

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: KIRA DALE PFISTERER

DATE: MARCH 7, 2005

RE: PACIFICORP APPLICATION FOR APPROVAL OF A NEW,
VOLUNTARY RENEWABLE ENERGY BULK-PURCHASE OPTION
TARIFF. CASE NO. PAC-E-05-3.

On February 22, 2005, PacifiCorp dba Utah Power & Light Company filed a request with the Commission for approval of a new renewable energy tariff, Schedule 73 – New Wind, Geothermal and Solar Power Rider – Bulk-Purchase Option. Under the proposed program, PacifiCorp would offer non-residential customers the ability to make bulk renewable energy purchases at a reduced rate. According to PacifiCorp, the proposed program would provide businesses with a less expensive alternative to the “Blue Sky” option that is currently available. The renewable energy purchases resulting from the proposed program would be in addition to those PacifiCorp will make under the Company’s Integrated Resource Plan.

BACKGROUND

In August 2003, the Commission authorized PacifiCorp to offer a voluntary renewable energy purchase program, the Blue Sky option, to residential and non-residential customers. *See* Order No. 29329; Electric Service Schedule No. 70. Under the standard Blue Sky option, customers may purchase newly developed wind, geothermal, and solar power energy at a premium of \$1.95 per 100-kilowatt-hour block. The customers may enter or leave the Blue Sky program at any time. Customers may also choose the number of blocks of renewable energy to purchase and such purchases are not dependent on the amount of energy used.

PacifiCorp uses the revenues raised from the Blue Sky program to operate and market the program and to purchase either bundled renewable energy or tradable renewable credits (TRCs). TRCs, also known as green tags, green certificates, tradable renewable certificates, and

renewable energy credits, are created when a renewable energy facility generates electricity. TRCs represent the amount of renewable kilowatt/hours sent to grid, displacing less environmentally friendly energy.¹

Although nearly 700 of Idaho residential customers have signed up for the Blue Sky program since April 2004, only 10 non-residential customers are enrolled in the program. According to PacifiCorp, the biggest obstacle to increasing non-residential participation is the price of the program. The proposed bulk-purchase program is an effort to present these non-residential customers with an alternative for bulk purchases of renewable energy.

APPLICATION

The proposed bulk-purchase option is similar to the standard Blue Sky option: PacifiCorp would charge eligible customers a premium to purchase renewable energy and then use the revenues generated to both operate and market the program as well as to purchase either bundled renewable energy or green tags. However, in contrast to the Blue Sky program, the proposed bulk-purchase option requires a minimum one-year enrollment commitment and annual purchases of 121.2 megawatt-hours (121,200 kWh or 1,212 blocks/year or 101 blocks per month). Customers with multiple sites within PacifiCorp's Idaho service territory would be able to aggregate their purchases to meet the minimum purchase amount.

The Company estimates that the cost of the program includes a fixed annual cost of \$1,500 per customer (\$125 per month), plus \$7.00 per MWh (\$0.70 per 100 kWh block) purchased. The fixed cost is designed to cover costs associated with program management, customer contract, enrollment processing, fulfillment costs, materials/tools and mailings specific to this option. Fixed costs associated with development, advertising and public relations are not included to be consistent with the standard Blue Sky program. The charge of \$0.70 per block is based on the cost to purchase renewable energy (e.g., wind power tags can be purchased for \$7/MWh). Thus, the minimum annual proposed charges for the bulk-purchase option is \$2,348.40 (\$1,500 fixed cost and \$848.40 for the 1,212 MWh) or \$195.70 per month.

Currently, PacifiCorp offers this bulk-purchase option in Oregon and Utah. In addition, PacifiCorp has recently received approval to offer a bulk-purchase option in Washington and Wyoming.

¹ As this Commission recently noted, "the State of Idaho has not created a green tag program, has not established a trading market for green tags, nor does it require a renewable resource portfolio standard." Order No. 29480 at 16.

PacifiCorp has requested that the Commission proceed with the Application under Modified Procedure. The Company did not propose an effective date.

STAFF RECOMMENDATION

Staff recommends that the Application be processed by Modified Procedure with a 28-day comment period.

COMMISSION DECISION

Should PacifiCorp's Application for approval of a new, voluntary renewable energy bulk-purchase option, Schedule 73, be processed by Modified Procedure with a 28-day comment period?



Kira Dale Pfisterer

M:PACE0503_kdp