State of Utah
DEPARTMENT OF COMMERCE

To: Utah Public Service Commission

From: Roger Ball, Administrative Secretary
Dan Gimble, Energy Group Manager
Laura Linebarger, Utility Economist

Date: March 29, 2000

RE: PacifiCorp Proposed Schedule 70 - New Wind, Geothermal, and Solar Power Rider
Docket 00-035-T01 (Revised Filing dated March 10, 2000)

PacifiCorp has filed its green resource tariff in partial fulfillment of the merger conditions outlined in the Commission order in Docket 98-2035-04. PacifiCorp has requested that the filing be approved by April 12, 2000 in order to utilize Earth Day events as part of its marketing. The Committee recommends that the Commission not approve the revised filing unless certain conditions are established. The Committee is concerned that the tariff be implemented in a manner that protects Utah customers by assuring that they are fully informed.

Based on approval by the Commission, PacifiCorp will make available to its customers the option of purchasing “green” power at a premium. The premium is $4.75 per 100 kWh per month. Customers may buy as many of these blocks as they want. PacifiCorp plans to attract customer participation through an “aggressive” marketing strategy. The full costs of marketing are to be covered by the premium. This is premised on the Company’s commitment to assure that the program is self funded. While the Committee is concerned that this seems to significantly shift the risk of marketing failure from shareholders to participants, the Committee also acknowledges that program participation is voluntary. However, customers should be fully informed about how their contributions to the program will be used. To this end, the Committee requested in a Technical Conference held on February 16, 2000 with the Company, Division and other interested parties, that regulatory review and approval of all marketing materials be established. The Company did not incorporate this condition into its revised filing. Mention was given to outside “review” on page 8 question (27) of the attachment entitled “PacifiCorp New Renewable Resource Tariff Filing: Questions and Answers.” The Committee posits that mere review is not sufficient to protect customers who choose to participate and requests that marketing approval be incorporated into the conditions for approving this filing.

The Committee recognizes that review and approval of marketing materials may be an arduous task. However, it is an important consideration given that participants are paying for the marketing. Additionally, formation of a stakeholder group consisting of Commission, Committee, and Division staff along with other interested parties could provide the review and approval mechanism. A stakeholder group may also offer the opportunity to reduce marketing costs as it allows for improved affiliation with local interest groups. The Committee hopes that reduced marketing costs would result in a reduction of the program premium over time. The formation of such a group would also facilitate the annual review process proposed by the Company in its revised filing. Thus, the Committee recommends that approval of this filing be contingent on the formation of such a stakeholder group. It is also recommended that the group participates in the review and approval process of marketing materials.

The Committee further recommends that the Company's commitment to stay within its proposed marketing budget be included in the Commission's Order. The Committee is concerned that increased marketing would merely serve to improve the Company's "green" image and not facilitate improved participation rates.

PacifiCorp has indicated that the resources necessary to meet customer participation will be on line within two years of the date of subscription. In the event that the program fails, the Company should be obliged to fulfill its commitment to provide the power previously subscribed to by customers. This should be in addition to and not incorporated into the 50 MW of new renewable resources promised in the Company's merger commitments.

Finally, the Committee recommends that the commitments made by the Company in its revised filing and those recommended by the Division in its memo dated March 16, 2000 be addressed in the Commission's Order. Of particular concern to the Committee is the commitment that none of the program costs will be passed onto non-participating customers. To this end, the Committee recommends that the Company make all the necessary adjustments to its Semi Annual reports to remove the revenues and costs associated with this offering. Furthermore, the Company should not be granted the recovery of any of the costs of this program in excess of revenues in any future rate proceeding.

cc: Doug Borba
Division of Public Utilities
Jeff Burks, OERP
John Nielsen, LAW Fund
Matthew Wright, PacifiCorp