JDO
ABB
CM

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 FEBRUARY, 2011 BILLING CYCLE.	)))))	**CAUSE NO. 43972** **APPROVED:** JAN 26 2011

BY THE COMMISSION:
Carolene R. Mays, Commissioner
Angela Rapp Weber, Administrative Law Judge

On November 22, 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 on November 22, 2010 the direct testimony and exhibits of Craig Forestal, Team Leader of Corporate Accounting, and Lester Allen, Team Leader of Marketing and Program Management, in support of the relief requested. On December 15, 2010, the OUCC prefiled the testimony of Cynthia M. Armstrong, a Utility Analyst in the OUCC's Electricity Division. On December 22, 2010, IPL prefiled the rebuttal testimony of Lester Allen.

Pursuant to notice duly given and published as required by law, proof of which was incorporated into the record and placed in the Commission's official file, a public hearing was held in this Cause on January 5, 2011 at 9:30 a.m. in Room 224 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 Indiana Code § 8-1-2-1 of the Public Service Commission Act, as amended, and is subject to the jurisdiction of the Commission. Thus, 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 Characteristics.** IPL is an Indiana corporation with its principal office and place of business at One Monument Circle, Indianapolis, Indiana. IPL owns, operates, manages and controls electric generating, transmission and distribution plant, property and equipment and related facilities 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 who 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 modest 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. 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. The methodology changed from only considering the actual cost of the RECs held by IPL in inventory to using a methodology that estimates the cost of RECs forecasted to be used during the six-month period beginning with the next Green Power Initiative rate change date. This methodology considers both RECs already in existing inventory and IPL's estimate of the market price for RECs to be purchased, including any purchases already under contract. 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 twenty-four-month period, which expired on July 31, 2010.

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. 43903 is $0.001400 per kWh.

4. **Relief Requested.** In its Petition filed in this proceeding, IPL proposed to amortize the accrued under-collection for the six-month period ended October 31, 2010 over a twelve-month period, which is consistent with the Commission's Order in Cause No. 43903. In accordance with the provisions of the Green Power Initiative and the proposed treatment of the prior under-collection, Petitioner requested that the Green Power Adjustment Factor commencing with the February 2011 billing cycle be $0.000600 per kWh. The calculation of the Green Power Initiative rate 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 October 31, 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 testified that IPL's Green Power Initiative provides all IPL customers who purchase power from Petitioner 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 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 customers was necessary to allow IPL's Green Power Initiative to achieve certification under the Green-e accreditation process. Therefore, new residential customers served under Standard Contract Rider No. 21 can voluntarily purchase 25%, 50% or 100% of their electricity from renewable energy sources. He stated 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 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 October 31, 2010, the number of residential customers participating at the 10% level was 214.

Mr. Allen testified 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 which 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. Also, these renewable attributes are sold separately as RECs. Mr. Allen stated one REC is issued for each 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 said 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 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 (e.g., wind and biomass).

Mr. Allen testified 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 because IPL's customers could choose to purchase RECs directly if IPL's costs are out of line with the marketplace. He stated Petitioner 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 described IPL's purchase of RECs since the Petitioner's last filing. IPL issued a Request for Quotations ("RFQ") for the purchase of additional RECs on November 1, 2010 and received four responses to the RFQ. Based on the responses, IPL has agreed to purchase 60,000 wind RECs (20,000 vintage 2010 and 40,000 vintage 2011) from 3 Degrees Inc. at a weighted average cost of $0.85 per REC. He stated this purchase is expected to satisfy the IPL's REC requirements for the Green Power Initiative program through mid-2011.

Mr. Allen stated IPL has promoted the Green Power Initiative using print, radio and online media. As a result, the number of participants in the Green Power Initiative increased from 3,847 at the end of April 2010 to 4,000 at the end of October 2010, a 4% increase. He stated this increase in enrollment has been achieved despite a weak economy. IPL's continued ability to offer this optional program at a modest premium has helped customers justify the small incremental cost.

Mr. Allen stated IPL is proposing to reduce the Green Power Initiative rate to $0.000600 from the prior approved rate of $0.001400 per kWh. Petitioner has estimated that the full Green Power Initiative with all costs included would be $0.000607 per kWh. He stated the proposed rate was rounded down 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 $0.60 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 during the billing period from May 2010 through October 2010, including any RECs already in existing inventory, and a forecast of the market price for RECs to be purchased, including any purchases already under contract. It also contains 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. In Cause No. 43903, the Commission found that IPL may amortize the amount of over-/under-collections associated with its Green Power Initiative rate over a twelve-month period subject to IPL's reservation to propose a different amortization period in the future. Accordingly, one half of the over-collection associated with the Green Power Initiative rate in effect from November 1, 2009 through April 30, 2010 was included in the proposed rate.

Mr. Forestal stated the proposed Green Power Initiative rate, adjusted for Indiana Utilities Receipts Tax, is \$0.000600 per kWh, to be effective with IPL's February 2011 billing cycle. He stated that in relation to the Green Power Initiative rate currently in effect, an average residential customer using 1,000 kWh of Green Power per month will experience a decrease of \$0.80, or 1.2% of such bill, including only the basic rates and charges, and the Green Power charge.

Mr. Forestal testified the calculation of the proposed Green Power Initiative rate takes into account the costs of RECs forecasted to be used for the billing period from February 2011 through July 2011, including any RECs already in existing inventory and a forecast of the market price for RECs to be purchased, including any purchases already under contract. 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 October 31, 2010. Mr. Forestal stated that in accordance with the Commission's finding in Cause No. 43903, IPL may amortize the amount of over-/under-collections associated with its Green Power Initiative rate over a twelve-month period, the remaining half of the over-collection associated with the Green Power Initiative rate in effect from November 2009 through April 2010, and one half of the under-collection from May 2010 through October 2010 are included in the proposed rate.

Mr. Forestal stated IPL is proposing to amortize the under-collection accumulated from May 1, 2010 through October 31, 2010 over a period of twelve months beginning in February 2011.

6. **OUCC's Evidence.** OUCC Witness Cynthia M. Armstrong noted IPL's forecasted cost of RECs of \$0.000850 per kWh is much lower than previous forecasts. She stated the forecast in Cause No. 43903 was \$0.001922, in Cause No. 43829 was \$0.001511, and in Cause No. 43693 was \$0.005340 per kWh.

Ms. Armstrong stated the rate is also calculated using variances from the previous and current periods. The remainder of a twelve-month variance amortization approved in Cause No. 43903 in which IPL over-collected revenues during the period from November 1, 2009 through April 30, 2010 was included in current rates. She stated the rate also includes a reconciliation of the revenues billed and expenses incurred for the Green Power Initiative through October 31, 2010. IPL experienced an under-collection of \$23,981 for the May 2010 through October 2010 billing period. IPL amortized this under-collection over a twelve-month period, consistent with the Commission's findings in Cause No. 43903. She added that an average residential customer consuming 1,000 kWh of electricity per month who elects to supplement 100% of his electricity with Green Power or RECs would expect to pay an additional \$0.60 on the customer's monthly bill. She added this represents a 57.1% decrease from the current Green Power rate.

Ms. Armstrong testified the OUCC views IPL's forecasted cost of RECs at \$0.000850 per kWh to be reasonable. She said IPL's forecasted cost of RECs includes the current inventory of RECs as well as anticipated REC purchases and, based on her review of the most recent national retail REC products available on the market, IPL's purchases appear to be within the appropriate range of voluntary REC market prices.

Ms. Armstrong noted that although the Commission authorized IPL to amortize future over-/under-collections of the Green Power Initiative over a twelve-month period, the OUCC recommends that IPL collect the under-collection noted in this filing over a six-month period. She said that on a matching principle basis, the OUCC prefers the under-collection be collected from ratepayers during the next six-month period to more appropriately match revenues with the costs incurred by the Green Power program. Ms. Armstrong also stated that in this particular filing, the total amount under-collected over the past six months is almost equal to the remaining over-collection from Cause No. 43903. Thus, it makes logical sense to allow these variances to cancel each other out in calculating the rate over the next six months. Sponsoring a rate that is much lower than the forecasted cost of RECs may result in another large under-collection in the next recovery period. This may add to the rate's continued volatility. Ms. Armstrong opined that recovering the current period variance over a six-month period will result in a rate that is closer to IPL's actual costs of running the program over the next six months, and therefore there will be a decreased chance of having to increase or decrease the rate in the next filing.

Ms. Armstrong said that if the under-collection over the past six months was recovered over a six-month period, the Green Power Adjustment Factor would be $0.000900 per kWh. She noted that an average residential customer consuming 1,000 kWh of electricity per month who elects to supplement 100% of his electricity with Green Power or RECs would expect to pay an additional $0.90 on the customer's monthly bill. She added that this represents a 35.7% decrease from the current Green Power rate.

Ms. Armstrong stated the OUCC recognized that IPL has incurred additional 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. Ms. Armstrong added 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 customers. The OUCC wishes the Green Power program to remain successful. She stated that, although IPL has received permission from the Commission to amortize all variances within the Green Power program over a twelve-month period, the OUCC recommends the current period variance be collected over a six--month period for the reasons cited above. She stated the OUCC recommends Commission approval of Petitioner's proposed Green Power Adjustment Factor with the OUCC's modifications.

7. Petitioner's Rebuttal Evidence. In his rebuttal testimony, Mr. Allen testified IPL does not object to Commission approval of the Green Power Adjustment Factor as modified by the OUCC's recommendation. He said IPL agrees that acceptance of the OUCC recommendation results in a Green Power Adjustment Factor of $0.000900 per kWh commencing with the billing period of February 2011. Mr. Allen stated IPL reserves the right to propose a different amortization period in the future.

8. **Discussion and Commission Findings.** The Commission finds that, based on the evidence presented, 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 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 February 2011 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 six-month period instead of the previously approved twelve-month period, subject to IPL's reservation to propose a different amortization period in the future. Thus, the Commission finds that the proposed Green Power Initiative rate of $0.000900 per kWh is properly calculated.

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

1. The revised rate set forth at Finding Paragraph No. 8 shall be and hereby is approved to be effective with the first billing cycle of the February 2011 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 Initiative rate over a six-month period consistent with the Finding Paragraph Nos. 6, 7 and 8.

3. 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 Electricity Division.

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

ATTERHOLT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: JAN 26 2011

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