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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
PACIFICORP FOR APPROVAL OF A NEW,) CASE NO. PAC-E-05-3
VOLUNTARY RENEWABLE ENERGY BULK-)
PURCHASE OPTION TARIFF.)
)
) COMMENTS OF THE
) COMMISSION STAFF
)**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Kira Dale Pfisterer, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued in Order No. 29731 on March 16, 2005, submits the following comments.

BACKGROUND

On February 22, 2005, PacifiCorp dba Utah Power & Light Company filed an Application with the Commission requesting 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 its customers the ability to make bulk renewable energy purchases at a reduced rate. The proposed program is designed to provide businesses with a less expensive alternative to the standard “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.

The proposed program is similar to the standard "Blue Sky" option currently offered to residential and non-residential customers as authorized by the Commission in August 2003. *See* Order No. 29329; Electric Service Schedule No. 70. Under the standard Blue Sky option, customers are charged a premium of \$1.95 per 100 kWh block to purchase newly developed wind, geothermal, and solar power energy. 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.

Although nearly 700 Idaho residential customers have signed up for the standard 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 option is an effort to present these non-residential customers with a discount for bulk purchases of renewable energy. Nonetheless, the proposed program would be available to both residential and non-residential customers.

Under the standard Blue Sky option, customers are charged \$1.95 per 100-kilowatt-hour block of renewable energy. The customers may enter or leave the standard Blue Sky program at any time and customers may choose the number of blocks of renewable energy to purchase. In contrast to the standard Blue Sky program, the proposed bulk-purchase option requires a minimum one-year enrollment commitment and a minimum annual purchase 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 allowed to aggregate their purchases to meet the minimum purchase amount.

The Company estimates that the fixed cost of the program is \$1,500 per year per customer (\$125 per month), plus the variable cost of \$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, which is 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 (1.94 per 100 kWh block).

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. System wide the Company has about 36,000 customers participating in one of its Blue Sky options. This represents just over 2% of the Company's participant base.

ANALYSIS


PacifiCorp first proposed the Blue Sky program on March 10, 2000 in Case No. PAC-E-00-01. The premium proposed by the Co. in that case was \$4.75 per 100 kWh block. That application was denied by the Commission. Then on July 11, 2003 in Case No. PAC-E-03-09, the Company filed an application for essentially the same program but with the premium reduced to \$1.95 per 100 kWh block. That program was approved and is the standard Blue Sky program currently in place. The majority of the \$1.95 price premium is for the fixed cost associated with administration and marketing. Only about 38% of the premium is for the variable cost of the renewable energy.

The Blue Sky bulk-purchase option proposed in this case would separate the fixed cost from the variable cost of the renewable energy. The Company calculates the fixed annual cost of the program to be \$1,500 and would recover that amount from participating customers with an annual charge. The variable cost of the renewable energy would be billed at \$0.70 per 100 kWh block per month. Participating customers would be required to purchase a minimum of 1212 blocks per year (101 per month). For customers taking the minimum required amount of energy the effective rate would be \$1.94 per 100 kWh block. This is essentially the same amount customer pay for a 100 kWh block under the existing standard Blue Sky program. However, under the proposed bulk-purchase option, the effective rate would drop as more blocks are purchased. For example, if a customer purchased 150 blocks per month their effective rate would drop to \$1.53 per 100 kWh block.

RECOMMENDATION

Although the fixed costs associated with the proposed Blue Sky bulk-purchase option are still high, Staff believes this proposal is a move in the right direction. It provides a lower cost alternative to customers desiring large amounts of renewable energy. The cost of large quantities of renewable energy under the proposed bulk-purchase option could be substantially less than under the standard Blue Sky program. Furthermore this is a voluntary, self-funded program and non-participating customers should be unaffected by it. Staff recommends approval of this proposed tariff.

Respectfully submitted this *13th* day of April 2005.



Kira Dale Pfister
Deputy Attorney General

Technical Staff: Dave Schunke

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 13TH DAY OF APRIL 2005, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-05-3, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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