ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANAPOLIS POWER & LIGHT COMPANY FOR APPROVAL OF (1) A REVISED GREEN POWER INITIATIVE RATE TO BE EFFECTIVE WITH THE AUGUST 2016 BILLING CYCLE; AND (2) A CHANGE IN THE FREQUENCY OF FILING REVISIONS TO ITS GREEN POWER RIDER.	))))))	CAUSE NO. 44121 GPR 9 APPROVED: JUL 20 2016

ORDER OF THE COMMISSION

Presiding Officers:
Angela Rapp Weber, Commissioner
Aaron A. Schmoll, Senior Administrative Law Judge

On May 31, 2016, Indianapolis Power & Light Company ("IPL" or "Petitioner") filed its Petition and supporting testimony with the Indiana Utility Regulatory Commission ("Commission") for approval of a revised Green Power Initiative rate and a change from semi-annual to annual Green Power Initiative filings. On July 7, 2016, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the testimony of Senior Utility Analyst Cynthia M. Armstrong.

The Commission conducted a hearing on July 12, 2016, at 10:00 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 the parties offered their prefiled testimony and attachments, 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 Ind. Code § 8-1-2-1 of the Public Service Commission Act, as amended, and is subject to the jurisdiction of the Commission. 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, operates, manages, and controls electric generating, transmission and distribution plant, property and equipment, and related facilities within the State of Indiana. IPL furnishes such electric utility service to approximately 480,000 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"), IPL provides all IPL customers who purchase power at a metered rate 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 (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 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 (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. 44121 GPR 8 is $0.000300 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 April 30, 2016, over a 12-month period, which is consistent with IPL's request to move to an annual filing frequency. 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 Initiative rate commencing with the August 2016 billing cycle be set 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 April 30, 2016. 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 the Green Power Initiative have the option to voluntarily purchase 10, 25, 50 or 100 percent of their electricity from a renewable energy source. He stated that in Cause No. 43693, IPL requested and received approval to eliminate the 10 percent purchase option for new residential customers who began participation subsequent to the August 2009 billing cycle. He stated the elimination of the ten percent 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 the Green Power Initiative can voluntarily purchase 25, 50, or 100 percent of their electricity from renewable energy sources. He stated that residential customers who were participating at the ten percent purchase level prior to the beginning of the August 2009 billing cycle were grandfathered at the current ten percent level and are allowed to continue as Green Power Initiative participants.

Mr. Allen stated that new residential customers participating after the effective date of the modified Green Power Initiative have been required to enroll in at least a 25 percent level. He testified that as of April 30, 2016, 95 residential customers participated at the ten percent level, which represents approximately 2.6% of the total population of Green Power Initiative residential participants.

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 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. Allen 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. 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 Eligible 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 Eligible RECs to IPL 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 or 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 also discussed IPL's REC procurement efforts since IPL's last filing. He said that in December 2015, IPL procured 80,000 MWh of Midwest Reliability Organization region wind RECs. As with past purchases of RECs for the Green Power Initiative, this purchase was made based on evaluating the price and geographical location of the generation. Mr. Allen testified IPL is currently in the process of procuring additional RECs, and plans to specifically request pricing for Indiana-sourced RECs. He said due to the overall surplus of wind RECs and the resulting low prices, it may be a good time to add Indiana wind RECs despite an expected price premium. He said IPL will provide additional information regarding any such sourcing in IPL's next GPR filing.

Mr. Allen described IPL's Green Power Initiative marketing efforts, which rely on a mix of print ad placements in publications with a variety of audiences as well as digital/online ad placements. He said IPL also uses internal customer communication vehicles such as bill inserts and IPL's customer newsletter *Plugged In* to create awareness. Mr. Allen testified that the number of participants in the Green Power Initiative at the end of April 2016 was 4,412. He said the level of enrollment remains virtually unchanged from the number of customers reported in the prior Green Power Initiative filing. He noted that as of December 2015, IPL's Green Power program was ranked as a Top Green Power Sales (MWh/year) program by the U.S. Department of Energy and that IPL is hopeful that the 2016 marketing campaign will result in additional interest and enrollment in the program.

Mr. Allen stated IPL is proposing to increase the Green Power Initiative rate from the prior approved rate of $0.000300 per kWh. Petitioner has estimated that the full Green Power Initiative with all costs included would be $0.001032 per kWh. He explained the increase in the Green Power Initiative rate is a combination of an under-collection from the reconciliation of the prior six-month period costs versus revenues collected, and the proposed change to include forecasted marketing and administrative costs versus the current practice of collecting marketing and administrative costs in arrears. He explained that forecasting the marketing and administrative costs will better align costs with the customers incurring those costs and will make the Green Power Initiative consistent with IPL's other rate adjustment mechanisms. If the proposed rate is approved, IPL customers enrolled at the 100 percent level will in total pay a $1.00 per month premium if they purchase 1,000 kWh of electricity. He said the forecasted cost of non-Indiana sourced RECs is consistent with national REC costs and that IPL's Green Power program has consistently ranked among the least expensive utility sponsored Green Power programs in the nation.

Mr. Allen also discussed IPL's proposal to change the Green Power Initiative filing frequency from semi-annual to annual. He explained that in Cause No. 43506, IPL proposed and the Commission accepted changing the Green Power Initiative filing frequency to semi-annually in order to prevent substantial accrual of over- and under-collections resulting from variable REC prices. He said IPL believes the cost and variability of REC prices has decreased enough to warrant a change back to an annual filing. Mr. Allen said an annual filing is more efficient for IPL, the OUCC, any intervenors, and the Commission.

IPL witness Yvonna Steadman 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 February 2016 through July 2016, 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. It also contains 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 October 31, 2015.

In Cause No. 43972, the Commission found that IPL may amortize the amount of over or 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. The under-collection in GPR 6 was the result of Green Power Initiative rates effective from February 2015 through July 2015, and the under-collection in GPR 7 was the result of Green Power Initiative rates effective from August 2015 through January 2016. GPR 8, which established the rates currently in effect, reconciled the period from May 2015 through October 2015. Accordingly, three months of the under-collection associated with GPR 6 and three months of under-collections associated with GPR 7 are included in the rate currently in effect.

Ms. Steadman stated the proposed Green Power Initiative rate, adjusted for Indiana Utilities Receipts Tax, is $0.001000 per kWh, which is an increase from the rate currently in effect.

Ms. Steadman 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 August 2016 through July 2017, 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. She said it also includes the cost of marketing and administrative costs forecasted to be incurred during the period from August 2016 through July 2017. It also includes a reconciliation of the revenues billed and expenses incurred from November 2015 through April 2016. 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, 2016. She said 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 GPR 7 and GPR 8 over- or under-collections that were included in IPL's rates between November 2015 and April 2016.

Ms. Steadman stated that to reflect the proposed change to an annual filing frequency, the calculation of the Green Power Initiative rate includes a twelve-month cost of RECs forecast, a twelve-month projection of kWh sales, and a 12-month projection of marketing and administrative costs. Finally, she explained how the state income tax rate was used in calculating the Indiana Utility Receipts Tax.

6. **OUCC's Evidence.** Ms. Armstrong reviewed IPL's request and discussed the customer impact of IPL's proposed revision to its Green Power Initiative rate. She said IPL's forecasted cost of RECs is slightly higher than current national voluntary REC market prices, and this is most likely due to IPL's plan to add more expensive Indiana RECs to its REC inventory. She said the OUCC discussed this issue with IPL prior to filing this Cause. She noted that while Indiana-source REC prices have been much higher than voluntary REC prices in the past due to their ability to be used for compliance with Ohio's Renewable Portfolio Standards, Ohio's REC market prices have decreased substantially over the past two years and Indiana-sourced RECs are now at a reasonable enough price to include in the GPR inventory. She indicated she also reviews Green Power filings for other Indiana utilities, and IPL's forecasted REC costs are also within the reasonable range of prices other Indiana utilities are paying for RECs. She concluded that the OUCC views IPL's forecasted cost of RECs to be reasonable.

Ms. Armstrong stated that IPL's administrative and marketing costs over the reconciliation period are consistent with its spending for past Green Power filings and the forecasted administrative and marketing costs also appear consistent with past annual costs. She stated that the OUCC reviewed the requested accounting changes and new method of calculating the GPR rate and confirmed there were no issues to address in testimony at this time. However, she noted that the first reconciliation after these requested changes will have some unique nuances that the OUCC accounting staff will need to review in the next filing. Ms. Armstrong concluded that, based on the OUCC's review of IPL's exhibits, IPL's calculation of the Green Power Initiative rate is reasonable. Accordingly, the OUCC recommended Commission approval of IPL's proposed Green Power Initiative rate.

7. **Commission Findings and Discussion.** 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 the Green Power Initiative, as approved by the Commission's prior Orders. The Commission finds that the proposed Green Power Initiative rate of $0.001000 per kWh is properly calculated. We further approve IPL's proposal to file subsequent Green Power Initiative rate proceedings on an annual basis and to include forecasted marketing and administrative costs. Accordingly the Commission further finds that IPL may amortize the amount of over- or under-collections associated with its Green Power Initiative rate over a 12-month period, subject to IPL's reservation to propose a different amortization period in the future. Accordingly, the Green Power Initiative rate contained in Petitioner's Exhibit 1 is approved to be effective with the first billing cycle of the August 2016 billing month for Regular Billing District 41 and Special Billing District 01.

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

1. The rate set forth at Finding Paragraph No. 7 is approved to be effective with the first billing cycle of the August 2016 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 or under collections associated with its Green Power Initiative rate over a 12-month period consistent with Finding Paragraph No. 7.

3. IPL is authorized to file subsequent Green Power Initiative rate proceedings on an annual basis.

4. IPL shall file with the Energy Division of the Commission under this Cause the revised tariff sheet of IPL's Tariff for Electric Service reflecting the changes to the Green Power Initiative and may place the revised rate into effect upon approval by the Energy Division.

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

STEPHAN, HUSTON, WEBER, AND ZIEGNER CONCUR:

APPROVED: JUL 20 2016

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

Mary M. Becerra

Mary M. Becerra
Secretary of the Commission