Green Power: Buyer Beware
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It's one of the latest ways big business claims to be curbing global warming: More than 750 utilities across the country now offer customers the chance to pay a premium on their electricity bills to generate "green power." But it turns out that, in many cases, most of the money goes for marketing costs, and little can be traced to the generation of additional renewable energy.

Lisa Baker of Atlanta jumped at the opportunity last summer to protect the environment when Georgia Power invited consumers to pay extra to "help bring more renewable power to Georgia." Paying the minimum annual premium of $54 "is equivalent to planting 125 trees or not driving 2,000 miles," the utility, a unit of giant Southern Co. (SO), boasts on its Web site. Baker, a 33-year-old freelance writer, joined more than 4,000 other customers who signed up for the Green Energy program. "I wanted [the utility] to know there's a market for renewable power," she says.

But public records show that more than 60% of the $239,000 spent during the second quarter of 2007, when Baker signed up, went to advertising and administration. "They are preying on people's good will," says Stephen Smith, executive director of the Southern Alliance for Clean Energy, an advocacy group in Knoxville.

Georgia Power says the 60% figure has now dropped to only 15% of overall costs. The company adds that much of the rest goes to purchases from a local landfill that generates methane from decomposing garbage.

But buying gas-powered electricity from the landfill doesn't appear to achieve any additional environmental benefit: The renewable gas-from-trash is now actually less expensive than conventional sources like coal. "Any utility would use the landfill gas [without customers' green premium]. It's a no-brainer," says Smith.

Georgia Power counters that electricity generated by landfill methane was more expensive than other power when the program began in 2006. In addition, the company says it aims to reduce the green premium by as much as 22%.

More than 600,000 U.S. households have signed up for utility-sponsored programs claiming that they reduce greenhouse gas emissions that contribute to climate change. That's nearly double the figure from 2004, according to the federally funded National Renewable Energy Laboratory in Golden, Colo.

But given their eagerness for environmental bragging rights, many of the power companies are strangely reluctant to explain with specificity how extra payments from consumers produce green energy that wouldn't be generated otherwise.

"ALL ABOUT PR"

In July the Florida Public Service Commission pulled the plug on Florida Power & Light's green energy program after an audit found that more than half of the premiums collected went to marketing and administration instead of renewable energy purchases. The program, known as Sunshine Energy, had more than 38,000 participants paying an additional $9.75 a month. In a regulatory hearing in July, Public Service Commissioner Nathan Skop described the program as "all about PR and of little substance."

Florida Power & Light staunchly defends the program, arguing that billboards, newspaper ads, and bill inserts were needed to alert consumers. The utility says that the rest of the money went to new solar-power installations and the purchase of renewable energy credits. RECs are certificates indicating that a green power developer, such as a wind farm, has generated environmentally friendly energy. Purchasers of RECs take credit for funding the clean power. Florida Power & Light won't disclose, however, most of the sources that supplied RECs to its Sunshine Energy program, citing confidentiality obligations.

Utilities devoting only a modest slice of voluntary green premiums to renewable power generators is something of a pattern. Duke Energy's (DUK) GoGreen Power program in Indiana has signed up more than 1,100 customers, who pay a premium of at least $5 per month. According to Duke's marketing literature: "Purchase of GoGreen power ensures that a specified amount of electricity is produced from renewable sources." But records for 2007 reveal less than 18% of the premiums, or about $15,800, went to brokers to buy RECs; 48%, or $42,950, went to marketing the program.

Duke says that while it has had to spend significant amounts to recover GoGreen's start-up costs, the program has nevertheless already contributed to protecting the

environment.

FOLLOW THE MONEY

For customers willing to shell out a little extra on each month's bill, utilities are promising to foster renewable energy. However, a good portion of that money is going to marketing

COMPANY	PROGRAM	REALITY CHECK
Florida Power & Light	Sunshine Energy 38,308 customers	Less than one-half of consumer contributions went to renewable energy projects; program killed
Georgia Power	Green Energy 4,042 customers	Customers pay a premium, but green energy is actually cheaper than conventional alternatives
Duke Energy (Indiana)	GoGreen 1,156 customers	Less than 18% of voluntary consumer contributions last year went to renewable energy development
Alliant Energy (Iowa)	Second Nature 7,656 customers	More than 56% of expenditures went to marketing and administration costs, not green energy
Dominion (and others in North Carolina)	NC GreenPower 14,086 customers	Only 19% of program spending last year was directed to renewable energy projects

Data: Company reports, utilities commission filings, *BusinessWeek* research

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