

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

News Release

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UTILITIES COMMISSION GRANTS NORTH CAROLINA POWER
A PARTIAL RATE INCREASE

After months of investigation and following public hearings, the North Carolina Utilities Commission today entered an Order allowing North Carolina Power a net increase in its rates and charges of 4.95% or \$8.7 million annually.

The Company's application for rate relief was filed with the Commission on July 31, 1992. The Company initially requested a net increase of \$21.4 million but subsequently revised its request to \$13.8 million.

The principal reasons underlying the requested increase in rates were changes in costs which have occurred since the Company's last general rate increase, which became effective on February 14, 1991. These changes in costs include increases in rate base; increases in operation, maintenance, and depreciation expenses; increases in capacity and energy charges; changes in the cost of capital; and other increases in the Company's overall costs of providing service.

The approved net increase of \$8.7 million, which is effective today, is the result of an increase of \$12.4 million in annual base non-fuel revenues and a decrease in fuel and fuel related revenues of \$3.7 million. Fuel and fuel related revenues are subject to rate adjustments on an annual basis.

Additionally, the Commission approved a special rate rider mechanism which, upon expiration in 12 months, will decrease the Company's rates by \$1.8 million annually. This mechanism was implemented in recognition of the fact that the 10-year recovery period for certain of the Company's North Anna costs will have been completed at such time, i.e., upon expiration of the 12-month rider.

The Commission estimates that the winter bill of a typical residential customer using 1,000 kWh per month will increase from approximately \$78.22 per month to approximately \$80.73 per month, or approximately 3.2%. The Commission

estimates that the summer bill of a typical residential customer using 1,000 kWh per month will increase from approximately \$83.32 per month to approximately \$90.73 per month, or approximately 8.9%. North Carolina Power's residential rates were increased more than its industrial rates in order to match the revenues from each class of customers more closely with the cost of serving each class.

In allowing the 4.95% net rate increase, the Commission found that the approved rates will provide North Carolina Power, under efficient management, an opportunity to earn an overall rate of return of 9.48% on its investment in electric plant and facilities. The Commission found the 4.95% net rate increase to be the minimum that could be granted and still allow the Company to maintain good service and to meet growth in customer demand for electric service.