

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Tariff P.S.C.U. No. 42,)
Re: Proposed Schedule 70 - Tariff Revisions) DOCKET NO. 00-035-T01
Attributable to the Recently Approved)
Merger between PacifiCorp and Scottish) REPORT AND ORDER
Power in Docket No. 98-2035-04)

ISSUED: March 21, 2008

By The Commission:

PROCEDURAL HISTORY

Pursuant to our Orders in Docket Nos. 00-035-T01 and 07-035-T13, on October 31, 2007, PacifiCorp, doing business in Utah as Rocky Mountain Power (“Company”), filed with the Utah Public Service Commission (“Commission”), Rocky Mountain Power’s Annual Report of the Blue Sky Program (“Report”) for the period September 2006 through August 2007. The Report accounts for all revenues received, blocks purchased, blocks generated or contracted for and other program costs for 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 allow customers the option to pay for renewable energy as defined in the schedules.

On November 19, 2007, the Commission issued an action request to the Utah Division of Public Utilities (“Division”) to review and evaluate the Report by January 7, 2008. At the request of the Division, this due date was extended to January 24, 2008. The Division, Committee of Consumer Services (“Committee”), the Utah Geological Survey, State Energy

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Program (“SEP”) and Utah Clean Energy (“UCE”) filed comments and recommendations on the Report. On February 26, 2008, the Company filed a response to the recommendations.

BRIEF DESCRIPTION OF THE BLUE SKY PROGRAM AND ANNUAL REPORT

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. Revenue collected from Blue Sky customers’ purchase of blocks of renewable energy is also used to pay for program administration and local community renewable energy projects, “Qualifying Initiatives,” pursuant to the terms and conditions of the Blue Sky schedules.

The Report filed by the Company provides monthly detail showing \$1.365 million in revenue was collected over the reporting period for the purchase of 82,226 megawatt hours of new renewable energy. About 25 percent of the revenue was used to purchase 81,380 megawatt hours of RECs for new renewable wind energy. About 39 percent of the revenue was used for program administration. The remaining revenue, 26 percent, was used for Qualifying Initiatives which were primarily small-scale solar energy projects.

PARTIES’ COMMENTS AND RECOMMENDATIONS

The Division reviewed the Report and found it lacking in both clarity and content. In response to the Division’s recommendations, the Company provided the Division and other

interested parties with a modified Report which the Division attached to its comments to the Commission and which we are treating as the subject of this order.

The modified Report filed by the Division provides monthly detail and shows increasing customer participation throughout the reporting period, with 22,147 customers participating in August 2007. About \$1.365 million revenue was collected over the reporting period for the purchase of 82,226 megawatt hours of new renewable energy. About 25 percent of the revenue was used to purchase 77,826 megawatt hours of RECs for new renewable wind energy. About 26 percent of the revenue was used for program administration. The remaining revenue, 49 percent, was used for Qualifying Initiatives which were primarily small-scale solar energy projects. No explanation is provided for the change in reported numbers; we presume these are corrections to prior errors.

Subsequent to the distribution of the modified Report, interested parties met and identified additional changes to help improve the Report. The Division recommends future Reports include: 1) the current Renewable Energy Credit balance in addition to the annual balances; 2) the Utah Beginning Available Fund Balance and the deductions leading to the Utah Available Fund Balance before Qualifying Initiatives in a manner similar to the total Company balances contained at the top of the second spreadsheet in the modified Report; 3) further detail on Qualifying Initiatives, including the total number of the applications received, the number rejected, the criteria and the evaluations underlying project selections, the locations (beyond state identification) of the awarded projects, a description of the project, and information on the facility at which each project is located; 4) a status report on the \$900,000 contract for future

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purchase of RECs and an explanation of how this expenditure of excess funds was determined to be the best use of excess funds.

Additionally, the Division notes the Company did not involve the Division or any other interested party in the process of the selection and funding of Qualifying Initiative projects as required by the Commission and parties have concerns about how the funds in this portion of the Blue Sky program are selected and administered. The Division recommends the Company take measures to implement the actions outlined in the September 6, 2007, Order in Docket No. 07-035-T13. To this end, the Division recommends informal quarterly meetings to ensure the program is working effectively, and concerns are being resolved.

The Committee also found the Report lacking. In addition to the Division's recommendations, the Committee is concerned with the selection and funding of Qualifying Initiative projects, recommends the Commission provide more specific direction to the Company for working with interested parties on the selection and funding of these projects, recommends evaluation of the cost of each Blue Sky block of energy; questions the level of overhead costs for the Blue Sky program, and recommends clear communication to Blue Sky customers of the details and types of purchases that will be made with Blue Sky funds.

In addition to recommendations consistent with the Division and Committee, SEP is concerned the Report shows the cost of acquiring a REC ranges between \$2.75 and \$4.92 per megawatt hour, averaging \$4.35. However, the program collects \$19.50 per megawatt hour, more than four times the amount required to purchase a REC for that amount of renewable energy. SEP recommends the block prices be periodically changed to reflect actual market

prices or that the program be redesigned such that there is a connection between the current price of RECs and the actual number of kilowatts hours purchased for the program. This would also reduce or eliminate the accumulation of excess funds used to finance the Qualifying Initiative projects which SEP argues exhibits major policy and management problems. If this portion of the program continues, SEP offers to assist with project design and evaluation.

In its comments, UCE requests: The Report be readily accessible to the public through the Company's website; expanded details regarding total Company Blue Sky expenditures; the Report segregate, from the page on Qualifying Initiatives, the funds UCE receives because those UCE funds were awarded for outreach and project assistance, not project implementation. UCE supports the use of Blue Sky funds for Qualifying Initiative projects and offers recommendations to improve the management of this portion of the Blue Sky program while maintaining the current simplified and streamlined application, selection and approval process. UCE also recommends the Company and Commission evaluate the potential for a price reduction for the Blue Sky blocks of renewable energy.

In reply to parties' comments, the Company agrees to provide the additional information requested in the Division's comments, should the Commission find such information is appropriate to include in the Report. The Company argues the remaining requests made by other parties are either already being provided, are not necessary for the oversight of the program, add to the administrative burden, are not related to the content and form of the Report or have already been ordered by the Commission. Regarding the \$900,000 contractual obligation, the Company states this contract resulted from a Utah-specific Request for Proposals

(RFP) for the Blue Sky program. The RFP was a commitment under the Mid-American Energy Holding Company acquisition of PacifiCorp. Regarding the fact the Company did not include parties in the process of selecting and funding Qualifying Initiative projects as ordered by the Commission, the Company states it has not solicited applications since the Order was issued. It will solicit projects once a year. Therefore, quarterly meetings are not needed and would add unnecessary expense to the program.

DISCUSSION AND CONCLUSIONS

We find the Report as filed by the Company is in need of adjustment and find the content and format of the modified Report filed by the Division, an improvement and an adequate starting point. We will post the modified Report filed by the Division on our website as Rocky Mountain Power's Annual Report of the Blue Sky Program for the period September 2006 through August 2007.

We concur with the Division's additional four recommendations, noted herein, and direct the Company to include this information in future Blue Sky program annual reports. These additions should be made to the modified Report provided to us by the Division rather than the initial Report filed by the Company in this Docket. Additionally, we order the Company to include in its future reports, any communications about the Blue Sky program the Company has provided to its Blue Sky customers in Utah during the reported year. We also approve the Company's request to change the due date for this report from October 31 to March 31 with the next filing due March 31, 2008, reporting for the 2007 calendar year.

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In light of other comments stated herein, we conclude further discussion is necessary and we will convene quarterly or periodic meetings to this end. Commission staff will facilitate meetings which will include discussion on public disclosure regarding how funds are used, the price of the tariff, the amount of funding used for Qualifying Initiatives, and the process for selecting and funding Qualifying Initiatives.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. Rocky Mountain Power's Annual Report of the Blue Sky Program for the Period September 2006 through August 2007, as modified and filed by the Division, is acceptable subject to the comments and conditions in this Order.
2. Future annual reports of the Blue Sky Program shall also conform to the additional requirements in this Order.

DATED at Salt Lake City, Utah, this 21st day of March, 2008.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
G#56605