BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

IN THE MATTER OF PROPOSED SCHEDULE 70–NEW WIND, GEOTHERMAL AND SOLAR POWER RIDER OF PACIFICORP, dba UTAH POWER AND LIGHT COMPANY	)))))))	PURSUANT TO DOCKET NO. 00-035-T01

COMMENTS OF
THE OFFICE OF ENERGY AND RESOURCE PLANNING

The Office of Energy and Resource Planning (OERP) wishes to acknowledge PacifiCorp's efforts to meet its' merger commitment by offering a *green pricing* tariff with their filing of Schedule 70–New Wind, Geothermal and Solar Power Rider. OERP believes utility investments in renewable energy provide direct benefits to the environment and electric system. If designed and marketed properly the *green pricing* program supported by this filing has the potential to contribute significantly to improving Utah electricity consumers awareness of the benefits of renewable energy technologies, increasing consumer confidence in renewable-based electricity products and expanding markets for these products in PacifiCorp's Utah service territory.

In 1999 the OERP participated with other interested parties, including the Company, in the Commission's *Energy Efficiency and Renewable Energy Task Force* (Task Force). The Task Force met throughout 1999 and issued a final report on December 23, 1999 that contained recommendations for a utility sponsored *green pricing* program for PacifiCorp's Utah service territory. OERP asks the Commission to consider PacifiCorp's proposed tariff within the context of the final report and recommendations of the Commission's Task Force.

In general OERP supports PacifiCorp's filing, but our support is not without reservation. While a number of the key features of PacifiCorp's green tariff program comport with the recommendations of the Task Force, there are several important differences between the two that OERP wishes to bring to the attention of the Commission. Specifically, the relatively high cost of the premium, the allocation of marketing costs in the program, the timing of new resource capacity and payment stream of customer premiums, program oversight and stakeholder involvement, and inclusion of value-added products as part of the tariff. These are discussed below.

Green Pricing Premium

In its' report to the Commission the Task Force recommended that a *"...premium price paid by customers should be based on the difference between the cost of the utility's incremental least-cost resource and the costs of adding new renewable resources to the generation portfolio."* The premium proposed by PacifiCorp is significantly higher than that of a similar program offered by Public Service of Colorado (PSCO) despite the fact PacifiCorp's wind resource is superior.

The voluntary construct of the tariff does not diminish the circumstances of PacifiCorp being a regulated monopoly operating in a franchise service territory. Rates paid by *green pricing* customers should be afforded the same scrutiny as any other rate approved by the Commission. Accordingly, OERP urges the Commission to review the proposed tariff and consider whether it is cost-based, fair and reasonable to those customers that will chose to participate in the program.

Allocation of Marketing Costs

PacifiCorp proposes to recover marketing costs directly from customers of its *green pricing* program. A majority of the Task Force favored a marketing effort where marketing and educational expenses were shared between participants, other ratepayers and shareholders. This recommendation was based on findings that all electricity users will benefit where increased green power resources lead to improved air quality or improvements to the risk position of the utilities portfolio. Citing research conducted by the Edison Electric Institute (EEI), the Task Force also observed that shareholders and the utility will likely benefit from a *green pricing* program through enhanced public perception of the utility's environmental stewardship, improved customer loyalty, and expanded expertise with marketing and developing renewables.

Timing of New Resource and Customer Payment of Premiums

As designed, PacifiCorp's green tariff will require program subscribers to wait for as long as two years before wind power the customer purchased would be "generated and delivered to the grid”. One of the Task Force’s recommendations was that, “*Customers should not be charged for the costs of green power until new renewable energy resources required to support the product are available to supply power and are operational*.” If the Commission considers Scottish Power and PacifiCorp’s merger commitment to build an additional 50 MW of *new* renewable energy, OERP believes there might be an opportunity for the Company to construct *new* wind power for the green tariff market without the necessity of customers having to pay for the resources prior to being operational and available to supply power. For example, the Company could build out their base case of 25 MW of *new* renewable capacity for the green tariff market. If demand for the full 25 MW did not materialize, the Company could apply the excess capacity to their 50 MW new renewable merger commitment. This approach is fair to customers because they would not have to pay (or would pay at substantially reduced rates) for two years of premiums while *new* wind power is being constructed. It also minimizes risk to shareholders since the excess can be credited against shareholders’ 50 MW merger commitment.

Stakeholder Advisory Board and Program Oversight

PacifiCorp proposes to spend $2-3 million marketing its green pricing program and will recover those costs through the premium paid by its green customers. Given the program marketing budget is coming from ratepayers who subscribe to the green tariff it is appropriate, and consistent with the Task Force recommendations, that the Commission order PacifiCorp to create a stakeholder advisory board to collaborate with the company in the marketing of the *green pricing* product.   The committee should represent a mix of non-utility consumers and environmental interests who support the creation of a green tariff and be charged with the responsibility to suggest marketing strategies to increase effectiveness, ensure the marketing message about renewables is responsive to Utah customers environmental concerns, and consult on added-value products the Company could offer in conjunction with a *green pricing* offering.

Moreover, OERP supports the Division of Public Utilities recommendation that the Commission order PacifiCorp to convene an advisory group of interested parties to regularly review program costs during the next two years and recommend revisions to the tariff at the end of that period. The Company should report the recommendations of the advisory group to the Commission prior to the second anniversary, April 12, 2002.

Complimentary Value-Added Products

Successful marketing of green power may hinge on bundling other attractive, value-added products and services. OERP asks the Commission to consider recommendations of the Task Force that would have PacifiCorp offer value-added products or services that are complimentary to the *green pricing* tariff to enhance customer participation. For example, a RAMPP compliant energy efficiency program, marketed as part of PacifiCorp's green tariff, could be an added-value product that could attract more participation, especially from commercial customers. The money customers save by implementing energy efficiency improvements could be used to offset the higher "premium" customers will pay by purchasing renewable energy. For those customers who are sensitive to higher electricity bills, coupling and energy efficiency program with the green electricity product could increase participation rates. Two utilities in the U.S. have taken this approach and the Task Force saw an advantage for both customers and PacifiCorp if this type of value-added product was offered by the Company as part of a *green pricing* program.

The Task Force also recommended the Company offer *green pricing* program "insurance" against future rate increases that result from fossil fuel price adjustments or costs of environmental compliance. Although fossil fuels are currently a cheap energy source, price volitility and future environmental regulations could make them more expensive. Global warming concerns or other environmental degradation could bring about severe restrictions on fossil fuel use. A green pricing program could insulate participants from such risk by allowing customers to purchase green power at a contracted cost-based rate. For example, if a participant purchased two hundred kWh blocks of power from renewable resources at $.05 per kWh, then she would be assured that she could receive the same block of power at that rate even when retail prices rose above that rate. This is analogous to an insurance policy where one pays a premium to be insulated from some risk. In this case, the premium is the higher rate paid for the renewable resource which protects the customer from the risk of higher retail rates due to environmental restrictions on base-load fossil-fuel generation facilities.

Dated this 24th day of March 2000.

Respectfully submitted,

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Office of Energy and Resource Planning