



Green Pricing Newsletter

Number 1, October 1995

WELCOME to the *Green Pricing Newsletter*. Our purpose is to provide people interested in Green Pricing with current information about program development and, in future issues, to provide a forum for the exchange of related ideas. If you would like to include information or receive a copy of the newsletter, contact Ed Holt at The Regulatory Assistance Project.

In utility, regulatory and environmental circles, there has been widespread interest in promoting non-polluting, renewable resources. Integrated resource planning has been pursued as one means of encouraging utilities to look at a wider variety of energy resources, including renewables. Resource plans should include all cost-effective renewable resources.

How can we accelerate the development of renewables beyond those included in the utilities' IRPs? One approach is called Green Pricing. Green Pricing is the term given to an optional, environmentally-preferred service that electric utilities can offer consumers. Market research shows that most consumers like the idea of utilities acquiring more renewable energy resources, and they also like being able to choose whether to purchase renewables.

A second feature of Green Pricing is that consumers who choose to buy this optional service pay a price premium just to know that they are causing less environmental degradation by their electricity use. Market research also shows that a significant proportion of consumers are willing to pay a 5 to 15 percent premium over their current electric bills for the satisfaction of purchasing these green kWh.

The reason for the price premium is not because renewables are inherently expensive, but because Green Pricing assumes that a utility is already purchasing all cost-effective renewables as part of its least-cost plan. In fact, the price premium will be based on the difference between the cost of the utility's least-cost plan and a plan that includes more renewables. So a third feature of Green Pricing is that it results in the utility relying more on renewables than would otherwise be cost effective.

Finally, Green Pricing is a renewable energy product offered by a utility or other energy supplier. This is different from other efforts to encourage renewables, such as charitable contributions. While charitable contributions are nice, the connection between the

contribution and the product received by the donor is weak. Green Pricing, on the other hand, establishes a direct linkage between the purchase and consumption of renewable energy.

For a more complete description of the Green Pricing concept, see "Green Pricing: Why Not Customer Choice?" by David Moskowitz, in the *Electricity Journal*, October 1993.

Summary and Utility Contacts

A number of utilities, renewable energy advocates and others are interested in Green Pricing. Two utilities, Sacramento Municipal Utility District and Traverse City Light and Power, already have Green Pricing programs in place. Public Service of Colorado offers a renewables option based on a charitable approach. Still other utilities are conducting market research.

Utility Name: *Sacramento Municipal Utility District*

Contact: Don Osborne SMUD

P O Box 15830

Sacramento CA 95852-1830

Telephone: (916) 732-6679

Fax: (916) 654-3138

Program Type and Status: Customers signing up for the PV Pioneers program agree to pay a 15 percent premium, about \$6 per month, for photovoltaic-generated electricity from a 4 kW PV system installed on their roof-tops. SMUD purchases, owns, installs and operates the grid-connected PV systems. In the first year (1993), about 400 kW roof-top systems were installed for 108 customers. In 1994, SMUD's goal is to install the same capacity on a similar number of homes. Marketing has been done using word of mouth from existing PV Pioneers, news releases and billing inserts.

For each year 1995-1997, the utility plans to continue adding about 100 PV Pioneers to the program. The hope is that this steady demand will contribute to sustained orderly development of the PV industry, through cost reductions from mass production and through the opportunity to modify the design as more is learned about practical application of this PV technology.

Utility Name: *Traverse City Light and Power*

Contact: Steven B. Smiley

Bay Energy Services

P.O. Box 308

Traverse City, MI 49685-0308

Telephone: (616) 922-0848

Fax: (616) 922-0844

Program Type and Status: Approved in November 1993 with a \$50,000 grant from the Michigan Public Service Commission, this project is based on one 500 kW wind turbine. The utility previously completed a wind resource assessment and estimated that this turbine would produce 1.1 million kWh annually. From this they calculated a need for 200 subscribers (out of 8,000 customers). Full enrollment was reached in June 1994 after marketing first through news paper articles and ads and then via a direct mail solicitation. The wind machine will be installed in spring 1995 and is expected to begin generating by May. Once operations begin subscribers will be assessed a 1.58¢/kWh premium on top of their current rate of about 7¢/kWh. Subscribers are asked to make a commitment of three years (residential) and ten years (commercial).

Utility Name: *New England Electric System*

Contact: Arthur Pearson

New England Electric System

25 Research Drive

Westborough, MA 01582

Telephone: (508) 366-9011

Fax: (508) 366-6551

Program Type and Status: A focus group conducted in August 1992 unanimously supported increasing renewables in the utility's resource mix. The voluntary concept afforded by Green Pricing was appealing to many customers. Follow-up market research is currently collecting responses to the program concept from 200 to 400 residential customers. Customers are being contacted first by telephone and subsequently by mail.

Utility Name: *Niagara Mohawk Power Corporation*

Contact: Janet Dougherty

Corporate Strategic Planning C-1

300 Erie Boulevard West

Syracuse, New York 13202

Telephone: (315) 428-6818

Fax: (315) 428-3103

Program Type and Status: The Company has proposed to offer a voluntary program to its 1.3 million residential electric customers in 1995. Customers would pay an extra \$6 monthly. Of this, Niagara Mohawk would use \$5 to fund procurement of renewable resources and \$1 to fund tree planting projects in urban and rural locations through out its service territory.

The program would be regulated through the New York State Department of Public Service. Shareholders would agree to forego any profit on the subscription dollars. The program would be self-sustaining, with administrative and marketing costs charged back to the project. No subsidies would be provided from non-subscribers.

Utility Name: *Public Service Company of Colorado*

Contact: Monique Lovato

Public Service Co. of Colorado

1225 17th Street Suite 2000

Denver, Colorado 80202

Telephone: (303) 294-8907

Fax: (303) 294-8120

Program Type and Status: The Renewable Energy Alternatives Program is a non-regulated, working program offered to one million residential gas and/or electric customers for the purpose of funding renewable energy hardware projects. The 5,600 participants to date were solicited primarily through bill inserts in 1993 and 1994.

Customers are allowed to contribute any amount they choose. The contribution may be monthly or in a lump sum. Customers can exit the program through a phone call to the utility. Thus far, the roughly \$112,000 collected has funded small photovoltaic (PV) projects.

The major lesson learned is that participation hinges on customer awareness. The major challenge is how to create this awareness. Although no program funds are used for advertising or marketing, \$50,000 from a separate advertising budget has been used to promote the program. In addition, the Company is piggybacking on existing communication efforts and seizing local media opportunities.

Utility Name: *TransAlta Utilities Corporation*
Contact:

Roger Wellmann

TransAlta Utilities Corporation

110 12th Avenue SW

Calgary, Alberta T2P 2M1

Telephone: (403) 267-4951

Fax: (403) 267-4740

Program Type and Status: Recently focus groups were conducted with residential electric customers and industrial customers were surveyed to determine customer interest in a Green Pricing program.

Based on the results of the research, the Company intends to decide in the near future whether or not to go forward with the program.

Utility Name: *New York State Electric & Gas Corporation*

Contact: Ann Marie Reynolds

NY State Electric & Gas

P.O. Box 5224

Binghamton, NY 13902-5224

Telephone: (607) 762-8870

Fax: (607) 762-7770

Program Type and Status: A survey of 3,000 residential electric customers was sent out in July-August 1994 to test interest in Green Pricing. Follow-up will depend on results.

Utility Name: *Southern California Edison Company*

Contacts: Robin Walther

Southern Calif. Edison Company

2244 Walnut Grove Avenue

Rosemead, California 91770

Telephone: (818) 302-9653

Fax: (818) 302-4841

Program Type and Status: Two years ago the Company worked to develop a comprehensive Green Pricing program focused on residential customers and targeting a wide variety of renewable technologies. This program has been placed on hold.

In March 1994, SoCalEd announced a memorandum of understanding with Kene tech to develop a program, similar to Green Pricing, targeted specifically at wind resources. Currently, the Company is working out contract details and designing the program. In the next two to three months, customer research will be undertaken with all customer groups to determine interest levels.