- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Revision of Utah Power and) Light's Tariff P.S.C.U. No. 42, Re: Schedule 70 -) New Wind, Geothermal and Solar Power Rider)	DOCKET NO. 01-035-T03 ORDER APPROVING TARIFF REVISIONS

ISSUED: April 4, 2001

By The Commission:

INTRODUCTION

On February 16, 2001, PacifiCorp, doing business in Utah as Utah Power & Light (Company), filed for a reduction in the rate for its new renewable energy tariff, Schedule 70, "New Wind, Geothermal, and Solar Power Rider", also known as the Blue Sky Program. The Company proposes to lower the purchase price or premium for renewable power from $4.75 to $2.95 per 100 kWh block effective April 1, 2001. The Company provides a variety of reasons for lowering the rate for this voluntary program which promotes renewable resource acquisition. The reasons include: declining renewable resource costs, higher costs for conventional resources powered by fossil fuels, and the premise that lower prices will encourage greater customer participation. The Company also cites that a lower premium will allow the Land and Water Fund of the Rockies, (the LAW Fund) to actively support and promote the program in Utah.

The Commission originally approved this tariff on April 17, 2000, and ordered the Company to convene an advisory group to review the program's progress as well as make recommendations for changes in the marketing campaign that better promotes the program and insures the public interest. The advisory committee has representatives from the Division of Public Utilities (Division), the Committee of Consumer Services (Committee), the Office of Energy and Resource Planning (OERP), the Land and Water Fund of the Rockies (LAW Fund), Salt Lake Community Action Program (SLCAP), and various Utah environmental organizations such as the Wasatch Clean Air Coalition.

DISCUSSION, FINDINGS, AND CONCLUSIONS

The Company held an advisory committee meeting on March 12, 2001 at the Commission's offices to discuss the rationale for revising the tariff and to update the group on its marketing campaigns. A number of topics and suggestions for improving the program were made at this meeting. It was noted that the Blue Sky Program has gotten off to a slow start with March 1, 2001 enrollments at approximately two-thirds of anticipated annual levels. The program will be one year old on April 17, 2001. The Company has promoted the Blue Sky program with various media advertisements, bill stuffers, and an occasional telemarketing campaign. The recent promotional efforts have increased participation rates among residential customers, but business customer participation in Utah is lagging.

The current price of conventional generation indicates little or no need for a renewable premium. Wind power is an economical resource today compared to purchases of power on the wholesale market. However, current wholesale prices are not expected to remain high over the life of the resources or length of the contracts signed to secure the renewable resources. The Company anticipates that the premium may have to be adjusted periodically as more information is garnered about future prices of conventional generation resources. The Company stated that it does not anticipate an increase will be pursued in the near future. The appropriate allocation of the marketing costs of the program was brought up. The Company was reminded that a majority of the Energy Efficiency and Renewable Resource Task Force recommended, in its report to the Commission, that there be a sharing of marketing costs between participants, general ratepayers, and stockholders. Participation in the program could help secure lower rates for all customers if wholesale prices remain high; thus a sharing of the marketing costs may prove to be in the public interest.

The idea of the Company promoting an insurance program for participants of the Blue Sky program was also discussed. The insurance or hedge would entail protection from increases in the price of electricity that result from rising fossil fuel prices. The Company indicated that it is open to such a proposal but its current rate structure would need to be unbundled in order to administratively handle such a program.

The Commission received memoranda from the Division, the Committee, and the OERP who all support the reduction of the premium paid by participants. A lower premium will be more closely aligned with projected costs of the program and will promote enrollment. The advisory committee believes the participation of the LAW Fund will be particularly helpful in promoting the program to business customers.

The Committee's memo expresses concern that the Company has not filed sufficient information regarding the program. The Committee cites several deficiencies, in particular: renewable resource purchases have not been made or reported; the Company's initial report on the program lacked specificity and a comprehensive evaluation; and the marketing campaign lacked accuracy, effectiveness, and focus. The Committee requests that additional information be provided to the Commission and the advisory committee in a revised report. The Committee recommends that the revised report include: a written explanation regarding expenditures; a complete explanation of how marketing dollars have been utilized in Utah; an explanation of the significant difference in expenditures between Utah and Oregon; the cost for the 3 MW renewable purchase reported in the September 2000 bill stuffer; and an estimate of when additional power would be purchased or generated to meet green power purchases. The Committee also requests that the Commission order the Company to submit all marketing proposals to the advisory committee for review and approval before implementation. The OERP supports the reduction of the premium and requests that the Company submit a proposal which offers participants, in the Blue Sky program, a hedge against future rate increases associated with rising fossil fuel prices. Such a proposal could strengthen the program and give participants additional incentive to join, thereby increasing both participation and the acquisition of new renewable resources. The Division recommends approval of the revised schedule with no further requirements expected from the Company.

The Commission is in favor of this voluntary program as it provides financial support for renewable resources, particularly at this time of resource shortage. Such programs may help mitigate the fluctuation in prices that have plagued the industry of late. The Commission agrees with the Committee that more detailed information should be provided to regulators and interested parties to make sure that participants and non-participants alike can benefit from this program. The Commission concludes that a revised report should be submitted to address the concerns raised by the Committee. The Commission declines the Committee's proposal for review and approval by the advisory committee of all marketing material, but the Company will continue to consult with the advisory group to insure that its marketing is as cost-effective and accurate as possible. The Commission is interested in a program that provides a hedge against price increases associated with fuel price increases as it could provide additional incentive for customers to participate in the Blue Sky program. Thus, we request that the Company submit a proposal that will incorporate some type of pricing hedge for participants in the Blue Sky Program. This proposal should outline the unbundling requirements of the rate tariffs necessary to administer the program. This should be submitted during the pendency of the current rate case so that the parties in the case will discuss the proposal. Allocation of marketingcosts will be determined in an appropriate rate case.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that Schedule 70 - "New Wind, Geothermal, and Solar Power Rider" is revised. The rate for the purchase of renewable power in 100kWh blocks will be lowered from $4.75 to $2.95. The Company will submit a revised evaluation of the program that includes an analysis as outlined in the Committee's March 22, 2001 memo. This report should be submitted within a month of the Company's first anniversary of the program. The Company will also prepare a proposal that will allow participants in the Blue Sky program to be protected from future rate increases that are tied to increased costs of conventional generating resources. This proposal shall be made within the context of the current rate case.

DATED at Salt Lake City, Utah, this 4th day of April, 2001.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Richard M. Campbell, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary