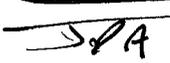
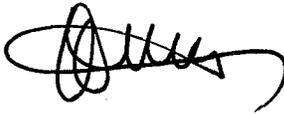


ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION



PETITION OF INDIANAPOLIS POWER &)
LIGHT COMPANY FOR APPROVAL OF A)
REVISED GREEN POWER INITIATIVE) CAUSE NO. 43693
RATE TO BE EFFECTIVE WITH THE)
AUGUST, 2009 BILLING CYCLE AND A) APPROVED: JUL 30 2009
REVISION TO IPL'S STANDARD)
CONTRACT RIDER NO. 21.)

BY THE COMMISSION:

David E. Ziegner, Commissioner
Aaron A. Schmoll, Administrative Law Judge

On May 22, 2009, Indianapolis Power & Light Company ("IPL" or "Petitioner") filed its Petition with the Indiana Utility Regulatory Commission ("Commission") for approval of a revised Green Power Initiative Rate. IPL also prefiled Direct Testimony in support of the relief requested on May 22, 2009. On July 2, 2009, the Office of Utility Consumer Counselor ("OUCC") prefiled the Testimony of Jenny A. Sumner – Public's Exhibit No. 1.

Pursuant to public notice duly given and published, proof of which was incorporated into the record by reference and placed in the Commission's official file, a public hearing was held in this Cause on July 16, 2009 at 2:00 p.m. in Room 222, 101 W. Washington Street, Indianapolis, Indiana. At the hearing IPL and the OUCC appeared by counsel and offered their respective prefiled testimony and exhibits which were admitted into evidence without objection. No members of the general public attended.

Based upon the applicable law and the evidence of record, the Commission now finds:

1. **Notice and Jurisdiction.** Proper notice of the hearing in this Cause was given as required by law. IPL is a "public utility" within the meaning of IC 8-1-2-1 of the Public Service Commission Act, as amended, and is subject to the jurisdiction of the Commission. The Commission has jurisdiction over Petitioner and the subject matter of this Cause in the manner and to the extent provided by the laws of the State of Indiana.

2. **Petitioner's Organization and Business.** IPL is an Indiana corporation with its principal office and place of business at One Monument Circle, Indianapolis, Indiana. IPL is lawfully engaged in the provision of electric service, under duly acquired indeterminate permits and franchises, to the public within Indiana. IPL renders such electric utility service to the public in and adjacent to the City of Indianapolis, Indiana, and for such purposes, IPL owns, operates, manages and controls electric generating, transmission and distribution plant, property and equipment and related facilities (the "Electric Properties") within the State of Indiana which are in service and reasonably necessary for the convenience of the public in the production, transmission, delivery and furnishing of electric energy, heat, light and power for residential, commercial, industrial and municipal uses. IPL furnishes such electric utility service to

approximately 470,000 retail customers located principally in and near the City of Indianapolis, Indiana and in portions of the following Indiana counties: Boone, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Owen, Putnam and Shelby.

3. **Background.** On March 28, 2007, IPL and the OUCC filed a Petition in Cause No. 43251 for approval of a voluntary Green Power Initiative pursuant to a Settlement Agreement entered into by the parties. On June 27, 2007, the Commission issued its Order in Cause No. 43251 approving the Settlement Agreement. In accordance with the provisions of Standard Contract Rider No. 21 ("Green Power Initiative"), as approved by the Commission's Order in Cause No. 43251, IPL provides all IPL customers that purchase power at a metered rate, the opportunity to voluntarily purchase a fixed percentage (10%, 25%, 50% or 100%) of their electricity from a renewable energy source. The renewable energy is supplied from Renewable Energy Certificates ("RECs") at a premium to IPL's tariff rates. Customers are able to enroll and cancel their enrollment in the program at any time. The initial Green Power Initiative rate approved in Cause No. 43251 was \$0.001913 per kWh. IPL was also authorized to file a revision to the Green Power Initiative rate on or before October 1st of each year, to become effective for billings in January of the next subsequent year.

In Cause No. 43360, the Commission approved Petitioner's request to revise its Green Power Initiative rate to \$0.00200 per kWh, which became effective on January 1, 2008.¹

In Cause No. 43506, the Commission approved Petitioner's request to (1) adjust the frequency of its Green Power Initiative filings to semi-annually, and (2) change the manner in which the rate to customers is calculated.² The methodology changed from only considering the actual cost of the RECs held by IPL in inventory to using a methodology that considers both the costs of RECs currently in inventory and the market prices for RECs, as anticipated to be used by the Company over the six-month period that the rate will be in effect. IPL agreed to reconcile the revenues billed and expenses incurred (including the actual costs of RECs sold and the marketing and administrative costs for the Green Power Initiative) in each semi-annual filing. IPL also proposed and the Commission approved for it to amortize the amount of under-collection of costs associated with the Green Power Initiative in effect from October 1, 2007 through April 30, 2008 over a 24-month period.

In Cause No. 43614, the Commission approved Petitioner's request for a continuation of the then current Green Power Initiative Rate. The current Green Power Initiative rate (approved in Cause No. 43614) is \$0.006500 per kWh.

4. **Relief Sought.** In accordance with the provisions of the Green Power Initiative, Petitioner requests that the Green Power Initiative rate to be effective with IPL's August, 2009 billing cycle be reduced to \$0.004200 per kWh. The calculation of the Green Power Initiative rate is based on the cost of RECs currently in inventory plus the Company's estimate of the market price for RECs during the six months the revised rate will be in effect. The calculation also reconciles the revenues billed and expenses incurred (including the actual costs of RECs sold and marketing and administrative costs for the Green Power Initiative) through April 30,

¹ *In Re Indianapolis Power & Light Co.*, Cause No. 43360 (Dec. 5, 2007).

² *In Re Indianapolis Power & Light Co.*, Cause No. 43506 (July 30/2008).

2009. Petitioner also requests a revision to the Green Power Initiative (Standard Contract Rider No. 21) to make the Green Power Initiative conform to requirements for Green-E Certification. The proposed Green Power Initiative rate, upon becoming effective, would remain in effect until a new revised rate is approved.

5. Petitioner's Evidence. IPL Witness Lester H. Allen testified that IPL's Green Power Initiative provides all IPL customers who purchase power from the Company at a metered rate the opportunity to voluntarily purchase a fixed percentage of their electricity from a renewable energy source. The renewable energy is currently being supplied by RECs at a modest premium to IPL's tariff rates. Customers are able to enroll and cancel their enrollment in this program at any time.

Mr. Allen testified that IPL's customers currently have the option to voluntarily purchase 10%, 25%, 50% or 100% of their electricity from a renewable energy source. He stated that IPL is in the process of making application to the Center for Resource Solutions ("CRS") for certification of the Green Power Initiative rate as a Green-e certified product. Mr. Allen stated that in order to make Standard Contract Rider No. 21 conform to the requirements for Green-e certification, IPL must increase the minimum percentage level of Green Power that any new Residential enrollee will be allowed to select from 10% to 25%. He testified that in this proceeding, IPL is proposing a change in Standard Contract Rider No. 21, to increase the minimum percentage level of Green Power that any new Residential enrollee will be allowed to select from 10% to 25%. He noted that it is only required to make this modification in the Standard Contract Rider terms for future participating Residential Customers and that existing Residential Customers who are participating at the 10% purchase level will be "grandfathered" at the current 10% level and will be allowed to continue as Green Power participants. Current and future participating Commercial and Industrial Customers will still be allowed to participate at the 10% level.

Mr. Allen stated that Residential Customers who are currently participating at the 10% Green Power purchase amount do not have to take any action. He stated that in discussions with CRS regarding the certification process, CRS staff has indicated that Residential Customers currently enrolled at the 10% purchase level can be "grandfathered" and allowed to remain Green Power participants at the 10% level. He testified that in order to minimize customer issues and concerns IPL proposes to take this approach and grandfather the Residential Customers who are currently participating at the 10%, allowing them to remain participants at this level. Mr. Allen stated that new participating Residential Customers after the effective date of the modified Standard Contract Rider No. 21 will be required to enroll in at least a 25% level. He testified that as of April 30, 2009 the number of Residential Customers participating at the 10% level was 325.

Mr. Allen testified that the customer's monthly bill consists of the sum of all kWh billed at the applicable rate tariffs, including all applicable riders, and the agreed-to fixed percentage of Green Power energy (in kWh) billed at the applicable Green Power Initiative rate. This Green Power Initiative rate includes the cost of the RECs and a portion of the administrative and marketing costs of the Green Power Initiative.

Mr. Allen explained that to help facilitate the sale of renewable electricity nationally, a system was established that separates renewable electricity generation into two parts: the electricity or electrical energy produced by a renewable generator and the renewable "attributes" of that generation. (These attributes include the environmental benefits gained from generating electricity from renewable resources instead of conventional fuels). These renewable attributes are sold separately as RECs. One REC is issued for each megawatt-hour (MWh) unit of renewable electricity produced. The electricity that is produced is split from the REC and simply sold into the grid. This electricity is not considered to be renewable by the purchaser. He stated that RECs contain specific information about the renewable energy generated, including where the REC was produced, the date of production, and what type of generation created the REC. Purchasers of RECs, such as IPL, are buying the renewable attributes of those specific units of renewable energy, which helps offset conventional electricity generation in the region where the renewable generator is located.

Mr. Allen stated that IPL only purchases "Green-e Energy Certified" RECs. Green-e is the nation's leading independent consumer protection program for the sale of renewable energy in the retail market. Green-e offers certification and verification of renewable energy products. The suppliers of "Green-e Energy Certified" RECs to IPL are required to disclose clear and useful information about the renewable generation that produced the RECs, including the location, date of generation, first date of generator operation, and fuel type (i.e. wind, biomass, etc.).

Mr. Allen testified that individual customers can buy RECs whether or not their local utility offers a green power program. This fact makes IPL sensitive to the price of its Green Power Initiative – its customers could choose to purchase RECs directly if IPL's costs are out of line with the marketplace. He stated that IPL is very conscious of its marketing and administrative costs for this reason as well. He went on to state that while customers can choose to buy RECs on their own, the IPL Green Power Initiative provides a very convenient way for IPL's customers who have an interest in purchasing electricity from renewable resources to participate in the market at a reasonable price.

Mr. Allen testified that the Green-e Certification program that is administered by CRS provides an independent, third-party certification to ensure certified renewable energy meets strict environmental and consumer protection standards. The Green-e Certification ensures that utility green pricing programs are marketed to consumers appropriately and also requires an annual verification audit. He stated that customer awareness of the IPL Green Power Initiative has increased and concerns about the environment have intensified over the past 2 to 3 years, resulting in a significant increase in both the number of participants and the sales volume. Mr. Allen noted that as program growth occurred, IPL began to give consideration to obtaining certification of the Green Power Initiative as a Green-e Certified Product. He stated that according to CRS, there are currently 180 retail sellers of green power participating in the Green-e Certification program. The majority of utility green power programs with some scale are currently Green-e certified. Mr. Allen testified that while the RECs that IPL has obtained the last several years have been Green-e Certified at the wholesale level, there are additional recordkeeping and reporting requirements to the CRS for Green-e Certification at the retail level. Mr. Allen opined that the IPL program now has the appropriate size to begin the Green-e Certification process.

Mr. Allen described the costs and benefits of IPL taking the additional step of Green-e Certification at the retail level. He stated that CRS assesses an annual accreditation fee for utility green pricing programs based upon the total number of meters the utility serves. Based upon their published fee schedule, the cost to IPL for Green-e Certification for the Green Power Initiative rate will be \$9,000 per year. Mr. Allen noted that this includes a \$3,000 discount for the purchase of Green-e Energy Certified wholesale RECs for the IPL program. Mr. Allen testified that the benefit of program certification is primarily the ability to include the Green-e logo in its customer marketing and communication, providing customers an added assurance that there is independent verification of the IPL green power product. He noted that some customers are understandably skeptical about green power product claims and this will give those existing and prospective customers the confidence that they are purchasing a product that is annually audited by an independent third party. Mr. Allen also noted, that some customers, particularly commercial/industrial customers, would like to have the additional clarity that the Green-e Certification will provide on the retail level in addition to the wholesale level, sometimes making it easier to provide justification for participation in the Green Power program to both their internal and external stakeholders.

Mr. Allen described IPL's purchase of RECs since the Company's last filing. He stated that IPL has made one purchase of RECs since the date of its last filing. On October 6, 2008 IPL issued a Request for Proposals ("RFP") to several potential suppliers for the purchase of additional 2008 Vintage Green-e Certified RECs. The objective of this RFP was to acquire a sufficient number of RECs to satisfy IPL's requirements for the balance of 2008 Green Power Initiative sales and to also get an indication of the current market price of RECs. Four (4) offers to sell RECs were received in response to the RFP. Based on the lowest evaluated cost, IPL agreed to purchase 35,000 RECs from 3Degrees. This REC purchase consisted of 15,000 Indiana produced RECs at an average cost of \$3.25 per REC and 20,000 National Wind RECs at a cost of \$2.50 per REC. On November 21, 2008, an additional 20,000 RECs were purchased pursuant to the October RFP from 3Degrees. These RECs, produced by a Benton County Indiana wind resource, were purchased at a cost of \$3.25 per REC. An Indiana REC component was included in the purchase because many of IPL's Green Power customers have expressed an interest in having RECs from local sources as part of the mix in IPL's Green Power product. Mr. Allen stated that from a marketing point of view this is an important consideration in REC acquisition. In addition to the RECs purchased in October and November 2008, IPL also has a portion of the 2009 REC requirements under contract from a Reverse Auction that was conducted in February 2008. This auction resulted in commitments by IPL to purchase 40,000 2008 vintage RECs and 40,000 2009 vintage RECs at prices ranging from \$5.44 to \$5.74 per MWh. He stated that the 2009 vintage RECs have not yet been delivered to IPL.

Mr. Allen stated that on May 12, 2009 IPL issued an RFP for the acquisition of additional RECs and that the results of this purchase will be in the next subsequent filing for approval of a Green Power Initiative rate.

Mr. Allen stated that since the beginning of 2009, Green Power Option ads have appeared in "Indianapolis House and Home" magazine and the Indy Green Piece e-newsletter. He noted that marketing strategy identified the need to incorporate the findings of the market research conducted in 2008, and consequently, IPL has worked over the past several months with the Borshoff agency to develop new print ads, web banner ads, an email marketing campaign and a

new Green Power landing page for the IPL website. In addition, Mr. Allen stated that a new dual purpose bill insert/brochure has been created and will be included in the July bills of all IPL customers. He stated that IPL has sponsored the Holliday Park Fun Run and the Earth Day Indiana Festival, both events that lend themselves well to promoting the Green Power Option, as well as a print ad that appeared in the December 8, 2008 issue of the Indianapolis Star that acknowledged IPL's C&I Customers who are Green Power participants. Mr. Allen stated that a print ad will also appear in the June issue of Indianapolis Monthly magazine and that there are on-going discussions regarding additional green power promotion opportunities.

Mr. Allen stated that although the economy has been difficult and many discretionary purchases have been delayed, the enrollment in the Green Power Option has shown a steady, modest growth. He stated that between the December 31, 2008 and April 30, 2009, enrollment increased from 3,429 to 3,504, a YTD growth rate of just over 2% and that only one large C&I Customer has terminated its enrollment due to economic factors. He stated that there appear to be a core group of customers who either do not feel burdened by the small incremental cost to participate, or who feel that continuing to pay the Green Power monthly premium is a justifiable expense.

Mr. Allen stated that IPL is proposing to reduce the Green Power Initiative rate to \$0.004200 from the prior approved rate of \$0.006500 per kWh. The Company has estimated that the full Green Power Initiative with all costs included would be \$0.004253 per kWh. He stated that while the rate as proposed is slightly below its current estimated cost, it is expected that IPL will be able to acquire additional RECs pursuant to the May, 2009 RFP at a cost less than the current inventory cost of \$0.005340. Additionally, any under or overcollection will still be adjusted for in the next filing.

IPL Witness Craig Forestal testified that the current rate for the Green Power Initiative was calculated by taking into consideration the costs of RECs forecasted to be used from existing inventory and a forecast of the market price for RECs to be purchased, including any purchases already under contract, as anticipated by the Company over the following six-month period. It also included a reconciliation of the revenues billed and expenses incurred (including the actual costs of RECs sold, and a portion of the marketing and administrative costs for the Green Power Initiative) through October 31, 2008.

Details of the calculation of the proposed Green Power Initiative rate were provided in Petitioner's Exhibit A, Schedule 1. Details of the reconciliation of Green Power revenues billed and expenses incurred were provided in Petitioner's Exhibit A, Schedule 2.

Mr. Forestal stated that the proposed Green Power Initiative rate, adjusted for Indiana Utilities Receipts Tax, is \$0.004200 per kWh, to be effective with IPL's August, 2009 billing cycle. He stated that an average residential customer who has chosen to purchase 100 percent of their electricity from a renewable energy source using 1,000 kWh of Green Power per month will experience an additional charge of \$4.20, or 5.8% of such bill relative to the base rates and charges in effect. In relation to the rate currently in effect, an average residential customer using 1,000 kWh of Green Power per month would experience a decrease of \$2.30, or 3.2% of such bill.

Mr. Forestal testified that in accordance with the Commission's Order in Cause No. 43251, the calculation of the proposed Green Power Initiative rate takes into account the costs of RECs forecast to be used from existing inventory and a forecast of the market price for RECs to be purchased, including any purchases already under contract, as anticipated by the Company over the following six-month period. It also includes a reconciliation of the revenues billed and expenses incurred (including the actual costs of RECs sold, and a portion of the marketing and administrative costs for the Green Power Initiative) through April 30, 2009.

Mr. Forestal explained that in Cause No. 43506, in order to mitigate the amount of the rate increase due to prior period under collection, IPL proposed and the Commission approved the amortization of the accumulated Green Power under collection at April 30, 2008 over a period of 24 months. IPL is continuing the amortization of this amount and in this proceeding, IPL is proposing to amortize the under collection accumulated from November 1, 2008 through April 30, 2009, over the six month period the new rate is proposed to be in effect.

6. OUCC's Evidence. OUCC Witness Jenny A. Sumner testified that the OUCC supports Petitioner's request. Ms. Sumner noted that IPL's forecasted cost of RECs of \$0.005340 per kWh is within the range of previous forecasts. She stated the forecast in Cause No. 43618 was \$0.004490 per kWh and the forecast in Cause No. 43506 was \$0.005500 per kWh. The rate is also calculated using the variance from the previous period. This variance includes (1) the six months of variance amortization approved in Cause No. 43506 of \$47,528, as well as (2) a current period over-collection of \$99,385, resulting in a total over-collection of \$51,857.

Ms. Sumner stated that based on her research, the OUCC views IPL's forecast of REC prices and Petitioner's forecasted decrease in sales to be reasonable. She stated that while IPL's estimate of retail MWh sales for the next six month period has decreased, the number of customers participating has continued to increase. Ms. Sumner stated that the OUCC does not have any concerns with Petitioner's plan to eliminate the 10% purchase option for new residential customers. She stated that the OUCC supports the "grandfathering in" approach and understands that approximately only 10% of current customers are enrolled at this level, and more than 70 percent of current customers are enrolled at the 100% level.

Ms. Sumner stated that the OUCC supports Petitioner's efforts to make its program comply with Green-e Certification. She stated that Green-e Certification adds credibility to the program and assists in the marketing of the program to potential participants. She pointed out that while Petitioner currently purchases only Green-e Certified RECs, it can only use the Green-e logo when marketing RECs if the entire program becomes certified. Ms. Sumner stated that Green-e Certification ensures that utility green pricing programs are marketed to consumers appropriately and also requires an annual verification process audit, which would ensure that Petitioner is purchasing enough RECs at the right time to cover customer participation.

Ms. Sumner testified that the OUCC believes that ratepayers benefit when they have the option to purchase green power at affordable prices. The OUCC recommended approval of IPL's proposed reduction of its Green Power Rider Rate.

7. **Discussion and Commission Findings.** The Commission finds that Petitioner has complied with the rules and procedures applicable to its request and in accordance with the provisions of Standard Contract Rider No. 21, as approved by the Commission's Order in Cause No. 43251. The Commission further finds that the proposed Green Power Initiative rate of \$0.004200 per kWh is properly calculated. Therefore, the Commission finds that the Green Power Initiative rate contained in Petitioner's Exhibit A, Schedule 1 should be approved to be effective with the first billing cycle of the August 2009 billing month for Regular Billing District 41 and Special Billing District 01.

As part of any future proceeding to implement this rate, to the extent Petitioner includes any Green-e Energy certification costs in the Green Power Initiative rate, Petitioner shall provide more detailed testimony outlining how the recovery of costs of that certification benefits ratepayers.

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

1. The revised rate set forth at Finding Paragraph No. 7 herein shall be and hereby is approved to be effective with the first billing cycle of the August 2009 billing month for Regular Billing District 41 and Special Billing District 01. The Green Power Initiative rate approved herein, upon becoming effective, shall remain in effect until a new revised rate is approved.

2. IPL's proposed changes to Standard Contract Rider No. 21 (Green Power Initiative) shall be and hereby are approved.

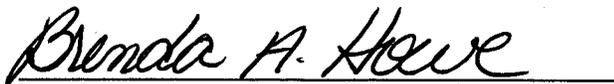
3. IPL shall file a revised tariff sheet with the Electricity Division of the Commission prior to placing in effect the revised rate approved herein.

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

HARDY, ATTERHOLT, LANDIS, AND ZIEGNER CONCUR; GOLC ABSENT:

APPROVED: JUL 30 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**