STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANAPOLIS POWER & LIGHT COMPANY FOR APPROVAL OF A CONTINUATION OF ITS CURRENT GREEN POWER INITIATIVE RATE.	))))	CAUSE NO. 44121 APPROVED: JAN 25 2012

ORDER OF THE COMMISSION

Presiding Officers:
James D. Atterholt, Chairman
Aaron A. Schmoll, Senior Administrative Law Judge

On November 21, 2011, Indianapolis Power & Light Company ("IPL" or "Petitioner") filed its Petition with the Indiana Utility Regulatory Commission ("Commission") for approval of a continuation of its current Green Power Initiative Rate. IPL also prefiled on November 21, 2011 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.

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 17, 2012 at 9:30 a.m. in Room 224 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. At the hearing, IPL and the Indiana Office of Utility Consumer Counselor ("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. 44026 is $0.001000 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, 2011 over a six-month period, which is consistent with the Commission's Order in Cause No. 43972. 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 2012 billing cycle remain at $0.001000 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, 2011. 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 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. He said IPL completed the purchase of 80,000 Midwest Reliability Organization ("MRO") Wind RECs in August 2011 at a price of $0.79 per MWh. He said it was anticipated that another purchase of similar quantity would be made before the end of 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 has remained very stable, as indicated by enrollment of 4,106 at the end of April 2011, compared to 4,104 at the end of October 2011. He said that despite a difficult economy, IPL's ability to offer this optional program at a modest premium allows interested customers to justify the small incremental cost and will be important to retaining and gaining participants.

Mr. Allen stated IPL is proposing to leave the Green Power Initiative rate unchanged from the prior approved rate of $0.001000 per kWh. Petitioner has estimated that the full Green Power Initiative with all costs included would be $0.001024 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 continue to pay a $1.00 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 August 2011 through January 2012, 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, 2011. In Cause No. 43972, the Commission found that IPL may amortize the amount of over/under-collections associated with its Green Power Initiative rate over a six-month period subject to IPL's reservation to propose a different amortization period in the future. Accordingly, the full under-collection associated with the Green Power Initiative rate in effect from November 1, 2010 through April 30, 2011 is included in the current rate.

Mr. Forestal stated the proposed Green Power Initiative rate, adjusted for Indiana Utilities Receipts Tax, is $0.001000 per kWh, which is no change from the rate currently in effect.

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 2012 through July 2012, 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, 2011.

Mr. Forestal stated IPL is proposing to amortize the under-collection accumulated from May 2011 through October 31, 2011, over a period of six months beginning in February 2012.

6. <u>OUCC's Evidence</u>. OUCC Witness Cynthia M. Armstrong noted IPL's forecasted cost of RECs of $0.000790 per kWh is slightly less than the previous forecast, which was $0.000810 per kWh.

Ms. Armstrong stated the rate includes a reconciliation of the revenues billed and expenses incurred for the Green Power Initiative through October 31, 2011. IPL experienced an under-collection of $16,092 during the May 2011 through October 2011 billing period. IPL amortized this under-collection over a six-month period, consistent with the Commission's findings in Cause No. 43972. 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 $1.00 on the customer's monthly bill. Therefore, no change has to be made to IPL's current Green Power rate.

Ms. Armstrong testified the OUCC views IPL's forecasted cost of RECs at $0.000790 per kWh to be reasonable. She indicated that IPL has purchased 80,000 Wind RECs of vintage 2011 generated in the Midwest at a weighted average cost of $0.79 per REC. She said IPL's forecasted cost of RECs includes the current inventory of RECs 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 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 the OUCC recommends Commission approval of Petitioner's proposed Green Power Adjustment Factor.

Finally, Ms. Armstrong agreed that the use of a standard numbering convention for future Green Power Initiative filings makes sense from an administrative efficiency standpoint and that the OUCC supported the use of a standard, sequential numbering protocol.

7. **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. 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 2012 billing month for Regular Billing District 41 and Special Billing District 01. The Commission further finds that IPL may continue to 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 $0.001000 per kWh is properly calculated.

8. **Future Filings.** Consistent with our current docketing convention for other tracker filings, we direct Petitioner to use the following docketing convention for the next and subsequent semi-annual Green Power Rider filings: Cause No. 44121 GPR 1, Cause No. 44121 GPR 2, etc.

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

1. The rate set forth at Finding Paragraph No. 7 shall be and hereby is approved to be effective with the first billing cycle of the February 2012 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 No. 7.

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 and may place the revised rate into effect upon approval by the Electricity Division.

4. IPL shall use the docketing convention described in Finding Paragraph No. 8 for future Green Power Initiative Rate filings.

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

ATTERHOLT, LANDIS, MAYS AND ZIEGNER CONCUR; BENNETT ABSENT:

APPROVED:

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