- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Approval of Utah Power and Light's Tariff P.S.C.U. No. 42, Re: Schedule 70 - New Wind, Geothermal and Solar Power Rider	))))	DOCKET NO. 00-035-T01 ORDER APPROVING TARIFF WITH CERTAIN CONDITIONS

ISSUED: April 17, 2000

By The Commission:

INTRODUCTION

On January 28, 2000, PacifiCorp, doing business in Utah as Utah Power & Light ("Company"), filed with the Utah Public Service Commission ("Commission") a request for approval of proposed Schedule 70 - New Wind, Geothermal and Solar Power Rider. This schedule is associated with Tariff P.S.C.U. No. 42 of Utah Power & Light Company applicable to electric service in the State of Utah. This submission for approval fulfills a commitment made by the Company in Docket No. 98-2035-04 to file a green resource tariff within 60 days of the closure of the merger between PacifiCorp and ScottishPower. Green in this context refers to new renewable energy sources.

An Order of Suspension was issued on February 16, 2000. The Company submitted a revised application on March 13, 2000, making changes to the filing in response to comments received from an informal meeting of interested parties. Four parties provided written comments to the Commission. (All four parties were participants in a Commission-established Energy Efficiency and Renewable Energy Task Force that resulted from a prior Utah Power Rate proceeding, Docket No. 97-035-01. The Task Force was established to make specific recommendations on implementing a tariff for renewable resources, "green" tariff, and make other recommendations on programs that promote renewable resources and energy efficiency. The Task Force submitted its formal report to the Commission on December 23, 1999.) The Company submitted reply comments on April 3, 2000, to respond to concerns expressed in the parties comments.

DESCRIPTION OF THE PROPOSED TARIFF AND PROGRAM

Schedule 70 - New Wind, Geothermal and Solar Power Rider or "Green Tariff" will allow customers to purchase blocks of energy produced from newly constructed or contracted renewable sources. Customers will pay an additional $4.75 per month for each 100 kWh block requested. The premium is in addition to the normal billed rate and will be used to cover the costs of the program. These costs include the incremental cost of renewable power, i.e., the cost beyond what the Company normally incurs to provide power to its customers, plus the cost of marketing and administering the program. The Company proposes that for accounting purposes the costs associated with the program will be booked in accordance with normal FERC accounting procedures. The Company considers this program to be generation-related and thus will allocate all revenues and costs associated with the program on a system-wide basis using generation allocation factors. The Company will provide annual reports on the program to the Commission and any interested parties commencing October 31, 2000. The reports will account for all revenues received, blocks purchased, blocks generated or contracted for and other program costs. The information is intended to provide the necessary information to assure that the program revenues are just sufficient to cover the costs over the life of the program. In case of a surplus or deficit, the Company will request that the tariff be adjusted either by changing the price of the premium or the size of the purchased block.

PARTIES' COMMENTS AND RECOMMENDATIONS

The Division of Public Utilities ("Division") recommends approval of the revised filing and further recommends that the Commission order PacifiCorp to convene an advisory group of interested parties whose purpose would be to address problems and recommend revisions to the tariff during the next two years. The Company should report the recommendations of the group to the Commission prior to April 12, 2002. In addition, the Division recommends that the Commission's order include reference to the specific commitments made by the Company in its revised filing.

The Committee of Consumer Services ("Committee") recommends against approval unless certain safeguards are established. In particular, the Committee recommends the formation of an advisory group which would review and approve the marketing materials associated with the Green Tariff. This is important because under the Company's proposal all marketing costs would be paid for out of revenues generated by participants. The Committee also agrees with the Division that commitments made by the Company in its revised tariff should be incorporated into the Commission order. In particular, the Committee expressed its support for a premium that covered the full costs of the program.

The Land and Water Fund of the Rockies ("LAW Fund") urged the Commission to reject the proposed Green Tariff as currently structured because they believed that it was unfair to "green" customers and would hinder the development of a market for renewable resources. The LAW Fund cites five major concerns: 1) the size of the premium and its impact on customer involvement, 2) inconsistencies in the economic arguments and planning scenarios PacifiCorp uses to justify $2.5 million in marketing and overhead; 3) the lack of specificity about the resources used to satisfy "green" customer demands; 4) lack of regulatory oversight of utility marketing expenditures; and 5) the lag between the collection of revenues for the program and the actual production of "green energy".

The Office of Energy and Resource Planning ("OERP") acknowledges the Company's efforts and states its belief that utility investments in renewable energy provide direct benefits to the environment and the electric system. The OERP supports the proposed filing with reservations. It notes that the filing comports with the recommendations of the Energy Efficiency and Renewable Energy Task Force on many key features, but several important differences exist. Specifically, the OREP mentions the relatively high cost of the premium, the allocation of marketing costs in the program, the timing lag between customer payment of premiums and the actual production of "green" power, lack of program oversight and stakeholder involvement, and the lack of value-added products as part of the tariff.

DISCUSSION AND CONCLUSIONS

The Commission supports the concept of a voluntary program in which customers can choose to purchase electricity from renewable resources. Although all power production involves some adverse environmental effects, we believe that substantial benefits to the environment and the general public can be derived from such a program. As such, we commend the Company for its willingness to provide this option to customers and comply with merger commitments. However, all parties who submitted comments express some concern about the tariff as filed and recommend that conditions be attached to any approval. We note that the tariff, as submitted, does not entirely conform with the recommendations contained in the Commission-authorized Task Force Report on Energy Efficiency and Renewable Resources. The Commission strongly agrees with the Report's recommendation that the premium must be cost- based and should at a minimum cover the incremental costs of providing electricity from renewable resources. Parties question whether the proposed premium meets this criterion and provide evidence that the premium is too high. The Company presents evidence that their premium is cost-based under a variety of scenarios.

In order to insure that the premium is cost-based, the Commission will require the Company to submit an analysis, based on both traditional ratemaking principles and a levelized approach, for determining the premium to cover the actual incremental production costs of the selected renewable resource. The analysis should be submitted as soon as possible after contracts for constructing facilities, or for the purchase of power, are obtained and updated as appropriate. Parties also express concern about the Company's marketing program. The concerns center on the effectiveness of the advertising campaign and its focus. In addition, the proposed allocation of costs of the marketing expenditures was questioned. The tariff as filed allocates all marketing and administrative cost to participants. The Task Force Report shows that a majority of members recommend that marketing and educational costs be shared among participants, stockholders and general ratepayers. The Commission will withhold judgement of this issue until it is presented in a rate case.

The issue of inappropriate marketing was expressed by a number of parties. Of particular concern is the emphasis on corporate branding to the benefit of the Company and its stockholders. The Commission orders the Company to convene an advisory group to review and make recommendations for changes in the marketing campaign which will better promote the program and the interests of participants. We decline to adopt the Committee's recommendation that the advisory group have approval authority over marketing, but we request that the advisory group submit an evaluation report to the Commission. We expect this will assist us in deciding ratemaking treatment.

The Commission expects the Company to hold true to its commitment not to exceed its budgeted expense for marketing and administration costs as outlined in its attachment to its revised filing and that any changes to the tariff will require Commission approval. PacifiCorp will allocate revenues and costs between state jurisdictions based on the then current generation factors. PacifiCorp will make normalizing adjustment in its Semi Annual reports to remove revenues and costs associated with the tariff to ensure that general rates will not change as a result of this tariff.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that Schedule 70 - New Wind, Geothermal and Solar Power Rider is approved subject to the comments and conditions in this order.

DATED at Salt Lake City, Utah, this 17th day of April, 2000

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Clark D. Jones, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary