

 **CLIENT STORY**

## How MCR Helped a Southern IOU Develop a Green Energy Tariff as Part of Securing Renewable Load

### Background

A Southern vertically integrated electric company was signing a power purchase agreement (PPA) to secure renewable load. As part of that process, they wanted to know whether a specific tariff for renewable energy would be acceptable to both customers and regulators, and whether it made business sense for the company to pursue for this renewable load.

The company needed help investigating green tariff options. Having used MCR to conduct other research and analysis projects, they called on MCR to research and propose suggestions for a green tariff.

### Approach

Our client wanted to understand what tariff option would be best for its customers to use under this renewable PPA. So MCR conducted an extensive study of the markets for green tariffs and renewable energy credits (RECs) locally and regionally, leveraging research already completed by the utility. We developed a presentation for senior management describing the basics of RECs and green tariffs, as well as green tariff offerings utilized by utilities in their region and in the rest of the United States.

MCR also researched the local jurisdictional authority, examining the dockets, testimony, and orders for other local utilities that had already implemented green tariffs. This information was consolidated to give a complete but summarized view of the regulatory climate for green tariffs. For the utility's jurisdiction, we were able to show which green tariff options had been successfully implemented, the outlook given by the regulators and their staff on green tariff options, how the local REC market would affect the choice made by the utility, how RECS were accounted for, and what customers were specifically looking for from a green tariff.

Based on this research, we focused on four types of green tariffs that are commonly used and accepted by regulators and customers.

- **Green Power Products.** The utility procures renewable energy for customers who select this option, either through new construction or on the open market. These customers pay a premium on top of their normal bill to cover the cost of both the renewable energy and the administrative costs of the program.
- **Sleeved PPA Services.** Utility customers enter into a PPA with a renewable energy provider. The utility handles the transfer of money and energy to and from a renewable energy

project on behalf of the buyer. If the energy does not cover the buyer's needs, the utility is responsible for supplying the additional power. The customer either pays a premium or receives a discount on their normal electric supply charges, depending on the terms of the PPA.

- **Subscription Services.** The utility procures renewable energy for its customers, either through new construction or on the open market. The procured energy is divided into blocks of capacity or facility output, which are sold to customers at a fixed price. Customers receive a credit on their utility bill for energy provided by their subscribed number of blocks.
- **Virtual PPA Programs.** This type of tariff is normally utilized by renewable developers. Customers enter into multi-year bilateral energy contracts to pay for the energy produced by the developer at a fixed price. The developer then sells the energy on the open market. The difference between what the energy was sold for and what the customer paid for the energy is either credited to or subsequently charged to the original customer.

## Results

MCR recommended that this IOU move forward with a green power product, as these products are the easiest to implement, are most accessible to all customers, and have a proven track record in our client's jurisdiction. The client accepted MCR's recommendation and is expected to file the green tariff once other regulatory priorities are resolved.



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