

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of Rocky Mountain Power's)
proposal to add language to Schedule 70)
("Blue Sky Block program") which will) DOCKET NO. 10-035-T10
enable the Company to encourage eligible)
Utah customers to participate in the Blue) REPORT AND ORDER
Sky Block program through promotional)
concession campaigns)

ISSUED: August 9, 2010

SYNOPSIS

The Commission approves Rocky Mountain Power's proposed 2010 Blue Sky Program public awareness campaign with minor modifications. The Commission denies the proposed addition of Special Condition 7 to Schedule No. 70.

By The Commission:

BACKGROUND

On July 8, 2010, Rocky Mountain Power (Company) filed Advice Letter No. 10-09 requesting a tariff change to Schedule No. 70, "Renewable Energy Rider -- Optional" ("Schedule 70, "Blue Sky Program, " or "Program"). The Blue Sky Program is a voluntary program for customers interested in supporting the purchase and development of renewable energy. The proposed tariff change adds language to Schedule 70 which will enable the Company to market the Blue Sky program using campaigns which contain promotional elements without seeking explicit Commission approval for every promotion offering as required by Utah Administrative Code ("UAC") R746-404-1. In addition, the Company proposes all promotional

program offers will comply with the standards set forth in UAC R746-404-3. Should the Commission elect not to approve the proposed modifications to Schedule 70, the Company requests the Commission approve a specific promotional program scheduled to be launched on September 1, 2010.

On August 2, 2010, both the Division of Public Utilities (“Division”) and the Office of Consumer Services (“Office”) filed written comments responding to the Company’s proposed change to Schedule 70 and the proposed promotional program.

PROPOSED TARIFF MODIFICATION

The Company proposes to add the following new condition to the Special Conditions section of Schedule 70:

“6. The Company may market the program using campaigns that contain promotion elements as defined in Rule R746-404-2 of the Public Service Commission of Utah. All promotional program offerings must comply with the standards set forth in R746-404-3.”

The Company explains the notification requirements of UAC R746-404-1 pertaining to promotional programs. The Company maintains adding this language to Schedule 70 will not only enable it to more effectively market the Blue Sky Program but also eliminate the administrative burden associated with filing with the Commission for approval of each future promotional concession program. Further, the Company believes marketing the Blue Sky Program in this fashion is in alignment with the intent of the MidAmerican Energy Holdings

Company merger commitment 23¹ which, among other things, specifies the Company will continue to support the Blue Sky Program offering through innovative marketing.

The Division does not recommend approval of the Company's proposed exemption to UAC R746-404-1. The Division asserts the Company's filing contains insufficient evidence to show how burdensome it is to file for approval of each promotion concession program to justify the requested exemption. If the Commission chooses to grant the exemption, the Division recommends the Commission require the Company to prove that any promotion program it implements is in accordance with rules R746-404-1 through 3, when requesting recovery for any costs associated with any promotional program.

The Office recommends the Commission should not authorize the Company to embark on further campaigns without specific Commission approval. The Office believes it is important for regulators to be aware of the extent to which these types of promotions are used by the Blue Sky Program. In addition, the Office recommends the Commission require the Company to specifically identify the costs associated with "promotional concession campaigns" in its annual report and not allow them to be aggregated with all of the marketing costs. These are the kinds of issues which, at a minimum, should be part of transparent operations and easily trackable by Blue Sky Program participants interested in the specific costs and programs associated with the Program.

With this application the Company is essentially requesting to deviate from the UAC. We agree with the Division and the Office the Company has not provided sufficient

¹ See Docket No. 05-035-54, "In the Matter of the Application of MidAmerican Energy Holdings Company and

information for us to determine whether undo hardships (i.e., administrative burden) outweigh the benefits of the rule (i.e., transparency). Further, while the Company is only requesting an exemption from the filing requirements, we note UAC R746-404-3(A), with which the Company proposes that promotional program offerings must comply, requires “no promotional program shall be implemented without prior commission approval.” We therefore decline to approve the Company’s proposed changes to Schedule 70.

PROPOSED PROMOTIONAL PROGRAM

The Company indicates that since the Blue Sky Program’s inception, the Company has employed a variety of marketing methods, including bill inserts, targeted direct mail campaigns, community challenges and other outreach efforts, to increase awareness of and participation in the Program. These efforts have been successful in helping to increase participation from 1,222 participants in 2000 to 27,435 participants in 2010. In addition to established marketing channels, the Company believes the use of promotional concession campaigns would be an effective method of marketing the Blue Sky program.

As such, the Company now proposes the following promotional program which is currently scheduled to begin in September 2010. First, from September 1, 2010, to October 31, 2010, a promotional message included with customer bills will invite customers to participate in a survey about the Blue Sky Program. In return the customer’s name will be entered into a drawing to win one of ten \$100 gift cards to the restaurant of his/her choice.

The Company asserts the results of this data gathering effort would provide valuable information regarding customers' understanding and perceptions of the Blue Sky Program and would lead to improved Program communication and marketing. The campaign would also encourage customers to explore the Blue Sky Program as the survey would communicate relevant program facts to participants intended to increase their understanding of the Program and its benefits. The Company points out promotional concessions typically increase participating in marketing campaigns and would thereby compare favorably to other marketing methods from a customer enrollment perspective. The Company maintains the costs associated with these campaigns are expected to be minimal and will compare favorably to other marketing methods on a cost-per-enrollment perspective. Finally, increased program participation driven by the promotional concessions would result in the purchase of more renewable energy certificates and the availability of more funds to support community based renewable energy projects thereby enhancing the Blue Sky Program's impact.

The Division recommends the Commission approve the proposed promotional concession campaign. The Division considers it is reasonable to expect the Company's identified benefits to follow from the proposed promotional campaign. In addition, the Division determines the proposed promotional campaign is in accordance with UAC R746-404-2 and 3. The Division, however, did not perform any numerical analysis to support the Company's claim of benefits.

The Office points out the Blue Sky Program is voluntary and should be designed in such a way to appeal to people interested in and willing to pay for promoting the development of renewable energy. The Office does not understand the necessity to use promotional concession campaigns as described by the Company to solicit new participants. Further, the Office maintains it is inconsistent with the premise of the voluntary program to have to entice participation through promotional concession campaigns.

The Office believes it is not good policy to use ratepayer funds, even voluntary funds, for promotional concession campaigns. If the Blue Sky Program is not attracting sufficient participants the design of the Program should be revisited, including the cost per block, the way the Company spends Program funds and the manner in which the Program is being promoted.

We find it is reasonable for the Company to endeavor to obtain additional information to identify barriers to participation in the Blue Sky Program and ways to enhance the Program participation and effectiveness. While the Office's concerns are valid we observe the Company's proposed promotional program appears to be designed to collect the type of information the Office believes is necessary to revisit the design of the program with the goal of improving Program participation. The use of a crowd-sourcing application coupled with an incentive appears to be a novel, efficient way to disseminate information and obtain feedback about the Program. Provided the costs of this promotional effort have no material impact on the Blue Sky Program administrative and marketing costs, we approve the proposed promotional campaign with the following conditions.

Regarding the specific program offering for the September 2010 campaign, we suggest the Company consider promotional offering(s) which supports energy efficiency objectives which would better reflect the goals of the Blue Sky Program. Examples might include a consumer-oriented energy monitoring device, a certificate towards the purchase of an energy efficient appliance or energy reducing appliance, an air conditioner tune-up, or compact fluorescent light bulbs.

Finally, we find the Office's concern regarding the cost and transparency of promotional programs valid. The Company indicates the costs associated with promotional campaigns are expected to be minimal and will compare favorably to other marketing methods on a cost-per-enrollment basis. However the Company provides no information on the estimated costs of this effort or of other such marketing methods. Even though the Program is voluntary, we agree the level of administrative and marketing costs should be transparent to Blue Sky participants. In order to ensure transparency of this effort we direct the Company, within one month after the completion of the effort associated with this project, to provide a summary report of the total costs and the cost-per-participant associated with this effort as compared with other similar efforts and the final results of the survey.

ORDER

Therefore the Commission orders as follows:

1. The Company's proposed Blue Sky Program promotional program scheduled to begin on September 1, 2010, is hereby approved as indicated herein.

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This Report and Order constitutes final agency action on the Company's July 8, 2010, Application. Pursuant to Sections 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of Sections 63G-4-401 and 63G-4-403 of the Utah Code and the Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah this 9th day of August, 2010.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
G#67971