BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Tampa Electric Company for approval of a pilot Green Energy Rate Rider and Program.	DOCKET NO. 000697-EI ORDER NO. PSC-00-1741-TRF-EI ISSUED: September 25, 2000

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
E. LEON JACOBS, JR.
LILA A. JABER
BRAULIO L. BAEZ

ORDER APPROVING PILOT GREEN ENERGY RATE RIDER AND PROGRAM

BY THE COMMISSION:

On June 8, 2000, Tampa Electric Company (TECO) filed a petition for a "customer optional" three-year pilot green energy rate rider and program. This program will provide TECO's residential, commercial and industrial customers an opportunity to purchase 50 kWh blocks of renewable, "green" energy from photovoltaic (PV) and biomass sources. This Petition was in response to the stipulation entered into by TECO and the Legal Environmental Assistance Foundation, Inc. (LEAF) as part of the Demand Side Management (DSM) goal-setting docket (Docket No. 971007-EG, Order No. PSC-99-1585-S-EG). We have jurisdiction under the Florida Energy Efficiency and Conservation Act, Sections 366.80 - 366.85, Florida Statutes and Sections 366.04, 366.05, and 366.06, Florida Statutes.

The Pilot Green Energy Rate Rider and Program

TECO's green energy program and rate rider is a three-year pilot program which will allow customers to purchase energy generated from an 18kW photovoltaic (PV) array and existing steam generating facilities that are capable of utilizing biomass fuel. This 18kW PV array was put together using a 15kW PV array that was removed from a previous site plus a 3kW PV addition. This 18kW PV array was recently installed by TECO at Tampa's Museum of Science and Industry at a cost of approximately $104,000. TECO plans to install an additional 18 kW PV facility as the program participation warrants new construction (projections indicate that a minimum of 32 kW of incremental PV capacity can be installed during the pilot period).

Customers taking service under this green energy ("GE") rate rider will pay $5.00 in addition to their applicable tariff rates for each 50 kWh block of green energy purchased. TECO has projected that 6,546 blocks of green energy per month will be sold over the three years of the program. TECO is proposing that a customer may purchase up to a maximum of five blocks of green energy aggregated from TECO's renewable portfolio. TECO is requesting a limitation on the number of blocks per customer in order to provide subscription to a larger number of customers desiring to purchase GE.

The pilot green energy rate rider and program ("PGERRP") will be funded over the three years by projected revenues of $492,760 from two sources: projected revenues of $392,760 collected from customer contributions (GE rate rider), and a one time $100,000 allocation from TECO's approved R&D Conservation Program. During the three-year pilot, TECO is projecting to spend approximately $532,296 on the program. TECO has not requested recovery of the deficit of approximately $39,537 at this time. TECO believes that the pilot program will be successful and plans to add it to its demand side management programs after the completion of the pilot.

The PGERRP will be optional and will be available to all of TECO's retail customers. The initial term of service under the GE rate rider is 12 months. If a customer elects to terminate service after one year, then the customer must provide a two-month notice. After the initial 12 months the customer can terminate service after giving TECO a two months notice. TECO will develop and provide regular communications regarding the GE offering to all customers. This includes establishing and maintaining an environmental web site, bill inserts, an interactive voice response unit, printed advertisements, press releases, trade shows, internal publications, and direct customer contact.

Most proposed Green Pricing Pilots require customer donations over a period of time before the energy is delivered to the participants. TECO's proposed PGERRP is designed to serve customers from its portfolio of green energy at the time the customer signs up. We believe that TECO's proposed PGERRP is a good test to measure a Green Pricing initiative. Therefore, we approve TECO's PGERRP.

R&D Program Cost Recovery

TECO is requesting to recover, on average, approximately $33,333 of the annual cost of the PGERRP from its R&D Program. The three-year total of $100,000 will reduce the total R&D Program cost TECO is allowed to recover over five years to $650,000. We believe that TECO's allocation of $100,000 to its PGERRP is consistent with the approved R&D program participation standards. This Commission approved TECO's R&D Program in Docket No. 991791-EG (Order No. PSC-00-0754-PAA-EG). The R&D program participation standards state that:

> "Most technology measures are eligible for consideration including renewable and green energy sources, energy efficient construction, etc.... The R&D Program costs are estimated to be $150,000 per year for a five year period. Expenses for a given year may exceed $150,000, however, total cost shall not exceed $750,000 for five years."

Also, as previously stated, most proposed Green Pricing Pilots require customer donations over a period of time before the green energy is delivered to the participants. TECO's proposed allocation will enable TECO to supply green energy immediately. Therefore, we approve TECO's allocation request.

Fuel and Purchased Power Cost Recovery Clause and Environmental Cost Recovery Clause Adjustment

TECO is requesting authorization to make adjustments to the Fuel and Purchased Power Cost Recovery Clause ("Fuel Clause") and the Environmental Cost Recovery Clause ("ECRC") as a means to credit the green energy pilot program for the incremental differences in cost between the green energy and energy otherwise generated or purchased from traditional resources.

Through the Fuel Clause, the pilot program would receive two types of credits: 1) a credit for the differential costs ($/MMBtu) between the biomass fuel cost and the coal displaced by the use of the biomass; and 2) a credit equal to the avoided system average fuel and purchased power cost ($/MWH) for energy generated by the

PV facilities. Based on staff analyses, we find the methodology that TECO used to derive the projected credits to be reasonable.

Based upon the following assumptions, TECO would credit \$28,046 to the pilot program through an adjustment to the Fuel Clause factor over the three-year period. First, TECO has estimated that electricity generated from its PV and biomass sources will displace approximately 118 MWH and 3,811 MWH of system generation, respectively. Second, TECO projects that the average avoided system fuel and purchased power cost attributable to PV during the three-year pilot program to be \$21.23/MWH. Third, TECO projects that the cost differential (on a per MWH basis) between biomass fuel and coal to be \$6.70/MWH during the three-year pilot period. We find TECO's projection that the pilot program would receive \$28,046 during the three-year period is reasonable.

Through the ECRC, the pilot program would receive two types of credits: 1) the credit for avoided SO_2 allowances for burning biomass fuel is calculated based on the displaced coal in Gannon Unit 3 (i.e., the unit in which the biomass will be used as fuel); and 2) the credit for avoided SO_2 allowances for the PV system is calculated on the avoided SO_2 allowances from the entire TECO generating system. TECO projects the market price of SO_2 allowances to be \$232.98 per ton during the three-year pilot program. TECO projects that the pilot program would receive \$3,173 from the ECRC over the three-year period. Based on staff analyses, we believe the methodology that TECO used to derive the projected credit is based on sound engineering principles.

Through the fuel clause and the ECRC, all of TECO's ratepayers (participants and non-participants alike) will pay part of the pilot program's costs. However, due to the pilot program's design, TECO's fuel costs and SO_2 allowance costs will fall by a commensurate amount. Therefore, a non-participating ratepayer should be indifferent from an economic perspective. Although non-participating ratepayers may benefit from the pilot program, it is unclear the extent that the non-participating ratepayers would benefit as compared to the participating ratepayers. From a historic regulatory perspective, TECO should match the cost responsibilities of the pilot program to those ratepayers who would benefit from the pilot program. Therefore, TECO shall collect data throughout the three-year pilot program to determine the extent that its ratepayers benefit from the pilot program. TECO shall report these data regarding the benefits and costs of the pilot program to this Commission on an annual basis in Docket No. 010002-EG and succeeding dockets.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tampa Electric Company's Pilot Green Energy Rate Rider and Program is hereby approved. It is further

ORDERED that Tampa Electric Company's allocation request is consistent with its R&D Program and hereby approved. It is further

ORDERED that Tampa Electric Company's request for authorization to make adjustments to the Fuel and Purchased Power Cost Recovery Clause and the Environmental Cost Recovery Clause as a means of crediting the program is hereby approved. It is further

ORDERED that Tampa Electric Company shall collect and report data to the Commission throughout the three-year pilot program as described within the body of this order. It is further

ORDERED that the approved tariff shall become effective on September 5, 2000.

ORDERED that if a protest is filed within 21 days of issuance of the Order, the tariff shall remain in effect with any charges held subject to refund pending resolution of the protest. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 25th day of September, 2000.

Blanca S. Bayó

BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 16, 2000.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.