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SEEING THE INVISIBLE | A yearlong look at N.C. poverty

The shocking burden of \$800 light bills

By Gene Nichol

March 30, 2013

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Renet McQueen of Red Springs receives winter light bills ranging from \$400 to more than \$800 for a 1,000-square-foot house with insulation and central heat. Her mortgage payment is \$484.

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- \$484 One family's mortgage on a 1,000-square-foot house in Red Springs \$800 What they pay for electricity sometimes 40% How much higher bills are for customers of N.C. Eastern Municipal Power Agency than the state average
- More information

On the last Sunday of each month this year, UNC Professor Gene Nichol will examine the faces and issues behind the rising poverty numbers in North Carolina. Read the other installments at newsobserver.com/ncpoverty

The poorest citizens in the poorest communities in North Carolina often pay the highest rates for electricity. They are required, in the process, to subsidize the services of others much wealthier than themselves. They also, in some instances, are taxed by municipalities in which they can neither vote nor run for office. The burden of crushing electricity prices thwarts economic development in much of Eastern North Carolina, the state's poorest region.

The most pervasive and surprising anxiety expressed during the Poverty Tour across North Carolina, undertaken last year by the NAACP, arose from the impact that extraordinary electric bills have in some Eastern North Carolina cities. Hundreds of residents complained of bills that exceeded, sometimes significantly, their mortgages or rent – leading to stunning hardship, power shut-offs, home abandonments, failed businesses and foreclosures.

Renet McQueen of Red Springs, for example, receives winter light bills ranging from \$400 a month to over \$800 for a house of about 1,000 square feet with insulation and central, not baseboard, heat. Her mortgage payment is \$484. She's not atypical.

Last month's electric bill for Linda Moore of Scotland Neck was \$771. She explained the city had cut off her lights even though officials know her 5-year-old daughter uses an electric nebulizer to inhale medicine into her lungs and can't be without it. Her friend, Lillie Whitaker, said, "I pay these outrageous bills (\$575.60), and I'm freezing. I sleep in bed with a hood on. I never faced anything like this, even in the Army."

Felicia Sanders of Rocky Mount echoed the burden: "We're all struggling to pay our electric bills here. It's a huge part of community life. I had to decide whether to have insurance for my daughter or have my lights on."

What's the deal?

\$240 million more

About 75 percent of the electricity sold in North Carolina is provided by investor-owned outfits like Duke Energy. Cooperatives and municipalities account for the rest. Thirty-two cities belong to the N.C. Eastern Municipal Power Agency (NCEMPA) – serving over 275,000 residential and commercial customers.

NCEMPA cities include Rocky Mount, Wilson, Smithfield, Lumberton, Scotland Neck, Laurinburg, Selma, Elizabeth City, Washington, Tarboro, Kinston and an array of towns, mostly east of I-95. A recent legislative study committee received testimony that NCEMPA customers pay \$240 million more per year for electricity than they would if they were charged like the rest of the state.

NCEMPA residential customers, as a group, pay 40 percent higher rates than the state average and over 50 percent higher than Duke Energy ratepayers. In some member cities, the tab is even worse. Scotland Neck, Robersonville, Red Springs and Farmville residents pay "premiums" of 60 percent to 75 percent higher than the average.

Many of these communities are the least able to afford exorbitant costs: 24 percent of the residents of NCEMPA cities live in poverty, compared with 16 percent statewide. Their average median income is \$33,502; North Carolina's is \$46,291.

Of the 32 NCEMPA towns, 11 have poverty rates of over 30 percent. Many are in North Carolina's 10 federally designated "persistent poverty" counties. Robeson is the state's poorest county and has among its highest electric bills.

Like everything else concerning poverty in North Carolina, the burden of NCEMPA's jaw-dropping rates is also racially skewed. The aggregate population of the member counties is nearly 40 percent African-American. Our statewide figure is 21 percent.

The principal reasons for the bloated bills are two-fold.

First, and dominantly, over 30 years ago, NCEMPA gambled on nuclear power, buying significant ownership interests in the Shearon Harris and Brunswick plants. Construction and operation costs proved dramatically higher than projected. As a result, NCEMPA members are saddled with a debt in excess of

\$2 billion. Payments on the obligation constitute over a third of wholesale power costs. The stranglehold lasts until 2025.

Second, state law allows cities to sell electricity at rates that exceed costs and then to transfer the surplus to their general operating funds. These regressive “transfers” – shifting the cost of local government from more progressive taxes to a basic necessity of life – are employed by many NCEMPA cities. Wealthy constituents find the arrangement congenial. Low-income residents and renters are hit hard.

To add insult, NCEMPA communities sell electricity to customers outside their municipal boundaries but within mandated service areas. These customers can’t vote in city elections or run for office. But they involuntarily subsidize city services and reduced property tax rates. As McQueen, who lives just outside Red Springs’ boundary, explains: “It’s taxation without representation.”

Rep. Leo Daughtry, a veteran Republican legislator from Smithfield, has tried repeatedly to curb the wounds NCEMPA inflicts on Eastern North Carolina. “I could tell you story after story of businesses closing down and people having to leave Smithfield because of it,” he says. “Towns can’t prosper because no one wants to pay those bills.”

Daughtry says transfers should be banned. Former Scotland Neck mayor James Mills agrees.

“If you’re going to charge people taxes, make it straight up,” Mills says. “This is dishonest.”

‘Roll over you like a wave’

The gigantic debt burden, residents understand, is more complex – but the strain on ratepayers and their communities is too debilitating to be borne unaided. It’s difficult to believe that if such devastation were being visited on Raleigh, Durham and Chapel Hill, the legislature wouldn’t intervene.

“I don’t know why we have to spend so much of our lives paying this debt. It’s not ours,” Rev. John Henry Evans of Scotland Neck says.

“When the agreement was made,” Mills adds, “black people had no way to participate.”

Daughtry, speaking of both the transfers and debt, reports he has tried to do something, but “they’ve got big lobbyists and spread a lot of money around. ... They roll over you like a wave in the ocean.”

Still, if we seek a vibrant future for all of North Carolina, this crushing status quo cannot stand.

“These utilities challenges are like the civil rights issues of the ’60’s,” Renet McQueen says. “It’s not justice. We have no choice. We’re just stuck with it. What would Rosa Parks say about that?”

Gene Nichol is Boyd Tinsley distinguished professor at the UNC School of Law and director of the school’s Center on Poverty, Work and Opportunity.

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