PETITION OF INDIANAPOLIS POWER & LIGHT COMPANY FOR APPROVAL OF A REVISED GREEN POWER INITIATIVE RATE TO BE EFFECTIVE WITH THE SEPTEMBER 2020 BILLING CYCLE

ORDER OF THE COMMISSION

Presiding Officers:
David L. Ober, Commissioner
Jennifer L. Schuster, Administrative Law Judge


The Commission set this matter for an evidentiary hearing to be held on August 3, 2020 at 9:30 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. On July 29, 2020, a docket entry was issued advising that, due to the ongoing global pandemic, the hearing would be conducted via teleconference, and providing related participation information. Petitioner and the OUCC participated in the hearing via teleconference, and the evidence of Petitioner and the OUCC was admitted into the record without objection at the hearing.

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. Petitioner is a public utility within the meaning of Ind. Code § 8-1-2-1. Under Ind. Code § 8-1-2-42, the Commission has jurisdiction over changes to Petitioner’s rates and charges, including tracking provisions approved by the Commission. Thus, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

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 and operates electric generating, transmission, and distribution plant, property, equipment, and related facilities within Indiana. IPL furnishes such electric utility service to more than 500,000 retail customers located principally in and near Indianapolis, Indiana and in portions of Boone, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Owen, Putnam, and Shelby counties in 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” or “GPR”), IPL provides all of its customers who purchase power at a metered rate with the opportunity to voluntarily purchase a fixed percentage of their electricity from a renewable energy source. The renewable energy is supplied from Renewable Energy Certificates (“RECs”) at a small premium to IPL’s standard tariff rates. Customers are able to enroll and cancel their enrollment in the program at any time. IPL was also authorized to file a revision to the Green Power Initiative rate on or before October 1 of each year to become effective for billings in January of the subsequent year.

In Cause No. 43506, the Commission approved Petitioner’s request to adjust the frequency of its Green Power Initiative filings to semi-annual and to change the manner in which the rate charged to customers is calculated. The methodology changed from only considering the actual cost of the RECs held by IPL in inventory to estimating the cost of RECs forecasted to be used during the six-month period beginning with the date of the next Green Power Initiative rate change. 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 made under a letter of commitment. 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.

In Cause No. 43693, the Commission approved Petitioner’s request for a revised Green Power Initiative rate and changes to the Green Power Initiative so that it conforms to the requirements for Green-e Certification. In Cause No. 44121 GPR 9, the Commission approved IPL’s request to adjust the frequency of its Green Power Initiative filings to annually. In Cause No. 44121 GPR 12, the Commission approved the current Green Power Initiative rate of $0.001000 per kWh.

4. **Relief Requested.** In its Petition, IPL has proposed to amortize the accrued over-collection for the 12-month period ended April 30, 2020 over a 12-month period. In accordance with the provisions of the Green Power Initiative and the proposed treatment of the prior under-collection, IPL has also requested that the Green Power Initiative rate commencing with the September 2020 billing cycle continue to be $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 April 30, 2020. 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 Zac Elliot, Manager, Energy Efficiency Programs, 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 wind and biomass RECs at a modest premium to IPL’s tariff rates. Customers can enroll and cancel their enrollment in this program at any time.

Mr. Elliot testified IPL’s commercial and industrial customers served under the Green Power Initiative have the option to voluntarily purchase 10%, 25%, 50%, or 100% of their electricity from a renewable energy source. He said that residential customers may elect to purchase 25%, 50%, or 100% percent of their electricity from renewable energy sources.

Mr. Elliot testified that a participating 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 Initiative energy (in kWh) billed at the applicable Green Power Initiative rate. This Green Power Initiative rate includes the cost of the RECs and the associated Green Power Initiative administrative and marketing costs.

Mr. Elliot explained that, to help facilitate the sale of renewable electricity nationally, a system was established that separates renewable electricity generation into two parts: (1) the electricity or electrical energy produced by a renewable generator; and (2) the renewable attributes of that generation. He said that 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. Mr. Elliot stated that 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. He explained that this electricity is not considered to be renewable by the purchaser. He said 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. Elliot stated that IPL purchases Green-e energy eligible RECs. He said Green-e is the nation’s leading independent consumer protection program for the sale of renewable energy in the retail market, offering certification and verification of renewable energy products. The suppliers of Green-e energy eligible RECs are required to provide to any purchaser of those RECs 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, solar, etc.).

Mr. Elliot testified that individual customers can buy RECs regardless of whether their local utility offers a green power program. This fact makes IPL sensitive to the price of its Green Power Initiative offering because IPL’s customers could choose to purchase RECs directly if IPL’s costs are out of line with the market. He stated that IPL is very conscious of its marketing and administrative costs for this reason as well. While customers can choose to buy RECs on their own, Mr. Elliot stated that 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. Elliot testified that the external auditor who conducted the most recent audit of the Green Power Initiative Program did not identify any issues with IPL’s compliance with the Green-e energy verification reporting requirements.

Mr. Elliot also discussed IPL’s REC procurement efforts since IPL’s last GPR filing. Since May 2019, IPL has purchased or entered into agreements to purchase an additional 220,000 MWh of Midwest Reliability Organization wind and biomass RECs. He said these RECs satisfied IPL’s remaining 2019 requirements, as well as approximately half of the requirements for 2020. He said IPL expects to make additional purchases in 2020 to satisfy the balance of the forecasted requirements for this year. He said these purchases were made considering the price and geographical proximity of the generation. Because geographical proximity of the source of the RECs is important to some of IPL’s participants, IPL continues to monitor the price and availability of RECs sourced from Indiana.

Mr. Elliot described IPL’s Green Power Initiative external marketing efforts, including print and online advertising. He said that IPL also uses internal customer communication vehicles such as bill inserts and IPL’s customer newsletter “Plugged In” to create awareness. He said that IPL has unique marketing campaigns for residential and business customers.

Mr. Elliot testified that the number of participants in the Green Power Initiative at the end of April 2020 was 6,642, a 12% increase from the number of customers reported in the prior Green Power Initiative filing. He said that this increase continues several years of consistent growth in customer participation in this program.

Mr. Elliot stated that IPL is proposing no change in the approved Green Power Initiative rate of $0.001000 per kWh. If the proposed rate is approved, IPL customers enrolled at the 100% level will in total pay a $1.00 per month premium if they purchase 1,000 kWh of electricity.

IPL witness Brent Robinson, a Senior Accountant, 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 2019 through July 2020, including any RECs already in existing inventory, and a forecast of the market price for RECs to be purchased, including any purchases already under a letter of commitment. He said that the proposed rate also includes the cost of marketing and administrative costs forecasted to be incurred during the period from August 2019 through July 2020. Mr. Robinson stated that the current rate represents a reconciliation of the revenues billed and expenses incurred, including the actual costs of RECs sold, and the program-related marketing and administrative costs through April 30, 2019. He explained that the revenues, prior to reconciliation against the expenses, were adjusted downward to remove the cost of Indiana Utility Receipts Taxes and the portion of the over/under-collections from Cause Nos. 44121 GPR 10 and 44121 GPR 11 that were included in IPL’s rates between May 2018 and April 2019.

Mr. Robinson testified that 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 September 2020 through August 2021, including any RECs already in existing inventory, and a forecast of the market price for RECs to be purchased, including any purchases already under a letter of commitment. He said that it also includes the cost of marketing and administrative costs
forecasted to be incurred during the period from September 2020 through August 2021 and a reconciliation of the revenues billed and expenses incurred from May 2019 through April 2020. The expenses include the actual costs of RECs sold and actual program-related marketing and administrative costs incurred for the Green Power Initiative through April 30, 2020. He said that the revenues, prior to reconciliation against the expenses, are adjusted downward to remove the cost of Indiana Utility Receipts Taxes and the portion of the over/under-collections that were included in IPL’s rates between May 2019 and April 2020. Finally, he explained how the state income tax rate was used in calculating the Indiana Utility Receipts Taxes.

6. **OUCC’s Evidence.** Cynthia M. Armstrong, Senior Utility Analyst for the OUCC, reviewed IPL’s request and discussed the customer impact of IPL’s proposed revision to its Green Power Initiative rate. According to Ms. Armstrong, because the National Renewable Energy Lab has stopped reporting voluntary REC market prices, it is difficult to determine the market price of voluntary RECs. However, she stated that IPL’s forecasted REC price is similar to other Indiana electric utilities’ forecasted REC costs that she has reviewed recently. She said that the OUCC views IPL’s forecasted cost of RECs to be reasonable and concluded that IPL is purchasing RECs at a reasonable price. She further stated that IPL’s REC costs during the reconciliation period were reasonable.

Ms. Armstrong testified that IPL’s administrative and marketing costs over the reconciliation period are reasonable and consistent with IPL’s spending for past Green Power Initiative filings. She said that the forecasted administrative and marketing costs also appear to be consistent with past annual costs. She stated that the OUCC does not oppose IPL’s proposal to move the targeted billing date for the GPR rate from August 2020 forward to September 2020, but recommended that the OUCC be afforded a minimum of 45 days to review future IPL GPR filings. She said that a minimum 45-day review period is necessary for the OUCC to appropriately and adequately review IPL’s annual GPR filings. Ms. Armstrong recommended that IPL’s proposed Green Power Initiative rate of $0.001000 per kWh be approved for the period of September 2020 through August 2021.

7. **Commission Discussion and Findings.** The Commission finds that, based on the evidence presented, Petitioner has complied with the rules and procedures applicable to its request and the provisions of the Green Power Initiative, as approved by the Commission’s prior Orders. The OUCC’s testimony also supports the approval of Petitioner’s requested factor. Therefore, the Commission finds that the proposed Green Power Initiative rate of $0.001000 per kWh is reasonable and properly calculated. Accordingly, Petitioner’s proposed Green Power Initiative rate is approved to be effective with the first billing cycle of the September 2020 billing month for Regular Billing District 41 and Special Billing District 01. With respect to the OUCC’s request for a minimum of 45 days to review future IPL GPR filings, we find that IPL should work collaboratively with the OUCC to develop an agreed procedural schedule for subsequent GPR filings that will provide at least 45 days for the OUCC to prepare its responsive testimony and file the proposed procedural schedule in 44121 GPR 14.
IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The rate set forth in Finding Paragraph No. 7 is approved to be effective with the first billing cycle of the September 2020 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. Prior to implementing the rate, Petitioner shall file the tariff and applicable rate schedules under this Cause for approval by the Commission’s Energy Division. Such rate shall be subject to Division review and agreement with the amounts reflected.

3. IPL shall work collaboratively with the OUCC to develop an agreed procedural schedule that will provide at least 45 days for the OUCC to prepare its responsive testimony and file the proposed schedule in 44121 GPR 14.

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

HUSTON, FREEMAN, KREVDA, OBER, AND ZIEGNER CONCUR:

APPROVED: AUG 28 2020

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

Mary M. Becerra
Secretary of the Commission