The Regulatory Assistance Project

GREEN PRICING NEWSLETTER

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Disclosure and Certification

There are two compelling reasons for marketers of "green" power, whether utility or non-utility, to be very careful about environmental claims:

1) It's the law! State and Federal laws make it a crime to make an express or implied environmental claim that is not supported by reasonable competent and reliable scientific evidence.

2) The green market can be spoiled by even a few well-publicized false claims.

We firmly believe that all green marketers should insist that every power supplier, green or not, be required to disclose the environmental attributes of the power they sell. We also believe that green suppliers should support efforts to create a nationally-recognized credible standard for green power much like the Green Seal endorsement on many consumer goods or the certification of lumber harvested from sustainably managed forests.

The New Hampshire Example

In May 1996 the New Hampshire retail competition pilot program began its feeding frenzy of marketing and pricing competition. With about two dozen suppliers chasing 17,000 residential, commercial and industrial customers, the advertising has been intense. Customers have been inundated and confused with direct mail, telemarketing, print ads and radio and television advertising.

Of about 15 suppliers marketing to residential customers, one-third evoke an appeal to environmental values by calling attention to the environment. Some offer energy efficiency tips or power from energy resources that are claimed to be environmentally benign. Three suppliersdirect attention to the source of power: Green Mountain Energy Partners, Northfield Mountain Energy and Working Assets Green Power.

Green Mountain Energy Partners offers predominantly hydro energy from a partnership with Quebec Hydro and states that it is 97.5 percent free of greenhouse gases. Northfield Mountain Energy describes its pumped storage hydro project at a beautiful recreational area, but "Where you see a breathtaking vista, we see megawatts... Water is pumped up the mountain at night and flows down during the day to generate low-cost power." Working Assets Green Power lists the resources it does *not* use: nuclear power, coal or Hydro-Quebec.

The accuracy of the environmental claims is dubious because they do not tell the full story. The Hydro Quebec projects have been criticized for their destructiveness of Native American lands; the pumped storage may rely on nuclear power or coal to pump the water back to the top of the hill; and it is not clear how Working Assets, which buys its power from New England Power Company, avoids the power produced from New England Power's share of Hydro-Quebec or its coal and nuclear plants.

The New Hampshire experience shows that steps need to be taken to make green claims credible and useful.

Credibility and Consumer Protection

There are two related ways to help consumers make rational, informed choices. The first is for state regulators to require disclosure by all suppliers of their energy resource mix. Disclosure could be based on the previous year's or six months' record. For example, a supplier purchasing from a power pool would report a resource mix reflecting the average for the pool. The disclosure might be required as part of advertising, part of a standard prospectus, as well as a periodic bill insert. With this data, customers would be more informed about what resources are supplying their power.

The second approach is optional certification that the power offer meets certain objective environmental standards. The certifying organization would independently substantiate the claims of power source or environmental benefit and would provide a rating or label which could apply to the power supply offer, the power supplier or a specific brand name of power. Suppliers who are able to meet these standards would be able to use its certification as a marketing tool that could provide a competitive edge.

The impossibility of tracing particular electrons from generator to customer does not prevent meaningful disclosure. After all, it is possible to meter buyers and sellers and trace dollars from one to the other. The electric utility industry has a long history of making sure that generators get paid for deliveries. And for certification, green power marketers will need to trace the same transactions to be able to substantiate their claims. The coming of regional power pools and ISOs can make the task easier and more transparent.

Possible Disclosure Formats

If you were a regular customer of Gotham City Light & Power your label might look like this:

Fuel Facts

Gotham City Light & Power

Standard Customer Power Mix

Coal	34
Natural Gas	51%
Oil	8%
Hydro	7%
Wind	0%

If you bought green power from Gotham City Light & Power your label would look like this:

Fuel Facts

Gotham City Light & Power

Green Customer Power Mix

Coal	0
Natural Gas	0
Oil	0
Hydro	0
Wind	100%

Green Pricing Program Updates

Northern States Power

In December 1995 NSP announced its Solar Advantage Program with an article on the back page of a newsletter that goes out with customer bills. Over 250 residential customers responded with a willingness to pay $50 per month to have a 2 kW

photovoltaic system installed on their rooftops. From these NSP selected 17 based on characteristics of the homes and budget constraints.

NSP pays for, installs and maintains the system, and participants must sign up for five years. At the end of this time, customers have three options: (1) Sign another five-year contract, at the end of which they may purchase the system for $1. (2) Purchase the system from NSP for $3,000. (3) Have NSP remove the system.

The customer premium is one-quarter to one-third of the total cost. The U.S. DOE, via a UPVG Team-Up grant, and NSP ratepayers pay the remainder.

While the premium is the highest we have yet seen, the Solar Advantage appears attractive because customers are credited with the PV energy (participants are net metered so their additional monthly payment is really about $36), and because participants may eventually buy the PV systems. Both add value to the product.

Wisconsin Public Service

In February 1996 Wisconsin Public Service (WPS) launched SolarWise for Schools. The goal of SolarWise is to install a 12 kW photovoltaic system on every feasible high school rooftop in WPS's service territory. The schools receive the electricity produced (estimated value of $2,100 per year per school); a curriculum on solar energy and PV systems; performance data on each system for students to analyze; and a utility home page that will feature student projects and which is linked to in-depth solar information resources on the world wide web.

SolarWise is a contribution program in which customers are given three donation options: $4, $2 or $1 per month. A contribution reminder is shown on the bill. WPS ratepayers and federal funds also support the projects. Contributions are tax-deductible.

Marketing is targeted to segments that were identified by a marketing database as having a willingness-to-pay that is more than two times higher than other customer segments. In addition, a bill stuffer was included in allresidential customer bills. Participation after one direct mail and a bill insert has resulted in an annualized contribution of over $21,000 from 1,050 participants contributing an average of $1.71 per month.

This program is capitalizing on the visibility of schools and their importance in providing a community focus. Other strengths include the program's targeted marketing, its simplicity (ease of entry and exit), and tax deductibility.

Wisconsin Electric Power Company

In June, Wisconsin regulators approved a green rate proposed by WEPCO, whose objectives are to test the market, educate consumers and help the market to develop. Participants will pay an additional 2.04› per kWh for power from hydro dams operated by Manitoba Hydro and Ontario Hydro, and a Minnesota Power & Light biomass plant that

burns wood pulp that would otherwise go into a landfill. Although these are existing facilities, the biomass plant had not generated electricity for over ten years, and the hydro plants have been underutilized.

WEPCO gives customers the option of purchasing 100, 50 or 25 percent of their electricity from these sources. A customer with a $40 monthly bill will pay a premium of $12, $6 or $3 depending on the level chosen. Customers choosing the 100 percent option will see a 30 percent increase in their bills.

When the program was approved it was criticized by local environmental groups for selecting renewable projects from out of state. As a result, WEPCO and the environmental groups are now sitting down together to evaluate potential new resources.

WEPCO hopes to attract 7,600 customers in the first year. The company began testing a combination of direct mail and telemarketing in late August. Specific results are not yet available.

Fort Collins Light & Power

The City of Fort Collins (Colorado) Light & Power has recently offered its customers the chance to buy wind power. Most of Fort Collins's power currently comes from coal.

The community, including some city officials, have been seeking alternatives to fossil fuel power generation, and with improved wind technology and the declining cost of wind power, that goal is finally within reach.

In a pilot program announced in September 1996, Fort Collins began soliciting interest in becoming a wind subscriber for a small increase in electric bills, described as "no more than two cents per kilowatt-hour." The average residential customer now pays about six cents per kWh, so the premium could be as high as one-third. On a monthly basis, this could add about $10 to a residential customer's bill.

Participating customers will buy the equivalent of all of their power from wind. The utility estimates it needs about 350 subscribers to support one 750 kW turbine. If enough customers sign up , the city will purchase up to three turbines, each of which is estimated to cost $1 million.

Both residential and business customers are eligible to participate. They will be asked to agree to a three-year purchase. This first solicitation is open until November 22, after which Fort Collins will decide whether to proceed with development.

The project will be developed jointly with Platte River Power Authority, Fort Collins' wholesale supplier. Medicine Bow, WY is the primary site under consideration, although there are alternatives in northern Colorado.

Other News

Two states have adopted legislation supporting green pricing. In 1995 the Nevada legislature passed a law which encourages its major electric utilities to offer customers an optional green rate for electricity derived from renewable energy resources. Nevada Power and Sierra Pacific Power have not yet announced their plans.

More recently, the California restructuring bill that was passed in late August contains a provision requiring each utility to "allow customers to make voluntary contributions through their utility bill payments as either a fixed amount or a variable amount" to support renewable resources. How the revenues will be spent must be determined by the California Public Utilities Commission.

Will these legislative statements make a difference? If the utilities perceive the offer of green power as in their self-interest, they probably do not need legislation to tell them to do it. If they are less than enthusiastic about green power, however, a half-hearted effort can be worse than no effort at all. Since the California law is a requirement, how it is implemented by the CPUC will be critical.

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