

Indiana Michigan Power
P.O. Box 60
Fort Wayne, IN 46801
IndianaMichiganPower.com



A unit of American Electric Power

Secretary of the Commission
Indiana Utility Regulatory Commission
PNC Center
101 West Washington Street, Suite 1500 East
Indianapolis, Indiana 46204

February 27, 2012

Dear Secretary:

Pursuant to 170 IAC 1-6, I&M submits this thirty-day filing requesting approval of amendments to I&M's Tariff COGEN/SPP (Cogeneration and/or Small Power Production Service) which is being submitted pursuant to 170 Ind. Admin. Code 4-4-1-10.

Enclosed for the Commission's review and approval, please find the following documents:

1. Original and three copies of Indiana Michigan Power Company's proposed updates to Tariff COGEN/SPP (Cogeneration and/or Small Power Production Service) in clean and redline format.
2. Supporting workpapers, and
3. Verified Statement of Publication.

If you have any questions regarding I&M's report please contact me at (260) 408-3503 or wwhix@aep.com.

Sincerely,

William W. Hix
Principal Regulatory Consultant

Enclosures

cc: Brad Borum-IURC
David Stippler-OUCC

**TARIFF COGEN/SPP
(Cogeneration and/or Small Power Production Service)**

(Cont'd from Sheet No. 26.1)

Additional Charges.

There shall be additional charges to cover the cost of special metering, safety equipment, and other local facilities installed by the Company due to COGEN/SPP facilities, as follows:

(1) Metering Charges

The additional charge for special metering facilities shall be as follows:

(a) Option 1

Where the customer does not sell electricity to the Company, a detent shall be used on the energy meter to prevent reverse rotation. The cost of such meter alteration shall be paid by the customer as part of the Local Facilities Charge.

(b) Options 2 & 3

Where energy meters are required to measure the excess energy and average on-peak capacity purchased by the Company or the total energy and average on-peak capacity produced by the customer's COGEN/SPP facilities, the cost of the additional metering facilities shall be paid by the customer as part of the Local Facilities Charge. In addition, a monthly metering charge shall be as follows to cover the cost of operation and maintenance of such additional facilities:

	<u>Single Phase</u>	<u>Polyphase</u>	
Standard Measurement	\$0.85	\$1.10	R
TOD Measurement	\$0.90	\$1.15	R

Under Option 3, when metering voltage for COGEN/SPP facilities is the same as the Company's delivery voltage, the customer shall, at his option, either route the COGEN/SPP totalized output leads through the metering point or make available at the metering point for the use of the Company and as specified by the Company metering current leads which will enable the Company to measure adequately the total electrical energy and average on-peak capacity produced by the qualifying COGEN/SPP facilities, as well as to measure the electrical energy consumption and capacity

(Cont'd on Sheet No. 26.3)

ISSUED BY
PAUL CHODAK III
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR ELECTRIC SERVICE RENDERED
ON AND AFTER

ISSUED UNDER AUTHORITY OF THE
INDIANA UTILITY REGULATORY COMMISSION
CONFERENCE DATED
30-DAY FILING NO.

TARIFF COGEN/SPP
(Cogeneration and/or Small Power Production Service)

(Cont'd from Sheet No. 26.2)

requirements of the customer's total load. When metering voltage for COGEN/SPP facilities is different from the Company's delivery voltage, metering requirements and charges shall be determined specifically for each case.

(2) Local Facilities Charge

Additional charges to cover the cost of special metering facilities, safety equipment, and other local facilities installed by the Company shall be determined by the Company for each case and collected from the customer. The customer shall make a one-time payment for such charges upon completion of the required additional facilities or, at the customer's option, 12 consecutive equal monthly payments reflecting an annual interest charge equal to the maximum rate permitted by law not to exceed the prime rate in effect at the first billing for such installments.

Monthly Credits or Payments for Energy and Capacity Deliveries.

(1) Energy Credit

The following credits or payments from the Company to the customer shall apply for the electrical energy delivered to the Company:

Standard Meter			
All kWh	2.55¢		R
TOD Meter			
On-peak kWh	2.74¢		R
Off-peak kWh	2.41¢		R

(2) Capacity Credit

If the customer contracts to deliver a specified average capacity during the on-peak monthly billing period (on-peak contract capacity), then the first-year monthly capacity credit or payment from the Company to the customer shall be \$8.70/kW times the lowest of:

- (a) monthly on-peak contract capacity, or
- (b) current month on-peak metered average capacity, i.e., on-peak kWh delivered to the Company divided by 305, or

(Cont'd on Sheet No. 26.4)

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PAUL CHODAK III
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR ELECTRIC SERVICE RENDERED
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CONFERENCE DATED
30-DAY FILING NO.

**TARIFF COGEN/SPP
(Cogeneration and/or Small Power Production Service)**

(Cont'd from Sheet No. 26.1)

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Where energy meters are required to measure the excess energy and average on-peak capacity purchased by the Company or the total energy and average on-peak capacity produced by the customer's COGEN/SPP facilities, the cost of the additional metering facilities shall be paid by the customer as part of the Local Facilities Charge. In addition, a monthly metering charge shall be as follows to cover the cost of operation and maintenance of such additional facilities:

	<u>Single Phase</u>	<u>Polyphase</u>	
Standard Measurement	\$ <u>1,390.85</u>	\$ <u>1,701.10</u>	<u>IR</u>
TOD Measurement	\$ <u>1,350.90</u>	\$ <u>1,751.15</u>	<u>IR</u>

Under Option 3, when metering voltage for COGEN/SPP facilities is the same as the Company's delivery voltage, the customer shall, at his option, either route the COGEN/SPP totalized output leads through the metering point or make available at the metering point for the use of the Company and as specified by the Company metering current leads which will enable the Company to measure adequately the total electrical energy and average on-peak capacity produced by the qualifying COGEN/SPP facilities, as well as to measure the electrical energy consumption and capacity

(Cont'd on Sheet No. 26.3)

ISSUED BY
PAUL CHODAK III
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR ELECTRIC SERVICE RENDERED
ON AND AFTER **MARCH 30, 2011**

ISSUED UNDER AUTHORITY OF THE
INDIANA UTILITY REGULATORY COMMISSION
CONFERENCE DATED **MARCH 30, 2011**
30-DAY FILING NO. **2824**

I.U.R.C. NO. 15
INDIANA MICHIGAN POWER COMPANY
STATE OF INDIANA

~~THIRD-FOURTH~~ REVISED SHEET NO. 26.3
CANCELS ~~SECOND-THIRD~~ REVISED SHEET NO. 26.3

TARIFF COGEN/SPP
(Cogeneration and/or Small Power Production Service)

(Cont'd from Sheet No. 26.2)

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Additional charges to cover the cost of special metering facilities, safety equipment, and other local facilities installed by the Company shall be determined by the Company for each case and collected from the customer. The customer shall make a one-time payment for such charges upon completion of the required additional facilities or, at the customer's option, 12 consecutive equal monthly payments reflecting an annual interest charge equal to the maximum rate permitted by law not to exceed the prime rate in effect at the first billing for such installments.

Monthly Credits or Payments for Energy and Capacity Deliveries.

(1) Energy Credit

The following credits or payments from the Company to the customer shall apply for the electrical energy delivered to the Company:

Standard Meter		
All kWh	<u>2.682.55¢</u>	<u>IR</u>
TOD Meter		
On-peak kWh	<u>2.892.74¢</u>	<u>IR</u>
Off-peak kWh	<u>2.532.41¢</u>	<u>IR</u>

(2) Capacity Credit

If the customer contracts to deliver a specified average capacity during the on-peak monthly billing period (on-peak contract capacity), then the first-year monthly capacity credit or payment from the Company to the customer shall be \$9.978.70/kW times the lowest of:

- (a) monthly on-peak contract capacity, or
- (b) current month on-peak metered average capacity, i.e., on-peak kWh delivered to the Company divided by 305, or

(Cont'd on Sheet No. 26.4)

ISSUED BY
PAUL CHODAK III
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR ELECTRIC SERVICE RENDERED
ON AND AFTER MARCH 30, 2011

ISSUED UNDER AUTHORITY OF THE
INDIANA UTILITY REGULATORY COMMISSION
CONFERENCE DATED MARCH 30, 2011
30-DAY FILING NO. 2821

III. Calculation of Unadjusted Monthly Avoided Cost of Capacity

$$C = \left(\frac{1}{12}\right) \times \left[\frac{\left(D \times V \times \frac{S1}{S2} \times S3\right) + (S4 \times S5)}{S6} \right]$$

Where:

$$S1 = 1 - \frac{1 + IP}{1 + R}$$

$$S2 = 1 - \left(\frac{1 + IP}{1 + R}\right)^N$$

$$S3 = (1 + IP)^{(T-1)}$$

$$S4 = O \times \left(\frac{1 + IO}{1 + R}\right)$$

$$S5 = (1 + IO)^{(T-1)}$$

$$S6 = 1 - \frac{L}{2}$$

Calculation for First Year

T =	1		
S1 =	0.0650	S4 =	15.2310
S2 =	0.8669	S5 =	1.0000
S3 =	1.0000	S6 =	0.9585

$$C = \left(\frac{1}{12}\right) \times \left[\frac{\left(1.4629 \times 773 \times \frac{0.0650}{0.8669} \times 1\right) + (15.2310 \times 1)}{0.9585} \right]$$

C = \$8.70

Cost Calculations (Support Page 1, Assumptions A & D)

I. Fixed Operations & Maintenance Cost per kW (2012 Dollars)

Fixed Operations & Maintenance Cost		9.52 mills/kWh
Hours per Year	x	8,784 hours
Unit Size	x	171,000 kW
Capacity Factor	x	10.00%
Total Fixed O&M Cost		\$1,429,965 /year
Unit Size	/	171,000 kW
Per Unit Fixed O&M Cost		\$8.36 /kW

II. Variable Operations & Maintenance Cost per kW (2012 Dollars)

Variable Operations & Maintenance Cost		9.03 mills/kWh
Hours per Year	x	8,784 hours
Unit Size	x	171,000 kW
Capacity Factor	x	10.00%
Total Variable O&M Cost		\$1,356,364 /year
Unit Size	/	171,000 kW
Per Unit Variable O&M Cost		\$7.93 /kW

III. Total Operations & Maintenance Cost per kW (2012 Dollars)

Fixed O&M Cost		\$8.36 /kW
Variable O&M Cost	+	7.93 /kW
Total O&M Cost (Page 1, Assumption D)		\$16.29 /kW

I. Calculation of Annual Carrying Charge Rate (Page 1, Assumption C)

	<u>Variable</u>	<u>Value</u>
Weighted Cost of Capital	R	8.45%
Property Tax Rate:		
Account 4081005 - State of Indiana, 12/11		19,891,767
Electric Plant in Service - State of Indiana, 12/11	/	3,670,292,258
Property Tax Rate	a	0.54%
Insurance Rate:		
Account 9240000, 12/11		3,615,000
Electric Plant in Service - Total Company, 12/11	/	6,489,384,160
Insurance Rate	p	0.06%
Depreciation Rate	d	1.68%
Composite Tax Rate	ct	39.73%
Book Depreciation	bd	3.33%
Rate on Debt Capital	b	6.33%
Debt Ratio from last filed rate case (IURC Cause No. 43306)	dr	48.58%

$$CCR = R + a + p + d + \left[\left(\frac{ct}{1-ct} \right) \times (R + d - bd) \times \left(\frac{R - (b \times dr)}{R} \right) \right]$$

CCR = 13.55%

I. <u>Energy Payment Calculation *</u>	<u>On-Peak</u>	<u>Off-Peak</u>	<u>Non-TOD</u>
A. <u>Potential Loss Savings</u>			
Primary Losses			5.60%
Divided by 2	/		<u>2</u>
Loss Adjustment (Potential Loss Savings)			2.80%
B. <u>Time-of-Day Energy Payments</u>			
Avoided Energy Costs	2.68	7.34	¢/kWh
Divided by (1 - Loss Savings)	/	0.9720	0.9720
Time-of-Day Energy Payments	2.74	2.41	¢/kWh
C. <u>Non-Time-of-Day Energy Payment</u>			
Time-of-Day Energy Payments	2.74	2.41	¢/kWh
Hours per Year	x 3,654	5,130	hours
Weighted Average of Hourly TOD Payments	10,012	12,363	22,375
Hours Per Year			8,784
Non-Time-of-Day Energy Payment			2.55 ¢/kWh

* On-Peak Period is 7am - 9pm, Monday through Friday
 Off-Peak Period is all other hours

II. Demand and Energy Loss Calculations **

<u>System</u>	<u>Demand</u>	<u>Energy</u>
Transmission	4.504%	2.998%
Subtransmission	0.717%	0.698%
Primary		
Transformer	0.738%	0.611%
Line	2.125%	1.223%
Compound Loss Factor	8.3%	5.6%

** Assuming COGEN/SPP Service at Primary

<u>I. Annual Carrying Charge Rates</u>	<u>Variable</u>	<u>Value</u>
Fixed Costs		0.0%
O&M		1.5%
Carrying Costs	CC	1.5%

<u>II. Charges</u>		
Contingencies		5%
Stores Expense		18%
Total Charges on Material	MC	23%
Labor		70%
Transportation Expense		41%
Total Charges on Labor	LC	111%

<u>III. Overheads</u>		
Company Construction Overheads	OC	19%

IV. Monthly Charge on Incremental Material

IM = Incremental Material Cost
 IL = Incremental Labor Cost (50% of Material) = 0.5 x IM

$$\text{Monthly Charge on IM} = (1 + OC) \times [(1 + MC) \times IM + (1 + LC) \times IL] \times \frac{CC}{12}$$

Monthly Charge on IM = 0.34% of Incremental Material Cost

V. Monthly Meter Charges

	<u>Incremental Material (IM)</u>	<u>Monthly Charge</u> 0.34%	<u>Average Charge</u>
<u>Standard Measurement</u>			
<u>Single Phase</u>			
Option 2-1 - Primary - Transformer Rated	387	\$1.32	
Option 2-3 - Secondary - Self-Contained	41	0.14	
Option 3-1 - Primary - Transformer Rated	387	1.32	
Option 3-3 - Secondary - Transformer Rated	387	1.32	
Option 3-5 - Secondary - Self Contained	41	0.14	
Total		\$ 4.24 / 5 =	\$0.85
		Use:	\$0.85
<u>Polyphase</u>			
Option 2-2 - Primary - Transformer Rated	387	\$1.32	
Option 2-4 - Secondary - Self-Contained	230	0.78	
Option 3-2 - Primary - Transformer Rated (or Sec. >200 Amps)	387	1.32	
Option 3-4 - Secondary - Transformer Rated (Below 200 Amps)	387	1.32	
Option 3-6 - Secondary - Self Contained (Below 200 Amps)	230	0.78	
Total		\$ 5.52 / 5 =	\$1.10
		Use:	\$1.10
<u>Time-of-Day Measurement</u>			
<u>Single Phase</u>			
Option 2-5 - Primary - Transformer Rated	398	\$1.35	
Option 2-7 - Secondary - Self-Contained	83	0.32	
Option 3-7 - Primary - Transformer Rated	398	1.35	
Option 3-9 - Secondary - Transformer Rated	398	1.35	
Option 3-11 - Secondary - Self Contained	41	0.14	
Total		\$ 4.51 / 5 =	\$0.90
		Use:	\$0.90
<u>Polyphase</u>			
Option 2-6 - Primary - Transformer Rated	386	\$1.35	
Option 2-8 - Secondary - Self-Contained	239	0.81	
Option 3-8 - Primary - Transformer Rated	386	1.35	
Option 3-10 - Secondary - Transformer Rated	386	1.35	
Option 3-12 - Secondary - Self Contained	239	0.81	
Total		\$ 5.67 / 5 =	\$1.13
		Use:	\$1.15

I. Diversity Ratio Development *

Annual Total MGS-Secondary Billing Demand	9,283,016 kW
Divided by 12	12 months
Average Monthly Billing Demand	773,585 kW
Average Monthly Coincident Peak Demand	435,690 kW
Diversity Ratio	1.776

* Data from Rate Design & Cost-of-Service in IURC Cause No. 43306 (WPH-13 & WPJ-74)

II. Back-Up Service Rate Calculation

Current MGS - Secondary Demand Charge	\$4,297 /kW
Diversity Ratio	1.776
Coincident Peak Demand Cost	\$7.631 /kW
Typical Unavailability Rate	15%
Back-Up Service Rate	\$1.145 /kW

Section 292.302(b)(1)

AEP SYSTEM EASTERN ZONE (2012 & 2013)
 AND I&M POWER COST SHARING AGREEMENT (2014 - 2017)
 ESTIMATED "AVOIDED COSTS" OF ENERGY
FOR ASSUMED LEVELS OF COGENERATION PURCHASES
 2012 - 2017
 (Cents Per Kilowatt-Hour)

	<u>ASSUMED COGENERATION PURCHASE LEVEL</u>			
	<u>First</u>		<u>Second</u>	
	<u>100-MW</u>		<u>100-MW</u>	
	<u>Block</u>		<u>Block</u>	
	<u>Peak</u>	<u>Off-Peak</u>	<u>Peak</u>	<u>Off-Peak</u>
2012	2.66	2.34	2.65	2.33
2013	2.95	2.68	2.95	2.68
2014	4.65	3.24	4.65	3.24
2015	5.55	3.51	5.57	3.52
2016	6.28	4.03	6.28	4.04
2017	6.45	4.29	6.45	4.29

Notes: A. The peak costing period is 0700 to 2100 local time Monday through Friday. All other hours comprise the off-peak costing period.

B. Energy costs are expressed in current-year dollars.

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

VERIFIED STATEMENT OF PUBLICATION

William W. Hix, being duly sworn upon oath, deposes and says that:

1. I am a Principal Regulatory Consultant for Indiana Michigan Power Company (I&M).

2. Pursuant to 170 IAC 1-6-5(a), I affirm that affected customers have been notified of I&M's thirty-day filing of updated Tariff COGEN/SPP as required under 170 IAC 1-6-6.

3. Notification of the thirty-day filing of updated Tariff COGEN/SPP was made by publication of a Legal Notice in a newspaper of general circulation that has a circulation encompassing the highest number of I&M's customers, and posting the notice on I&M's website.

4. A true and correct copy of I&M's Legal Notice is attached hereto as Exhibit "A".

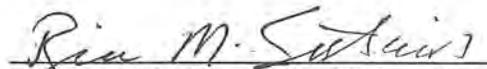
Date: 2-24-12



William W. Hix
Principal Regulatory Consultant
Indiana Michigan Power Company

STATE OF INDIANA)
) ss:
COUNTY OF ALLEN)

Subscribed and sworn to before me, a Notary Public, in and for said County and State this 24 day of February 2012.


Regina M. Sistevaris, Notary Public

I am a resident of Allen County, Indiana.
My commission expires: March 6, 2015

LEGAL NOTICE
STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

Indiana Michigan Power Company, an Indiana corporation, gives notice that on or before February 29, 2012, it will submit for approval under the Indiana Utility Regulatory Commission's thirty-day filing process an updated Tariff COGEN/SPP and a standard form contract for purchase of energy and capacity at rates derived from the application of regulations. The referenced filing will consist of Indiana Michigan Power Company's proposed 2012 Tariff COGEN/SPP (Cogeneration and/or Small Power Production Service) and standard contract forms. Customers potentially affected by this filing include alternate energy production facilities, cogeneration facilities, or small hydrofacilities located in the Indiana Michigan Power Company service territory. Those customers may be affected by changes in metering charges related to special metering facilities, and by monthly credits or payments for energy and capacity deliveries. A decision on the 2012 Tariff COGEN/SPP filing is expected from the Indiana Utility Regulatory Commission on or before June 1, 2012. Please direct inquiries to:

Indiana Michigan Power Company
Attn: Director of Regulatory Services
P.O. Box 60
Fort Wayne, IN 46801
Objections to this filing can be made to the following:
Indiana Utility Regulatory Commission
Attn: Commission Secretary
PNC Center
101 West Washington Street Suite 1500 South
Indianapolis, Indiana 46204
Indiana Office of Utility Consumer Counselor
National City Center
115 W. Washington Street
Suite 1500 East
Indianapolis, Indiana 46204
2--20 968546

Ad Id: 4237532 (0000968546-01) originally listed in Fort Wayne Newspapers on 02/20/2012

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Exhibit A