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ISSUE BRIEF

Duke-Progress Merger – A Net Public Soaking?

BACKGROUND

NC WARN has opposed Duke Energy's takeover of Progress Energy since it was announced in early 2011 for a variety of reasons. Foremost is that the merger would tend to strengthen Duke's business model of perpetuating the use of climate-heating fossil fuels and raising customer rates to build unneeded power plants for decades to come.

Our expert witness in N.C. Utilities Commission proceedings in the fall of 2011 pointed out that the merged corporation would cut customer services to residential customers, especially to low-income families who often need help the most. NC WARN called for the Commission to require Duke to commit $270 million over ten years for low-income weatherization and other efficiency programs, a request the Commission denied.

In June 2012, NC WARN called on the Commission to unseal 17 secret deals Duke cut to gain merger approval from large customers so the public can see how much those deals would cost other customers. Numerous media outlets have backed our call but the Commission has not yet ruled.

Duke Energy and the Commission claim the merger will *save* customers $650 million over six years – about 85 cents per month for the average home. Part of that would have been passed on to customers even without the merger.

But NC WARN contends that Duke executives hid plans, until after the merger was approved, to spend over $2.2 billion by 2014 to improve its nuclear plants. If the $2.2 billion investment goes forward, Duke will raise rates to cover that investment plus their guaranteed profits.

As NC WARN told the Commission weeks before it approved the merger, Duke was also withholding information on the cost of repairing the Crystal River nuclear plant in Florida, where Progress Energy broke the containment building by trying to cut corners on a maintenance operation. The total cost is likely to be $3 billion or higher and would indirectly impact North Carolina customers.

NC WARN has been openly critical of the Utilities Commission for focusing on the soap opera about who gets to be the Duke CEO. That cover story is being used to distract attention from the Commission's primary duty: ensuring the merger meets the key legal standard of providing a net public benefit.

However, the firing of CEO Johnson has confirmed NC WARN's merger concerns because Duke testified that two key reasons for his firing were the broken Crystal River plant and mismanagement of other Progress nuclear plants.

KEY POINTS

Instead of saving households a little, it seems clear the merger would cost us a lot – if it is allowed to stand.

Investigations by the Commission and Attorney General Roy Cooper must extend beyond the CEO drama. They must determine why Duke did not disclose the true Crystal River repair costs and the $2.2 billion in improvements at other nuclear plants during merger hearings.

The Commission needs to unseal the 17 secret deals Duke cut with large customers so the public can see how much those deals will end up costing other customers.

The Commission must focus on protecting ratepayers instead of protecting former CEO Johnson or Duke Energy's shareholders and expansionist business model.

In short, the Commission must force this corporate giant to prove – in open hearings – that the merger provides a net benefit to customers, as required by law.

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