

Blue Sky Block Program – Utah Pricing Analysis

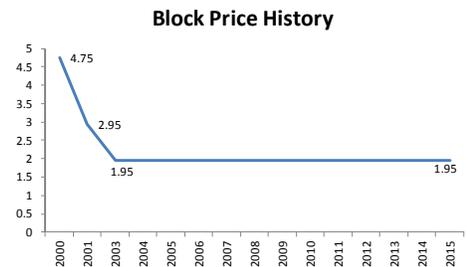
Schedule 70: Renewable Energy Rider – Optional

Objective

Analyze Program Costs and Recommend Future Pricing for Blue Sky Block Rate

Summary

The Company's Blue Sky Program is a mature, voluntary Renewable Energy program that enables participants to support the purchase and development of Renewable Energy, as defined in *Schedule 70: Renewable Energy Rider – Optional*. The Company performed an assessment of the Blue Sky program's goals and product design. Based on the results of the assessment, the Company recommends maintaining the current price at \$1.95 per Blue Sky block for the reasons described in this report.

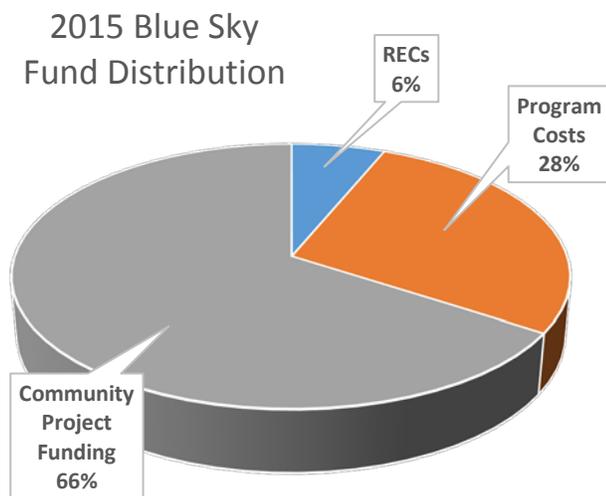


Background: Pricing/Strategy

There are three main cost components where Blue Sky revenues are spent. In 2015, the percentage of costs allocated to each of these components is described below.

Renewable Energy Credits (RECs)

Each Blue Sky Block purchased by participants represents 100 kWh of the premium associated with renewable power, represented by Green Tags or RECs. Green Tags enable participants to claim the environmental benefits of the Renewable Energy that is generated, and 6% of the revenues are spent on the purchase of Green-E certified RECs.



Program Costs

Expenses related to program management, customer education, outreach and promotion of the program represent 28% of total costs, or about \$0.54 of each \$1.95 block.

Community Project Funding

The majority of the funds collected through the Blue Sky program are used for funding locally-owned commercial-scale Renewable Energy projects that provide strong environmental and economic benefit to local communities. Between 2006 and 2015, the Blue Sky program has contributed to 118 renewable energy projects in Utah (see Appendix A for a full listing of the projects, including size and dollars contributed).

Over the past 10 years as the program has matured and participation has increased, REC costs and program costs have both reduced, allowing more funds to be used to support community projects. The chart below shows the trend of distribution of a single block (\$1.95) between the cost components for the last several years.



Research

In 2013, the Company engaged a 3rd party firm to collect qualitative customer research to determine customer perceptions of the program (see Appendix B: Blue Sky Customer Research). The most important takeaways from this research are:

- Most participants did not fully understand the role of RECs as part of the program. Once explained, participants were agreeable to the purpose, but it did not impact attitudes toward participation.
- The majority of participants understood that they were supporting renewable energy, but they were not aware of the magnitude of the community projects that have received Blue Sky assistance/funding.
- Overall, participants were more enthusiastic about Blue Sky's involvement in community projects, although converting the program to a "contribution fund" type program was too nebulous.
- Participants and non-participants also responded positively towards supporting the construction of specific community projects that were selected for funding awards, instead of building up the project funding balance then awarding on the back-end.

More recently, the Company also met with external stakeholders, including the Utah Division of Public Utilities, Office of Consumer Services, Utah Clean Energy, Office of Energy Development, and Western Resource Advocates. There was considerable time spent discussing the concept of removing REC purchases from the program and focusing on funding renewable projects within Utah. Since the REC prices only account for a small portion of the costs, the general consensus was that REC purchases should continue. The price of a Blue Sky block at \$1.95 is considered low, and many stakeholders felt that

lowering the price even further may actually de-value the program's overall participation and would reduce the funding power of community projects.

Conclusions and Recommendations

The Blue Sky Program is currently *right-priced* to support the purchase and development of Renewable Energy. Although the pricing of RECs has dropped over the last several years, the program has been able to grow participation levels and increase its impact on the number of community-based projects, which participants and stakeholders agree is the most valuable part of the program. Maintaining current pricing also enables the program to retain existing membership and continue funding community awards.

Based on this analysis and feedback from external stakeholders, the Company recommends keeping the block rate at the same level: 100 kWh for each block at \$1.95.

Appendix A: Utah Blue Sky Projects Listing

Appendix B: Blue Sky Customer Research