn't necessarily mean monthly fuel bills will rise, FPL spokesman Randy Clerihue said. It depends on what happens with fuel costs for the remainder of the year.

But the outlook is decidedly gloomy.

Olivera said he can't predict what will happen to world fuel markets, but all indications are that the cost of fossil fuels will continue to rise.

"That will translate into higher fuel bills for our customers," he said.

FPL generates 52 percent of its kilowatt hours with natural gas. Other sources are nuclear, 19 percent; purchased power, 15 percent; oil, 8 percent; and coal, 6 percent.

Residential customers now pay \$102.49 a month for every 1,000 kilowatts of power.

David Parker, an analyst at Robert W. Baird & Co. in Tampa, said Florida's utilities use more natural gas than those in other states, which use mostly coal and nuclear energy. The natural gas average at other U.S. utilities is 30 percent, he said.

"We use a lot of natural gas. The impact is felt more," Parker said. "It's a tough situation. ... There's not much FPL can do about it."

Parker said that it would take years for utilities to build something other than gas-powered plants, and that FPL and the other state utilities will be forced to build more gas plants to keep the power coming.

C.J. Drake, a spokesman for St. Petersburg-based Progress Energy Florida, said utilities are at the mercy of the worldwide energy situation.

"This is global economics at work, over which we have little control," Drake said. "If fuel prices continue to escalate, then customers can expect to pay more for fuel next year than they are paying this year. How much, no one knows."

FPL wants to do whatever it can to replace fossil fuels with renewable energy such as nuclear, solar and wind power, Olivera said.