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Division of Public Utilities

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MEMORANDUM

To: Utah Public Service Commission

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

Date: April 21, 2008

Ref: Docket No. 08-035-T02. Advice Filing 08-02 – Schedule 70 – Renewable Energy Rider – Optional, Schedule 72 – Renewable Energy Rider – Optional, Bulk Purchase Option.

RECOMMENDATION (suspension)

The Division of Public Utilities (Division) recommends the Commission suspend the proposed Tariff changes to Schedules 70, Renewable Energy Rider, Optional and 72, Renewable Energy Rider, Optional, Bulk Purchase Option. There are unanswered questions that should be resolved regarding the Company's proposed modification of replacement sheets 70.4 and 72.4 for each respective schedule.

ISSUE

Rocky Mountain Power submitted its proposed Tariff changes to the Blue Sky Program, as contained in Schedules 70 and 72. These changes alter the following paragraph regarding third party certification of Renewable Energy Credits (RECs).

ORIGINAL LANGUAGE

Beginning January 1, 2008, all RECs purchased under this program must be registered with the Western Renewable Energy Generation Information System (WREGIS), if WREGIS is operational.

The Company is proposing the follow changes:

Beginning January 1, 2008, all RECs purchased under this program must be registered with the Western Renewable Energy Generation Information System (WREGIS), if ~~WREGIS is operational~~ available and at a cost competitive with RECs not registered through WREGIS.

In its final form, the proposed paragraph would read:

Beginning January 1, 2008, all RECs purchased under this program must be registered with the Western Renewable Energy Generation Information System (WREGIS), if available and at a cost competitive with RECs not registered through WREGIS.

The Division has several concerns with the proposed language changes. First, the structure of the paragraph in question makes it difficult to understand its intent. For example, it is not clear what the phrase “if available” is referencing whether it is the availability of WREGIS, or RECs registered with WREGIS, or both. Second, the proposed language appears to state that lower cost RECs available outside of, or not registered with, WREGIS could be purchased to meet program requirements. The Division is concerned that the language change is a departure from the Commission-approved recommendation that all RECs be registered with WREGIS after January 1, 2008. In a discussion with Company officials, it was stated that RECs purchased for

the Blue Sky program outside of the WREGIS are Green-e¹ certified. However, the proposed language change does not clarify how REC price information will be tracked. Specifically, since there is no market index for RECs outside of the WREGIS, the phrase “cost competitive” is ambiguous – the Company needs to explain how it plans to benchmark and track price information.

The Division acknowledges that there is a need to ensure that sufficient RECs are available for the program at a reasonable price to ensure that the Blue Sky program is viable. However, the Division is also concerned that the REC purchasing process must be transparent and must clearly show that such purchases are legitimate, are in the public interest, and effectively facilitate the fulfillment of program goals. The Division recommends that before any such change is made to these schedules, the Company clarify the proposed language change to show how RECs purchased outside of the WREGIS will be certified as valid, and to also explain how price information will be tracked.

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¹ Green-e is an independent verification/certification body that certifies renewable energy and greenhouse gas mitigation products such as RECs for compliance with given environmental standards. Green-e is affiliated with the Center for Resource Solutions, a non-profit advocacy group for renewable energy and greenhouse gas reduction policies (see http://www.green-e.org/getcert_re_6steps.shtml for information on the Green-e certification process).