

June 15, 2017

***VIA ELECTRONIC FILING***

Public Service Commission of Utah  
Heber M. Wells Building, 4<sup>th</sup> Floor  
160 East 300 South  
Salt Lake City, UT 84114

Attention: Gary Widerburg  
Commission Secretary

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

On April 26, 2017, the Public Service Commission of Utah (“Commission”) issued a Notice of Amended Comment Period in the above referenced matter, extending comments and reply comments to be submitted by June 1, 2017, and June 15, 2017, respectively. The Division of Public Utilities (“DPU”) and Utah Clean Energy (“UCE”) filed comments on June 1, 2017. Rocky Mountain Power (“Company”) provides these reply comments in response to UCE’s comments.

UCE recommended that the Company convene interested stakeholders to clarify the purpose and scope of community projects, potentially revise the block rate, and if necessary, revise the Blue Sky tariff. In addition, UCE claims that marketing messages are misleading and characterize the program primarily as a Renewable Energy Credits (RECs) purchase program, and lack specific information about the types of projects Blue Sky customers are funding with program revenue that is not associated with REC purchases.

**Review/Revise the Blue Sky Block Rate**

On March 22, 2016, the Company met with interested stakeholders to discuss the Blue Sky program, brainstorm concepts for improvement, and gather suggestions from stakeholders concerning the Blue Sky block rate. The meeting presentation is attached hereto as Exhibit A. Attendees included representatives from Utah Clean Energy, DPU, Office of Consumer Services, Office of Energy Development, and Western Resource Advocates. The purpose of the meeting was to determine if any changes or improvements should be made to the Blue Sky program and tariff. Some of the meeting topics discussed were:

- Marketing strategy, material development, and community outreach
- Program reporting
- Processing of grant applications
- Parties discussed if Green-E certification was needed going forward since only 6 percent of funds were being spent on RECs. The consensus of the parties was for the Company to continue monitoring value of Green-E and provide a recommendation in the future.

- Discussed the program administration improvements implemented that would result in significant reductions to administration costs.
- Discussed whether the price for Blue Sky blocks should be changed due to the lower cost for RECs the past few years, including an option of lowering it to \$1.00. The consensus of the parties was that lowering the block price would result in less funds for Blue Sky projects and that keeping the price the same was appropriate. This was reflected in the Pricing Analysis submitted with the 2015 Annual Report of the Blue Sky program, filed March 31, 2016, in Docket No. 16-035-14. For convenience, the same Pricing Analysis is also attached hereto as Exhibit B.

For programs such as Blue Sky, the Company believes it is best practice to periodically work with stakeholders to discuss and improve the program. The Company is planning on convening stakeholders the first part of 2018 to discuss opportunities for improvement with the Blue Sky program. In preparation for that discussion, the Company plans to survey Blue Sky customers in the fourth quarter of 2017 regarding their satisfaction with the program and to obtain their recommendations for improvement. The data from the surveys will be used to inform any potential improvements to the program.

### **Blue Sky Marketing**

The Company includes communication materials sent to Blue Sky customers with the annual report filed annually with the Commission. The materials sent annually to all Blue Sky customers show how much renewable energy offsets they have purchased throughout the year, which is a requirement for Green-E certification of the program. The letters sent to customers, provided as Exhibits A and B to the 2016 Blue Sky Annual Report, also provide a link to where they can find information on every community project that Blue Sky has funded. Additionally, throughout the year, the Company continuously communicates with customers regarding Blue Sky renewable energy facilities, such as press releases, public events, bill inserts, and most recently a video shared through social media. Recent examples of these things are attached hereto as Exhibit C, and can also be found on or through the program website.<sup>1</sup>

After a review of the communications to customers through letters, press releases, and public events, the Company believes it reasonably communicates the Blue Sky program, including community projects, and is not misleading as to the purpose of the program. Notwithstanding, the Company has already implemented plans to further increase the frequency of communications regarding community projects to improve customer engagement.

### **Purpose/Scope of Community Projects**

The Blue Sky program tariff Schedule Nos. 70 and 72 both state that the purpose of the voluntary program is for customers interested in supporting the purchase and development of renewable energy. The tariffs go on to state that the supported renewable energy comes in the form of RECs and community-based Renewable Energy projects.

On April 25, 2017, the Company met with interested stakeholders, including Utah Clean Energy, to discuss Blue Sky project funding and presented an in-depth overview of the three proposed

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<sup>1</sup> [www.rockymountainpower.net/bluesky](http://www.rockymountainpower.net/bluesky)

projects amounting to \$5.2 million in Blue Sky funds. These funds have been reserved for these larger projects over the past 3 years as the Company has searched for available sites, and approached several entities that would be willing to sponsor/host a Blue Sky-built facility. One of the projects was approved by the Commission in its Phase One Report and Order issued December 29, 2016 in Docket No. 16-035-36. The other two project sites have been identified and the Company is working with the property owners on the final details.

UCE states throughout their comments that these projects do not provide strong economic benefits for local communities or Blue Sky customers. Contrarily, these larger projects are anticipated to provide even more economic benefits and exposure to Blue Sky customers than previous projects as they are expected to generate a greater amount of energy and benefit all customers in perpetuity, compared to smaller projects in the past benefitting individual customers who receive Blue Sky funding. For example, the renewable energy produced from these sites will benefit all Utah customers throughout the life of the projects.

UCE's concerns with the lack of information communicated to customers about these projects is premature given that the projects are still being finalized and detailed. Once the larger projects are finalized, they will be actively communicated to Blue Sky customers, emphasizing their role in building the renewable projects. Without Blue Sky customers, these renewable energy projects in the community would not have been built.

## **Conclusion**

Based on the aforementioned stakeholder activity, pricing analysis and marketing materials, the Company does not recommend revising the block rate, or making Blue Sky updates at this time. The Company will continue to meet with stakeholders to discuss the annual report and improvement opportunities for the Blue Sky program.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael S. Snow".

Michael S. Snow  
Manager, Customer Solutions Regulatory Affairs

cc: Division of Public Utilities  
Utah Clean Energy

# **Exhibit A**

# Blue Sky Block – Work Group

- ❑ Program Description
- ❑ Pricing History
- ❑ Strategy Discussion: Program Future
  - ❖ Pricing Analysis
  - ❖ Program Strategy Options

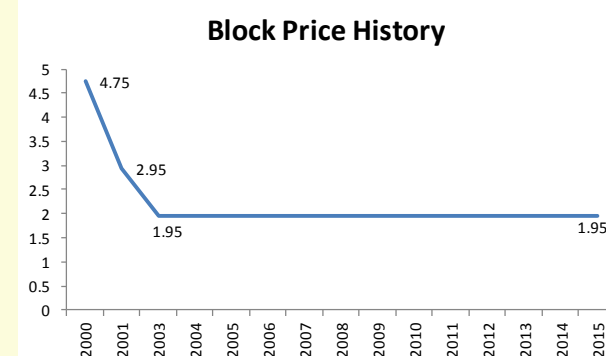
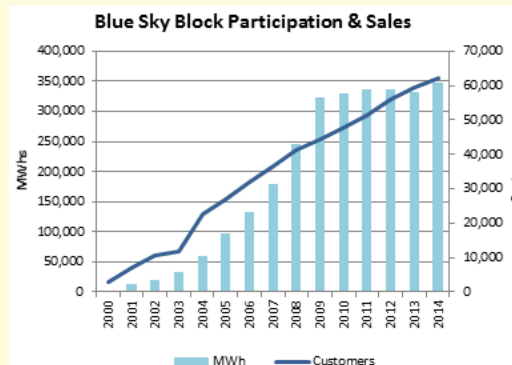
# Blue Sky Block Program

Voluntary Program that enables customers to support renewable energy through purchases of RECs and funding of community-based renewable energy projects (funding awards).

**Schedule 70 – Cost: \$1.95 per block; Utah Customers: 40,000+**

2015 Block Cost Breakdown	1	Renewable Energy Certificates (RECs)	2	Program Admin/Marketing	3	Renewable Project Funding Awards
Cost per Component		\$0.12 6%		\$0.55 28%		\$1.28 66%
\$ Value		\$168,633		\$756,084		\$1,783,084

***Participation,  
Pricing &  
History***



# Renewable Energy Certificates (RECs)

1	Renewable Energy Certificates (RECs)
	\$0.12
	6%
	\$168,633

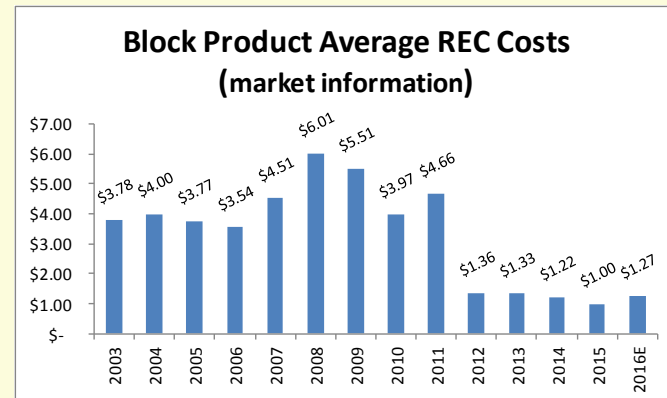
**1 REC = 1000 kwh**

**1 Block = 100 kwh**

**1 REC = 10 Blocks**

Customers are able to claim the environmental benefits of the renewable energy for each 100 kwh block they purchase.

REC prices have dropped significantly over the past 5 years, resulting in a surplus of funds in the program and an increase in funding awards for renewable projects. 2016 Forecast shows pricing increasing slightly to \$1.27/REC.



# Program Administration & Marketing

2	Program Admin/Marketing
	\$0.55 28%
	\$756,084

Program administration and marketing costs for all 6 states include:

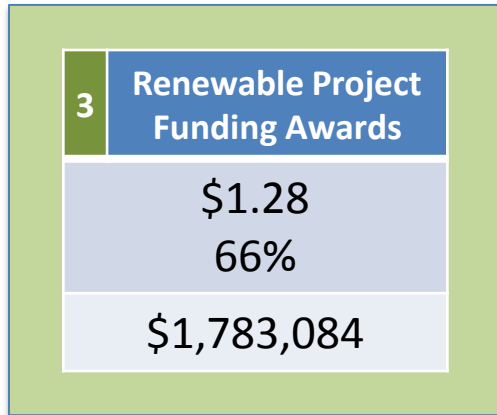
- Development and coordination of marketing strategy
- Internal/external communications and community outreach
- Reporting, administrative and analysis functions
- Management of contract with specialized marketing vendor
- Call Center Incentive Program
- Branding and material development
- Brokerage services for REC purchases
- Green-E certification and 3<sup>rd</sup> party audit
- Processing grant applications for funding awards

*All expenses are covered by program participants.*

Blue Sky has received many awards over the past 10 years, and is recognized as a gold standard in voluntary renewable energy programs. Over 90% of new enrollments in the program in 2015 were gathered through Call Center Incentives and community outreach (both currently administered by marketing vendor).



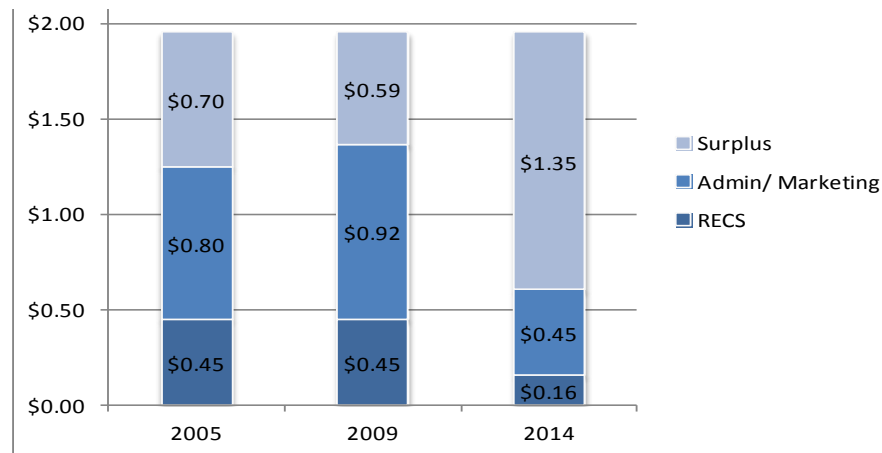
# Renewable Project Funding Awards



115 Utah Projects have received funding through the Blue Sky Program since 2006.

Grant application process is currently on hold in Utah as we review strategy for program.

Surplus of funding in all states has enabled program to grant funds to more projects.



Prices in chart reflect 6-state combined program costs through 2014.

# Blue Sky Forward Strategy Options

- Maintain current program setup and pricing, continue to grow fund to increase awards/grants, reduce marketing costs by partnering marketing efforts with other programs
- Maintain current block price, increase REC-purchase-ratio to reduce funding awards (blocks increase to 200 kwh or more)
- Lower price to \$1.00/block to increase participation levels, align to actual REC prices, reduce funding awards
- Split current program into two Blue Sky options:
  1. REC purchases only (increase kwh-per-block)
  2. Targeted project funding (\$1-\$5/month, 3-5 projects within community selected in advance of funding, allow customers to direct dollars to specific project)

**Assemble Blue Sky Workgroup to research/develop more options...**

# Blue Sky Bulk Purchase Program

## **Schedule 72, Voluntary block program, bulk-purchases of green tags**

Cost: Varies (based on volume of purchases)

General Purpose: Enables commercial customers to bulk-purchase green tags to meet environmental goals.

Top Utah Blue Sky Bulk Purchasers	City	# Blocks/Month
Becton, Dickinson and Company	Sandy	7,648
Weber State University	Ogden	3,603
George Wahlen Department of Veterans Affairs Medical Center	Salt Lake City	1,984
Varian Medical Systems	Salt Lake City	1,723
Salt Lake City	Salt Lake City	1,333
South Jordan Health Center	South Jordan	1,217
Fairchild Semiconductor	West Jordan	1,000
Park City	Park City	832
Park City School District	Park City	793
Workers Compensation Fund	Sandy	776
University of Utah	Salt Lake City	750
Watson Pharmaceuticals	Salt Lake City	750
ViaWest, Inc.	Salt Lake City	750
Ogden City Corporation	Ogden	750
Westminster College	Salt Lake City	750
Staker & Parson Companies	Ogden	750
GE Healthcare - Surgery	Salt Lake City	750

## **Exhibit B**

# Blue Sky Block Program – Utah Pricing Analysis

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## *Schedule 70: Renewable Energy Rider – Optional*

### Objective

Analyze Program Costs and Recommend Future Pricing for Blue Sky Block Rate

### Summary

The Company's Blue Sky Program is a mature, voluntary Renewable Energy program that enables participants to support the purchase and development of Renewable Energy, as defined in *Schedule 70: Renewable Energy Rider – Optional*. The Company performed an assessment of the Blue Sky program's goals and product design. Based on the results of the assessment, the Company recommends maintaining the current price at \$1.95 per Blue Sky block for the reasons described in this report.

### Background: Pricing/Strategy

There are three main cost components where Blue Sky revenues are spent. In 2015, the percentage of costs allocated to each of these components is described below.

#### *Renewable Energy Credits (RECs)*

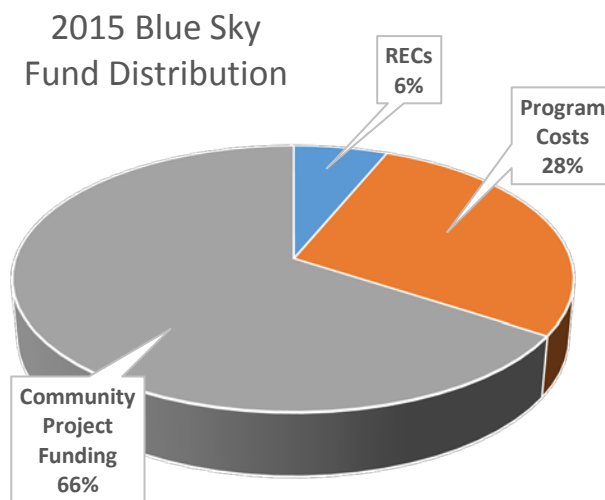
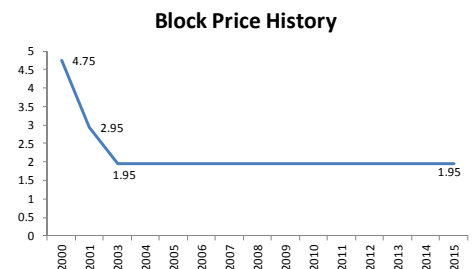
Each Blue Sky Block purchased by participants represents 100 kWh of the premium associated with renewable power, represented by Green Tags or RECs. Green Tags enable participants to claim the environmental benefits of the Renewable Energy that is generated, and 6% of the revenues are spent on the purchase of Green-E certified RECs.

#### *Program Costs*

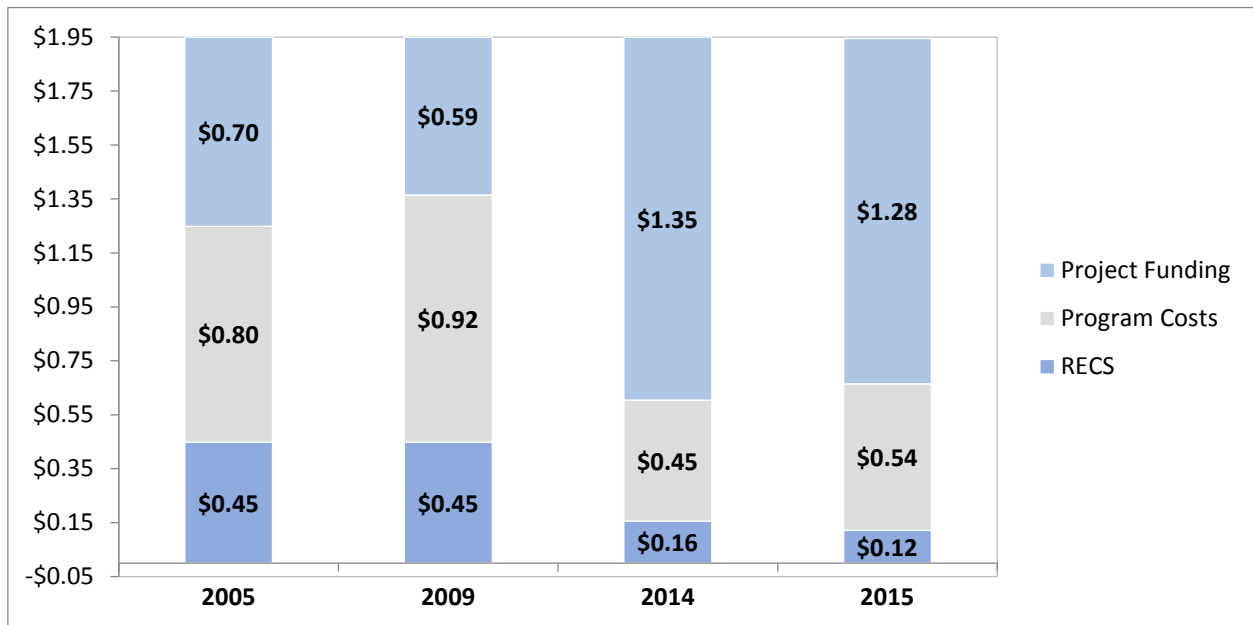
Expenses related to program management, customer education, outreach and promotion of the program represent 28% of total costs, or about \$0.54 of each \$1.95 block.

#### *Community Project Funding*

The majority of the funds collected through the Blue Sky program are used for funding locally-owned commercial-scale Renewable Energy projects that provide strong environmental and economic benefit to local communities. Between 2006 and 2015, the Blue Sky program has contributed to 118 renewable energy projects in Utah (see Appendix A for a full listing of the projects, including size and dollars contributed).



Over the past 10 years as the program has matured and participation has increased, REC costs and program costs have both reduced, allowing more funds to be used to support community projects. The chart below shows the trend of distribution of a single block (\$1.95) between the cost components for the last several years.



## Research

In 2013, the Company engaged a 3<sup>rd</sup> party firm to collect qualitative customer research to determine customer perceptions of the program (see Appendix B: Blue Sky Customer Research). The most important takeaways from this research are:

- Most participants did not fully understand the role of RECs as part of the program. Once explained, participants were agreeable to the purpose, but it did not impact attitudes toward participation.
- The majority of participants understood that they were supporting renewable energy, but they were not aware of the magnitude of the community projects that have received Blue Sky assistance/funding.
- Overall, participants were more enthusiastic about Blue Sky's involvement in community projects, although converting the program to a "contribution fund" type program was too nebulous.
- Participants and non-participants also responded positively towards supporting the construction of specific community projects that were selected for funding awards, instead of building up the project funding balance then awarding on the back-end.

More recently, the Company also met with external stakeholders, including the Utah Division of Public Utilities, Office of Consumer Services, Utah Clean Energy, Office of Energy Development, and Western Resource Advocates. There was considerable time spent discussing the concept of removing REC purchases from the program and focusing on funding renewable projects within Utah. Since the REC prices only account for a small portion of the costs, the general consensus was that REC purchases should continue. The price of a Blue Sky block at \$1.95 is considered low, and many stakeholders felt that

lowering the price even further may actually de-value the program's overall participation and would reduce the funding power of community projects.

### **Conclusions and Recommendations**

The Blue Sky Program is currently *right-priced* to support the purchase and development of Renewable Energy. Although the pricing of RECs has dropped over the last several years, the program has been able to grow participation levels and increase its impact on the number of community-based projects, which participants and stakeholders agree is the most valuable part of the program. Maintaining current pricing also enables the program to retain existing membership and continue funding community awards.

Based on this analysis and feedback from external stakeholders, the Company recommends keeping the block rate at the same level: 100 kWh for each block at \$1.95.

## **Exhibit C**



**Press Releases:**

<https://www.rockymountainpower.net/about/nr/nr2016/blue-sky-holiday-lights.html>

<https://www.rockymountainpower.net/about/nr/nr2016/blue-sky-funding.html>

<https://www.rockymountainpower.net/about/nr/nr2016/grand-county-school-dist.html>

<https://www.rockymountainpower.net/about/nr/nr2016/blue-sky-community-awards-utah.html>

<https://www.rockymountainpower.net/about/nr/nr2017/solar-battery-funding-moroni.html>

**Bill Inserts:**

[https://www.rockymountainpower.net/content/dam/pacificorp/doc/CCCom\\_Update/2017/April\\_2017/RMP-Voices-April-UT-FINAL.pdf](https://www.rockymountainpower.net/content/dam/pacificorp/doc/CCCom_Update/2017/April_2017/RMP-Voices-April-UT-FINAL.pdf)

**Social Media Video:**

<https://www.rockymountainpower.net/bluesky>





Tracy Aviary, Salt Lake City



Utah Transit Authority



Early Light Academy, South Jordan

# Renewable energy projects across Utah

**Alpine**

Mountainville Academy

**Bluffdale**

North Star Academy  
Cedar City  
Cedar City Aquatic Center  
Cedar City Fire Station #1  
Southern Utah University – Utility Shop  
Southwest Applied Technology College

**Centerville**

Episcopal Church of the Resurrection

**Coalville**

Utah State University – Agriculture  
Extension Building

**Cottonwood Heights**

South Valley Unitarian Universalist Society

**Draper**

Loveland Living Planet Aquarium

**Eden**

Weber School District Environmental Center

**Erda**

Excelsior Academy

**Farmington**

LDS Church Meeting House

**Herriman**

Providence Hall

**Holladay**

Holladay United Church of Christ

**Ivins**

Ivins City – Fire Station Phase 2  
Ivins City Carport and Fire Station

**Layton**

North Davis Preparatory  
Weber State University – Davis Campus Building  
Weber State University – Davis Campus addition

**Magna**

Magna Water and Sewer District

**Milford**

Milford High School

**Moab**

Grand County Public Library  
Grand County School District  
Moab Animal Shelter  
Moab Arts and Recreation Center  
Moab City Hall Expansion  
Moab Public Radio  
Moab Recreation and Aquatic Center

**Murray**

Granite School District – Cottonwood  
High School

**North Ogden**

Maria Montessori

**North Salt Lake**

Wasatch Peak Academy  
Spectrum Academy High School

**Ogden**

Ogden City Hydro  
Ogden Nature Center  
Unitarian Universalist of Ogden

**Orem**

Mountainland Applied Technology College  
Planned Parenthood

**Park City**

Ecker Hill Middle School  
National Ability Center  
Park City Fire District  
Park City Historical Society and Museum  
Park City Ice Arena  
Park City Museum  
Park City Park and Trails - Creekside Park  
Park City Police Department  
Shepherd of the Mountains Lutheran Church  
Snyderville Basin Recreation  
St. Luke's Episcopal Church  
Summit County Health Department  
Swaner Nature Preserve  
Temple Har Shalom  
U.S. Ski & Snowboard Association  
Weilenmann School of Discovery

**Salt Lake City**

Artspace Commons Solar Project  
Artspace Solar Gardens  
Associated General Contractors of Utah  
Christ United Methodist Church  
Clark Planetarium  
Congregation Kol Ami  
East High School  
Entheos Academy Solar  
First Unitarian Church of Salt Lake  
Fourth Street Clinic  
Hogle Zoo – Resource and Conservation Center  
IJ & Jeanne Wagner Jewish Community Center  
KRCL Community Radio  
Kostopulos Dream Foundation – Camp Kostopulos  
Leonardo at Library Square  
McGillis School  
Mt. Tabor Lutheran Church  
NeighborWorks  
Our Saviours Evangelical Lutheran Church  
Ronald McDonald House  
Salt Lake Acting Company  
Salt Lake Arts Academy  
SLC School District, Mountain  
View Community Learning  
Salt Lake City, Plaza 349 Building  
Salt Lake Community College Technology Center  
Salt Palace  
The Front Climbing Club  
Tracy Aviary – Flamingo Pond Solar Trees  
Tracy Aviary – Liberty Park Bird Exhibit

**Salt Lake City, continued**

University of Utah – Sterling Sill Center  
University of Utah – Marriott Library  
Utah's Hogle Zoo – Animal Health Center  
Utah's Hogle Zoo – Elephant Pavilion  
Utah Museum of Natural History -  
University of Utah  
Utah Public Health Lab Renewable Energy Park  
Utah Transit Authority  
Westminster College – Emma Eccles  
Jones Conservatory  
Westminster College – Dolores Dore Eccles  
Wellness Center  
Westminster College – Meldrum Science Center

**Sandy**

St. Thomas More Catholic Parish  
Saratoga Springs  
Lakeview Academy

**South Jordan**

Early Light Academy  
South Salt Lake  
South Salt Lake Columbus Center – addition  
South Salt Lake Columbus Community Center  
South Salt Lake Fire Department

**Springdale**

Springdale Ball Field  
Springdale Wastewater Treatment Facility  
Springdale Wastewater Treatment Facility –  
phase two

**Summit County**

Friends of Animals Utah

**Syracuse**

Syracuse Arts Academy

**Taylorsville**

St. Matthew's Lutheran Church

**Tooele**

St. Marguerite Catholic Parish  
Tooele Applied Technology College

**Vernal**

Utah Field House of Natural History

**Wellsville**

Utah State University – Matthew-Hillyard  
Research Center

**West Haven**

Quest Academy

**West Jordan**

Hawthorn Academy  
Jordan Valley Water District  
St. Joseph the Worker Catholic Parish

**West Valley City**

East Hollywood High School  
St. Stephen's Episcopal Church

**Utah State**

Office of Education

For more details about Blue Sky projects, visit  
[rockymountainpower.net/blueskyprojects](http://rockymountainpower.net/blueskyprojects).





## **CERTIFICATE OF SERVICE**

I hereby certify that on June 15, 2017, a true and correct copy of the foregoing was served by electronic mail to the following:

### **Utah Office of Consumer Services**

Cheryl Murray - [cmurray@utah.gov](mailto:cmurray@utah.gov)

Michele Beck - [mbeck@utah.gov](mailto:mbeck@utah.gov)

Gavin Mangelson - [gmangelson@utah.gov](mailto:gmangelson@utah.gov)

### **Division of Public Utilities**

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William Powell - [wpowell@utah.gov](mailto:wpowell@utah.gov)

Erika Tedder - [etedder@utah.gov](mailto:etedder@utah.gov)

Brenda Salter - [bsalter@utah.gov](mailto:bsalter@utah.gov)

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Sarah Wright - [sarah@utahcleanenergy.org](mailto:sarah@utahcleanenergy.org)

Kate Bowman - [kate@utahcleanenergy.org](mailto:kate@utahcleanenergy.org)



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Katie Savarin  
Coordinator, Regulatory Operations