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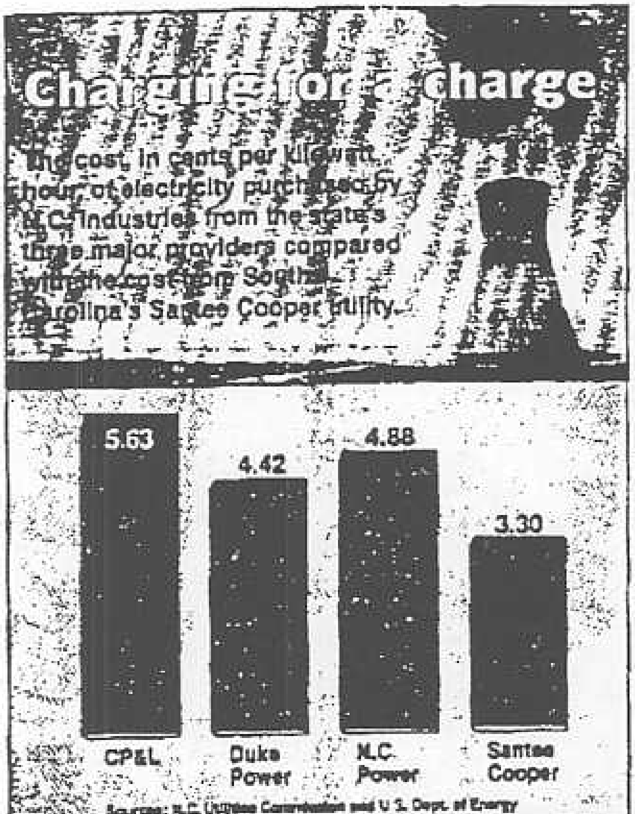

The power N.C. industries use

Average monthly consumption (in kilowatt-hours) by the membership of the Carolina Utility Customers Association

10 largest industries.....32.7 million ; 10 small industries 637,000
10 mid-sized industries ...4.5 million ; Typical resident..............1,000

CP&L power rates trouble industries

Some companies take their jobs elsewhere

By C.E. YANDLE
Staff writer

Carolina Power & Light Co. historically has prided itself for being a cog that moves North Carolina's economic-development wheel, helping the state attract new industries and jobs.

In recent years, however, some companies have rejected the Raleigh utility's advances, choosing instead to open plants in other states. The companies — which use extremely high volumes of electricity — were turned off by CP&L's comparatively high electrical rates, the executives said.

And some of CP&L's biggest customers have complained that their competitors — which are served by other utilities — have an edge because of lower electrical rates.

"CP&L's higher electrical rates are one of the factors that are hurting economic development in Eastern North Carolina," said Jerry T. Roberts, executive director of the Carolina Utility Customers Association in Raleigh, an industry trade group.

One state official estimated that during the past two to three years, North Carolina lost to neighboring states a handful of companies that represented a potential economic investment of $1 billion and hundreds of jobs.

"We haven't lost a lot of companies, just ones that are very energy-sensitive," said Alvah H. Ward Jr., who heads industrial recruiting for the state Department of Economic and Community Development. "So you would think maybe that since the numbers are small, we shouldn't be concerned, but we're losing the real cream of the crop. It's the Fortune 500 companies."

CP&L executives, however, said they knew of no specific instances in which companies chose to open plants elsewhere because of CP&L's higher rates. "We have no evidence that would support that," said Norris L. Edge, CP&L's senior vice president of customer and operating services. "We have no evidence that industries are not locating in our area because of electrical rates."

Holding up a sheet of paper that listed the names of several companies that had opened new plants in CP&L's service area over the past 18 months, Mr. Edge added: "We do know of a lot of industries that are locating in our area."

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High rates drive off industries

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Choosing Camden

One company that apparently was concerned by CP&L's rates was Allied-Signal Corp. in Morristown, N.J. Earlier this year, Allied-Signal announced plans to open a new copper foil plant near Camden, S.C., that would employ about 100 people. The company had considered putting the plant near Asheboro.

Instead, it chose South Carolina because of CP&L's higher rates, according to testimony at a House Utilities Committee meeting in April by D.A. McCaig, an executive at Allied-Signal's Moncure plant. Allied officials declined further comment.

Dale B. Carroll, economic-development supervisor for CP&L, was involved in North Carolina's negotiations to woo Allied-Signal. He acknowledged that Allied-Signal representatives had expressed concerns about electric rates, but said the company had been attracted to South Carolina for other reasons as well.

Those included about $900,000 in economic incentives offered by the state, and a close relationship between the president of Allied-Signal and South Carolina Gov. Carroll A. Campbell Jr., he said.

But the Allied-Signal decision highlights how South Carolina and its state-owned electric utility, Santee Cooper, have benefited from CP&L's higher rates.

Santee Cooper, with headquarters near Charleston in Monck's Corner, charges electric rates that are among the lowest in the Southeast, according to industry publications.

Those same surveys have ranked CP&L in recent years as one of the region's most expensive utilities. The surveys are based on what utilities charge per kilowatt hour. In North Carolina CP&L charged 5.63 cents per kilowatt hour for industrial users in 1990 compared with 3.3 cents for Santee Cooper.

CP&L has the highest rates of the utilities that serve customers in North Carolina. The state's other two utilities are Duke Power Co. in Charlotte and Virginia Power in Richmond, Va., which does business in North Carolina as North Carolina Power.

Millions at stake

The cost of electricity can mean millions of dollars to certain types of industries, such as paper mills and textile plants.

Such companies might use as much as 32 million kilowatt-hours of electricity a month, according to a survey by Carolina Utility Customers Association. By comparison, a typical residential customer uses about 1,000 kilowatt-hours a month.

National Spinning Co. Inc., for example, a Washington, N.C., maker of textile yarns, paid CP&L 8.7 cents for every pound of yarn it made at its four North Carolina plants, said Henry Moore Jr., the company's director of purchasing. The company's other plants are in Warsaw, Beulaville and Whiteville.

Mr. Moore, who spoke April 25 at a legislative hearing in Raleigh, said that if those four National Spinning plants had been in Duke Power's service area, his company would have spent only 6.5 cents for each pound of yarn. That would have saved the company $2 million.

At the same hearing, William M. Sue of E.I. du Pont de Nemours & Co. said the giant conglomerate had paid more per kilowatt hour at its seven North Carolina operations in 1990 than at any of its more than 100 other U.S. plants.

The company employs more than 6,000 people in North Carolina. Last year, DuPont purchased more than 900 million kilowatt-hours of electricity in the state, paying about $45 million, Mr. Sue said. Five of DuPont's Tar Heel operations are served by CP&L.

Shearon Harris' price

The reason for CP&L's higher electrical rates can be summed up in two words, said Robert P. Gruber, executive director of the state's Public Staff, a consumer-advocacy group.

"Shearon Harris," said Mr. Gruber, referring to the Shearon Harris Nuclear Plant in southwestern Wake County. "It's really that simple ... I think CP&L's rates are a problem for industry recruitment."

Shearon Harris was completed in 1987 at a cost of $3.9 billion. Paying for the plant has added about 15 percent to the average monthly electricity bill of CP&L's customers, Mr. Gruber said.

Mr. Edge, the CP&L executive, acknowledged that the company had higher rates than other nearby utilities. But he noted that Shearon Harris was one of the country's newest nuclear plants, which goes hand-in-hand with higher rates. As other utilities build large, expensive plants to keep up with demand, the rates those utilities charge will increase to levels as high as, or higher than, CP&L's, he said.

"I believe that you'll find that existing industries and new industries are looking at the long-term," Mr. Edge said. "If you look at us long-term, you'll see our rates have been very competitive."

Nonetheless, some industries that had shown interest in opening plants in North Carolina have slipped across the border to South Carolina and Santee Cooper's lower rates.

"You tell your folks in North Carolina: 'Anybody you can't handle, we'll be glad to help them down here,'" quipped Charles C. Gunnin, Santee Cooper's manager of economic development.

Economic incentives

Mr. Ward of the Department of Economic and Community Development said North Carolina had lost at least four or five companies to South Carolina and Santee Cooper in 1990 because of lower electric rates.

The total economic investment by those companies could reach $1 billion, he said. He emphasized that Santee Cooper had succeeded in attracting companies that had considered opening new plants throughout North Carolina, and not just in CP&L's service area.

Santee Cooper is a non-profit utility, so it does not pay state or federal taxes and does not have stockholders who expect to receive quarterly dividend checks and an increase in the value of their shares.

The South Carolina utility works closely with a state-run economic-development group that offers to industries considering the Palmetto State a laundry list of financial incentives worth millions of dollars.

The incentives include low-interest loans, relocation assistance and outright grants.

North Carolina typically has offered few — if any — of the types of monetary incentives offered by South Carolina.

South Carolina's strategy has prompted representatives from CP&L, Duke Power and North Carolina Power to say that Santee Cooper has a competitive advantage in recruiting industries.

"It isn't a level playing field," said Joseph J. Maher, a Duke Power spokesman.

But Duke Power fares well against in-state rival CP&L. Even if a 9.2 percent rate increase that Duke has asked for is approved by the state Utilities Commission, Duke would continue to have rates lower than CP&L's.

The difference between Duke's and CP&L's rates has prompted complaints from some of CP&L's larger customers.

The issue of CP&L's rates at times has been the subject of corporate boardroom discussions, acknowledged Ernest C. Pearson, an assistant secretary with the state Department of Economic and Community Development.

"We talk to them all the time about it," said Mr. Pearson, referring to CP&L. "They're well aware of the problem ... but at the same time, CP&L is entitled to make a fair profit.

"But, companies have made decisions to locate their industries elsewhere in part because they can get better rates in other states. It's business, and we understand that."