



State of Utah
Department of Commerce
Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Energy Section Manager

Brenda Salter, Technical Consultant

Date: April 26, 2016

Re: **Rocky Mountain Power Annual Report of the Blue Sky Program**

Docket No. 16-035-14

RECOMMENDATION

The Division of Public Utilities (Division) recommends that the Utah Public Service Commission (Commission) acknowledge Rocky Mountain Power's (Company) 2015 Annual Report of the Blue Sky Program, as it meets the Commission's reporting requirements ordered for this program.

ISSUE

Pursuant to Commission Orders in Docket Nos. 00-035-T01 and 07-035-T13, on March 31, 2016, the Company filed with the Commission its Annual Report of the Blue Sky Program (2015 Annual Report) covering the Calendar Year 2015. On March 31, 2016, the Commission issued an Action Request to the Division requesting a review of the 2015 Annual Report and to make any recommendations by May 2, 2016. Subsequently the Commission issued a Notice of Filing and Comment Period giving interested parties until April 29, 2016 to provide comments with

reply comments due May 13, 2016. This memorandum represents the Division's response to the Commission's Action Request.

DISCUSSION

The Order in Docket No. 00-035-T01, dated April 17, 2000, directed the Company to provide an annual report of the Blue Sky program along with various filing requirements. Subsequent to this Order, additional filing requirements have been incorporated into the annual report.

The Division reviewed the content and the format of the 2015 Annual Report of the Blue Sky Program in light of the Commission Orders. The report contained a spreadsheet with nine tabs. In these tabs the Company provided the required Utah specific and total Company information: revenue, costs, and customer participation; Renewable Energy Certificates (REC) purchases; program available funds; funding award application history; project standards and evaluation criteria; REC Position Reconciliation report; Promotional Concession Report; and the Community Project Funding Reconciliation report. In addition to the spreadsheet, the Company provided Exhibits A through E detailing additional Commission requested information.

The 2015 Annual Report filed by the Company provides monthly detail showing on a Utah basis \$2.7 million in revenue was collected over the reporting period. The 2015 revenue combined with accrued interest for the period and the December 2014 funds balance gives total available funds of approximately \$3.04 million. Approximately 6 percent of the revenue was used to purchase 158,481 megawatt hours of RECs from new renewable wind energy. Approximately 28 percent of the revenue was used for program administration which includes the renewable energy certificate expense. In 2015, \$482,814 was awarded to community project funding with remaining funds committed to the Blue Sky Utah Solar Farm. The Company has committed a total of \$3.3 million to the solar farm project with \$2.1 committed in 2014 and \$1.2 million committed in 2015. The Company is currently analyzing available siting for the solar farm that will provide strong environmental and economic benefit for local communities.

The Commission's correspondence in Docket No. 15-035-28, requested "*that in future reports the Company provide a reconciliation as to the degree to which the subsidized portion of the*

total output of the demonstration projects and the subsidized portion of the proposed future Company solar PV project cover the deficit of REC (or other renewable energy) purchases.” The Commission also directed the Company to include in the next annual report its analysis and recommendation of an update to Blue Sky Block rate.

As requested, the Company provided an analysis of the Blue Sky Block rate pricing in Exhibit E. In 2015, 6% of Blue Sky funds were used to purchase RECs with approximately 66% of funds going toward community projects. Program administrative costs make up the remaining 28%. The Company’s 10 year review of the program shows a decrease in REC costs along with a reduction to administration costs allowing more funding of community projects. The Company met with external stakeholders to discuss changing the Blue Sky Block rate. There was much discussion over reducing project funding and/or eliminating REC purchases. Stakeholders felt there was value in continuing both the project funding and REC purchases. It was determined, based on the Company’s 2013 customer research along with the comments and recommendations made by stakeholders, to continue with the \$1.95 block rate.

The Blue Sky Annual Report provides along with other Commission required analysis, the REC Position Reconciliation. The REC Position Reconciliation provides the beginning REC supply position along with the customer sales and Company purchases throughout the year. The Division was uncertain as to why the year-end REC supply position can show a surplus or a deficit, in other words, why doesn’t the yearly customer sales match the yearly Company REC purchases as directed in the Blue Sky Tariff Schedule 70. A discussion was held with the Company and the following explanation was provided:

PacifiCorp’s Energy Supply Management team turns to the REC market to purchase multiple times during the year to balance REC purchases with customer purchases. Considerations that must be addressed include demand, internal purchase risk policies as well as the following:

- 1) the REC purchased needs to be eligible for Green-e Energy certification under its national standard,*
- 2) the resource type required,*
- 3) the resource location,*
- 4) vintage period requirements,*

The Company also requires that REC delivery be accompanied by WREGIS registration and there is a 90-day lag between when a REC is created (energy generation date) and WREGIS registration.

Due to these considerations including the 90-day lag, there will always be a REC imbalance.

As noted above, the Company is continually working on balancing REC purchases with customer block purchases. A review of the Blue Sky Annual Report for the past seven years shows a surplus in some years with a deficit in others.

	2009	2010	2011	2012	2013	2014	2015
Year-end REC Supply Position Surplus/ (Deficit)	4,565	(41,425)	789	(16,005)	(4,554)	(15,063)	(7,009)

The Company does not use REC attributes from Blue Sky community projects as a substitute for REC purchases.

CONCLUSION

After reviewing the information contained in the spreadsheet, the Division concludes that the report is in compliance with Commission Orders and adheres to the Commission's reporting requirements. The Division recommends that the Commission acknowledge the Company's 2015 Blue Sky Annual Report.

CC Jeffrey K. Larsen, Rocky Mountain Power
 Bob Lively, Rocky Mountain Power
 Michele Beck, Office of Consumer Services
 Service List