

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

June 5, 2012

Dear Secretary:

Pursuant to 170 IAC 1-6, I&M submits this thirty-day filing requesting amendments to I&M's Rider D.R.S.2 (Demand Response Service - Economic). In support of this thirty-day filing, I&M represents that on May 18, 2011 in Cause No. 43566 PJM1, the Commission approved I&M's Rider D.R.S.2. Included in the approval of Rider D.R.S.2, were three options to participate under Rider D.R.S.2: Day-Ahead Market; Real Time Market; and the PJM Dispatched in Real Time. The Real Time Market option was offered under the PJM Economic Demand Response Program as PJM Real-Time Market Self Schedule. The purpose of this filing is to remove the Real Time Market (Option No. 2), which is no longer available under the PJM Economic Demand Response Program, due to the recent FERC Order 745, which eliminates the Real Time Market Self Schedule in PJM Economic Demand Response. To remain consistent with PJM's demand response program and comply with FERC Order 745, I&M requests to amend Rider D.R.S.2 to remove the Real Time Market option. Attachment A includes a PJM document that notes the elimination of Self Schedule under the Real-Time Market. See Page 3 of 3 of Attachment A.

The Company proposes an additional change to Rider D.R.S.2 by adding a sentence to the Settlement provision of the Rider clarifying the Customer or participant initiates the settlement for economic curtailments by providing the Company with the relevant curtailment information.

PJM is a FERC-approved regional transmission organization (RTO), which AEP and I&M joined to fulfill its regulatory obligation to join an RTO. PJM is a long-established organization that manages the transmission grid for numerous companies in the eastern United States and fulfills the functions defined in FERC Order 2000. The AEP System-East Zone integrated its operations with PJM and began participating in the PJM energy market on October 1, 2004.

The proposed modifications to Rider D.R.S.2 are consistent with PJM's economic demand response program to be effective upon the Commission's approval of this filing.

June 5, 2012
Page 2

In support of this 30-Day filing, I&M is submitting the following information:

1. Original and three copies of Indiana Michigan Power Company's Rider D.R.S.2 (Demand Response Service - Economic), Tariff Sheets FIRST REVISED SHEET NO. 47.1, FIRST REVISED SHEET NO. 47.2 and FIRST REVISED SHEET NO. 47.3.
2. Supporting PJM documentation, Attachment A, and
3. Verified Statement of Publication.

Upon completion of your review, please return to us one set of the stamped approved tariff sheets.

If you have any questions regarding I&M's filing, 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



Economic Rules as of 4/1/2012

Economic Rules Implementation of FERC ORDER 745 4/1/2012

Indiana Michigan Power Company
Attachment "A"
Page 1 of 3



Order 745 Compliance
Implementation Date 4/1/2012

FERC Final Rule on Demand Response Compensation (Docket RM10-17-000)

- On March 15, 2011 FERC issued its final rule regarding DR compensation
- FERC final rule stipulates that DR be compensated full LMP when two conditions are met:
 - DR has the capability to balance supply and demand; and
 - Payment of LMP to DR is cost effective.
- Costs are to be allocated to load where DR reduces LMP



Economic Load Response – General Rules Effective beginning 4/1/2012

1. Payments to CSP
 - a) Reduction * LMP (when bid price **or** LMP at pricing point \geq Net Benefits Price)
 - b) Reduction * (LMP – G&T) (when bid price **and** LMP at pricing point $<$ Net Benefits Price)
2. When the LMP at the pricing point is greater than or equal to the Net Benefits Price then the cost of Economic Demand Response settlements will be allocated to all of the Market participants with real-time exports from PJM and LSE's within a zone that has an LMP greater than or equal to the Net Benefits Price.
3. No requirement to participate in the Day-Ahead Market
 - a) If cleared, then Balancing Operating Reserve charges will be assessed based on deviations greater than 20% between real time curtailments and cleared day ahead MW.
4. No requirement to participate in the Real-Time Market
 - a) If dispatched, then Balancing Operating Reserve charges will be assessed based on deviations greater than 20% between real time curtailments and dispatched MW.
 - b) Self Schedule is eliminated
5. No restriction on market participation for Customers with retail rates correlated with the Real-Time LMP. Only financial incentive will be to participate with bid price \geq Net Benefits Price.
6. All registrations must have a CBL with an error (RRMSE) no greater than 20%
 - CSP must submit ~60 days of load data to calculate RRMSE prior to registration approval.

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 an updated Rider D.R.S.2 (Demand Response Service-Economic) to remove the Real Time Market option due to the recent FERC Order 745, which eliminates the Real-Time Market Self-Schedule from PJM's demand response programs and of the addition of language added to the Settlement provision of the Rider clarifying the customer or participant initiates the settlement by providing the Company with the relevant curtailment information, as required under 170 IAC 1-6-6.
3. Notification of the thirty-day filing updating Rider D.R.S.2 (Demand Response Service-Economic) 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: June 5, 2012



William W. Hix
Principal Regulatory Consultant
Indiana Michigan Power Company

Received On: June 8, 2012
IURC 30-DAY Filing No.: 3025
Indiana Utility Regulatory Commission

STATE OF INDIANA

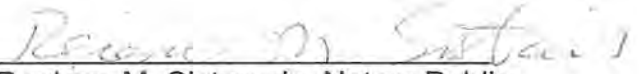
)

) ss:

COUNTY OF ALLEN

)

Subscribed and sworn to before me, a Notary Public, in and for said County and State this 5th day of June 2012.


Regiana 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 (I&M), an Indiana corporation, gives notice that on or before May 30, 2012, it will submit for approval under the Indiana Utility Regulatory Commission's thirty-day filing process an updated Rider D.R.S.2 (Demand Response Service-Economic) to remove the Real-Time Market – Self-Schedule option due to the recent FERC Order 745, which eliminates the self-schedule in PJM's demand response program. Additionally, language has been added to the Settlement provision of the Rider clarifying the Customer or participant initiates the settlement by providing the Company with the relevant curtailment information

I&M's referenced filing will seek Indiana Utility Regulatory Commission approval to amend Rider D.R.S.2 to remove the Real-Time Market – Self-Schedule option in order to remain consistent with PJM's economic demand response program and comply with FERC Order 745,.

Customers potentially affected by this filing include all customers registered for service under Rider D.R.S.2 located in the I&M service territory. A decision on the updated Rider D.R.S.2 filing is expected from the Indiana Utility Regulatory Commission on or before July 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 East
Indianapolis, Indiana 46204

Indiana Office of Utility Consumer Counselor
PNC Center
115 W. Washington Street
Suite 1500 South
Indianapolis, Indiana 46204

The Journal Gazette

Account # 1065923 - 989110
Indiana Michigan Power Co

Allen County, Indiana

PUBLISHER'S CLAIM

LINE COUNT

Display Master (Must not exceed two actual lines, neither of which shall
total more than four solid lines of the type in which the body of the
advertisement is set) -- number of equivalent lines

Head -- number of lines

Body -- number of lines

Tail -- number of lines

Total number of lines in notice

65

COMPUTATION OF CHARGES

65 lines, 1 column(s) wide equals

65 equivalent lines at \$ 2.490 cents per line

\$ 161.85

Additional charges for notices containing rule or tabular work
(50 per cent of above amount)

Charge for extra proofs of publication
(\$1.00 for each proof in excess of two)

TOTAL AMOUNT OF CLAIM

\$ 161.85

DATA FOR COMPUTING COST

Width of single column in picas 9.8 Size of type 7point.

Number of Insertions 1

Pursuant to the provisions and penalties of IC 5-11-10-1, I hereby certify that the foregoing account is just and correct, that the amount claimed is legally due, after allowing all just credits, and that no part of the same has been paid.

I also certify that the printed matter attached hereto is a true copy, of the same column width and type size, which was duly published in said paper 1 times.

The dates of publication being as follows:

5/21/2012

Additionally, Newspaper has a Web site and this public notice was posted on the same day as it was published in The Journal Gazette.

T. Brown-Smith

T. Brown-Smith
Legal Clerk

Date: May 21, 2012

ATTACH COPY OF ADVERTISEMENT HERE

LEGAL NOTICE
STATE OF INDIANA
INDIANA UTILITY REGULATORY
COMMISSION

Indiana Michigan Power Company (I&M), an Indiana corporation, gives notice that on or before May 30, 2012, it will submit for approval under the Indiana Utility Regulatory Commission's thirty-day filing process an updated Rider D.R.S.2 (Demand Response Service-Economic) to remove the Real-Time Market - Self-Schedule option due to the recent FERC Order 745, which eliminates the self-schedule in PJM's demand response program. Additionally, language has been added to the Settlement provision of the Rider clarifying the Customer or participant initiates the settlement by providing the Company with the relevant curtailment information.

I&M's referenced filing will seek Indiana Utility Regulatory Commission approval to amend Rider D.R.S.2 to remove the Real-Time Market - Self-Schedule option in order to remain consistent with PJM's economic demand response program and comply with FERC Order 745.

Customers potentially affected by this filing include all customers registered for service under Rider D.R.S.2 located in the I&M service territory. A decision on the updated Rider D.R.S.2 filing is expected from the Indiana Utility Regulatory Commission on or before July 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 East
Indianapolis, Indiana 46204

Indiana Office of Utility Consumer
Counselor
PNC Center
115 W. Washington Street
Suite 1500 South
Indianapolis, Indiana 46204
5--21 989110

The News-Sentinel

Allen County, Indiana

Account # 1065923 - 989110
Indiana Michigan Power Co

PUBLISHER'S CLAIM

LINE COUNT

Display Master (Must not exceed two actual lines, neither of which shall
total more than four solid lines of the type in which the body of the
advertisement is set) -- number of equivalent lines

Head -- number of lines

Body -- number of lines

Tail -- number of lines

Total number of lines in notice

65

COMPUTATION OF CHARGES

65 lines, 1 column(s) wide equals

65 equivalent lines at \$ 2.490 cents per line

\$ 161.85

Additional charges for notices containing rule or tabular work
(50 per cent of above amount)

Charge for extra proofs of publication
(\$1.00 for each proof in excess of two)

TOTAL AMOUNT OF CLAIM

\$ 161.85

DATA FOR COMPUTING COST

Width of single column in picas . . . 9.8 Size of type . . . 7point.

Number of Insertions . . . 1

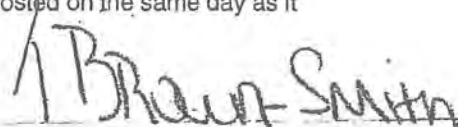
Pursuant to the provisions and penalties of IC 5-11-10-1, I hereby certify that the foregoing account is just and correct, that the amount claimed is legally due, after allowing all just credits, and that no part of the same has been paid.

I also certify that the printed matter attached hereto is a true copy, of the same column width and type size, which was duly published in said paper 3 times.

The dates of publication being as follows:

5/21/2012

Additionally, Newspaper has a Web site and this public notice was posted on the same day as it was published in The News-Sentinel.


T. Brown-Smith
Legal Clerk

Date: May 21, 2012

ATTACH COPY OF ADVERTISEMENT HERE

LEGAL NOTICE
STATE OF INDIANA
INDIANA UTILITY REGULATORY
COMMISSION

Indiana Michigan Power Company (I&M), an Indiana corporation, gives notice that on or before May 30, 2012, it will submit for approval under the Indiana Utility Regulatory Commission's thirty-day filing process an updated Rider D.R.S.2 (Demand Response Service-Economic) to remove the Real-Time Market - Self-Schedule option due to the recent FERC Order 745, which eliminates the self-schedule in PJM's demand response program. Additionally, language has been added to the Settlement provision of the Rider clarifying the Customer or participant initiates the settlement by providing the Company with the relevant curtailment information.

I&M's referenced filing will seek Indiana Utility Regulatory Commission approval to amend Rider D.R.S.2 to remove the Real-Time Market - Self-Schedule option in order to remain consistent with PJM's economic demand response program and comply with FERC Order 745.

Customers potentially affected by this filing include all customers registered for service under Rider D.R.S.2 located in the I&M service territory. A decision on the updated Rider D.R.S.2 filing is expected from the Indiana Utility Regulatory Commission on or before July 1, 2012.

Please direct inquiries to:

Indiana Michigan Power Company
Attn: Director of Regulatory Services
P.O. Box 50
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 East
Indianapolis, Indiana 46204

Indiana Office of Utility Consumer
Counselor
PNC Center
115 W. Washington Street
Suite 1500 South
Indianapolis, Indiana 46204
5--21 989110

RIDER D.R.S. 2
(Demand Response Service – Economic)

(Cont'd from Sheet No. 47.00)

- (4) The participant shall not receive credit for any curtailment periods to the extent that the customer's DRS2 curtailable load is already reduced due to a planned or unplanned outage as a result of vacation, renovation, repair, refurbishment, force majeure, strike, economic conditions, or any event other than the customer's normal operating conditions.
- (5) **NO RESPONSIBILITY OR LIABILITY OF ANY KIND SHALL ATTACH TO OR BE INCURRED BY THE COMPANY OR THE AEP SYSTEM FOR, OR ON ACCOUNT OF, ANY LOSS, COST, EXPENSE, OR DAMAGE CAUSED BY OR RESULTING FROM, EITHER DIRECTLY OR INDIRECTLY, ANY CURTAILMENT OF SERVICE UNDER THE PROVISIONS OF THIS RIDER.**

Economic Demand Response Options.

Participants shall have two (2) economic demand response options to participate under DRS2. The options include: (1) Day Ahead Market and (2) PJM Dispatched in Real Time. A description of each DRS2 option is as follows:

T
T

1. Day-Ahead Market

- a. The Company submits an energy reduction Offer in the Day Ahead Market based upon information provided in advance by participant. Company submissions to PJM can be made before Noon of the day before participation.
- b. The minimum kW reduction Offer is 100 kW and offers must be in increments of 100 kW.
- c. The Company monitors clearing results, which are made available after 4:00 P.M. of the day before participation. The Company will notify the participant if the Offer was cleared in the Day-Ahead market.
- d. If an Offer clears in the Day Ahead Market, the Company shall provide payment / credit to participant based on the Day-Ahead LMP.
- e. If an Offer clears in the Day Ahead Market, the customer is obligated to curtail consistent with the Offer.
- f. In the event the customer does not reduce sufficient load to meet the cleared Offer commitment, participant shall be billed at 90% of the Real Time LMP times the unreduced load plus Balancing Operating Reserve Charges. Unreduced load shall be the positive difference between the customer's load reduction Offer and the customer's actual load reduced.

2. PJM Dispatched in Real Time

- a. The Company submits operational information regarding the curtailment capability to PJM based upon information provided in advance by participant.
- b. The minimum kW reduction is 100 kW and offers must be in increments of 100 kW.
- c. The Company monitors PJM Real Time operations and notifies the participant if the customer's curtailment capability is dispatched by PJM.
- d. The Company shall provide payment / credit to participant for load reductions that are dispatched by PJM based on actual load reduced, Real-Time LMP and the operational information provided by participant and submitted to PJM.
- e. In the event the customer does not reduce sufficient load to meet the PJM Dispatched commitment, there is no charge to participant under this Rider. Nevertheless, participant shall submit operational information that represents the customer's actual ability to curtail.

T
T

(Cont'd on Sheet No. 47.2)

ISSUED BY
PAUL CHODAK III
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR ELECTRIC SERVICE RENDERED
ON AND AFTER JULY 1, 2012

ISSUED UNDER AUTHORITY OF THE
INDIANA UTILITY REGULATORY COMMISSION
CONFERENCE DATED _____, 2012
30-DAY FILING NO. _____

INDIANA MICHIGAN POWER COMPANY
STATE OF INDIANA

RIDER D.R.S. 2
(Demand Response Service – Economic)

(Cont'd from Sheet No. 47.1)

Curtailed Energy.

For each curtailment period, Curtailed Energy shall be defined as the difference between the customer's Customer Baseline Load (CBL) calculation and the customer's actual energy used during each hour of the curtailment period.

Customer Baseline Load Calculation.

A Customer Baseline Load (CBL) will be calculated for each hour corresponding to each curtailment event hour. Normally, the CBL will be calculated for each hour as the average corresponding hourly demands from the highest four (4) out of the five (5) most recent similar non-event days in the period preceding the relevant curtailment event. The highest load days are defined as the similar days (Weekday, Saturday, Sunday/Holiday as defined by PJM) with the highest energy consumption spanning the curtailment event hours. In cases where the normal calculation does not provide a reasonable representation of normal load conditions, the Company and the participant may develop an alternative CBL calculation that more accurately reflects the customer's normal consumption pattern.

Curtailment Credit.

The Curtailment Credit shall be equal to the product of the Hourly Curtailed Energy and 90% of the applicable LMP (Day-Ahead or Real-Time, based upon Economic Demand Response Option) established by PJM (including congestion and marginal losses). Curtailment Credits will not be provided for energy that is also receiving Curtailment Credits under Rider D.R.S. 1.

Settlement.

The credit, for any curtailments during the billing month, will be paid or credited to the participant within 60 days after the end of the billing month in which the curtailment occurred. Participant shall initiate the settlement process by providing to the Company the sufficient curtailment information to meet the qualifications as set for by PJM. A customer may request the aggregation of individual customer account credits into a single credit.

Customer Charge.

Participants taking service under this Rider shall pay a monthly customer charge of \$10.00 per account to offset the cost of the customer-related expenses for additional load determination and billing expenses. If a change in metering equipment or functionality is required, participants taking service under this Rider shall pay the additional cost of installation. The Company will make available to the participant the real time pulse metering data, if requested by the participant, for an additional fee.

Term.

Contracts under this Rider shall be made for an initial period of one (1) year and shall remain in effect thereafter until either party provides to the other at least 30 days' written notice of its intention to discontinue service under the terms of this Rider.

Special Terms and Conditions.

Individual customer information, including, but not limited to, operational information and Curtailment Options, shall remain confidential.

ISSUED BY
PAUL CHODAK III
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR ELECTRIC SERVICE RENDERED
ON AND AFTER JULY 1, 2012

ISSUED UNDER AUTHORITY OF THE
INDIANA UTILITY REGULATORY COMMISSION
CONFERENCE DATED _____, 2012
30-DAY FILING NO. _____

Received On: June 8, 2012
IURC 30-DAY Filing No.: 3025
Indiana Utility Regulatory Commission

INDIANA MICHIGAN POWER COMPANY
STATE OF INDIANA

FIRST REVISED SHEET NO. 47.3
CANCELS ORIGINAL SHEET NO. 47.3

Reserved for future use.

T

T

ISSUED BY
PAUL CHODAK III
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR ELECTRIC SERVICE RENDERED
ON AND AFTER JULY 1, 2012

ISSUED UNDER AUTHORITY OF THE
INDIANA UTILITY REGULATORY COMMISSION
CONFERENCE DATED _____, 2012
30-DAY FILING NO. _____