

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition to convert green power pricing research project to permanent program and to extend program to commercial customers, by Florida Power & Light Company.

DOCKET NO. 060577-EI  
ORDER NO. PSC-06-0924-TRF-EI  
ISSUED: November 6, 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 FLORIDA POWER AND LIGHT COMPANY'S  
GREEN POWER PRICING PROGRAM

BY THE COMMISSION:

Background

Green power pricing was first proposed as an area of study in Docket No. 941170-EG.<sup>1</sup> In Order No. PSC-95-0691-FOF-EG, this Commission encouraged Florida Power and Light Company (FPL) to consider green power pricing options "to promote the installation of solar water heating and other renewable measures during the program development and submittal stage of the conservation goals process." In subsequent Docket Nos. 960624-EG, In re: Petition for approval of Green Pricing Research and Development Project by Florida Power & Light Company and 971004-EG, In re: Adoption of numeric conservation goals by Florida Power & Light Company, FPL was authorize to research green power programs and filed a request for proposal (RFP) for renewable energy.

Many proposals were received from Qualifying Facilities (QF) which offered energy to FPL at prices in excess of FPL's avoided energy costs. As a result, FPL sought and received a declaratory statement from this Commission in Docket No. 020397-EQ which allowed FPL to pay a QF an amount equal to FPL's full avoided cost plus a premium borne by the customers who voluntarily participated in a green pricing program.<sup>2</sup>

<sup>1</sup> See, Order No. PSC-95-0691-FOF-EG, issued June 9, 1995, in Docket No. 941170-EG, In Re: Approval of demand-side management plan of Florida Power and Light Company.

<sup>2</sup> See, Order No. PSC-02-1059-DS-EQ, issued August 6, 2002, In Re: Petition for declaratory statement by Florida Power & Light Company that FPL may pay a Qualified Facility (QF) for purchase of renewable energy an amount representing FPL's full avoided cost plus a premium borne by customers voluntarily participating in FPL's Green Energy Project.

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During the course of the declaratory statement proceeding, FPL continued to study the feasibility of offering a green power program and discovered an alternative means of encouraging renewable resources that offered several advantages over the proposals FPL had received from its Request for Proposal (RFP). FPL decided to reject all bids received for the RFP and preceded with a Green Power Pricing Research Project (GPPRP) that employed Tradable Renewable Energy Credit (TRECs). TRECs are a relatively new marketing concept used to promote renewable energy resources. TRECs are essentially formed by separating the environmental attributes from the actual energy produced by qualifying renewable generating resources. The energy produced is purchased and flows over the grid in the same manner as any other energy, while the environmental attributes are sold separately in the form of tradeable financial instruments. TRECs may be marketed directly by renewable energy generators or by utilities which have purchased renewable energy with TRECs as a bundled product. The GPPRP was approved by this Commission in Order No. PSC-04-0047-CO-E1, dated January 16, 2004. The GPPRP went to market in November of 2004, as the Sunshine Energy program.

The customer costs and guidelines for the GPPRP were established by a special tariff, the Green Power Pricing - ECCR Rider, Original Tariff Sheet No. 8.841. Each participating customer was charged \$9.75 per month in addition to the customer's charges under the Residential Service rate schedule. In return for each \$9.75 customer contribution, FPL purchased TRECs associated with 1,000 kilowatt hours (kWh) of renewable energy. On August 29, 2006, FPL filed a Petition to convert the GPPRP to a permanent program and extend the offering to commercial customers. The GPPRP is currently set to expire on December 31, 2006. We have jurisdiction under Sections 366.04, 366.05, and 366.06, 366.80, 366.81, and 366.82, Florida Statutes.

#### Green Power Program (GPP)

Under the GPP, the customer costs and guidelines will be established by a special tariff, the Green Power Pricing - ECCR Rider, First Revised Tariff Sheet No. 8.841. This tariff sheet is included as Attachment A. The program cost and requirements are the same as in the GPPRP.

As part of FPL's currently approved DSM Plan, a Business Green Energy Research Project (BGERP) was approved by this Commission in Order No. PSC-05-0323-CO-EG, on March 21, 2005. The objective of the BGERP was to determine business customers' requirements and acceptance of the concept and investigate the availability of new renewable resources, which meet the customers' needs. FPL found that business customers desire a program that can balance their personal environmental beliefs with their business image, costs and profitability needs. Therefore, FPL proposes to expand the GPP to business customers.

Pursuant to the contract between FPL and Green Mountain Energy Company (GMEC), GMEC will continue to be the vendor for residential TRECs. GMEC is currently responsible for developing and constructing photovoltaic facilities in Florida for the GPPRP. This arrangement will continue under the permanent program until August 2013. FPL currently is in the process of securing a vendor to handle its commercial customers. These vendors contract with green energy producers to obtain contracts for the TRECs produced. Interested utilities, or, in some

cases, interested individuals, may then purchase the TRECs. However, once a TREC is sold to a participant in the proposed GPP, the TREC is retired. This prevents the same environmental attributes from being sold more than once.

FPL Energy, a subsidiary of FPL Group, Inc., is the largest United States generator of wind power. FPL stated that GMEC did not purchase any TRECs from FPL's affiliates during the GPPRP. We caution that any TRECs purchased from FPL's affiliates in the GPP must be purchased at market rates.

The GPPRP has approximately 25,286 residential participants as of the end of June 2006. In 2004, the first year of the GPPRP, expenses were \$476,590, with revenues of \$514,624, yielding a surplus of \$38,034. In 2005, the GPPRP experienced expenses of \$2,101,449 along with \$2,259,751 in revenues, yielding a surplus of \$157,302. The surplus in each year was used to lower overall Energy Conservation Cost Recovery Clause (ECCR) costs. Year-to-date August revenues exceed expenses by \$171,426. Some of the surplus dollars in 2006 are being used to construct a photovoltaic array at the Miami Museum of Science. In addition, GMEC is in the process of developing three new projects such as a 250 kW solar array in Sarasota's Rothenbach Park, which is scheduled for completion in the first quarter of 2007, funding for four schools in Broward County for their SunSmart School program, and connecting approximately 90 new homes for photovoltaic production.

Customers have responded favorably to the construction of solar projects, so FPL plans to continue this aspect of the program in the GPP. Furthermore, FPL has received requests regarding solar thermal systems. FPL believes as the program continues to grow, promotion and construction of solar thermal systems will also be considered to further develop solar capacity.

FPL proposes to record revenues and expenses for the project as a separate project in its ECCR clause filings and will prepare a status report of the project for each of its ECCR true-up proceedings. Assuming FPL's customer participation forecasts are correct, FPL expects revenues to exceed expenses every year. If FPL's participation forecasts are incorrect, and revenues fall short of expenses, FPL proposes that its administrative cost be recovered through the ECCR. Once revenues begin to exceed costs, FPL will first credit back the prior excess expenses with interest, through the ECCR clause. These procedures were utilized and approved by the Commission in the GPPRP, and we believe that these are appropriate procedures to be used for the proposed GPP. After these funds are returned, FPL plans to defer excess revenues as a regulatory liability and reinvest these revenues to increase participation, reduce the monthly fee to participants, or invest in renewable resources.

FPL has requested that it be authorized to establish a regulatory liability for recording the deferral of program revenues in excess of program expenses. Items recorded in Account 254, Other Regulatory Liabilities, represent 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. FPL'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 FPL's proposed GPP is hereby approved as part of FPL's DSM program. FPL's proposed GPP is designed to provide benefits for both FPL and its consumers by encouraging the development of renewable resources. TRECs from out-of-state projects are allowed to be purchased, but FPL must continue to be committed to a preference for Florida TRECs that encourages the development of renewable resources in the State. FPL has also committed to continue the development of 150 kW of photovoltaic capacity within Florida for every 10,000 participating residential customers. Finally, we find that Account 253 is the appropriate account to be utilized for recording the deferral of program revenues in excess of program expenses.

We believe the GPP advances the policy objectives of the Florida Energy Efficiency and Conservation Act, Sections 366.80 through 366.82, Florida Statutes, by encouraging renewable development which might not otherwise be cost effective. The GPP uses TRECs which help encourage increased renewable generation by adding an additional revenue stream to the renewable generator. However, since TRECs do not represent actual energy purchased, we find that the TRECs purchased under the GPP shall not be counted towards FPL's conservation goals.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's petition to convert its Green Power Pricing Research Program to a permanent Green Power Program is hereby approved as set forth herein. It is further

ORDERED that Florida Power & Light Company's petition to extend its Green Power Pricing Program to commercial customers is hereby approved as set forth herein. 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 October 24, 2006. It is further

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 6th day of November, 2006.

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

(SEAL)

KEF

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 November 27, 2006.

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.

FLORIDA POWER & LIGHT COMPANY

First Revised Sheet No. 8.841  
Cancels Original Sheet No. 8.841

GREEN POWER PRICING - ECCR RIDER

AVAILABLE:

In all territory served by the Company. This Green Power Pricing - ECCR Rider ("Green Power Rider") is limited to customers receiving service under an Applicable Rate Schedule.

APPLICATION:

Applicable, upon request, to Residential Service (RS-1) customers and in conjunction with the Residential Service (RS-1) rate schedule ("Applicable Rate Schedule"). Effective April 1, 2007 the Applicable Rate Schedules under this program will include Customers receiving service under and in conjunction with any of the following rate schedules: RS-1, RST-1, GS-1, CST-1, GSCU-1, WBS-1, GSD-1, GSDT-1, GSLD-1, GSLDT-1, CS-1, CST-1, GSLD-2, GSLDT-2, HLFT, CS-2, CST-2, CS-3, CST-3, GSLD-3, GSLDT-3, CILC-1, SST-1 and ISST-1.

CHARACTER OF SERVICE:

Customers shall purchase renewable energy credits associated with a 1,000 kWh block of power produced from: photovoltaic facilities, facilities utilizing biomass fuel, facilities using land-fill gas, facilities using wind, ocean currents, tides and other hydrological applications, and other renewable energy sources ("Green Power Credits") as approved by the Company. Effective April 1, 2007 Customers can purchase multiple increments of 1,000 kWh blocks.

LIMITATION OF SERVICE:

Customers requesting service under this rider will be accepted on a first-come, first-served basis subject to availability of Green Power Credits. If additional Green Power Credits are not available, Customers requesting service under the optional rider may request their name be put on a waiting list until additional Green Power Credits can be secured to serve their request. Any Customer under an Applicable Rate Schedule who has no delinquent balances with the Company is eligible to elect the Green Power Rider. A Customer may terminate participation of the Green Power Rider at any time and may be terminated from the Green Power Rider by the Company if the Customer becomes subject to collection action on this service account. Once a Customer's participation in the Green Power Rider has been terminated by the Company he/she may not rejoin the Green Power Rider for twelve (12) months following the date of termination. Resale of service is not permitted hereunder.

MONTHLY RATE:

Customers taking service under this rider shall pay a \$9.75 monthly charge for each 1,000 kWh block in addition to charges applied under the Applicable Rate Schedule. The charge under this rider may be changed in future conservation cost recovery proceedings. All other applicable charges, including, but not limited to the customer charge, base energy charge, base demand charge, fuel cost recovery, capacity cost recovery, conservation cost recovery and environmental cost recovery will be based on the Customer's otherwise Applicable Rate Schedule. Upon election of the Green Power Rider, the Green Power charge will not be prorated if the billing period is for less than a full month. Upon termination of the Green Power Rider, no Green Power charge will be assessed in the month in which service is terminated if the billing period is for less than a full month.

TERM OF SERVICE:

Not less than one (1) billing period.

SPECIAL PROVISIONS:

A Customer moving from one service address to another may have the Green Power Rider election transferred from the former to the new address.

RULES AND REGULATIONS:

Service under this rider is subject to orders of governmental bodies having jurisdiction and to the currently effective "General Rules and Regulations for Electric Service" on file with the Florida Public Service Commission. In case of conflict between any provisions of this schedule and said "General Rules and Regulations for Electric Service" the provisions of this rider shall apply.