

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for approval to make renewable energy pilot program (f/k/a green energy rate rider) permanent, by Tampa Electric Company. | DOCKET NO. 060678-EG
| ORDER NO. PSC-06-1063-TRF-EG
| ISSUED: December 26, 2006

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
J. TERRY DEASON
ISILIO ARRIAGA
MATTHEW M. CARTER II
KATRINA J. TEW

ORDER APPROVING TAMPA ELECTRIC COMPANY'S
GREEN POWER PRICING PROGRAM

BY THE COMMISSION:

Background

We first approved Tampa Electric Company's (TECO) Pilot Green Energy Rate Rider and Program (GE Rate Rider) through December 31, 2003 in Docket No. 000697-EI.¹ The pilot GE Rate Rider is a voluntary program that gives interested consumers an option to support renewable energy by paying the incremental cost of renewable energy over the utility's cost of providing the energy from fossil fuels. The original pilot GE Rate Rider offered to all rate classes included a \$5.00 monthly fee in addition to applicable tariff charges for each 50 kilowatt hours (kWh) block of green energy purchased, up to five blocks. TECO provided renewable energy to participating customers from three company-owned sources: 1) an 18 kilowatt (kW) photovoltaic array located at Tampa's Museum of Science and Industry, 2) a 30 kW micro-turbine fueled with land-fill gas, and 3) co-firing biomass fuels in TECO's existing coal-fueled generators. We also approved an allocation of \$100,000 from TECO's Conservation Research & Development (R&D) Program to partially fund the pilot GE Rate Rider. On June 4, 2001, the Commission issued Order No. PSC-01-1238-TRF-EI, in Docket No. 010423-EI, In Re: Petition by Tampa Electric Company for Approval of Modification to Pilot Green Energy Rate Rider and Program, which eliminated the purchase limit of five blocks of renewable energy per month per participating customer.

In Docket No. 030959-EI, In Re: Petition by Tampa Electric Company for Approval of Extension of Pilot Green Energy Rate Rider and Program through December 31, 2006, TECO petitioned the Commission for several modifications of the pilot GE Rate Rider including: 1) an extension of the program through December 31, 2006, 2) an increase in the energy block size

¹ See, Order No. PSC-00-1741-TRF-EI, issued September 25, 2000, in Docket No. 000697-EI, In Re: Petition by Tampa Electric Company for approval of a Pilot Green Energy Rate Rider and Program.

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from 50 kWh to 100 kWh, and 3) \$150,000 from its Conservation R&D program to partially fund the proposed extension. TECO's petition for an extension was approved by the Commission under the condition that the company submit a business plan for the proposed program extension which shows the assumptions, budgets, marketing programs and estimated penetration rates. TECO was also required to explain whether, after the three-year extension, the program would be self-sustaining. If the program was not going to be self-sustaining, TECO was required to indicate what level of subsidy it anticipates would be necessary to continue the program beyond the three-year extension.

Upon receiving the additional requested information from TECO, on April 8, 2004, the Commission granted TECO the approval to extend its GE Rate Rider Program.² In granting the extension of the pilot program, the Commission did note that because TECO expected the program to be self-sustaining by 2007, TECO was required to provide reports to staff on the program's progress every six months. The reports were to include the participation levels achieved, energy produced, and cost and revenue estimates.

On October 12, 2006, TECO filed a petition to make the pilot GE Rate Rider Program permanent. By making the program permanent, the full-time program would now be known as TECO's Renewable Energy Program. The pilot GE Rate Rider is currently set to expire December 31, 2006.

We have jurisdiction under Sections 366.04, 366.05, 366.06, 366.80, 366.81, and 366.82, Florida Statutes.

GE Rate Rider Program

Under the Renewable Energy proposal, the customer costs and guidelines will be established by tariff titled the Renewable Energy Program Third Revised Tariff Sheet No. 6.400. This tariff sheet is included as Attachment A.

Currently, TECO's pilot GE Rate Rider Program is not a self-sustaining program. Since the program revisions were approved, program revenues were \$162,245 and expenses were \$184,492, yielding a deficit of \$22,247. However, during the reporting period of April 2006 through September 2006, TECO experienced an unexpected maintenance expense of about \$29,000 for an inverter replacement on the company's largest photovoltaic array and a variable speed compressor replacement on the microturbine. If the expense for the equipment failure had not occurred, TECO's pilot GE Rate Rider Program would be in self-sustaining status. Through September 2006, 1,422 customers were participating in the pilot program, purchasing a total of 1,919 blocks of renewable energy. In addition to the utility owned facilities, participating customers have utilized over 3.9 Gigawatt-Hours of renewable energy from a biomass facility in South Florida since the inception of the program. The company also purchases the energy

² See, Order No. PSC-04-0386-TRF-EI, issued April 8, 2004, in Docket No. 030959-EI In Re: Petition by Tampa Electric Company for Approval of Extension of Pilot Green Energy Rate Rider and Program through December 31, 2006.

generated from several photovoltaic systems and landfill gas facilities, with total capacities 39 kW and 30 kW, respectively.

TECO's Renewable Energy Program will be available to residential, commercial, and industrial customers. The initial term of service will be twelve months. After the initial twelve months, the customer can terminate service after giving TECO two months' notice. In order to increase participation in the renewable energy program, TECO proposes to increase the monthly block size from 100 kWh to 200 kWh, while holding the price constant at \$5 per block per month. TECO expects this change to result in increased participation, particularly by commercial and industrial customers. This will reduce the incremental kWh charge for renewable energy from 5 cents to 2.5 cents per kWh which can be added to the utility's incremental fuel cost when TECO purchases energy from renewable facilities.

TECO's revenues and expenses for the Renewable Energy Program should be recorded separately in its Energy Conservation Cost Recovery (ECCR) clause filings. TECO will provide a summary of the program's progress in its testimony which is submitted during the true-up proceedings. If revenues fall below expenses, TECO's administrative costs should be recovered through the ECCR clause. Once revenues begin to exceed costs, TECO will credit back the prior excess expenses, with interest, through the ECCR clause.

TECO has requested that it be authorized to establish a regulatory liability for recording the deferral of program revenues in excess of program expenses. TECO will use excess revenues from the program toward investigating the potential of new renewable resources, efforts to increase program participation, reduction of monthly fees to participants, program administration, marketing, and continued education of customers on the attributes of renewable energy. Items recorded in Account 254, Other Regulatory Liabilities, represent the amounts that would have been normally included in net income during the current period but for it being probable that either the amounts will be included in future periods or will be refunded to customers. TECO's request to defer the excess revenues and to use them for other program purposes does not meet either of these tests. However, Account 253, Other Deferred Credits, includes amounts which cannot be entirely cleared or disposed of until additional information has been received. We believe that Account 253 is the appropriate account to be utilized for recording the deferral of program revenues in excess of program expenses.

In conclusion, we find that TECO's petition is hereby approved. The pilot program shall be named the Renewable Energy Program with an effective date of January 1, 2007. Since April 2004, customer participation in the program has increased from 233 participants to 1,422 participants. Despite a few unexpected expenses, TECO's pilot Green Energy Rate Rider Program appears to be a self-sustaining program in that the revenues the company receives from the program participants will cover program expenses. Also, the program has the ability to provide its customers with alternative sources to meet their energy needs. The existing structure of the renewable energy block size will increase from 100 kWh to 200 kWh with the price per block remaining constant at \$5.00. All other areas of the pilot program previously approved by this Commission shall remain as approved. However, the company shall summarize the

program's progress in its testimony which is submitted in the Commission's annual ECCR true-up proceedings.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tampa Electric Company's petition to convert its Green Energy Rate Rider Program to a permanent program is hereby approved as set forth herein. It is further

ORDERED that Tampa Electric Company's Green Energy Rate Rider Program shall be known as the Renewable Energy Program. It is further

ORDERED that all attachments attached hereto are incorporated herein by reference. It is further

ORDERED that the tariff is hereby approved effective January 1, 2007. It is further

ORDERED that Tampa Electric Company shall summarize the Renewable Energy Program's progress in its testimony which is submitted in the annual ECCR true-up proceedings. It is further

ORDERED that all other areas of the pilot program previously approved by this Commission shall remain as approved. It is further

ORDERED that if a protest is filed within 21 days of the issuance of the Order, the tariff shall remain in effect with any charges held subject to refund pending the 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 26th day of December, 2006.



BLANCA S. BAYO, Director
Division of the Commission Clerk
and Administrative Services

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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 the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 16, 2007.

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.