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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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PETITION OF INDIANAPOLIS POWER & LIGHT COMPANY FOR APPROVAL OF A REVISED GREEN POWER INITIATIVE RATE TO BE EFFECTIVE WITH THE AUGUST 2014 BILLING CYCLE.	)))))	**CAUSE NO. 44121 GPR 5** **APPROVED:** JUL 30 2014

ORDER OF THE COMMISSION

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

On May 30, 2014, 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. On July 16, 2014, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the testimony of Cynthia M. Armstrong.

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 July 23, 2014 at 9:00 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 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 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"), 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 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 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 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 4 was $0.001900 per kWh.

4. <u>Relief Requested</u>. In its Petition filed in this proceeding, IPL proposed to amortize the accrued under-collection for the six-month period ended April 30, 2014, over a six-month period, which is consistent with the Commission's prior orders. 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 2014 billing cycle be set at $0.002000 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, 2014. The proposed Green Power Initiative rate, upon becoming effective, would remain in effect until a new revised rate is approved.

5. <u>Petitioner's Evidence</u>. 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% 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 the Green Power Initiative can voluntarily purchase 25%, 50% or 100% of their electricity from renewable energy sources. 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 Green Power Initiative have been required to enroll in at least a 25% level. He testified that as of April 30, 2014, the number of residential customers participating at the 10% level was 121, which represents less than 3% of the total population of Green Power 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 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: (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 there have been three discrete purchases of RECs for the Green Power Initiative since IPL's last filing. In December 2013, IPL added 11,925 MWh of Indiana wind RECs to its inventory. In January 2014, another 16,056 MWh of Indiana wind RECs were added. In March 2014, IPL procured 75,000 MWh of Midwest Reliability Organization ("MRO") region wind RECs. As with past purchases of RECs for the Green Power Initiative, all of these purchases were made based on evaluating price and geographical location of the generation. He said the purchases of Indiana Wind RECs from the Hoosier Wind Farm ("HWF") were made after obtaining pricing from independent REC marketers and brokers as well as internal consultation. Sourcing Indiana RECs for the Green Power Initiative has been considered desirable for many reasons and thus marketers are usually asked to provide specific pricing for Indiana-sourced RECs in their quotes for Green Power REC purchases. Mr. Allen stated that in December 2013 and again in January 2014, RECs from the HWF were procured for the Green Power Initiative at prices that were documented as competitive compared to a purchase of RECs through a broker. The structure of these transactions avoided brokerage fees and resulted in a lower cost of RECs acquired for the Green Power Initiative and a higher net payment to IPL for the RECs sold from the HWF. He said that consistent with the Commission's Order in Cause No. 43485, IPL used the proceeds of the REC sales from HWF to first offset the cost of the HWF Wind purchase power agreement ("PPA") and next to credit IPL's jurisdictional ratepayers through a fuel adjustment clause ("FAC") proceeding. He explained the proceeds are reflected as an offset to the FAC factor proposed by IPL in Cause No. 38703 FAC 103.

Mr. Allen described IPL's Green Power Initiative marketing efforts, which included print and online media. He explained that IPL worked with ad agency Williams Randall to produce a marketing calendar using recently-refreshed ad artwork and digital/online ad placement to promote the Green Power Initiative. Mr. Allen testified that the number of participants in the Green Power Initiative has continued to increase, as indicated by enrollment of 4,601 at the end of April 2014. This represents an increase in enrollment of 6% over the same period in the prior year.

Mr. Allen stated IPL is proposing to increase the Green Power Initiative rate from the prior approved rate of $0.001900 per kWh. Petitioner has estimated that the full Green Power Initiative with all costs included would be $0.002077 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 in total a $2.00 per month premium if they purchase 1,000 kWh of electricity. Mr. Allen testified that it is expected that the IPL Green Power Initiative will remain among the least expensive utility sponsored Green Power programs in the nation.

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 February 2014 through July 2014, 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 a portion of the marketing and administrative costs for the Green Power Initiative through October 31, 2013. 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 May 1, 2013 through October 31, 2013 is included in the current rate.

Mr. Forestal stated the proposed Green Power Initiative rate, adjusted for Indiana Utilities Receipts Tax, is $0.002000 per kWh, which is an increase 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 August 2014 through January 2015, 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 includes a reconciliation of the revenues billed and expenses incurred. The expenses include the actual costs of RECs sold, and a portion of the marketing and administrative costs for the Green Power Initiative, through April 30, 2014. He said the revenues, prior to reconciliation, are adjusted downward to remove the cost of Utility Receipts Taxes and the portion of the GPR 3 and GPR 4 over/under-collections that were included in IPL's rates between November 2013 and April 2014.

Mr. Forestal stated IPL is proposing to amortize the under-collection accumulated from November 1, 2013 through April 30, 2014, over a period of six months beginning in August 2014. Finally, he explained how the state income tax rate was used in calculating the Utility Receipts Tax.

6. OUCC's Evidence. OUCC Witness Armstrong noted that IPL is requesting authorization to increase its Green Power Initiative rate to $0.002000 per kWh. She said an average residential customer consuming 1000 kWh of electricity per month who newly elects to supplement 100% of the customer's electricity with Green Power or RECs would expect to pay an additional $2.00 per month.

Ms. Armstrong stated that IPL's forecasted cost of RECs is reasonable and consistent with current national voluntary REC market prices. She further indicated that IPL's administrative and marketing costs over the reconciliation period appear to be reasonable and consistent with the level of spending in its past Green Power Initiative filings. She explained that in December 2013 and January 2014, IPL sold RECs produced through its PPA with HWF to its own Green Power program at the prevailing market price for National Green-e RECs. This allowed IPL to avoid brokerage fees for the transactions, thereby lowering transaction costs IPL recovers from its GPR customers. Ms. Armstrong testified that since IPL credited all of its customers for these REC sales through its FAC mechanism, she was convinced that IPL Green Power customers are not paying for the same RECs twice. However, she expressed concern that IPL, in the future, could sell HWF RECs to its Green Power customers at a lower price than the company could receive in other REC markets. Therefore, the OUCC will continue to monitor this situation in future GPR filings. She said the OUCC recommends Commission approval of IPL's proposed Green Power Initiative rate of $0.002000 per kWh.

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 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 August 2014 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 Initiative 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 $0.002000 per kWh is properly calculated.

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 August 2014 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 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 the Green Power Initiative 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.

STEPHAN, MAYS, WEBER, AND ZIEGNER CONCUR:

APPROVED: JUL 30 2014

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

Shala M. Coe

Shala M. Coe
Acting Secretary to the Commission