Blue Sky Redesign

Qualitative Research

Key Findings

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Background, Objectives and Methodology

Blue Sky is a mature program in the midst of an evolving renewable industry. Interests and preferences of constituent groups, including customers, regulators, and other stakeholders are also changing. To ensure that Blue Sky maintains its status as a best-in-class top 10 national program, and to add more value for participants and for PacifiCorp, the company has assembled a team to evaluate the program. The team is charged with assessing Blue Sky in its current form; evaluating opportunities to revamp the program; and making recommendations to redesign Blue Sky to better meet current and future needs.

To inform the team's work, Pacific Power (PP) and Rocky Mountain Power (RMP) commissioned Curtis Research Associates to conduct qualitative research to determine how customers view the existing Blue Sky program and to assess their reactions to potential changes. The research included 60 customers across 14 triads and mini focus groups conducted between October 29 and November 5, 2013. This included seven groups with PP customers from Albany and Corvallis, and seven groups with RMP customers from Salt Lake City and surrounding communities. In each market, research respondents included both residential and non-residential/small business customers, further segmented into Blue Sky Block participants and non-participants. Block customers included a mix of low, medium and high-level purchasers. Pacific Power Usage and Habitat customers were not included in the research.

The objectives of the research included the following:

- Gauge customers' awareness, attitudes and perceptions of Blue Sky as it currently exists;
- Explore reactions to potentially changing the supply source to an in-state, bundled product; and
- Evaluate interest in, and the relative attractiveness of, potential program offerings, particularly pertaining to community solar projects.

Research Findings

Top-of-Mind Awareness and Understanding of Blue Sky

- Blue Sky participants typically had a low level of knowledge about the program and how it works. While they understood that they are supporting renewable energy through Blue Sky, the majority didn't know how much they pay each month, what the unit of purchase was or what the unit represents. Even those who knew they were purchasing blocks and/or knew how much they pay per block or per month were generally unaware of how much energy a block represents.

- Participants in both states were aware that Blue Sky primarily supports wind power. Additionally, some PP participants were aware—and appreciated—that the resource mix includes solar and geothermal.

- When asked where Blue Sky resources are generated, most were able to name at least some sites. However, they largely based their knowledge of facilities associated with Blue Sky on assumptions rather than on specific awareness. In essence, they generally assumed that any renewable energy facilities of which they were aware were associated with Blue Sky.

- Most participants realized that renewable energy was not being delivered to their homes or businesses.

- Overall, participants felt good about supporting Blue Sky because they believe renewable energy is good for the environment, and because the cost to participate is low.

- Among non-participants, about half had some general awareness of Blue Sky and half did not. Some knew the program by name while others were more generally aware of a program related to wind energy, but typically knew little, if anything, beyond that.

- Attitudes among non-participants ranged from highly skeptical of the program and its legitimacy, to being open to supporting renewable energy to benefit the environment. A few indicated they had previously considered enrolling in Blue Sky but found the program too confusing and didn't understand how much it would cost.

- Awareness of local community-based projects associated with Blue Sky was extremely low among both participants and non-participants.

Exposure to Blue Sky Program Information

- To facilitate the evaluation of Blue Sky, respondents were provided with a program summary that included general information, product options, equivalent environmental impact information and a sampling of Blue Sky-supported facilities.

- Blue Sky participants and non-participants alike were typically very pleased with what they learned from the summary. In particular, they appreciated knowing the equivalent environmental impact of Blue Sky participation. This information served to reinforce participants' involvement in the program because it helped them realize they were truly making a difference. It was like getting a pat on the back; it made them feel better about supporting Blue Sky. It also made non-participants look more favorably on the program.

- The sampling of Blue Sky-supported facilities also intrigued both participants and non-participants. Some facilities were familiar to respondents and some were new to them. Among PP customers, many were especially interested to learn of the biomass facilities. Conversely, some RMP respondents were disappointed that solar power was not included.

- Most respondents were surprised that facilities associated with Blue Sky Block could be located across such a large geographic region. Some were dismayed that Blue Sky funds could go toward facilities in Nevada, Arizona and/or California. They would prefer that resources were closer to home. The region associated with Usage was more in keeping with PP respondents' expectations and preferences.

- The Blue Sky summary helped both participants and non-participants to better understand blocks. Among non-participants, some were happy to learn that they could participate for as little as $1.95 per month, while others still didn't understand that customers can purchase just one block.

- Pacific Power respondents appreciated learning that Blue Sky included a choice of program options; many hadn't been aware of Usage or Habitat. Nevertheless, respondents were generally more favorable toward Block because a fixed monthly cost makes budgeting easier than a fluctuating cost.

- Among the concerns raised about Blue Sky, some respondents questioned why the program was voluntary rather than spread across all customers. Some also wondered whether or not the company participated in renewable energy.

- When asked about changes they would like to see to Blue Sky, respondents most commonly recommended better educating customers about the program and about the environmental benefits of participating, both on an individual level and cumulatively across Blue Sky customers.

Renewable Energy Certificates

- Participants and non-participants were generally unaware of Renewable Energy Certificates (RECs) and of how they relate to Blue Sky. Nor did they understand that Blue Sky funds are used to purchase RECs and not electricity.

- Once RECs were explained to them, most respondents were comfortable with the concept. In fact, many considered it beneficial that there was a tracking system that provides accountability and ensures that no double selling is occurring. The explanation also helped many to better understand how participating in Blue Sky encourages greater renewable energy generation.

Community Projects

- Enthusiasm and appreciation for Blue Sky increased among both participants and non-participants when they learned of Blue Sky-supported projects in their own communities. Most respondents were aware of at least one of the two projects shown to them, yet respondents were surprised to learn the projects were connected to Blue Sky.

- Community projects reflected very favorably on the company and the program. Furthermore, learning of them made customers feel good about participating in Blue Sky. It made their involvement in Blue Sky seem more tangible; they liked the idea of being able to point to a project and say "I helped make that happen."

- Research respondents repeatedly urged the company to do more to promote Blue Sky's involvement in these projects. They considered community projects to be ideal opportunities to educate customers on renewable energy and to promote the program.

Definitions of "Local" and "Community"

- Salt Lake City respondents typically had a broad definition of "local" as it pertains to Blue Sky projects. They considered "within the state" an acceptable definition.

- Albany/Corvallis customers generally considered "local" to be more regional, such as Linn and/or Benton County. While they were most interested in Blue Sky as it pertains to their local region, PP respondents also expressed interest in learning about Blue Sky projects around the state, but cautioned PP to not refer to them as "local" projects.

- Among RMP respondents, "community" typically applied to the city or county. PP customers thought of it as their town or city – for example, Albany or Corvallis, but not both together.

Green-e Energy

- The Green-e Energy logo generated little recognition among either participants or non-participants. While a few thought they had seen it before, none could specify what the logo represented, though some guessed it was meant to denote green energy.

- Once provided with a brief explanation, respondents' reactions ranged from neutral to mildly favorable that Blue Sky is Green-e Energy certified.

- On one hand, some felt that certification by an independent organization added credibility to the program. Conversely, others didn't care about the certification or felt it lacked credibility because it was awarded by an unknown entity that lacked credentials. Some were wary that it was merely "greenwashing."

- A number of respondents indicated that Blue Sky certification was unnecessary because they trust the company to administer the program appropriately. Some also pointed out that regulatory agencies and utility watchdogs monitor the company's activities.

- The opportunity cost of certification was also a factor. Some noted that if Green-e Energy certification prevented even one community project from being funded, it wasn't worth it.

- Overall, Green-e Energy certification had no bearing on respondents' attitudes toward the program or their interest in participating.

New Supply Source

Instead of using Blue Sky Block funds to purchase from existing (newly developed) facilities that could be located anywhere in the company's service territory or in the Western Region, the funds would be used to develop and purchase from new projects within the state. Blue Sky funds would be used to purchase both RECs and electricity from these facilities.

- When initially presented with the prospect of transitioning from a regional supply base to developing and supporting new renewable energy projects within the state, the majority of respondents heartily supported the move.

- RMP respondents were particularly supportive. They considered Utah well-suited for both wind and solar generation. More importantly, they felt that developing facilities in-state would provide jobs, benefit the economy, and help mitigate air pollution in the state.

- Many PP respondents also cited jobs and economic impact as benefits of in-state renewable energy projects. Some also felt that it would help the state become more energy independent.

- On the other hand, some respondents in each state, but particularly in Oregon, were indifferent to locating facilities within the state. They felt that the driving factor should be maximizing renewable energy. They want facilities located where they are most economical and energy efficient, whether that is in the state or in the region.

- A small segment of PP respondents expressed concern regarding the environmental impact of locating large-scale facilities in the state.

- Linking in-state projects with community sustainability goals was considered acceptable.

Large-scale vs. Small-scale

In addition to transitioning from existing regional projects to supporting new, large-scale, state-based projects, Blue Sky Block would move away from supporting small community-based projects.

- The enthusiasm for locating facilities in-state waned when it was explained that this would be coupled with a move away from supporting small-scale community projects to focusing exclusively on large-scale projects that would deliver economies of scale.

- Respondents understood the benefit of economies of scale and the value of maximizing renewable energy output, yet most didn't want Blue Sky to abandon its support of community-based projects. They strongly believed that these projects are a good use of Blue Sky funds. They urged that the program continue to support both large- and small-scale projects.

- Participants and non-participants alike vigorously advocated that community-based projects have value over and above economies of scale. They stressed that the visibility of these projects gives them great PR value. Their visibility can be used to create greater awareness of renewable energy and to educate the community on its value, which in turn would encourage more customers to enroll in Blue Sky, ultimately leading to more funds for large-scale projects.

- Respondents also emphasized that small, community-based projects create both a tangible and an emotional connection to Blue Sky in a way that large facilities in remote locations cannot.

Price Increase

- Respondents' support for locating Blue Sky facilities in-state dropped sharply when it was linked with a 100% increase in the cost per block (and in Oregon, a 100% increase in the cost per kwh for Usage). Respondents typically balked at the prospect of doubling prices, and were only slightly more supportive of a 50% increase.

- Despite being told that transitioning to in-state facilities would mean that Blue Sky would purchase both RECs and electricity, this bundling distinction was lost on respondents.

- Research respondents did not understand why it would be more expensive to locate facilities in-state. In fact, some contended that it should be less expensive because it is more efficient to produce electricity locally due to lower transmission losses. Some also believed that company-owned facilities would be less expensive because they would "cut out the middleman."

- A number of respondents objected to a price increase because they considered it unfair that Blue Sky participants shoulder the burden of higher costs when the benefits of in-state facilities would flow to all customers. They felt that cost increases should be borne equally across all customers.

- Some participants noted that a price increase would cause them to reduce the number of blocks they purchase. Many also felt it would deter other customers from enrolling in Blue Sky.

- Most respondents favored retaining a regional supply source to generate the greatest amount of renewable energy and highest levels of Blue Sky participation at the lowest cost. Ideally, customers preferred that resources be located in states served by the company, rather than being sited anywhere in the Western region.

Partnership with Company-Owned Projects

Use Blue Sky funds in partnership with the company to build new, large projects in the state, such as a large solar farm. Regulations require the company to supply its customers with electricity using resources that cost the least. Renewable energy is more expensive than other resources, so the company is limited in how much it can invest in renewable energy on its own. Currently, while the company is not required to build more renewable energy resources, there is a desire to provide more renewable energy in the region. The idea would be to use Blue Sky funds to fill the gap between what the company can invest and what it costs to build a large renewable energy project. Keep in mind, just as the company does not profit from the current Blue Sky program, the company would not profit from Blue Sky in this partnership.

- When presented with a scenario in which Blue Sky funds could be used in partnership with the RMP/PP to build large projects in-state, the majority of participants responded favorably.

- Many considered it appropriate that the company own Blue Sky-supported facilities, and hadn't realized that it did not already do so. Company ownership was seen as a good way to support the state economy and to develop long-term in-state renewable infrastructure.

- Some respondents were indifferent to the distinction between third-party and company-owned facilities. They either didn't care or didn't understand it; they just wanted renewable energy to get to the market.

- Some respondents reacted negatively to a partnership. They were skeptical about commingling Blue Sky funds with company-owned facilities. This was especially true among Pacific Power respondents. They were concerned that the company would profit from Blue Sky customers, and thought it would be difficult and costly to appropriately administer such a partnership.

Preferred Supply Source Assuming No Cost Difference

- When asked to indicate their preferred supply source, assuming there was no difference in the cost of participating in Blue Sky, approximately half of the respondents favored company-owned projects.

- Among RMP respondents, a slight majority preferred a company/Blue Sky partnership, whereas PP respondents were about evenly divided between those who favored this option and those for whom it was the least-preferred supply source.

- About one-quarter of respondents each selected the current supply or the new in-state supply as their top choice.

- Those who favored the current supply typically did so because it assured continued funding of community-based projects. However, most respondents wanted to maintain both large- and small-scale projects under any of the supply source options.

Product Options

Blue Sky Usage (Utah only)

Under this option, a customer supports renewable energy credits equivalent to either 50% or 100% of their energy use. The customer pays a little more than a penny ($0.0105) more for each kilowatt-hour. On average, this works out to about $8-$10 more per month.

- Blue Sky Usage was one of four potential program options evaluated by RMP respondents.

- Usage was widely considered to be an appropriate addition to the RMP Blue Sky program. Respondents liked the idea of giving customers a choice in how they can support renewable energy.

- Usage was commonly perceived as simple and straightforward—it was much easier to understand than purchasing blocks. Some respondents also liked the idea of tying their Blue Sky participation to their personal consumption.

- On the downside, some respondents were wary of Usage because it was more difficult to determine how much it would cost to participate, and because the cost would fluctuate each month. Some also indicated that the cost was higher than they were willing and/or able to pay.

- When asked if they would support paying a higher price per kilowatt-hour—either double or 50% higher—if it meant that the source of supply for Usage was large, in-state projects, most said no. Such substantial rate increases would put Usage out of reach for many respondents.

Community Solar – Purchase a Solar Panel

When you join Community Solar, a portion of the solar power produced at a local solar farm will be credited to your monthly bill. You get the benefit of solar energy without having to install solar panels on your home. Your monthly bills will be offset by a credit for the solar electricity you get each month. With this option, you can help install and own a piece of a "solar garden" in your community. The upfront cost would be in the $600 - $1,000 range to cover approximately 3% of your monthly energy use. You will receive a credit of $2 to $6 per month for your purchase.

- The concept of owning a panel within a community solar garden and earning a monthly credit on their bills was highly appealing to many respondents. They liked the community aspect of this option, and they considered it an intriguing way to participate in renewable energy.

- Despite the appeal of the concept, the cost of participating in this program was too big a hurdle for most respondents. The upfront cost was deemed too high, the payback period too long, and the monthly credit too meager.

- Even those who could afford the upfront cost were typically put off by the long payback period, which was regarded as too far on the horizon to justify participation. They felt that other Blue Sky options provided better ways to support renewable energy.

- Of the five current and potential Blue Sky products evaluated, this was respondents' least-preferred option.

- When asked what upfront cost would make this option more viable, respondents' estimates ranged from $150 to $300.

Community Solar - Fixed Energy Rate

Use community solar to fix the energy portion of your power bill for the next five years. You agree to pay a 2 cent premium over today's rate for each kilowatt-hour of energy used. You lock in that rate for five years. There is no upfront cost, and the energy portion of your rate cannot increase for five years even if the company raises its rates. Depending on how much energy your household uses, you'd initially pay about $8 to $16 more per month. Over time, as basic electric rates go up, your rate would not increase as much.

- The lack of an upfront investment for the fixed-rate solar option made it a more feasible approach to supporting community solar for respondents than purchasing a solar panel. Nonetheless, interest in this option was mixed.

- The appeal of this concept was somewhat higher among small business respondents than among residential respondents. Those who expressed interest were primarily intrigued by the prospect of locking in their electric rate for five years as a hedge against future price increases. The opportunity to support community solar was a secondary motivation.

- Lack of familiarity with energy rates made it difficult for many respondents to fully assess the potential value or impact of locking in a rate that is two cents higher than today's rates.

- Those who didn't care for this concept considered the price premium too steep to make it affordable. Many were also uncomfortable with the requirement to sign a five-year contract.

- Additionally, some PP respondents questioned whether a community solar project—be it purchasing a panel or locking in a rate—would be the best use of their Blue Sky dollars. They worried that the climate in Albany/Corvallis was not ideally-suited to generating solar energy.

Contribution Fund

This program would allow customers to contribute to Blue Sky each month. Customers could pick how much they want their monthly contribution to be. From $1.00 on up, the amount is entirely up to you. The contribution would be added to your monthly bill. Contributions would be used to fund construction of new renewable energy projects.

- Initial interest in a contribution fund was low because it was perceived as too nebulous. It was faulted for being too vague about how the money would be used and what customers would be supporting.

- Enthusiasm rose sharply among both participants and non-participants if the contribution were to support a specific community project. The tangibility of specifying a project coupled with locating it in the community generated widespread interest in contributing toward such a fund. Many Blue Sky participants noted that their contribution would be in addition to their block purchases.

- Respondents considered simplicity another advantage of a targeted contribution fund. It's easy for customers to understand and they can select the amount they want to contribute.

- When supporting a specific community project, the contribution fund ranked as respondents' most-preferred option. Blue Sky Block ranked second.

Conclusions and Recommendations

The following recommendations represent the researcher's perspectives based on this study. They do not necessarily take into account PacifiCorp's other business considerations or operating constraints.

- The low level of knowledge about Blue Sky among both participants and non-participants is of concern, as is the perception that it is complicated. To rectify this, communication materials should be streamlined and simplified. Using a "less is more" approach may help increase comprehension and decrease misperceptions.

- To reinforce participation and encourage new enrollment, communications should feature the two elements that resonate most strongly with customers: community-based projects and the environmental impacts of participating. Utilizing short facts and tidbits instead of detailed descriptions will help encourage customers to read the information. More detailed information can be included on the website for those who are interested.

- The supply map illustrating the region associated with Blue Sky resources should be revised to reflect the actual territory from which RECs are currently purchased, rather than the larger, Western regional map that is currently used. Customers will feel better knowing their Blue Sky funds are supporting facilities in their own region.

- There is insufficient support to justify moving to an in-state, bundled product. Customers' primary concern is supporting the greatest amount of renewable energy and highest level of Blue Sky participation at the lowest cost. Consequently, the company should retain the current regional supply source, with the provision that, whenever possible, preference should be given to supporting facilities located in states served by PacifiCorp.

- Retaining the current supply source is further supported by the fact that learning about RECs did not impact customers' attitudes toward or willingness to participate in Blue Sky.

- Customers favor a blend of renewable energy resources, including wind, solar, geothermal and biomass.

- Blue Sky should continue to support both large- and small-scale community-based projects. Although customers appreciate the need for large-scale facilities that provide economies of scale, such facilities do not resonate as strongly because they are generally out of sight and out of mind.

- The company should actively promote Blue Sky's role in community-based projects to overcome the widespread lack of awareness. These projects have the potential to provide customers with both tangible and emotional connections to the program. It's easier for customers to get enthused about supporting Blue Sky if they see it in action in their communities. Increasing awareness of these projects will serve to reinforce participation and stimulate additional enrollment.

- Community-based projects should also be utilized to educate the community about renewable energy in general and Blue Sky in particular.

- Furthermore, community-based projects exemplify Pacific Power and Rocky Mountain Power as good corporate citizens.

- Customers across all PP and RMP service territories should be offered a choice of Blue Sky product options. For consistency, Blue Sky Block and 100% Usage should be available to all customers.

- In addition, contribution funds supporting specific community projects in each state should be added to the product mix. In Oregon, contribution funds should replace Habitat.

- While offering an array of contribution funds is likely to create communication challenges and increase administrative complexity, these projects have the potential to add value for Blue Sky customers and to grow the program.

- Implementing the recommended changes will help PacifiCorp achieve its goal of maintaining its status as a best-in-class top 10 national program.