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DATE: March 25, 2004

TO: Kay B. Flynn, Chief of Records and Hearing Services, Division of the Commission Clerk & Administrative Services *JH*

FROM: Judy G. Harlow, Economic Analyst, Division of Economic Regulation

RE: Docket No. 030959-EI - Petition by TECO for approval of extension of Pilot Green Energy Rate Rider and Program through Decmeber 2006

Please place the attached information regarding TECO's Pilot Green Energy Program in Docket File Number 030959-EI. If you have questions please do not hesitate to contact me. Thanks.

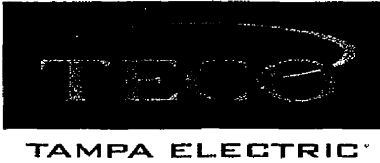
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ECONOMIC REGULATION
FLORIDA PUBLIC SERVICE

January 30, 2004

Ms. Judy Harlow
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Docket No. 030959-EI
Petition by Tampa Electric Company for approval of extension of Pilot Green Energy Rate Rider and Program through December 2006

Dear Ms. Harlow:

Pursuant to Order No. PSC-04-0009-TRF-EI in Docket No. 030959-EI, attached is the additional information requested regarding Tampa Electric Company's Pilot Green Energy Program.

Please let me know if you have any questions with respect to this matter.

Sincerely,

Howard T. Bryant
Manager, Rates
Regulatory Affairs

Enclosure

cc: James D. Beasley (w/ enclosure)
Blanca S. Bayo (w/o enclosure)

**Tampa Electric Company
Docket No. 030959-EI
Supplemental Filing
Filed: January 29, 2004**

The Florida Public Service Commission held an Agenda Conference on December 16, 2003 and provisionally approved Tampa Electric's petition to extend the company's Pilot Green Energy Rate Rider and program. The provisional approval required additional information to be submitted for Commission review within 60 days of the issuance of Order No. PSC-04-0009-TRF-EI, issued January 5, 2004.

This document contains the requested information from the above referenced order as well as responses to Commission Staff questions that have arisen subsequent to the Agenda Conference.

The attached Exhibit "A" is the overall business plan. It contains the following information for the three-year pilot period extension: 1) the marketing plan, 2) a schedule of projected participation and renewable energy consumption, and 3) a financial schedule detailing projected costs, the ECCR contribution and program revenues.

Integral to the marketing plan is the utilization of a consultant well versed in consumer advocacy initiatives. Tampa Electric chose this approach for program marketing after evaluating the more traditional marketing efforts employed during the initial three-year research and development period. Simply stated, the use of traditional media (i.e., bill stuffers, customer newsletters, billboards, etc.) did not secure the projected participation the company originally sought. Therefore, initial discussions with the consultant have led to several new marketing strategies that are under development and identified below.

- Create strategic alliances with environmental groups in Tampa Electric's service area (Sierra Clubs, Audubon Society, etc.).
- Develop a contact network and renewable message for environmental groups, neighborhood associations and faith-based groups.
- Identify environmentally sensitive businesses in the company's territory and develop a contact plan to engage their participation as well as their employees.
- Educate community leadership and solicit their support and participation relative to the organizations they lead.
- Develop a strategy to contact all levels of governmental customers (city, county, state and national) that have been encouraged to secure renewable energy where available.
- Develop a cost-effective communications plan involving an employee speakers' bureau, external media to maintain program awareness and the utilization of community based media (e.g., radio, newspaper) that reach a segment of consumers that are generally sensitive to environmental issues.
- Create a message and contact strategy for company employees who have telephone or field contact with customers. For example, train energy auditors to observe for customers who recycle since they would be likely candidates interested in renewable energy.

Tampa Electric's contract with the consultant is for 2004 and has two components, namely, a base fee for services rendered and a performance fee directly related to the number of renewable energy blocks sold to customers. The consultant's base fee is \$16,000 with the performance fee potential of \$24,000 for achieving 600 incrementally new blocks of renewable energy subscriptions. The company took this approach to better manage overall program expenses.

The attached Exhibit "B" is in response to Staff's request for an analysis of the three-year extension using the current average subscription rate of 10 new blocks of renewable energy per month and with just the base fee of the consultant included. The analysis shows that in year four, the program will sustain itself when the cumulative net revenues from the first three years are compared to the net revenues of year four alone.

Tampa Electric's expectation is to have a self-sustaining renewable energy program at the end of the current three-year pilot period (2004 - 2006). No further cost support or research and development funding through the ECCR clause is anticipated.

Tampa Electric Company
Exhibit A
Pilot Green Energy Business/Marketing Plan, Assumptions,
Financial Schedule

Smart Source Renewable Energy Marketing Plan 2004 - 2006

Tampa Electric's marketing plan for Smart Source renewable energy is focused on strong initiatives for 2004 – 2006 to bolster and maintain program participation significantly beyond 2003 levels. The company will utilize two primary resources to implement the plan: 1) a marketing consultant with experience in consumer advocacy campaigns, and 2) lessons learned from the green energy R&D pilot program that ended December 2003.

The specific strategies of the plan are weighted more heavily in 2004 as the company will work in concert with the consultant to develop and launch several initiatives aimed at all classes of customers. Additionally, the development of renewable energy allies within the company's service area will serve to augment the overall effort in 2004 and beyond. For 2005 and 2006, the plan capitalizes on the groundwork and initiatives implemented in 2004. At the conclusion of the 2004 – 2006 R&D pilot period, Tampa Electric anticipates its Smart Source program to be a viable, self-sustaining renewable energy program.

The anticipated components of Tampa Electric's Smart Source marketing plan for the next three years are delineated below.

2004

- Analyze participating customer profiles to assist with the development of a targeted campaign.
- Engage the assistance of a consultant to achieve the following:
 - Identify environmental organizations, neighborhood associations, faith-based groups and other entities with the intent of promoting the concept of renewable energy to their constituents.
 - Develop alliances with environmental organizations to seek endorsements for the green energy program and secure the participation of their memberships.
 - Develop presentations on the benefits of renewable energy and train employees to deliver the presentations to these groups.
 - Identify environmentally sensitive companies who support the purchase of renewable energy. Develop and implement a strategy to inform them of the program and secure their participation and partnership to further advance the program.
 - Develop and launch a campaign targeted to business and governmental customers to obtain their participation.
 - Educate community leaders about the benefits of renewable energy and seek their participation and support in endorsing and communicating those benefits to their constituents.
 - Develop a strategy for Tampa Electric employees to secure program subscribers through all aspects of customer interactions (telephone, field contacts, etc.).
 - Develop and deploy community-based media (radio, newspaper, etc.) aimed at a consumer segment that typically has a strong commitment to environmentally friendly resources.
- Develop internal communications and launch an initiative to increase employee awareness and participation.
- Develop cost-effective external communications to be utilized throughout the year to increase program awareness. These may include envelope advertisements, bill inserts, bill messages, advertisements, press releases and articles in customer newsletters.

2005

- Evaluate the participation resulting from the 2004 marketing activities and identify any adjustments needed for the balance of the plan to be successful.
- Build on alliances with environmental organizations, neighborhood associations, faith-based groups and other entities to seek endorsements and gain participation from their constituents.
- Maintain internal communications to increase employee awareness and participation.
- Maintain the strategy of employee outreach to customers through all means of customer interactions.
- Maintain the campaign to environmentally sensitive companies and other businesses to increase awareness and participation.
- Continue to deliver community presentations to increase program awareness and participation.

- Evaluate and maintain cost-effective external communications to increase program awareness and secure participation.

2006

- Enhance program awareness and increase participation through the following actions:
 - Maintain alliances with environmental and community groups.
 - Continue the strategy of employee outreach to customers through all means of interactions.
 - Maintain an overall campaign to environmentally sensitive companies and other businesses.
 - Continue to deliver community presentations.
 - Maintain cost-effective external communications.
 - Maintain internal communications to increase employees.

**Smart Source Pilot Program
Proposed 3-Year Extension
Revised 1/30/04**

<u>Line</u>	<u>Description</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
A	Energy from Biomass (kWh)	578,785	986,785	1,130,785	1,274,785
B	Energy from Landfill Gas Turbine (kWh)	177,215	177,215	177,215	177,215
C	<u>Energy from Photovoltaic Array (kWh)</u>	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>
D	Total TEC Generated Renewable (kWh) (Lines A + B+ C)	774,000	1,182,000	1,326,000	1,470,000
Incremental Renewable Energy Expense					
E	Biomass Incremental Expense Using System Resources (\$/kWh)	0.0090	0.0090	0.0090	0.0090
F	Landfill-gas Generation Turbine Incremental Expense (\$/kWh)	0.0953	0.0957	0.0949	0.0953
G	Photovoltaic Array Incremental Expense (\$/kWh)	1.1446	1.1450	1.1442	1.1446
H	Biomass Incremental Expense (\$) (Line A x Line E)	\$ 5,205	\$ 8,875	\$ 10,170	\$ 11,465
I	Landfill Gas Turbine Incremental Expense (\$) (Line B x Line F)	\$ 16,896	\$ 16,961	\$ 16,814	\$ 16,891
J	Photovoltaic Array Incremental Expense (\$) (Line C x Line G)	\$ 20,603	\$ 20,610	\$ 20,595	\$ 20,602
K	<u>Program Incremental Administrative and Marketing Expense (\$)</u>	<u>\$ 60,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>
L	Total SmartSource Program Expense (Sum Lines H - K)	\$ 102,704	\$ 66,446	\$ 67,579	\$ 68,958
M	Contribution from ECCR	\$ 57,000	\$ 48,000	\$ 45,000	\$ -
N	Net SmartSource Expense (Line L - Line M)	\$ 45,704	\$ 18,446	\$ 22,579	\$ 68,958
O	SmartSource \$/kWh Expense (Line N / Line D)	\$ 0.0590	\$ 0.0156	\$ 0.0170	\$ 0.0469
P	SmartSource Participation - Blocks Sold (Line D / 100)	7,740	11,820	13,260	14,700
Q	Program Revenue (Line P x \$5)	\$ 38,700	\$ 59,100	\$ 66,300	\$ 73,500
R	Annual Net Revenue (Line Q - Line N)	\$ (7,004)	\$ 40,654	\$ 43,721	\$ 4,542

Projected Subscriptions

Month	Incr. Block Additions	Total Monthly Blocks	kWh per Block	Total kWh per Month	Cumulative Blocks	Cumulative KWh	Total
							Annual KWh
EOY 2003		320					
JAN	50	370	100	37,000	370	37,000	
FEB	50	420	100	42,000	790	79,000	
MAR	50	470	100	47,000	1,260	126,000	
APR	50	520	100	52,000	1,780	178,000	
MAY	50	570	100	57,000	2,350	235,000	
JUN	50	620	100	62,000	2,970	297,000	
JUL	50	670	100	67,000	3,640	364,000	
AUG	50	720	100	72,000	4,360	436,000	
SEP	50	770	100	77,000	5,130	513,000	
OCT	50	820	100	82,000	5,950	595,000	
NOV	50	870	100	87,000	6,820	682,000	
DEC	50	920	100	92,000	7,740	774,000	774,000
JAN	10	930	100	93,000	8,670	867,000	
FEB	10	940	100	94,000	9,610	961,000	
MAR	10	950	100	95,000	10,560	1,056,000	
APR	10	960	100	96,000	11,520	1,152,000	
MAY	10	970	100	97,000	12,490	1,249,000	
JUN	10	980	100	98,000	13,470	1,347,000	
JUL	10	990	100	99,000	14,460	1,446,000	
AUG	10	1000	100	100,000	15,460	1,546,000	
SEP	10	1010	100	101,000	16,470	1,647,000	
OCT	10	1020	100	102,000	17,490	1,749,000	
NOV	10	1030	100	103,000	18,520	1,852,000	
DEC	10	1040	100	104,000	19,560	1,956,000	1,182,000
JAN	10	1050	100	105,000	20,610	2,061,000	
FEB	10	1060	100	106,000	21,670	2,167,000	
MAR	10	1070	100	107,000	22,740	2,274,000	
APR	10	1080	100	108,000	23,820	2,382,000	
MAY	10	1090	100	109,000	24,910	2,491,000	
JUN	10	1100	100	110,000	26,010	2,601,000	
JUL	10	1110	100	111,000	27,120	2,712,000	
AUG	10	1120	100	112,000	28,240	2,824,000	
SEP	10	1130	100	113,000	29,370	2,937,000	
OCT	10	1140	100	114,000	30,510	3,051,000	
NOV	10	1150	100	115,000	31,660	3,166,000	
DEC	10	1160	100	116,000	32,820	3,282,000	1,326,000
JAN	10	1170	100	117,000	33,990	3,399,000	
FEB	10	1180	100	118,000	35,170	3,517,000	
MAR	10	1190	100	119,000	36,360	3,636,000	
APR	10	1200	100	120,000	37,560	3,756,000	
MAY	10	1210	100	121,000	38,770	3,877,000	
JUN	10	1220	100	122,000	39,990	3,999,000	
JUL	10	1230	100	123,000	41,220	4,122,000	
AUG	10	1240	100	124,000	42,460	4,246,000	
SEP	10	1250	100	125,000	43,710	4,371,000	
OCT	10	1260	100	126,000	44,970	4,497,000	
NOV	10	1270	100	127,000	46,240	4,624,000	
DEC	10	1280	100	128,000	47,520	4,752,000	1,470,000

3-Year Extension Period

Tampa Electric Company
Exhibit B
Requested Staff Analysis of Pilot Green Energy Program

**Smart Source Pilot Program
Proposed 3-Year Extension
Revised 1/30/04**

<u>Line</u>	<u>Description</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
A	Energy from Biomass (kWh)	266,785	410,785	554,785	698,785
B	Energy from Landfill Gas Turbine (kWh)	177,215	177,215	177,215	177,215
C	<u>Energy from Photovoltaic Array (kWh)</u>	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>
D	Total TEC Generated Renewable (kWh) (Lines A + B+ C)	462,000	606,000	750,000	894,000
Incremental Renewable Energy Expense					
E	Biomass Incremental Expense Using System Resources (\$/kWh)	0.0090	0.0090	0.0090	0.0090
F	Landfill-gas Generation Turbine Incremental Expense (\$/kWh)	0.0953	0.0957	0.0949	0.0953
G	Photovoltaic Array Incremental Expense (\$/kWh)	1.1446	1.1450	1.1442	1.1446
H	Biomass Incremental Expense (\$) (Line A x Line E)	\$ 2,399	\$ 3,694	\$ 4,990	\$ 6,285
I	Landfill Gas Turbine Incremental Expense (\$) (Line B x Line F)	\$ 16,896	\$ 16,961	\$ 16,814	\$ 16,891
J	Photovoltaic Array Incremental Expense (\$) (Line C x Line G)	\$ 20,603	\$ 20,610	\$ 20,595	\$ 20,602
K	<u>Program Incremental Administrative and Marketing Expense (\$)</u>	<u>\$ 36,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>
L	Total SmartSource Program Expense (Sum Lines H - K)	\$ 75,898	\$ 61,266	\$ 62,399	\$ 63,778
M	Contribution from ECCR	\$ 57,000	\$ 48,000	\$ 45,000	\$ -
N	Net SmartSource Expense (Line L - Line M)	\$ 18,898	\$ 13,266	\$ 17,399	\$ 63,778
O	SmartSource \$/kWh Expense (Line N / Line D)	\$ 0.0409	\$ 0.0219	\$ 0.0232	\$ 0.0713
P	SmartSource Participation - Blocks Sold (Line D / 100)	4,620	6,060	7,500	8,940
Q	Program Revenue (Line P x \$5)	\$ 23,100	\$ 30,300	\$ 37,500	\$ 44,700
R	Annual Net Revenue (Line Q - Line N)	\$ 4,202	\$ 17,034	\$ 20,101	\$ (19,078)

Projected Subscriptions

Month	Incr. Block Additions	Total Monthly Blocks	kWh per Block	Total kWh per Month	Cumulative Blocks	Cumulative KWh	Total Annual KWh
EOY 2003		320					
JAN	10	330	100	33,000	330	33,000	
FEB	10	340	100	34,000	670	67,000	
MAR	10	350	100	35,000	1,020	102,000	
APR	10	360	100	36,000	1,380	138,000	
MAY	10	370	100	37,000	1,750	175,000	
JUN	10	380	100	38,000	2,130	213,000	
JUL	10	390	100	39,000	2,520	252,000	
AUG	10	400	100	40,000	2,920	292,000	
SEP	10	410	100	41,000	3,330	333,000	
OCT	10	420	100	42,000	3,750	375,000	
NOV	10	430	100	43,000	4,180	418,000	
DEC	10	440	100	44,000	4,620	462,000	462,000
JAN	10	450	100	45,000	5,070	507,000	
FEB	10	460	100	46,000	5,530	553,000	
MAR	10	470	100	47,000	6,000	600,000	
APR	10	480	100	48,000	6,480	648,000	
MAY	10	490	100	49,000	6,970	697,000	
JUN	10	500	100	50,000	7,470	747,000	
JUL	10	510	100	51,000	7,980	798,000	
AUG	10	520	100	52,000	8,500	850,000	
SEP	10	530	100	53,000	9,030	903,000	
OCT	10	540	100	54,000	9,570	957,000	
NOV	10	550	100	55,000	10,120	1,012,000	
DEC	10	560	100	56,000	10,680	1,068,000	606,000
JAN	10	570	100	57,000	11,250	1,125,000	
FEB	10	580	100	58,000	11,830	1,183,000	
MAR	10	590	100	59,000	12,420	1,242,000	
APR	10	600	100	60,000	13,020	1,302,000	
MAY	10	610	100	61,000	13,630	1,363,000	
JUN	10	620	100	62,000	14,250	1,425,000	
JUL	10	630	100	63,000	14,880	1,488,000	
AUG	10	640	100	64,000	15,520	1,552,000	
SEP	10	650	100	65,000	16,170	1,617,000	
OCT	10	660	100	66,000	16,830	1,683,000	
NOV	10	670	100	67,000	17,500	1,750,000	
DEC	10	680	100	68,000	18,180	1,818,000	750,000
JAN	10	690	100	69,000	18,870	1,887,000	
FEB	10	700	100	70,000	19,570	1,957,000	
MAR	10	710	100	71,000	20,280	2,028,000	
APR	10	720	100	72,000	21,000	2,100,000	
MAY	10	730	100	73,000	21,730	2,173,000	
JUN	10	740	100	74,000	22,470	2,247,000	
JUL	10	750	100	75,000	23,220	2,322,000	
AUG	10	760	100	76,000	23,980	2,398,000	
SEP	10	770	100	77,000	24,750	2,475,000	
OCT	10	780	100	78,000	25,530	2,553,000	
NOV	10	790	100	79,000	26,320	2,632,000	
DEC	10	800	100	80,000	27,120	2,712,000	894,000

3-Year Extension Period