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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**VERIFIED PETITION OF SOUTHERN INDIANA GAS AND)
ELECTRIC COMPANY D/B/A VECTREN ENERGY)
DELIVERY OF INDIANA, INC. ("PETITIONER") FOR)
APPROVAL PURSUANT TO IND. CODE §§ 8-1-2-42, 8-1-2.5-6)
AND 8-1-8.8-11 OF A RENEWABLE WIND ENERGY)
PURCHASED POWER AGREEMENT WITH FOWLER)
RIDGE II WIND FARM LLC, TIMELY RECOVERY OF)
COSTS RELATING THERETO, CONFIDENTIAL)
TREATMENT OF CERTAIN TERMS OF THE AGREEMENT)
AND AN ALTERNATIVE REGULATORY PLAN)**

CAUSE NO. 43635

APPROVED: **JUN 17 2009**

BY THE COMMISSION:

Angela Rapp Weber, Administrative Law Judge

On January 30, 2009, Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Petitioner") filed its Verified Petition with the Indiana Utility Regulatory Commission ("Commission") for approval of a Renewable Energy Purchase Agreement For Wind Energy Resources ("REPA") executed between Fowler Ridge II Wind Farm LLC ("FRII") and Petitioner. The Verified Petition also included a request for timely recovery of costs relating to the REPA.

On March 6, 2009, Petitioner filed its case-in-chief, which consisted of the prefiled testimony of Ronald G. Jochum and Scott E. Albertson and attached exhibits. Petitioner also filed on March 6, 2009 its Motion for Protective Order through which protection from public disclosure was sought for certain provisions of the REPA that contained pricing and other competitively sensitive terms ("Confidential Information"). On March 18, 2009, the presiding officers issued a docket entry determining that the Confidential Information should be held as confidential by the Commission on a preliminary basis. On March 19, 2009, Petitioner submitted an unredacted copy of the REPA to the presiding Administrative Law Judge, under seal, copied on light green paper, and marked confidential as provided in the docket entry.

On March 30, 2009, Petitioner filed its submission of proofs of publication of notice in accordance with Ind. Code § 8-1-2.5-6(d). The Indiana Office of Utility Consumer Counselor ("OUCC") filed the prefiled testimony of Ronald L. Keen and Stacie R. Gruca on April 24, 2009. Finally, on May 4, 2009, Petitioner filed the rebuttal testimony of Ronald G. Jochum.

Pursuant to notice as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, a public evidentiary hearing in this Cause was held on May 11, 2009 in Room 224 of the National City Center, 101 W. Washington Street, Indianapolis, Indiana. At the evidentiary hearing, evidence was presented by Petitioner and the OUCC. No members of the public appeared or attempted to participate at the evidentiary hearing.

Based upon applicable law and evidence presented herein, the Commission now finds as follows:

1. **Notice and Jurisdiction.** Due, legal, and timely notice of the evidentiary hearing in this Cause was given and published by the Commission as required by law. Additionally, due, legal, and timely notice of the filing of the Verified Petition was given and published by Petitioner. Petitioner is a “public utility” as defined in Ind. Code § 8-1-2-1(a) and an “energy utility” providing “retail energy service” as defined in Ind. Code §§ 8-1-2.5-2 and -3. Petitioner is subject to the jurisdiction of this Commission in the manner and to the extent provided by the laws of the state of Indiana. Accordingly, the Commission has jurisdiction over Petitioner and the subject matter of this proceeding.

2. **Petitioner’s Characteristics and Business.** Petitioner is a corporation organized and existing under the laws of the state of Indiana with its principal office and place of business in Evansville, Indiana. Petitioner provides retail electric service to approximately 140,000 customers in six (6) counties in southwest Indiana. Petitioner renders such electric utility service by means of utility plant, property, equipment, and related facilities owned, operated, managed, and controlled by it, which are used and useful for the convenience of the public in the production, treatment, transmission, distribution, and sale of electricity.

3. **The REPA and Relief Requested.** Petitioner seeks approval of a REPA pursuant to which Petitioner would purchase approximately 50 MWs of wind power from FRII.¹ The source of the energy will be FRII’s wind farm being developed in Benton County, Indiana and Tippecanoe County, Indiana (“Renewable Energy Project” or “Project”). FRII will supply the electrical output and associated environmental attributes, including renewable energy certificates (“RECs”), to Petitioner for a period of twenty (20) years. Petitioner requests that the Commission approve the REPA and find the Renewable Energy Project to be an “energy project” and a “renewable energy resource” as those terms are defined in Ind. Code §§ 8-1-8.8-2 and -10. As such, the Project would be eligible for certain incentives under the law, including timely cost recovery.

With regard to cost recovery, Petitioner requests approval for the recovery of the purchased power costs under the REPA over the full 20-year term of the REPA without regard to otherwise applicable benchmarks, economic dispatch requirements, or least cost requirements. Petitioner also seeks approval for recovery of any other costs, including transmission and other charges of PJM Interconnection LLC (“PJM”) and Midwest Independent Transmission System Operator, Inc. (“Midwest ISO”), related to the purchase of power under the REPA. Petitioner proposes that cost recovery occur via a rate adjustment mechanism pursuant to Ind. Code §§ 8-1-2-42(a) and 8-1-8.8-11, to be administered in conjunction with and contemporaneously with Petitioner’s quarterly fuel adjustment charge (“FAC”) proceedings or in its Reliability Cost and Revenue Adjustment (“RCRA”) implemented pursuant to the Commission’s Order in Cause No. 43111 dated August 15, 2007. Petitioner asserts that timely recovery of the costs associated with

¹ As noted in the Verified Petition, Petitioner’s share of the FRII Project is actually 50 MW, plus or minus one percent (1.0%), pending final wind turbine specifications.

the REPA is necessary for Petitioner to be in a position to financially commit to the REPA for the full term of the agreement.

Petitioner requests that the Commission expeditiously consider and approve these requests on or before June 30, 2009 because either party can terminate the REPA if a non-appealable Final Order authorizing full cost recovery has not been obtained by July 31, 2009. Petitioner states that FRII advised Petitioner that prompt approval is necessary for the Project to remain on schedule.

4. **Statutory Framework.** Ind. Code § 8-1-8.8-2 defines “clean coal and energy projects” (“CCEP”) to include “[p]rojects to develop alternative energy sources, including renewable energy projects. . . .” Ind. Code § 8-1-8.8-10 defines “renewable energy resource” to include energy from wind. Pursuant to Ind. Code § 8-1-8.8-11, CCEP is eligible for financial incentives, including timely recovery of costs. This framework thus provides the basis for the requested Commission assurance of REPA-related cost recovery through the full 20-year term of the REPA. Finally, Ind. Code § 8-1-2-42(a) also authorizes recovery of purchased electricity.

This is not a case of first impression. The Commission’s December 5, 2007 Order in Cause No. 43259 granted relief to Petitioner for another wind power contract comparable to what it seeks here. In that case, the Commission found a nearby Benton County development to be a renewable resource project. We approved that purchase agreement and approved timely cost recovery through a quarterly rate adjustment mechanism to be administered with Petitioner’s FAC proceedings. The Commission granted similar approval, for example, to Indiana Michigan Power Company pursuant to an Order issued on November 28, 2007 in Cause No. 43328 with respect to a different phase of this same Renewable Energy Project and to Duke Energy Indiana in Cause No. 43097 pursuant to an Order issued on December 6, 2006.

5. **Summary of Petitioner’s Case-In-Chief.** In support of the Petition, Petitioner submitted the testimony of Ronald G. Jochum, Petitioner’s Vice President–Power Supply, and Scott E. Albertson, Director of Regulatory Affairs for Petitioner’s parent company, Vectren Utility Holdings, Inc. Mr. Jochum described the benefits of the REPA and how the REPA is consistent with Indiana’s public policy with respect to renewable energy. He also addressed the costs relating to the REPA that will be incurred by Petitioner, including transmission costs imposed by PJM and the Midwest ISO.

Mr. Jochum described the construction of the three phases of the Fowler Ridge Wind Farm Project. He explained that Phase II involves a wind power generating facility (“Facility”) having a total nameplate capacity of 350 MW. The Facility is being developed in two stages: Stage 1’s capacity will not exceed 285 MW, and Stage 2 will have the remaining capacity of 65 MW. Petitioner’s contract capacity share will come from Stage 2.

Mr. Jochum described the principal terms of the REPA. The capacity will be provided to Petitioner in increments as portions of the Facility become commercially operational. Petitioner will pay only for the energy it receives from FRII at a fixed price per MWh, which will escalate annually. FRII will retain any tax benefits. Petitioner will own all beneficial environmental interests, including RECs, associated with its contract capacity share. FRII is obligated to operate the Facility during all hours from the Stage 2 initial commercial operation date except to

the extent the Facility is unavailable or limited. Petitioner is also obligated to purchase test energy, if delivered by FRII, produced by wind turbines that have not yet achieved commercial operation.

Mr. Jochum explained that the FRII Renewable Energy Project will be interconnected with AEP's 345 kV transmission system at the Dequine Substation in northwestern Tippecanoe County, which is under the functional control of PJM. Petitioner's service area is located within the Midwest ISO's territory, and its transmission system is under the functional control of Midwest ISO. The REPA provides that the wind energy will be delivered to Petitioner at the point of interconnection between FRII and PJM ("Point of Delivery"), and Petitioner will then be responsible for arranging transmission of the wind energy from the Point of Delivery to the Midwest ISO border. Mr. Jochum explained that Petitioner will enter into a transmission agreement with PJM reserving a firm transmission path for 50 MW in order to transmit the power from the Project to the Midwest ISO transmission system.

As explained by Mr. Jochum, the power generated by the FRII Renewable Energy Project and purchased by Petitioner pursuant to the REPA will be sold in the PJM real time energy market at the real time locational marginal price ("LMP") at FRII's designated commercial pricing node. At the same time, the same amount of power will be purchased from the PJM real time energy market at the PJM/Midwest ISO interface at the real time LMP associated with that PJM commercial pricing node. Petitioner believes that any difference in LMP at which the power is sold versus the LMP at which the power is purchased as a result of congestion and losses will be small because of the proximity of the generation source to the Midwest ISO interface. The same amount of power will then be resold into the Midwest ISO real time energy market at the Midwest ISO real time LMP.

Mr. Jochum testified that the question of whether Petitioner will have to pay a capacity charge under the transmission agreement with PJM is still under evaluation. Based on available information, Mr. Jochum indicated that Petitioner does not believe that cost, if incurred, will be significant. There are also relatively small administrative charges—estimated to be approximately \$0.65 per MWh—Petitioner will incur in connection with the PJM portion of the transaction.

In summary, the PJM-related costs of the transaction will consist of congestion and losses as determined in the real time market, plus any transmission and administrative charges. Mr. Jochum also said scheduling imbalance charges may be incurred in some circumstances, and Petitioner may incur the cost of a system impact study if required by PJM. Mr. Jochum testified that Petitioner will not incur any additional Midwest ISO costs as a result of the REPA that it would not otherwise incur.

Mr. Jochum next summarized the benefits of the REPA to Petitioner, to Petitioner's customers, and to the state of Indiana generally. He said the Project will emit zero emissions, will diversify Petitioner's generation portfolio, and will provide RECs. The REPA will also help Petitioner meet its customers' growing need for electricity, as forecasted by the State Utility Forecasting Group. Finally, approval of the REPA will encourage continued support of Hoosier Homegrown Energy.

Mr. Jochum described Petitioner's Integrated Resource Plan ("IRP") process, which is used to establish a diverse portfolio of options to effectively meet future generation needs. Mr. Jochum said Petitioner's most recent IRP included an Action Plan to evaluate renewable energy resources in anticipation of the implementation of a Renewable Portfolio Standard ("RPS"). Mr. Jochum discussed other renewable resources that have been developed by Petitioner pursuant to the Action Plan, including the Benton County Wind Farm contract and the Blackfoot landfill gas generation project. He stated the REPA fits within Petitioner's IRP and will allow Petitioner to meet future RPS requirements. He stated that while the potential for wind energy projects within Petitioner's service area is low, the FRII project is close enough to Petitioner's service area to fit well within the IRP.

Mr. Jochum testified that acquiring wind power now will likely avoid price increases that may come after an RPS requirement is implemented. He noted that wind generation is an intermittent resource, and the capacity factors associated with wind generation are far less than capacity factors for fossil-fuel based forms of generation. However, over the course of a typical year, the capacity factor of large-scale wind generation technology that is properly sited has a high enough capacity factor to allow it to be considered as part of a broad resource portfolio. He also explained that wind generation avoids fuel and transportation costs and will avoid future carbon emission taxes associated with carbon fuel generation.

Mr. Jochum testified that the wind power price under the REPA was reasonable. He stated that in November 2007 Petitioner issued a Request for Proposals ("RFP") for renewable generation. The pricing received for wind energy was significantly less than proposals received for other types of renewable energy.

Mr. Jochum then discussed the value of the RECs that will be received as a result of the REPA. He said they can be retained and counted against future RPS compliance obligations. Mr. Jochum stated if RECs were received before an RPS became effective, Petitioner would consider selling RECs received in the meantime and using the proceeds to reduce the costs of purchasing the wind power.

Mr. Jochum explained that the addition of wind energy to Petitioner's portfolio is consistent with Indiana's public policy interest in a diverse portfolio of energy sources that includes renewable energy as shown by Ind. Code § 8-1-8.8-1, Ind. Code § 8-1-2.4-1 and the Governor's Hoosier Homegrown Strategic Energy Plan. According to Mr. Jochum, the FRII Renewable Energy Project will also foster economic development and job creation in Indiana, encourage future Indiana wind energy development, provide income for landowners, increase tax revenues, and improve customer understanding of and interest in renewable energy. The purchase of wind energy will also help Petitioner comply with future RPS obligations.

With regard to cost recovery, Mr. Jochum explained that Petitioner requests that the Commission approve recovery of all costs associated with the REPA during its 20-year term. Petitioner proposes to treat the energy cost of the wind power purchases and any related charges or credits that are considered by the Commission to be a component of fuel as costs to be recovered in conjunction with and contemporaneously with quarterly FAC filings. Non-fuel related charges or credits resulting from the REPA, including transmission and other non-fuel related charges of PJM and the Midwest ISO related to such purchases, would be recovered in

the RCRA. Mr. Jochum said it would not be appropriate to subject the REPA costs to any purchased power benchmarks, economic dispatch requirements, or least cost requirements because the Project is a must-run facility, purchases will not be made on an economic dispatch basis, and pre-approval of the REPA, including its pricing terms, is sought in this Cause. Further, subjecting the long-term REPA to the standards applicable to spot energy purchases from more traditional resources would be inconsistent with the Indiana legislature's intent to provide full cost recovery to encourage the development of renewable energy projects like the FRII Project.

Mr. Albertson also discussed Petitioner's cost recovery proposal. Mr. Albertson said Petitioner's proposal is the same as approved in Cause No. 43526 for the Benton County Wind Farm purchases. He discussed why cost recovery can be approved under Ind. Code § 8-1-8.8 as well as Ind. Code § 8-1-2.5.

Mr. Albertson explained in detail how the actual costs for wind energy purchased under the REPA (including PJM congestion and losses costs) will be set out in the quarterly FAC using a separate line in the monthly workpapers on the schedule entitled "Cost of Purchased Power to be Included in Fuel Adjustment Clause." His exhibits included illustrative examples of how REPA costs would be reflected in the FAC schedules and follow standard FAC methodology. Once calculated, the costs incurred under the REPA will be included in the FAC to be applied to retail sales and reconciled in future periods to actual retail sales as part of the standard FAC reconciliation.

Mr. Albertson explained that transmission and other PJM-related costs, if any, and PJM administrative costs would be recovered in the RCRA. He provided illustrative examples of how these costs would be reflected in the RCRA exhibits and workpapers. Mr. Albertson also said that if the Commission preferred to include the PJM administrative costs along with the Midwest ISO administrative costs in Petitioner's Midwest ISO Cost and Revenue Adjustment ("MCRA"), Petitioner would agree to do so. In either case, the same detailed information will be included in the workpapers provided to the OUCC.

Mr. Albertson testified that if any REPA-related RECs were sold, the proceeds would be used to reduce the purchased energy costs. He provided an illustrative example of how such a transaction would be reflected in Petitioner's FAC workpapers. He said REPA invoices will be provided to the OUCC auditor, which is now done for other fuel and purchased power invoices.

Mr. Albertson stated that because REPA purchases would displace Petitioner's highest cost resource that otherwise would have served native load, the rate impact of REPA purchases will depend on the hour of the purchase and could be more or less than the displaced resource.

6. **Summary of OUCC's Evidence.** The OUCC presented the testimony of Ronald L. Keen, a Senior Analyst within the OUCC's Resource Planning, Emerging Technologies, and Telecommunications Division and Stacie R. Gruca, a Utility Analyst in the OUCC's Electric Division. Mr. Keen and Ms. Gruca testified that the OUCC supports the relief requested by Petitioner. Mr. Keen testified that the OUCC believes the FRII Renewable Energy Project to be in the public interest, offering a renewable, emission-free resource that will have a positive

impact on the state's economy and potentially displace a portion of Indiana fossil fuel burning generation.

Mr. Keen noted the grid layout and turbine placement of the Project will promote efficiency while preserving agricultural use of the land. Mr. Keen described the benefits of the REPA as eliminating price volatility, reducing risk associated with market-based escalators, mitigating risks associated with reliance on a single fuel source, and serving as a hedge against existing and future environmental emission regulations. Further, FRII, not Petitioner's ratepayers, will bear operating risks associated with the Project.

Mr. Keen testified that the overall cost impact of the REPA is reasonable, despite the fact that the agreed upon price is higher than Petitioner's prior renewable energy purchase agreement with Benton County Wind Farm, LLC. He cited a report of the United States Department of Energy, which explained the various factors that likely will cause an increase in wind power costs, including the weakness of the dollar, rising materials costs, trends toward increased manufacturer profitability, and shortages of components and turbines. Mr. Keen also noted that negotiations between Petitioner and FRII with respect to the REPA took place after Petitioner had engaged in a competitive RFP process seeking renewable resources.

Ms. Gruca stated that, because renewable resource costs are likely to increase as RPS legislation becomes effective, the REPA is likely to provide a benefit to retail ratepayers as a result of Petitioner's desire to comply with RPS requirements today, rather than waiting and paying higher costs. Ms. Gruca testified that the OUCC supports the cost recovery requested by Petitioner. She compared Petitioner's proposed cost recovery methodology with procedures approved in prior Commission Orders regarding wind power purchase agreements. Ms. Gruca testified that Petitioner's proposal is consistent with the approved treatment in those prior cases and will result in consistent cost recovery over the life of the REPA. Ms. Gruca further testified that the OUCC agrees, for the reasons described in Mr. Albertson's testimony, that it is not necessary to apply a purchased power benchmark to the wind power costs associated with the REPA in Petitioner's quarterly FAC proceedings.

The OUCC also agreed with Petitioner's proposal to recover PJM administrative costs associated with the REPA in its RCRA. As Ms. Gruca explained in her testimony, although Petitioner recovers its Midwest ISO administrative costs within its MCRA, the PJM administrative costs resulting from the REPA are incurred only because Petitioner is purchasing energy from a generation facility within PJM territory and are thus better suited for recovery through Petitioner's RCRA. Ms. Gruca also believed RCRA recovery would avoid unnecessary complexity for auditing purposes.

While not opposing Petitioner's proposed cost recovery, the OUCC requested that Petitioner provide a narrative description of the "other PJM-related costs" identified in Petitioner's case-in-chief and illustrations of those costs as a separate line item in exhibits within future RCRA (or other respective tracking mechanism) proceedings.

Mr. Keen and Ms. Gruca also noted that Petitioner will own all of the RECs generated by the project, which could be used to offset potential RPS requirements in the future or to offset the costs of purchasing wind power. Ms. Gruca testified that the OUCC believes, if Petitioner

begins receiving energy in the absence of new RPS legislation, Petitioner should be compelled to sell the RECs and use the proceeds to offset the costs of purchasing wind power.

The OUCC also recommended that Petitioner submit an annual report to the OUCC and the Commission showing the actual wind energy delivered on an hourly basis for the first three years of the Project in commercial operation to provide Indiana specific data to stakeholders. Ms. Gruca noted this is consistent with the Commission's Orders in other wind power purchase agreement cases.

7. Petitioner's Rebuttal Testimony. Petitioner presented rebuttal testimony of Mr. Jochum, which responded to comments in the OUCC's testimony regarding RECs and PJM-related charges. He stated that the RECs may be more valuable to Petitioner and its customers if retained for use in satisfying future RPS compliance obligations or, in the event they are not needed for compliance, for sale after an RPS becomes effective. Mr. Jochum stated that by retaining a REC with a three-year life, Petitioner will maintain its option to use it for compliance purposes at such time in the future as an RPS becomes effective. In Mr. Jochum's opinion, Petitioner needs the flexibility to make decisions on whether or when to sell RECs based on all the facts and the circumstances at the time. In the event the RECs are sold, however, Mr. Jochum confirmed Petitioner would offset the profits against the wind power costs recovered from customers.

With respect to other PJM costs, Mr. Jochum repeated Petitioner's request for approval of all PJM costs it may incur in connection with the REPA, which may include non-administrative costs. For example, Mr. Jochum pointed out, Petitioner was required to pay a \$50,000 deposit to PJM to fund a system impact study required for Petitioner to obtain a long-term firm transmission path from PJM to the Midwest ISO. Mr. Jochum testified on rebuttal that although it is not possible to describe at this time every PJM cost that may be incurred over the 20-year term of the REPA, Petitioner will include descriptions of these types of PJM costs as a separate line item for review and analysis in future filings where cost recovery is sought. Mr. Jochum further testified on rebuttal that any PJM costs will be in accordance with PJM's FERC-approved tariffs.

Mr. Jochum's rebuttal testimony also responded to the OUCC's recommendation that Petitioner submit an annual report on wind energy deliveries. Mr. Jochum stated that Petitioner will be happy to provide that information to the OUCC and the Commission.

8. Commission Discussion and Findings. Substantial evidence in the record of this proceeding supports a finding that the relief requested herein should be approved. The Commission finds that the Renewable Energy Project will not only increase the availability of emissions-free renewable energy sources in Indiana, but it will also demonstrate the vitality of the market for commercial wind generation. The evidence indicates the REPA produces real benefits for Petitioner, its customers, and the state of Indiana. In addition, the REPA diversifies Petitioner's generation portfolio, supports a "home grown" renewable resource, encourages economic development, and meets the increasing interest of customers in the use of more renewable resources. The evidence also indicates that the terms of the REPA are reasonable and full cost recovery of the REPA through the full 20-year term of the contract is also reasonable and necessary. The Commission finds that the Project is CCEP as defined in Ind. Code § 8-1-

8.8-2 and that the Project and the REPA are reasonable and necessary, are in the public interest and will promote energy efficiency and reliability in the provision of retail electric service. This Commission's specific findings are as follows:

A. Renewable Energy Benefits. Substantial evidence enumerates the numerous benefits available from environmentally-friendly renewable energy such as that made available from the FRII Renewable Energy Project. The Project will not only produce emission-free electricity but will help further promote awareness in Petitioner's customers and other Indiana citizens of the advancement and availability of renewable energy technology. To the extent this Renewable Energy Project proves successful, it should increase the likelihood of additional wind farm construction in Indiana. Further, the REPA will diversify Petitioner's energy resources. As the Commission noted in our Order in Cause No. 43097 involving Duke Energy Indiana's wind energy contract (pp. 16-17), the "price volatility of foreign energy and carbon fuels and the historically increasing costs and stringency of environmental emissions compliance make the potential Indiana savings from reasonably-priced Indiana renewable energy sources more economically beneficial than ever before." Petitioner and its customers will benefit from RECs received as a result of the REPA because RECs can be used to meet future RPS compliance obligations or can be sold to offset the REPA's energy costs. The Commission agrees with Petitioner and the OUCC that there is a benefit from proactively acquiring renewable energy resources now, rather than waiting until an RPS requirement is in effect when prices for renewable energy and RECs may be higher. Additionally, as was also the case with similar projects previously approved by this Commission, the Project offers the economic benefits of local Indiana business investment, revenue generation, and job creation.

B. Reasonableness of the REPA Terms. The terms of the REPA resulted from arms-length negotiations between Petitioner and FRII. Petitioner will only pay for the energy it receives at a fixed price per MWh with fixed annual adjustments. Petitioner will own all of the environmental benefits, including RECs, from the contract capacity share provided to Petitioner by the REPA. FRII retains the responsibility for construction, ownership, operation, and maintenance of the plant. Like the other wind power purchase agreements approved by this Commission, this REPA represents a reasonable addition to and diversification of Petitioner's capacity portfolio that may serve to mitigate the volatility of prices from other energy sources. This renewable energy opportunity will be available independently of fuel price volatility or increased environmental emissions, restraints, and costs. The evidence of record demonstrates that Petitioner's cost per MWh of energy under the REPA is lower than other proposals received in response to Petitioner's November 2007 RFP and other renewable energy alternatives available to Petitioner. The Commission finds that the pricing and other terms of the REPA are reasonable and in the public interest.

C. REPA Cost Recovery. The Commission finds Petitioner shall be authorized to recover the purchased power and other costs related to the REPA over its full 20-year term as proposed by Petitioner without regard to otherwise applicable purchased power benchmarks, economic dispatch requirements, or least cost requirements. The energy cost of wind power purchases and any related charges and credits that are treated by the Commission as a component of fuel shall be recovered or reflected in conjunction with and contemporaneously with Petitioner's FAC proceedings. Non-fuel related charges and credits resulting from the REPA including transmission costs, administrative charges, and other non-fuel related charges of

PJM and Midwest ISO shall be recovered and reflected in Petitioner's RCRA implemented pursuant to our Order in Cause No. 43111. This relief is consistent with Ind. Code §§ 8-1-2-42(a) and 8-1-8.8-11. The record shows that the viability of the Project is dependent upon Petitioner entering into, and obtaining Commission approval of, the REPA and full recovery of the related costs for the full 20-year term of the contract. Ind. Code § 8-1-8.8-11 provides that renewable energy projects are eligible for incentives, including timely recovery of costs and financial incentives. Accordingly, the Commission finds that Petitioner's cost recovery proposal should be approved. All findings of reasonableness are already made in this Order for the REPA for the full 20-year term of the contract.

Petitioner's witness Jochum and OUCC witness Gruca discussed the fact that all PJM charges that may relate to the REPA over the life of the contract may not be presently known. The Commission finds Petitioner shall include descriptions of each PJM cost as a separate line item for the review and analysis by the Commission and the OUCC in future filings in which PJM cost recovery is sought.

D. Renewable Energy Certificates. The witnesses discussed how to treat RECs that Petitioner may receive prior to the effective date of any future RPS. Petitioner agreed that if any RECs are sold, the proceeds would be used to offset REPA energy costs that would otherwise be recovered in Petitioner's FAC. The Commission finds that Petitioner should do so. However, the Commission declines to compel Petitioner to sell RECs. As discussed by Mr. Jochum, RECs may have more value if retained and used to meet future RPS compliance obligations or if sold after an RPS is effective when their market value may be higher. However, the Commission finds that any such RECs not used by Petitioner for compliance should be sold prior to their expiration date and the proceeds used to offset REPA energy costs.

9. Confidential Information. On March 18, 2009, the presiding officers made a preliminary finding that certain designated information marked "Confidential" as requested in Petitioner's Motion for Protective Order should be treated as confidential in accordance with Ind. Code § 5-14-3-4 and that confidential procedures should be followed with respect to this Confidential Information. Upon review of the Confidential Information submitted pursuant to the presiding officers' preliminary determination, the Commission confirms its prior preliminary finding. The Commission also concludes that the information for which Petitioner sought confidential treatment contains confidential, proprietary, competitively sensitive trade secret information that has economic value to Petitioner and to FRII from neither being known to, nor ascertainable by, its competitors and other persons who could obtain economic value from the knowledge and the use of such information; that the public disclosure of such information would have a substantial detrimental effect on Petitioner and FRII; and that the information is subject to Petitioner's efforts that are reasonable under the circumstances to maintain its secrecy. Accordingly, the Confidential Information submitted to the Commission, as contained in Petitioner's Exhibit RGJ-3 (Confidential) is exempt from the public disclosure and access requirements of Ind. Code §§ 5-14-3-3, 8-1-2-29, and 24-2-3-1 and shall continue to be held as confidential by the Commission.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION THAT:

1. The Renewable Energy Purchase Agreement executed between Petitioner and Fowler Ridge II Wind Farm LLC shall be and hereby is approved in its entirety and without change.

2. Petitioner is hereby authorized to recover on a timely basis the purchased power, transmission and other costs relating to the FRII REPA over its full 20-year term pursuant to Ind. Code §§ 8-1-2-42(a) and 8-1-8.8-11, to be administered in conjunction with and contemporaneously with Petitioner's quarterly fuel adjustment charge proceedings or in Petitioner's Reliability Cost and Revenue Adjustment implemented pursuant to the Commission's order in Cause No. 43111 as described above. This recovery shall not be subject to any purchased power benchmarks, economic dispatch requirements, or least cost standards.

3. For a period of five (5) years from the date of commercial operation of the Project, Petitioner shall annually submit to the OUCC and the Commission a report showing the actual wind energy delivered on an hourly basis by the Project to Petitioner.

4. Petitioner's request for confidential trade secret treatment is hereby granted, and such Confidential Information shall be excepted from public disclosure.

5. This Order shall be effective on and after the date of its approval.

HARDY, GOLC, AND ZIEGNER CONCUR; LANDIS ABSENT:

APPROVED: JUN 17 2009

I hereby certify that the above is a true and correct copy of the Order as approved.



**Brenda A. Howe
Secretary to the Commission**