



July 3, 2008

VIA ELECTRONIC DELIVERY

Hon. Matthew M. Carter II, Chairman
Hon. Nancy Argenziano, Commissioner
Hon. Lisa Polak Edgar, Commissioner
Hon. Katrina J. McMurrian, Commissioner
Hon. Nathan A. Skop, Commissioner
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Docket No. 070626-EI: Review of Florida Power & Light Company's Sunshine Energy Program

Dear Chairman Carter, and Commissioners Argenziano, Edgar, McMurrian and Skop:

I am writing to express my concern about the manner in which Green Mountain Energy Company and the Florida Power & Light Sunshine Energy® program were portrayed during the Public Service Commission Agenda Meeting on Tuesday, July 1, 2008.

Green Mountain is one of the oldest, largest and most respected companies in the green power industry. Green Mountain has been serving green electricity products to retail electric customers since 1997. In addition, Green Mountain provides marketing services and green supply to three of the Top Ten utility green pricing programs in the U.S., as ranked by the National Renewable Energy Laboratory (NREL) of the U.S. Department of Energy (DOE). As you may know, there are more than 800 utility green power programs offered nationwide. Green Mountain has also been a recipient of numerous national honors, including Green Power Leadership awards by DOE and the U.S. Environmental Protection Agency (EPA).

In 2003 Green Mountain was selected by FPL to develop and manage the *Sunshine Energy* program based on the strength and merit of our proposal, as well as our record of success in creating consumer demand for renewable energy.

Our contract with FPL called for Green Mountain to design a reasonably-priced and marketable green power product for residential customers, to conduct marketing activities subject to FPL review and approval, to supply renewable energy credits to match customer purchases, and to cause 150 kilowatts (kW) of new solar capacity to be built for every 10,000 customers. Green Mountain has met every one of these obligations.

We designed a product that has the most renewable energy content at a low price. The *Sunshine Energy* block product of 1,000 kWh contains the most renewable energy content among similar utility green pricing offerings according to NREL, and one of the lowest premiums in the industry. According to NREL, the average premium price among utility green power programs nationwide is 2.12 cents per kWh. The rate for *Sunshine Energy* is less than a penny per kWh, at 0.975 cents per kWh.

Green Mountain has deployed marketing campaigns and built cost-effective sales channels that have grown the *Sunshine Energy* program customer base from zero to more than 38,000 participants.

Green Mountain has delivered under the *Sunshine Energy* program more than one million megawatt hours of energy generated from cleaner sources like bioenergy, wind and solar. Further, *Sunshine Energy* has provided demand for well over 300,000 megawatt hours of Florida generated renewable energy to date - - a market that otherwise may not have existed without the customer demand created by the program.

Finally, 492 kilowatts of new solar electric generation in Florida has been built with support by the program so far - - including the largest solar array built to date in the Sunshine State.

The *Sunshine Energy* program was defined by our customer, FPL, and was reviewed and approved by the FPSC, first in 2003 as a pilot program, and again on a permanent basis in 2006. The structure of the *Sunshine Energy* program is consistent with the more than 800 other utility green pricing programs across the U.S. What is not typical is the success the *Sunshine Energy* program has had compared to most other similar programs. *Sunshine Energy* has been ranked among the Top Ten utility green pricing programs in the U.S. by the federal government for four consecutive years. *Sunshine Energy* has also received a Green Power Leadership Award from both the EPA and the U.S. DOE.

Achieving this level of success comes by investing heavily in growth in the early stages of the program, with the investment to be recouped in future years. Green products do not sell themselves. It takes sizable investment in market development, sales and supply to go from zero customers to tens of thousands of program participants.

Early in these types of utility green pricing programs, marketing development is especially significant. It is important to understand that Green Mountain alone provided the capital to pursue the marketing activities in the *Sunshine Energy* program and has borne all the risk associated with these expenditures. If marketing expenditures did not lead to the successful acquisition of customers, Green Mountain has borne that loss entirely. For customers that were successfully acquired, it took approximately 20 months for Green Mountain to recoup costs incurred. This upfront investment is the reason Green Mountain negotiated a 10-year contract term with FPL, as well as early termination provisions which essentially compensate Green Mountain for costs incurred in the successful acquisition of customers. Over the life of the program to date, Green Mountain has spent more than 100% of the funds paid to us by FPL. It wasn't until four years into the program, in 2007, that Green Mountain made any meaningful progress in recouping its earlier investments.

Green Mountain has not "pocketed millions of dollars" from the program. Those dollars have been spent to grow the number of customers participating in the program, which in turn has supported an increasingly larger amount of generation from cleaner and pollution-free sources, as well as the installation of new solar electric projects in Florida.

Having described our contract with FPL and our efforts to make *Sunshine Energy* successful, I would like to directly address several of the many instances of incorrect information presented in last Tuesday evening's proceedings.

A concern was raised about Green Mountain's association with an FPLE-owned wind farm in Garrett, Pennsylvania. Green Mountain's contract with the Garrett wind farm pre-dates any interest which FPLE has in the facility. In 1999, Green Mountain entered into a long-term Power Purchase Agreement (PPA) with the developer, National Wind, which had no relationship to FPLE. In 2002, National Wind sold the facility to FPLE, assigning Green Mountain's PPA as part of the transaction. We had no involvement or influence in that deal. Nor did we have any right to prevent the transaction. I draw an analogy to a consumer taking a mortgage with a lender, and the loan is subsequently sold to another lender at some later date.

An inference was made that there is an improper relationship between Green Mountain and FPLE based on a transaction which Green Mountain entered into to purchase RECs from a wind power

facility owned by FPLE. First, the transaction was an "arms-length" RECs purchase at market price from a wind power facility in which FPLE has an ownership interest, a transaction which was entirely permissible under our contract with FPL. Second, that transaction was made through a third party broker, and not directly between FPLE and Green Mountain. Deals through brokers are agreed to prior to Green Mountain's learning the identity of the third party seller. The details of that transaction were provided to the FPSC earlier this year, and more recently to the Auditor. Finally, given that FPLE is the largest generator of wind in the U.S. and Green Mountain is one of the larger purchasers of renewable energy in the country, it is no surprise that Green Mountain may transact with FPLE for the purchase of RECs from time to time.

In another instance, reference was made to an issue Green Mountain settled in 1999 with the Pennsylvania state government. At that time, we mistakenly omitted the gross receipts tax in a retail rate comparison presented on some of our marketing material. We corrected those materials and paid a fine. Subsequently, we enjoyed many years of growth in the Pennsylvania electric market, including being awarded that State government's first ever green power purchase contract.

I understand a video clip was shown last Tuesday night in which we describe one of the sales channels we have developed in Texas. There appears to have been an effort to suggest that this sales channel is some kind of questionable marketing "scheme." The Green Mountain Energy Network is a direct sales channel that enables Texas residents to do something positive for the environment and also earn income for promoting a cause they care about. This is a new sales channel for Green Mountain and is used by many other companies in many industries. We have never used this channel as part of our efforts in Florida.

Finally, there was an allegation in last Tuesday evening's dialogue that the *Sunshine Energy* program has been veiled in a "shroud of confidentiality." Over the course of nearly 11 years we have developed proprietary expertise second to none. We have a legitimate interest in protecting the confidentiality of this competitively sensitive information, as permitted by Florida law. Notwithstanding, Green Mountain voluntarily disclosed an unprecedented level of proprietary and competitive business information to Staff and the Auditor, well beyond what our contract requires us to disclose. Unlike a regulated utility, Green Mountain must compete vigorously with other companies in the green power market. In the spirit of cooperation with FPSC, we quite literally opened our *Sunshine Energy* books to you - - at great risk to our future competitive position in the green power industry. In fact, we offered to host the Auditor at our headquarters in Austin, Texas to share any information that would allay the FPSC's concerns about the program operations. To insinuate information was being secreted, in contrast to the full breadth of the disclosures we provided to the Commission, is incorrect and unfair to our company.

Green Mountain's management of the *Sunshine Energy* program has been stellar by industry standards. The *Sunshine Energy* program delivered on its promises and is serving the best interests of participating customers. The *Sunshine Energy* program has given tens of thousands of FPL customers a verifiable mechanism to reduce their carbon footprint by more than one billion pounds of carbon dioxide emissions.

We stand by our performance, and we are proud of having built one of the leading green pricing programs in the country for FPL and its customers.

Respectfully,



Paul Thomas
President & Chief Executive Officer
Green Mountain Energy Company

cc:

Dr. Mary Bane, Executive Director, Florida Public Service Commission
Michael Cooke, General Counsel
Ann Cole, Clerk