- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Advice No. 07-13, Rocky Mountain Power's Proposed Revisions to Schedules 70, Renewable Energy Rider - Optional and 72, Renewable Energy Rider - Optional Bulk Purchase Option	))))))	DOCKET NO. 07-035-T13 ORDER APPROVING TARIFF REVISIONS WITH CERTAIN CONDITIONS

ISSUED: September 06, 2007

By The Commission:

PROCEDURAL HISTORY

On March 27, 2007, PacifiCorp, doing business in Utah as Rocky Mountain Power ("Company"), filed with the Utah Public Service Commission ("Commission") a request for approval of changes to Schedules 70, "Renewable Energy Rider - Optional" and 72, "Renewable Energy Rider - Optional Bulk Purchase Option." These schedules are known as the Blue Sky program options, and were previously titled "New Wind, Geothermal and Solar Power." No changes are proposed to the prices within these schedules; however new sections are proposed and existing sections are revised. Included in its request, the Company filed new and revised tariff sheets associated with Rocky Mountain Power's Tariff P.S.C.U. No. 47, applicable to electric service in the State of Utah, and requested an effective date of May 1, 2007.

On March 29, 2007, the Commission issued an action request to the Utah Division of Public Utilities ("Division") to investigate and provide its recommendation on the proposed revisions by April 24, 2007. On April 24, 2007, the Division requested an extension of time to file comments and recommended the revised tariffs be suspended. On May 4, 2007, the Division clarified its request, asking for an extension of up to May 30, 2007. On May 14, 2007, the Commission issued letters to the Company and Division granting the Division’s request for an extension to file comments and suspending the revised tariffs.

Utah Clean Energy (“UCE”) and the Division filed comments on May 18, 2007, and May 30, 2007, respectively. On June 1, 2007, the Company filed reply comments in response to those of the Division. On June 7, 2007, the Committee of Consumer Services (“Committee”) filed comments. On June 25, 2007, the Company filed reply comments in response to those of UCE and the Committee, and submitted new replacement tariff sheets with additional modifications to Schedules 70 and 72. On July 2, 2007, the Wasatch Clean Air Coalition (“WCAC”) filed comments.

On July 25, 2007, the Commission issued a Notice of Technical Conference which was held on August 7, 2007, in which the Company and interested parties discussed clarifying the language in the tariff. On August 14, 2007, the Company again submitted new replacement tariff sheets with additional modifications to Schedules 70 and 72, reflecting the discussions of the Technical Conference, and requested an effective date of August 28, 2007. On August 16, 2007, the Commission issued an action request to the Division to review and comment on the latest replacement sheets, and these comments were received August 23, 2007.

DESCRIPTION OF THE PROPOSED SCHEDULES

The Blue Sky program options allow customers, on a voluntary basis, to purchase renewable energy in blocks of 100 kilowatt hours (kWh) per month. For Schedule 70, the price is $1.95 per block per month. Schedule 72 requires a minimum annual purchase of 1,212 blocks per year (or 121,200 kWh) at a price of $.70 per block per month plus a fixed charge of $1,500 per year. These charges are in addition to all other charges contained in a customer's applicable rate schedule and are independent of the customer's actual usage. The Company administers similar schedules in all six of its state jurisdictions at these prices. The Company is not proposing any changes to the prices of the Blue Sky program options; it is proposing changes in the tariff language and program design.

In the section entitled Renewable Energy, the Company proposes to expand the definition of renewable energy from wind, geothermal and solar technologies to include certain technologies based on hydroelectric, hydrogen (photovoltaic), wave or tidal action, and biomass fuels. Provisions are added to this section defining Renewable Energy Credits (RECs) and New Renewable Energy, and committing the Company to purchases which are 100 percent new renewable sources[1]. As a consequence, the title of both the Blue Sky program options is changed from "New Wind, Geothermal and Solar" to "Renewable Energy."

The Company proposes new sections entitled Administration and Qualifying Initiatives. The Administration section specifies funds received from customers will cover program costs, will match Renewable Energy purchases to block purchases, and unspent funds may be used to

---

[1] New resources are more explicitly defined in the tariff, and are generally new facilities or improvements to existing facilities placed in service after January 28, 2000. As stated above, the Blue Sky program began in 2000.

fund Qualifying Initiatives. The Qualifying Initiatives section identifies these renewable energy initiatives to include small locally-owned commercial projects, research and development to accelerate marketability of renewable technologies, and investments in above-market costs of renewable energy. This section also addresses the Company's claim on the Renewable Energy Credits (RECs) associated with Qualifying Initiatives, and states these initiatives will be separate from any state or federal Renewable Portfolio Standards or requirements.

The Company adds two provisions to the Special Conditions section. The first addresses the accounting treatment of funds collected under the Blue Sky options, stating the Company will establish a regulatory liability for all funds collected and will debit the regulatory liability as funds are spent, and will calculate interest on the balance in this account using its allowed rate of return. The second provision states all RECs purchased under the Blue Sky program must be registered with the Western Renewable Energy Generation Information System, if this system is operational.

Other minor language changes are proposed to provide consistency across all states as well as clarity, including the addition of a new first section entitled Purpose, describing in brief the intent of the Blue Sky program. Finally, in the Schedule 72 (the bulk purchase option), the section entitled Block is revised so customers with multiple sites can sum their block purchases across all of the Company's six-state service territory to meet the minimum purchase of 1,212 blocks per year.

PARTIES' COMMENTS AND RECOMMENDATIONS

The Division recommends approval of the proposed changes to the Blue Sky program options; however it believes the screening process regarding applications for renewable projects funded as Qualifying Initiatives needs to be strengthened. To this end, the Division recommends the following: expand the project review panel to include experts with experience in administration of grants for renewable projects; strengthen the criteria to require qualifying participants to submit a detailed proposal that clearly demonstrates project feasibility and conformity with program requirements; and require the Company to submit a status report at least annually to the Commission and the Division. In the Division's view, implementation of these suggestions, for panel review and strengthened project qualification, selection criteria and funding methods (intended to ensure projects are feasible) coupled with reviews and selections being completed in a timely fashion will increase the supply of renewable energy intended through the Blue Sky program.

The Committee agrees with the Division's recommendations. In addition, with respect to Qualifying Initiative projects, the Committee recommends the following: explicitly identify any weightings given to specific criteria; explore other methods of funding selected projects rather than a full up-front disbursement; seek Commission approval of selected projects prior to funding; clearly communicate to the Company's customers the details of the types of purchases made with and projects supported by Blue Sky funds; and notify the Blue Sky parties when a status report has been submitted.

UCE supports the expansion of the definition of renewable energy on the condition that such resources have no carbon impact and have only a minimal environmental impact. UCE also supports the proposed Qualifying Initiative projects with one exception; it does not support research and development ("R&D") project categories encouraging market transformation, but rather it supports only those R&D projects that would provide energy to the grid. In addition, UCE recommends: the adoption of some control to protect monies granted to Qualifying Initiative projects, allowance of business customers to enroll in the Blue Sky regardless of credit status, and verification and audit of renewable purchases by a third party on a regular basis. Finally, UCE suggests the Company consider lowering the prices to make the Blue Sky program more enticing to customers.

Wasatch Clean Air Coalition makes two comments. First, the proportion of funds spent on customer education and outreach (24 percent), while appropriate when the program was first beginning, should now be re-evaluated to determine if the proportion should be reduced. Second, customers who participate in the Blue Sky program should be insulated from a possible carbon tax in proportion to their Blue Sky purchases.

In its reply to comments regarding the expanded definition of renewable energy, the Company emphasizes having no carbon impact and a minimal environmental impact are fundamental principles of the Blue Sky program. Regarding Qualifying Initiative projects, the process for selection of projects, the inclusion of experts on the project review panel, qualification and selection criteria, project conformity, and project funding are all procedural issues which need not be addressed within the tariff. Much of this information is available on the

Company's Web site[2]. In addition, the Company's Web site can be re-evaluated to consider providing information regarding purchases made and projects funded with Blue Sky funds. The Company states it is willing to work with the parties to this end.

The Company agrees to third party certification by means of participation in the Western Renewable Energy Generation Information System when it is operational and has added this as a provision to the Special Conditions section. The Company is also willing to provide an annual Blue Sky program status report.

The Company opposes the Committee recommendation for Commission approval of projects, asserting approval should remain with the review panel. Further, Commission approval prior to funding should not be required. The Company opposes three of UCE's recommendations. It argues R&D projects which encourage market transformation are important and will be evaluated on the same basis as other Qualifying Initiative projects. Next, the Company argues it should retain the right to deny enrollment in the Blue Sky program to business customers due to credit risk. Finally, the Company argues current prices are appropriate as the resulting funding for Qualifying Initiative projects is at a reasonable level and current prices have been recently approved in the other five states.

At the Technical Conference held August 7, 2007, the Company and the other parties discussed drafts of proposed schedules adding a Purpose statement, clarifying the definition of renewable energy, revising a Special Condition to include interest on the balances in the

---

[2] This information can currently be found at www.rockymtnpower.net, under "Renewable Energy," then clicking on "Get Funds for Your Project." This page includes a description of the application process, eligibility

regulatory liability account, and adding the Special Condition stating RECs will be registered with the Western Renewable Energy Generation Information System if and when the latter becomes operational. Other proposed clarifying language was also discussed. Incorporating these changes, the Company resubmitted proposed replacement schedules which were reviewed in the Division's final August 23, 2007, review.

In this review, the Division makes additional recommendations in three areas. First, the Company should review its communications efforts to ensure the renewable energy resources advertised to the public are consistent with the definition of renewable energy contained in the proposed schedules and a copy of all such promotional material should be provided as part of the proposed annual reporting process. Second, the Company should file a statement showing how the accounting for interest accrued on the balances in the regulatory liability account will be treated for ratemaking purposes, and the Company's annual report should provide a detailed listing of the accounting entries including the costs, purchases and accrued interest. Third, the Company should provide the Division with any reports, newsletters or other similar documentation detailing performance or status reports that are typically provided to program participants. With these recommendations, as well as those made in its memo dated May 24, 2007, the Division concludes the proposed revisions are reasonable and recommends the Commission approve the proposed schedules, effective August 28, 2007, the date ultimately requested by the Company.

---

requirements, evaluation criteria and a time line for 2007 applications.

DISCUSSION AND CONCLUSIONS

The Blue Sky program results from 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 1999 purchase of Pacificorp by ScottishPower. The standard tariff option was initially offered in 2000 in Utah (Schedule 70) as well as the states of Oregon, Washington and Wyoming, then expanded to Idaho in 2003 and California in 2004. The bulk purchase option (Schedule 72 in Utah) was added in 2004. The proposed revisions in the Company's current filing reflect General Commitment 23 made by the Company as part of the acquisition of PacifiCorp by MidAmerican Energy Holding Company in Docket No. 05-035-54. This commitment states the following: "PacifiCorp will continue a Blue Sky tariff in all states. PacifiCorp will continue to support this offering through innovative marketing, by modifying the tariff to reflect the developing green power market and by monitoring national certification standards."

Participation in the Blue Sky program is voluntary. Although the program is not a part of the costs of providing utility service, it is provided by means of a tariff subject to the Commission's jurisdiction. While the Company's objectives include enhancing the development of renewable energy, our objective regarding this proposed change in tariff language is to ensure the tariff is sufficiently clear so as to enable customers to make their own informed decisions. We conclude the proposed language contained in the August 14, 2007, version of the tariff revision is adequate to sufficiently inform customers of the pertinent aspects of this voluntary program. In addition, we approve the changes in the program's scope, operations or execution and accounting proposed by the Company. We approve the Company's requested effective date of August 28, 2007, for both program options.

In addition to being voluntary, the program is offered in all six states comprising the Company's service territory. Hence we wish to allow the Company the flexibility to administer the program on a uniform and consistent basis throughout its service territory. As such, we are reluctant to require aspects that are unique to Utah. We desire a process by which the Division can perform its duty to monitor, review and audit the program. To that end we address the requests for an annual report and the process used for selecting Qualifying Initiative projects.

In our order approving the tariff initiating the Blue Sky program, Docket No. 00-035-T01, issued April 17, 2000, we required the Company to provide annual reports on the program to the Commission and any interested parties. A reporting requirement already exists. Rather than specifying the contents and determining other issues related to such a report in this order, with one exception, 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 parties have raised several procedural issues regarding the selection and funding of Qualifying Initiative projects. The Company maintains these issues need not be addressed in the tariff, and we agree. Such procedural and funding details need not be included in tariff language to serve the purposes we deem appropriate for these particular tariff provisions. The Company states it is willing to work with the Division to implement the Division's recommendations relative to Qualifying Initiative projects. We therefore direct the Company to work with the Division, and other parties as well, to address comments regarding the process of selecting and funding projects. We also direct them to review the information maintained by the Company on its Web site, and to determine the provision of other information deemed necessary by the Division to carry out its review function.

The Committee recommends Commission approval of Qualifying Initiative projects prior to funding, whereas the Company prefers approval by the project review panel. We agree with the Company. We will defer introducing an additional regulatory step where we have no indication that selection problems have occurred or that future selections have a likelihood for error. At this point, we would rather wait to see if implementation of the proposals has some unexpected failing. If they do, we also believe that with the review and reporting requirements they will be identified and corrected without our intervention.

UCE recommends businesses should be allowed to enroll in the Blue Sky program regardless of credit status. The Company wants the right to deny enrollment in the Blue Sky program to business customers due to credit risk. We agree with the Company. We are unable to conclude that credit requirements pose an inappropriate hurdle for participation in the program.

UCE suggests lowering prices by $0.20 per block. The Company believes current prices are appropriate. We lack an adequate evidentiary basis to determine what changes would occur if pricing were changed. As the program is a voluntary one, we will not venture making changes on the existing record.

WCAC recommends Blue Sky participants should be insulated from a carbon tax. This issue has been raised previously. We do not have a sufficient evidentiary record upon which we are apprised of the possible ramifications of such an undertaking or whether such could be found in the public interest and therefore decline to make any changes at this time.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that Schedule 70, “Renewable Energy Rider - Optional” and Schedule 72, “Renewable Energy Rider - Optional Bulk Purchase Option,” both schedules effective August 28, 2007, are approved subject to the comments and conditions in this order.

DATED at Salt Lake City, Utah, this **6**th day of September 2007.

/s / Ted Boyer, Chairman

/s / Ric Campbell, Commissioner

/s / Ron Allen, Commissioner

Attest:

/s / Julie Orchard
Commission Secretary
G#54628