ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANAPOLIS POWER & LIGHT COMPANY FOR APPROVAL OF A REVISED GREEN POWER INITIATIVE RATE TO BE EFFECTIVE WITH THE AUGUT, 2010 BILLING CYCLE	)))))	**CAUSE NO. 43903** **APPROVED:** JUL 28 2010

BY THE COMMISSION:
David E. Ziegner, Commissioner
Aaron A. Schmoll, Administrative Law Judge

On May 24, 2010, 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 its evidence in support of the relief requested on May 24, 2010. On July 7, 2010, the Office of Utility Consumer Counselor ("OUCC") prefiled the Testimony of Cynthia M. Armstrong. On July 8, 2010, IPL prefiled its rebuttal testimony.

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 14, 2010 at 9:30 a.m., in Room 222 of the PNC Center, 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. IPL is a public utility within

the meaning of Ind. Code § 8-1-2-1 and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the Public Service Commission Act, as amended, and other laws of the State of Indiana.

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 ($0.002000 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 agreed 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, which expired on July 31, 2010. The final amount of this 24-month amortization was included in the current Green Power rates.

In Cause No. 43614, the Commission approved Petitioner's request for a continuation of the then current Green Power Initiative Rate. In Cause No. 43693, the Commission approved Petitioner's request (1) for a revised Green Power Initiative Rate and (2) to make the Green Power Initiative conform to requirements for Green-e Certification. The current Green Power Initiative rate (approved in Cause No. 43829) is $0.003300 per kWh.

4. Relief Sought. In accordance with the provisions of the Green Power Initiative and the treatment of the prior over-collection proposed in its rebuttal testimony, Petitioner requested that the Green Power Initiative rate to be effective with IPL's August 2010 billing cycle be $0.001700 per kWh. Based on IPL's acceptance of the OUCC recommendations, the resulting Green Power Adjustment Factor commencing with the August 2010 billing period would be $0.001400 per kWh. The calculation of the Green Power Initiative rate is based on the

1 *In Re Indianapolis Power & Light Co.*, Cause No. 43360 (IURC 12/5/2007).

2 *In Re Indianapolis Power & Light Co.*, Cause No. 43506 (IURC 7/30/2008).

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, 2010. 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, Team Leader, Marketing and Program Management, 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 Commercial and Industrial customers served under Standard Contract Rider No. 21 have the option to voluntarily purchase 10%, 25%, 50% or 100% of their electricity from a renewable energy source. He stated that in Cause No. 43693, IPL requested and received approval to eliminate the 10% purchase option for new Residential Customers who began participation subsequent to the August 2009 billing cycle. He stated the elimination of the 10% purchase option for Residential Customer was necessary to allow IPL's Green Power Initiative to achieve certification under the Green-e accreditation process. He stated that Residential Customers who were participating at the 10% purchase level prior to the beginning of the August 2009 billing cycle were "grandfathered" at the current 10% level and are allowed to continue as Green Power participants.

Mr. Allen stated that new participating Residential Customers after the effective date of the modified Standard Contract Rider No. 21 have been required to enroll in at least a 25% level. He testified that as of April 30, 2010 the number of Residential Customers participating at the 10% level was 250.

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 reported on the status of the Green-e Certification process. He stated that in Cause No. 43963, IPL indicated its intention to begin the process to obtain Green-e Certification of the IPL Green Power Initiative rate. Mr. Allen testified that the Green-e Certification program that is administered by Center for Resource Solutions ("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 few 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. 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 undertake the Green-e Certification process. To that end, Mr. Allen stated that although IPL submitted an application to CRS to secure the Green-e Certification for the Green Power Initiative in June 2009, the certification process was put on hold in July 2009 due to the fact that the IPL REC inventory contained RECs obtained from Texas. He stated that according to CRS criteria for Green-e Certification, RECs must be obtained from a state within a defined distance and that the previously purchased Texas RECs were not in close enough proximity to IPL's retail customers to be eligible for retail Green-e Certification (although the Texas RECs were eligible for wholesale Green-e Certification). Mr. Allen testified that as of the end of November 2009, the Texas RECs had all been consumed by its customers. Therefore, IPL resumed the Green-e Certification process. He stated that IPL was notified by CRS in March 2010 that IPL's Green Power Initiative had received Green-e Certification.

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. He stated that IPL submitted the annual fee to CRS in March, 2010 therefore this cost is included in the proposed Green Power Initiative in this filing.

Mr. Allen testified that the benefits of having its program Green-e certified include the ability to provide customers with the assurance that the purchase, sale and accounting of RECs is being monitored by an independent third party. He explained that CRS issues to each Green-e program participant a "Code of Conduct and Customer Disclosure Requirements" that outlines in detail the requirements for (1) the proper accounting of RECs, (2) the use of terminology related to RECs, renewable energy and the associated environmental benefits, (3) the use of the Green-e logo, and (4) disclosing and communicating program specifics to customers. He stated that IPL will participate in an annual verification process to substantiate product purchases, sales and claims and that an independent certified public accountant or certified internal auditor is required to conduct the verification. Mr. Allen stated that as a result of this monitoring, IPL's customers can be assured that when IPL displays the Green-e logo in its marketing and customer communication materials, there has been a strenuous effort made to meet the stringent requirements set by CRS.

Mr. Allen described IPL's purchase of RECs since the Company's last filing. He stated that IPL has made two purchases of RECs since the date of its last filing. Based on responses to Requests for Quotations, IPL purchased 20,000 vintage 2010 Iowa Wind RECs from Nexant Inc. at a cost of $1.63 per REC and 20,000 vintage 2010 Indiana Wind RECs at a cost of $2.05 per REC.

Mr. Allen stated that during the first quarter of the year, IPL worked with its marketing and communications firm to develop a 2010 Green Power Option communications plan Mr. Allen also stated that IPL has made use of opportunities to participate in several public events, which provide the attendees with information on various ways to be more environmentally friendly.

Mr. Allen stated that the number of participants in the Green Power Initiative increased from 3,757 at the end of November, 2009, to 3,847 at the end of April, 2010, a 2.4% increase. He stated that this modest increase in enrollment has been achieved despite a weak economy and the resulting public focus away from environmental issues. IPL's continued ability to offer this optional program at a modest premium has helped customers justify the small incremental cost.

Mr. Allen testified that in order to mitigate rate volatility, IPL is proposing to begin to amortize the amount of over- and under-collections over a 24-month period. He stated the objective of changing the approach for the reconciliation of any over- and under-collections from a 6-month amortization to a 24-month amortization is to dampen the period over period changes in the Green Power Rate. He testified that it is important from a marketing perspective to have relatively stable rates to provide current customers with more price certainty for their planning purposes. He stated that IPL has experienced recent success at adding customers to the program and wants to continue to market the program without sharp changes in rates that may discourage participating.

Mr. Allen stated that IPL is proposing to reduce the Green Power Initiative rate to $0.001700 from the prior approved rate of $0.003300 per kWh. The Company has estimated that the full Green Power Initiative with all costs included would be $0.001679 per kWh. He stated that the proposed rate was rounded up slightly to minimize complexity for marketing purposes. Additionally, any under- or over-collection will still be adjusted for in future filings. If the proposed rate is approved, IPL customers enrolled at the 100% level will pay a $1.70 per month premium if they purchase 1,000 kWh of electricity.

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, 2009.

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 $0.001700 per kWh, to be effective with IPL's August 2010 billing cycle. He stated that an average residential customer that 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 $1.70, which is 2.49% of such bill relative to the basic rates and charges in effect. He stated that in relation to the rate currently in effect, an average residential customer using 1,000 kWh of Green Power per month will experience a decrease of $1.60, which is 2.3% 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 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 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, 2010.

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 beginning August 1, 2008. He stated that the final amount of this 24-month amortization was included in the current rates. Mr. Forestal stated that IPL is proposing to amortize the over-collection accumulated from November 1, 2009 through April 30, 2010, over a period of 24 months beginning in August 2010. He stated that IPL is proposing to amortize any future over/under-collections over a 24-month period.

6. <u>OUCC's Evidence</u>. Ms. Armstrong, a Utility Analyst in the OUCC Electric Division, testified that the OUCC supports Commission approval of Petitioner's request as modified by the OUCC. Ms. Armstrong noted that IPL's forecasted cost of RECs of $0.001922 per kWh is within the range of previous forecasts. She stated the forecast in Cause No. 43829 was \$0.001511, in Cause No. 43693 was \$0.005340 per kWh and the forecast in Cause No. 43618 was \$0.004490 per kWh.

Ms. Armstrong stated that the rate is also calculated using the variance from the previous period and that the variance amortization approved in Cause No. 43506 will expire at the end of July 2010. She stated that IPL over-collected \$48,249 over the period November 1, 2009, through April 30, 2010 and that IPL proposes to amortize this over-collection over a period of 24 months beginning in August 2010. She stated that the OUCC views IPL's forecast of REC prices to be reasonable. She stated that she understands IPL's position that continually amortizing future under- and over-collections will help to stabilize the Green Power Adjustment Factor and will be beneficial to the continued existence of the Green Power Program. However, she testified that a 24-month amortization of under- or over-collections is not necessary to accomplish this goal. She stated that a shorter amortization period of 12 months will more likely result in limiting recovery to those participants that either caused the additional program costs, or limit refunds to those participants that over-paid, whatever the case may be. She said this will also credit or collect Green Power revenues and costs more quickly and ensure full recovery by either IPL or the ratepayers within a shorter period of time. She explained that in addition, a 12-month amortization period is similar to the annual recovery timeframe IPL originally requested when it began its Green Power Initiative. She also explained that in this case, it does not appear that amortizing the over-collection over a 12-month period will result in a significant difference between Petitioner's proposed rate and the OUCC's proposed rate. She said that if the over-collection over the past six months was amortized over a 12-month period, the Green Power Adjustment Factor would be \$0.001400 per kWh.

Ms. Armstrong noted that IPL received its Green-e Certification in March 2010 and recognized that IPL has incurred an additional \$9,000 in annual administrative fees for the Green-e Certification of IPL's Green Power program. She said that while the Green-e Certification costs IPL Green Power program participants slightly more in administrative costs, the OUCC still views this expenditure to be worthwhile and added that the certification provides additional transparency and verification that IPL has purchased RECs from suitable, local renewable power producers.

Ms. Armstrong testified that offering ratepayers the option to purchase renewable power at an affordable price is beneficial to both customers and the environment. She recommended Commission approval of Petitioner's proposed Green Power Adjustment Factor with the OUCC's modifications.

7. <u>Petitioner's Rebuttal Evidence</u>. In his rebuttal testimony, Mr. Allen testified that IPL does not object to Commission approval of the Green Power Adjustment Factor as modified by the OUCC's recommendation. He said that IPL agrees that acceptance of the OUCC recommendation results in a Green Power Adjustment Factor of \$0.001400 per kWh commencing with the billing period of August 2010. Mr. Allen stated that IPL reserves the right to propose a different amortization period in the future.

8. <u>Discussion and Commission Findings</u>. 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 prior orders. The Commission notes that "[i]t is the policy of this state to encourage the development of alternate energy production facilities, cogeneration facilities, and small hydro facilities in order to conserve our finite and expensive energy resources and to provide for their most efficient utilization." Ind. Code § 8-1-2.4-1. We further note that based on Mr. Allen's testimony in Cause 43251, approved on June 7, 2007, the State of Indiana was participating the Green Power program and intended to purchase 10% of its Marion County electric requirements from the IPL Green Power program by the year 2010 as part of the Hoosier Homegrown Energy Plan.

The Commission further finds that the proposed Green Power Initiative rate of $0.001400 per kWh is properly calculated. Therefore, the Commission finds that the Green Power Initiative rate contained in Petitioner's Exhibit A, Schedule 1 and as modified in the rebuttal testimony of witness Allen should be approved to be effective with the first billing cycle of the August 2010 billing month for Regular Billing District 41 and Special Billing District 01. The Commission further finds that IPL may amortize the amount of over/under-collections associated with its Green Power Rate over a 12-month period subject to IPL's reservation to propose a different amortization period in the future.

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

1. The revised rate set forth at Paragraph No. 8 herein shall be and hereby is approved to be effective with the first billing cycle of the August 2010 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 is authorized to amortize the amount of over/under-collections associated with its Green Power Rate over a 12-month period consistent with Paragraph No. 8 above.

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

4. IPL shall file with the Electricity Division of the Commission the revised tariff sheet of IPL's Tariff for Electric Service reflecting the changes to Standard Contract Rider No. 21, as modified herein and may place the revised rate into effect upon approval by the Division.

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

HARDY, ATTERHOLT, LANDIS, MAYS, AND ZIEGNER CONCUR:
APPROVED: JUL 28 2010

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

Brenda A. Howe

Brenda A. Howe
Secretary to the Commission