

DECISION MEMORANDUM

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

FROM: KIRA DALE PFISTERER

DATE: APRIL 14, 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 customers the ability to make bulk renewable energy purchases at a reduced rate. 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.

On March 16, 2005, the Commission issued a Notice of Application and solicited comments regarding the proposed Agreement. *See* Order No. 29731. Commission Staff and the Renewable Northwest Project submitted comments and both were in favor of the new program.

BACKGROUND

The proposed bulk renewable energy purchase option was designed to provide businesses with a less expensive alternative to the standard "Blue Sky" option that is currently available. The standard Blue Sky option, authorized by the Commission in August 2003, is a voluntary renewable energy purchase program offered 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. Customers may elect to enter or exit the program at any time and choose the number of blocks of renewable energy to purchase. These purchases are made in addition to the customer's energy bill.

PacifiCorp uses the revenues raised from the standard 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 of 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 program, although offered to both residential and non-residential customers, is an effort to present large commercial customers with a less-expensive alternative for large-scale purchases of renewable energy.

THE 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, which allows customers to enter or leave the program at any time, the proposed bulk purchase option requires a minimum one-year enrollment commitment and 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 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.

COMMENTS

Comments were received from the Commission Staff and the Renewable Northwest Project (RNP). Both support the proposed bulk Blue Sky purchase option.

RNP is a coalition of energy companies, consumer groups and environmental groups that support the development of renewable energy in the Pacific Northwest. RNP supports the proposed bulk Blue Sky program, because it creates an incentive for large energy consumers to buy more power from renewable resources. RNP identified eight large commercial customers in Oregon that have increased their renewable energy purchases as a result of the bulk Blue Sky program in Oregon.

Staff also supports the proposed program. Staff noted that the program offers a lower cost alternative to customers desiring large amounts of renewable energy. In addition, Staff commented that the program is voluntary and self-funded, and non-participating customers should be unaffected by it.

COMMISSION DECISION

Does the Commission approve PacifiCorp's Application for a new renewable energy tariff, Schedule 73 – New Wind, Geothermal and Solar Power Rider – Bulk Purchase Option?



Kira Dale Pfisterer

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