



State of Utah

DEPARTMENT OF COMMERCE
Committee of Consumer Services

To: The Public Service Commission of Utah

From: The Committee of Consumer Services
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Date: June 7, 2007

Subject: Docket No 07-035-T13: PacifiCorp's Proposed Revisions to its Blue Sky Program Option – Schedule 70, Renewable Energy Rider, Optional – Schedule 72, Renewable Energy Rider – Optional -- Bulk Purchase Option

1 Background

On March 27, 2007, Rocky Mountain Power (Company) filed proposed tariff revisions with the Public Service Commission (Commission) for the Blue Sky Program Options, Schedules 70 and 72 – (Program). On April 24, 2007, the Division of Public Utilities (Division) requested an extension of time to evaluate the Company's proposed revisions. The extension was granted and on May 24, 2007, the Division filed a memo recommending approval of the proposed Program revisions but with further modifications. The Company requests an effective date of May 1, 2007 for the revised tariff.

The Committee submits the following comments and recommendations regarding the Company's proposed changes to the Blue Sky tariffs and the Division's recommendations in its May 24, 2007 memo.

2 Issues

2.1 Status Report

Although participation in the Blue Sky Program is voluntary, oversight of the Program is necessary. The Committee recommends that the Company submit a yearly status report of the Program and that the report be made available on either the Commission's or the Company's website. Parties involved with the Blue Sky Program, including consumers who

purchase Blue Sky energy, should be notified of the status report submission and where it can be found.

2.2 Project Criteria and Evaluation

Detailed criteria and requirements should be established in order to judge the feasibility of projects, appropriateness of costs, and the reliability of the technology proposed under the Qualifying Initiatives section of the tariff. All requirements should be clearly identified for applicants as well as any weighting that will be applied to specific criteria. Since projects will be competing for funds, well-defined criteria should benefit the applicants as well as those making the awards.

Applicants should be required to provide detailed and specific information regarding their proposed projects. Any major modification or significant deviation from an approved proposal should require review to ensure that the revisions do not substantially diminish the benefits that were the basis for the original award.

The establishment of criteria, selection of projects, and review of modifications, as mentioned above, should be conducted through a group of experts including members with experience in managing grants for renewable energy projects.

The Committee believes that there should be adequate oversight as to the actual completion and performance of the project. Rather than an upfront disbursement the Company should explore other means of allocating funds such as reimbursement when the project is complete or as milestones are met to assure that the funds are utilized for projects that actually provide renewable energy and participants in the Program achieve the benefits for which they are paying. There should be a verification process established to ensure that the project design is followed and that the project operates according to design specifications.

2.3 Commission approval

For greater assurance that research and development projects and investment in the above-market costs of renewable projects are appropriate the Committee recommends that Qualifying Initiative projects selected to receive Blue Sky funding be approved by the Commission prior to receiving funding. Since these projects will be funded by ratepayers, and the Commission has the responsibility of setting just and reasonable rates, appropriate oversight of the use of these funds would require that the Commission ultimately approve the choice of projects.

2.4 Customer Communication

The Company should be required to clearly communicate to potential and existing participants the changes related to how Blue Sky funds will be used under the revised tariff. Current marketing materials refer to the acquisition of “new” renewable projects through Blue Sky purchases. While the use of the word “new” is accurate as defined in the tariff¹

¹ Tariff defines new renewable generation as placed in operation, repowered, or a separable improvement or enhancement after January 28, 2000.

the Committee is concerned that for the majority of readers “new” refers to resources not yet in service. Materials used to market the Blue Sky product should be very clear as to what will be acquired with the funds. On an annual basis the Company should be required to provide participants in the Program a list of projects that have been funded through Blue Sky contributions.

Under Special Conditions in the current tariff “customers may apply for or terminate from this schedule anytime during the year”. The proposed revised tariff reads “customer may apply for this Schedule anytime during the year”. The Committee recommends that the current language be maintained.

3 Housekeeping Change

Under Qualifying Initiatives, Number 5, the first sentence should be corrected to read:

Qualifying initiatives are not considered for *purposes* of any Renewable Portfolio Standard requirements.

4 Recommendations

The Committee agrees with the recommendations in the Division’s May 24, 2007 memo, which capture a number of our issues, and makes the following additional recommendations:

- 1) Notification that an annual status report has been submitted should be sent to Blue Sky parties.
- 2) The selection criteria for Qualifying Initiatives must be clearly identified for those who submit an application for funding. Any weighting given to specific criteria should be explicitly identified.
- 3) The Company should explore alternate methods of providing funds to selected applicants rather than a full upfront disbursement
- 4) Qualifying Initiative projects selected through the application process should require Commission approval prior to receiving funding.
- 5) The Company should be required to clearly communicate to its customers the details of the types of purchases that will be made with Blue Sky funds. Program participants should be informed of grants to Qualifying Initiatives in the prior year and the status of the projects annually.
- 6) The Company should be required to maintain the current language that “customers may apply for or terminate from this schedule anytime during the year”.