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MEMORANDUM

To: Utah Public Service Commission

From: Utah Division of Public Utilities
Constance White, Director
Energy Section
Abdinasir Abdulle, Technical Consultant
Jamie Dalton, Utility Analyst II
Artie Powell, Manager

Date: August 23, 2007

Ref: Docket No. 07-035-T13. Advice No. 07-13 – Blue Sky Program Optional – Replacement Pages for Schedule 70, Renewable Energy Rider, Optional – Schedule 72, Renewable Energy Rider, Optional, Bulk Purchase Option.

RECOMMENDATION (Approval)

The Division of Public Utilities (Division) recommends that the Commission approve Rocky Mountain Power's (Company) proposed replacement pages to Electric Service Schedules 70, Renewable Energy Rider – Optional, and 72, Renewable Energy Rider – Optional Bulk Purchase ("Blue Sky" Program). These changes appear to be consistent with the recommendations made in the August 7, 2007 Technical Conference. The Division further recommends that:

1. The Company provide more detailed information showing how the accrued interest bearing balances in the liability account for retained program receipts will be treated for ratemaking purposes;
2. The Company take actions in the promotion of the program to ensure that the renewable energy resources advertised to the public are congruent with the renewable energy resources defined in the schedules;

3. The Company provide the Division with any reports, newsletters or other similar documentation detailing program performance or status reports that are typically provided to program participants;
4. The Company's requested effective date of August 28, 2007 be approved; and
5. The Commission adopts the Division's recommendations previously submitted in its memo dated May 24, 2007.

ISSUE

On March 27, 2007, the Company filed proposed revisions to Electric Service Schedules 70, Renewable Energy Rider – Optional, and 72, Renewable Energy Rider – Optional Bulk Purchase (“Blue Sky” Program). On May 24, 2007, the Division submitted a memo to the Commission recommending approval of the program. The Division's memo included a number of additional recommendations for Commission consideration. As a result of these recommendations and comments from other interested parties, it was determined that a Technical Conference be scheduled on August 7, 2007 to provide an opportunity for all parties to discuss additional program modifications.

DISCUSSION

The input provided in the August 7 Technical Conference resulted in additional modifications to the Company's proposed Electric Service Schedule Nos. 70, Renewable Energy Rider – Optional, and 72, Renewable Energy Rider – Optional – Bulk Purchase “Blue Sky” Program.

The latest schedule modifications include:

- The addition of a “Purpose” statement describing the program and outlining proposed objectives;
- Further clarification to the definition of renewable energy as contained in each schedule;
- The modification of language to special condition #4 stating that the Company will apply its authorized rate of return to residual program receipt balances in the Company's regulatory liability account;

- The addition of another special condition stating that all Renewable Energy Credits (RECs) purchased under the program must be registered with the Western Renewable Energy Generation Information System (WREGIS) beginning January 1, 2008 (assuming WREGIS is operational).

While the Division recommends approval of these latest tariff modifications, it believes that the Company should provide additional clarifying information. The Division's comments and recommendations are listed as follows.

While the addition of a purpose statement and other changes help clarify the intent of the tariff and what is meant by renewable energy, the Division is concerned that program participants may not consult the tariff prior to joining the program and, thus, may not clearly understand what they are "purchasing." There is concern that the renewable energy resources promoted to the public are not consistent with those defined in the tariff. The Division recommends that the Company review all of its advertising or promotional material and, if appropriate, training of phone representatives to ensure a clear and consistent message. Additionally, the Division recommends that as part of the proposed annual reporting process, the Company include a copy of all such promotional material.

The Division questions the need or purpose of having a statement of the accounting treatment for costs and purchases in the tariff (see Special Conditions #4). The Division believes this paragraph could be removed without harming the integrity of the tariff. Whether or not this language remains in the tariff, the Division recommends that the Company file a subsequent statement that shows how the accounting for interest accrued in the regulatory liability account will be treated for ratemaking purposes. The Division also recommends that the Company include in its proposed annual report of the Blue Sky program a detailed listing of the accounting entries including the costs, purchases and accrued interest. In addition, the Company should provide the Division with any reports, newsletters or other similar documentation detailing program performance or status reports that are typically provided to program participants.

Finally, the Division notes that the exclusion of Blue Sky qualifying initiatives from a potential Renewable Portfolio Standard (RPS) requirement (see Qualifying Initiative #5) may have unintended consequences on the ratemaking process due to potential artificial increases in demand for renewable energy resources. If such an RPS (or other legislation) is implemented, this issue may need to be revisited.

The Division concludes that the proposed program revisions with the Division's recommendations are reasonable. Therefore, the Division recommends that the Commission approve the Company's filing with the above Division recommendations effective August 28, 2007.

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