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**Memorandum**

TO: Public Service Commission

FROM: Division of Public Utilities  
Philip Powlick, Director,  
Artie Powell, Energy Manager  
Jamie Dalton, Utility Analyst  
Brenda Salter, Utility Analyst  
Abdinasir Abdulle, Technical Consultant

DATE: July 2, 2009

RE: Docket No. 00-035-T01. Annual Report of Blue Sky Program

**RECOMMENDATION**

The Division recommends that the Commission acknowledge PacifiCorp's Annual Report of the Blue Sky Program, as it meets the Commission's reporting requirements ordered for this program. Further, the Division recommends the Commission to direct the Company to file a report on the status of the \$900,000 balance for the RECs as an amendment to this report.

**ISSUE**

Pursuant to Commission Orders in Docket Nos. 00-035-T01 and 07-035-T13, on March 31, 2009, the Company filed with the Commission its Annual Report of the Blue Sky Program covering the Calendar Year 2008. On April 2, 2009, the Commission issued an Action Request to the Division requesting a response by June 15, 2009 which was subsequently extended to July 2, 2009 in order for the Division to complete its Blue Sky program 2007 audit report. This Memorandum is the Division's response to the Commission's Action Request.

## DISCUSSION

The Order in Docket No. 00-035-T01, dated April 17, 2000, directed the Company to provide an annual report of the Blue Sky program. Specifically, this order required the report to “account for all revenues received, blocks purchased, blocks generated or contracted for and other program costs.” In a subsequent order under Docket No. 00-035-T01 dated March 21, 2008, the Commission approved a number of recommendations made by the Division in its Memo dated January 24, 2008. These recommendations directed the Company to:

1. Include the current Renewable Energy Credit balance in addition to the annual balances, as indicated in the current report.
2. Modify future reports to indicate the Utah Beginning Available Fund Balance and the deductions leading to the Utah Available Fund Balance before Community Projects in a manner similar to the total Company balances contained at the top of the second spreadsheet in the Revised Annual report. This could be done in a column next to the total Company balances.
3. Provide further details about the community projects funded with “excess” dollars. This includes at a minimum the total number of grant applications received, the number rejected, the criteria and the evaluations underlying project selections, the locations of awarded projects (more than just the state), a description of the project, and information on the facility at which each project is located.
4. Update the Commission and the Division on the status of the contract associated with the \$900,000 balance for Renewable Energy Credits (RECs) as part of its required program reporting and, for future expenditures of excess funds, include an explanation of how it was determined that this was the best use of the funds.

Further, in its Order in Docket No. 07-035-T13, dated September 6, 2007, the Commission stated:

*We direct the Company to work with the Division, the Committee and other interested parties in the development of the annual report to address their*

*concerns including the contents, timing, distribution, notification and other aspects of this report. The exception is the annual report must include the ratemaking treatment of the funds received, cost of purchases including RECs, and interest earned on the balance of funds.*

The Division reviewed the content and the format of the Annual Report in light of the above Commission Orders. The report contained a spreadsheet with four tabs. In these tabs the Company provided the required Utah specific and total Company information, Community project funding awards disbursement and project status, and funding award application history. After reviewing the information contained in the spreadsheet, the Division concluded that the report is generally in compliance with the Commission Order. However, the Commission noted that the report did contain an update of the status of the contract with the \$900,000 balance for the RECs as was ordered by the Commission in its Report and Order of Docket 00-035-T01 dated March 21, 2008. The Division recommends the Commission to direct the Company file the status of the \$900,000 balance for the RECs as an amendment to this annual report. Therefore the Division recommends the Commission to acknowledge the Calendar Year 2008 Blue Sky Annual Report with the aforementioned amendment.

In addition, the Division noted that while the year-end report shows REC purchases of \$961,250 for the year, an additional \$621,110 of RECs were purchased January 2009 to meet 2008 requirements. An additional \$125,000 were purchased in late 2008, but were not invoiced/booked until January 2009. Thus, according to the Company, up to \$1,705,360 of RECs were purchased to meet 2008 requirements. When these purchases are included, the ratio of REC purchases to meet 2008 requirements to total revenues is about 49.7%. As these additional REC purchases were "booked" to 2009, the Division recommends that the Company take the appropriate steps to ensure that this value is not double counted in the calendar year 2009 report if these purchases were made to fulfill 2008 requirements.

On June 14, 2009, the Division audited the 2007 Blue Sky Program. The purpose of this audit was to review the revenues and expenses of the Blue Sky program as reported by the Company for the year ended December 2007. The Division's audit findings indicate that the

Company has properly stated the revenues and expenses and the expenses were properly allocated among the states. In addition, the audit found that the Company is in compliance with regulatory and reporting requirements. A copy of the Audit Report is attached here. The Company has assured the Division that in 2008 the same management practices and accounting procedures were followed as in 2007. Based on this information, the Division concludes that the Blue Sky program was properly managed and its books were properly kept.

## **CONCLUSION**

In conclusion, the Division recommends that the Commission acknowledge the Calendar Year 2008 Blue Sky Annual Reported filed by the Company with the status of the \$900,000 balance for the RECs amended.

CC: Michele Beck, CCS  
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