



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**

April 30, 2018

RE: Docket No. 18-035-10 In the Matter of Rocky Mountain Power's 2017 Annual Report of the Blue Sky Program

Dear Public Service Commission,

Utah Clean Energy appreciates the opportunity to comment on the 2017 Blue Sky Annual Report. We appreciate that Rocky Mountain Power continues to offer this program as a choice for customers who would like to support additional investments in renewable energy resources and the Company's efforts to involve stakeholders in the ongoing management of the Blue Sky program. The Blue Sky program is now 18 years old, and the market for clean energy resources has transformed since the creation of the Blue Sky tariff in 2000. Once a mechanism to allow customers to purchase RECs, the Blue Sky program now largely provides grants to support actual clean energy projects. At the same time, customers now have multiple options to support clean energy. As the market for clean energy continues to evolve, we appreciate the Company's efforts to ensure that the Blue Sky program remains aligned with customer preferences and continues to expand access to clean energy resources for customers in Utah.

Introduction.

On March 30, 2018, Rocky Mountain Power (the “Company”) filed its Annual Report of the Blue Sky Program (Program) for 2017. The report includes information about program sales (including blocks purchased and revenues), program expenses, REC purchases, and commitments to Blue Sky funded projects in Utah. The report also includes Project Standards and Evaluation Criteria for the selection of community projects, sample marketing materials distributed to Blue Sky customers, and results from a customer survey conducted in December 2017. On April 3, 2018 the Commission issued a Notice of Filing and Comment Period with comments due April 30, 2018 and reply comments due May 15, 2018.

Utah Clean Energy appreciates the opportunity to review the Blue Sky Annual Report and provide comments, and we view the 2017 Annual Report as complete. The purpose of our comments is to highlight the ways in which the Blue Sky program is changing and provide recommendations to ensure the program’s continued success as the clean energy market transformation continues.

Discussion.

The Blue Sky Program was originally created as a REC purchasing program. Since the program’s inception in 2000, the cost of RECs has declined significantly. As a result the Blue Sky program now collects far more revenue from customers than is necessary to purchase RECs for those customers and spends the majority of that revenue funding community renewable energy projects.¹ The cost of a Blue Sky block is now 10 times the average weighted price of the

¹ The Blue Sky program collected \$2.677 million in revenues in Utah in 2017, and spent \$345,000 on program expenses, \$306,000 on REC purchases, and \$565,000 on community grant awards in 2017. The Company plans to

equivalent REC.² As a REC purchase program, Blue Sky is grossly overpriced. However, the Company's customer survey indicates that Blue Sky customers understand and are pleased with the community grant component of the program. Eighty percent of Blue Sky customers agree that "The Blue Sky program awards funds to community-based renewable energy projects," and 92% of Blue Sky customers in Utah are "very" or "moderately" satisfied with the program overall.³

Evaluation & Award Criteria.

In the past, the Blue Sky program required community grant applicants to provide at least 40% of the project funding themselves; that is to say that Blue Sky grants could only cover at most 60% of a project's total cost. Based on the Company's stakeholder meeting on March 21, 2018, I understand that this requirement is no longer in place and Blue Sky community applicants can receive up to 100% of the project costs in award money. Although the cost of solar has fallen significantly, the upfront capital expense of an investment in rooftop solar still remains out of reach for many low-income communities and organizations in Utah, who many not be able to fund 40% of the cost of a solar installation without compromising their core services or mission. It would not be an efficient use of program resources to cover the entire project cost for every Blue Sky community grant awardee, as many applicants are able to fund a portion of their project, and a cost share requirement ensures that project applicants are serious about completing their solar installation. However, in certain cases it is appropriate to award an applicant the

spend an additional \$148,000 in 2018 on RECs required to meet remaining REC purchase obligations from 2017, and \$7.7 million for 14 community grant awards.

² Ten Blue Sky blocks represent one REC and cost \$19.50, whereas the average weighted price of a REC in 2017 was \$1.91.

³ Blue Sky Annual Report 2018, Exhibit D Customer Survey Results, Pages 6 and 12.

entirety of their project costs. I recommend the Company update its project standards and criteria for making Blue Sky grant awards to include a description of conditions when it is appropriate to award an applicant 100% of project costs.

In recent years, the Blue Sky program has awarded community project grants to projects which combine solar with battery storage, including a 206 kW solar array on North Sanpete School District. As the cost of battery storage continues to decline, applications for projects that pair solar with battery storage are likely to become more common. When combined with solar, battery storage offers community benefits above and beyond clean energy and economic savings, including emergency backup power and improved resiliency. I recommend that future surveys of Blue Sky customers seek to improve understanding of the types of community projects and clean energy technologies Blue Sky customers would prefer to support. For example, it would be helpful to know Blue Sky customers relative interest in funding low-income or underserved communities and battery storage or resiliency projects.

Marketing & Outreach.

The Company has made very significant cuts to program marketing costs in the last two years, and while the number of Blue Sky blocks sold in 2016 increased, the number of blocks sold in 2017 declined slightly.⁴ Marketing costs have fallen from a total of \$756,000 in 2015 to \$466,000 in 2016 and \$345,000 in 2017. The decline in program participation is probably not entirely due to lower marketing expenditures. There are now multiple options available to customers who wish to support clean energy, in addition to the Blue Sky program. As the

⁴ The Blue Sky Annual Report notes that program administration and marketing costs for Utah's Blue Sky Program have continued to decrease by approximately 26% in 2017, and this year the decrease in expenses was accompanied by a slight decrease (of 0.7%) in sales of Blue Sky blocks, although the total count of customers participating in Blue Sky increased.

Company notes, the number of customers participating in the program has grown, but customers may be using less energy or purchasing fewer Blue Sky blocks than in the past. We suggest that the Company continue to monitor program costs, program participation, and customer interest in the Blue Sky program.

Summary of Recommendations.

In summary, we recommend that the Blue Sky program:

- Continue to support low-income and underserved communities and organizations by awarding 100% of project costs, when appropriate.
- Develop project standards and evaluation criteria that describe conditions when it is appropriate to award an applicant 100% of the project costs.
- Through future customer surveys, improve understanding of which types of community projects and clean energy technologies Blue Sky customers would like to support.
- Continue to monitor program costs and participation levels to ensure program design is aligned with customer interests.

CERTIFICATE OF SERVICE
Docket No. 18-035-10

I hereby certify that a true and correct copy of the foregoing was served by email this 30th day of April, 2018, on the following:

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