



We Partner to Build the New Clean Energy Economy

UTAH PUBLIC SERVICE COMMISSION  
Heber M. Wells Building  
160 East 300 South, 4th Floor  
Salt Lake City, Utah 84111

June 1, 2017

**RE: Docket No. 17-035-19 In the Matter of Rocky Mountain Power's 2016 Annual Report of the Blue Sky Program**

Dear Public Service Commission,

***Background.***

On March 30, 2017, Rocky Mountain Power (the "Company") filed its Annual Report of the Blue Sky Program (Program) for 2016, and on May 1, 2017 the Company filed a revised Annual Report that includes corrections and modifications in response to inconsistencies noted by the Division of Public Utilities (Division). The report consists of an Excel spreadsheet that includes information about program sales (including blocks purchased and revenues), program expenses, REC purchases, and commitments to Blue Sky funded projects in Utah. On April 26, 2017 the Commission issued a Notice of Amended Filing and Comment Period with comments due June 1, 2017 and reply comments due June 15, 2017.

***Introduction.***

Utah Clean Energy appreciates the opportunity to review the Blue Sky Annual Report and provide comments. Utah Clean Energy notes that the Blue Sky program has evolved from its inception as primarily a REC purchasing program (with some funding for community projects) to a program where the majority of funding is used for larger, solar production facilities ("grid-scale projects"). This evolution has not been accompanied by associated customer outreach or education regarding the evolving nature and purpose of the program. Based on the information in the Annual Report, it appears that there is not a clear understanding between the Company and Blue Sky customers about the objectives and purpose of the Blue Sky program.

We appreciate the Company's efforts to improve the accuracy and format of the Annual Report and view the 2016 Annual Report as complete. Nevertheless, based on our review of the annual report and the Blue Sky website, Utah Clean Energy makes the following comments and recommendations to ensure that the Blue Sky program continues to be in the interests of the customers who participate:

- It is unclear that customers participating in the program understand the purpose of the program. The program is marketed as primarily a REC purchasing program to offset energy consumption with "green" energy. However, to the extent that the program is primarily a REC purchasing program, the blocks are priced too high. To the extent that the program is more than a REC purchasing program (in that it is used to fund community projects), the program's purpose is unclear.

- Utah Clean Energy recommends that the Commission order the Company to convene interested stakeholders to clarify the purpose of the Blue Sky Program and revise the tariff, including the description of qualifying community projects, to reflect this purpose.

### ***Comments***

The Blue Sky Annual Report notes that program administration and marketing costs for Utah's Blue Sky Program have decreased by approximately 38% in 2016, while program participation continued to increase. We appreciate the Company's efforts to improve the efficiency of the Program by cutting costs while maintaining growth in program participation.

The Blue Sky Program was originally conceived of as a REC purchasing program that allowed customers to voluntarily offset their electricity consumption with an equivalent amount of independently certified green energy. Since the Program was initiated in 2000, the cost of RECs has declined significantly, and a growing portion of program revenue has been used to fund community projects. In the 2016 Annual Report, the Company indicates that the majority of Blue Sky Community funds – \$5.2 million – will be spent on three large, grid-scale projects which differ significantly from past Blue Sky community projects. Below, Utah Clean Energy reviews the various components of the Blue Sky program and makes recommendations.

### ***REC Purchases.***

Blue Sky offers customers the opportunity to claim that they are offsetting the electricity used by their home or business with clean energy through the purchase of Renewable Energy Certificates (RECs). RECs are an independently verified metric which confers upon the purchaser the right to say they are powered by clean energy. However, the cost of RECS has fallen dramatically since the inception of Blue Sky Program. The cost of a Blue Sky block is 10 times the average weighted price of the equivalent REC.<sup>1</sup> In other words, 90% of what a customer pays each month to participate in the Blue Sky Program goes towards costs other than the cost to offset their energy use through Renewable Energy Certificates. The revenue not used to purchase RECs goes toward program expenses and to fund Blue Sky "community projects" and, increasingly, to grid-scale projects.

Utah Clean Energy recommends that the Company and the Commission consider either reducing the cost of a Blue Sky block, such that it is more closely aligned with the cost of RECs, or clarifying the purpose and scope of the community project component of the Program.

### ***Community projects.***

The Blue Sky tariff describes several characteristics of initiatives qualifying for Blue Sky funding, including a preference for "local community based projects that provide strong environmental and economic benefit to local communities and [Blue Sky] Customers."<sup>2</sup> According to the 2016 Annual Report, \$5.2 million of Program revenue has been committed to three projects that do not provide strong economic benefits for local communities or Blue Sky Customers. Of this total, \$1.9 million has been committed to

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<sup>1</sup> Ten Blue Sky blocks represent one REC and cost \$19.50, whereas the average weighted price of a REC in 2016 was \$1.87.

<sup>2</sup> RMP Electric Service Schedule No. 70, Original Sheet No. 70.3.

fund the solar component of the STEP Solar and Storage Program, a project which the Company identified as a more economical alternative to an otherwise necessary infrastructure investment.

The 2016 Annual Report illustrates that the majority of 2016 Blue Sky funds have been committed to fund projects that do not provide strong economic benefit to local communities or Blue Sky Customers. While the tariff allows for Blue Sky funding to be used for other defined “qualifying initiatives”,<sup>3</sup> the Company’s marketing materials and website do not make this clear to customers.<sup>4</sup> This shift toward grid-scale projects brings to light that there is not a clear agreement between the Company and Blue Sky customers about the purpose of revenue that is not used to purchase RECs, and as such, there is a need to clarify the purpose of the Program for customers.

Based on the Blue Sky website and marketing materials, it appears that the Company is still marketing the program foremost as a REC purchasing program. The Company has made efforts to clarify the purpose of the program through marketing materials and customer surveys, however there is a lack of specific information about the types of projects Blue Sky customers are funding with the remainder and majority of program revenue, which is not associated with REC purchases.

Based on the distribution of spending as described in the 2016 Blue Sky Annual Report, it is misleading to characterize the program primarily as a REC purchase program. Given that the portion of funding that does not go toward RECs has increased significantly, it is appropriate to convene stakeholders to either reduce the cost of a Blue Sky block, or to further define the parameters of initiatives that qualify for community project funding, or to do both. This will allow the Company to provide more clarity to Blue Sky customers in marketing materials and ensure that Blue Sky customers are aware of the types and scope of projects they are funding.

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<sup>3</sup> Including:

- Funding for research and development projects encouraging Renewable Energy in order to accelerate marketability of Renewable Energy technologies.
- Investment in the above-market costs associated in the construction of Renewable Energy facilities or purchase by contract of Renewable Energy, reducing the costs of Renewable Energy to be competitive with cost-effective resources.

Source: RMP Electric Service Schedule No. 70, Original Sheet No. 70.3.

<sup>4</sup> Examples:

- The Blue Sky homepage states that “When you enroll, Rocky Mountain Power purchases renewable energy certificates from newly developed facilities.”  
<<https://www.rockymountainpower.net/env/bsre.html>>
- The “Blue Sky Program Overview” page states the following:  
*How does Blue Sky work?*
  - You buy renewable energy in 100 kilowatt-hour (kwh) increments, called blocks, for just \$1.95 more per block per month.
  - Rocky Mountain Power buys renewable energy certificates on your behalf equal to your Blue Sky<sup>SM</sup> purchase and may help develop small-scale renewable projects in the communities we serve.<<https://www.rockymountainpower.net/env/bsre/po.html>>
- A letter to Blue Sky customers (Exhibit A from the 2016 Annual Blue Sky Report, filed on March 30 2017), states “You’re greening your electricity use by supporting wind power generated in the western region.”

Since 2006, Blue Sky customers have been supporting the development of a variety of community rooftop solar energy projects. For perspective, the 2016 Annual Report describes \$5.2 million spent on grid-scale solar projects compared to \$1.2 million spent on or committed to community projects for a variety of non-profit and local government facilities, and only \$140,000 spent to purchase RECs. The three grid-scale solar projects differ from the community projects that have been funded in the past in two notable ways. First, these projects are not designed to provide economic benefits to the local community or to Blue Sky Customers. Second, one of the projects is a cost-effective alternative to a planned investment that the Company would have made regardless of the Blue Sky Program.

Given that both the cost of solar and the scope of the Blue Sky Program have changed significantly since the tariff was created as a REC purchase option, Utah Clean Energy recommends that the Commission order the Company to convene interested stakeholders to clarify the purpose of the Blue Sky Program and revise the tariff, including the description of qualifying community projects, to reflect this purpose.

***Conclusion.***

The 2016 Blue Sky annual report illustrates that the Blue Sky program is continuing to grow despite competition from new programs, such as Subscriber Solar, and improved efficiencies in program administration costs. Given the program's shift toward funding larger, grid-scale projects and away from purchasing RECs and customer-sited community projects, Utah Clean Energy requests that the Commission require the Company to convene interested stakeholders to clarify the purpose and scope of the community projects portion of the Blue Sky program, potentially revise the block rate, and, if necessary, revise the Blue Sky tariff to ensure that the Program is just and reasonable and in the public interest.

**CERTIFICATE OF SERVICE  
DOCKET NO. 17-035-19**

I hereby certify that a true and correct copy of the foregoing was served by email this 1<sup>st</sup> day of June, 2017, on the following:

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\_\_\_/s/ Kate Bowman\_\_\_\_\_