

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
INDIANA MICHIGAN POWER COMPANY, d/b/a)	
AMERICAN ELECTRIC POWER, for ex parte)	Case No. U-13309
approval of certain findings under 15 USC 79z-5a(c))	
and 17 CFR 250.53.)	
_____)	

At the August 26, 2003 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. J. Peter Lark, Chair
Hon. Robert B. Nelson, Commissioner
Hon. Laura Chappelle, Commissioner

OPINION AND ORDER

On February 22, 2002, Indiana Michigan Power Company (I&M), d/b/a American Electric Power, filed an application requesting that the Commission make certain findings under 15 USC 79z-5a(c) and 17 CFR 250.53 related to a proposal to designate certain generating facilities of its affiliates in other states as eligible facilities under the Public Utility Holding Company Act (PUHCA).

I&M is a wholly-owned subsidiary of American Electric Power Company, Inc. (AEP), a public utility holding company with subsidiaries serving customers in eleven states. AEP seeks to designate certain generating facilities as eligible facilities under PUHCA, which will permit those facilities to be owned or operated by exempt wholesale generators (EWGs) as defined by PUHCA. None of the facilities are located in Michigan, owned by I&M, or otherwise subject to the

jurisdiction of the Commission. Nevertheless, PUHCA requires each state commission that has jurisdiction over the retail rates of an affiliate, such as I&M, to make certain determinations when the public utility that proposes to designate generating facilities as eligible facilities is part of a registered holding company and the generating facilities were in rate base, in whole or in part, as of October 24, 1992. Under those circumstances, the designation depends upon each state commission finding that allowing such facilities to be eligible facilities “(1) will benefit consumers, (2) is in the public interest, and (3) does not violate state law.” 15 USC 79z-5a(c).

I&M asserts that allowing the specified generating units of its affiliates to be designated as eligible facilities will benefit customers and is in the public interest. It says that introducing additional generating resources that are not subject to regulation under PUHCA into the competitive wholesale market will improve liquidity and help create a more robust marketplace, at both the wholesale and retail levels. It also says that the designation will not violate Michigan law.

In addition, to accommodate the proposed transactions, AEP plans to seek the approval from the Securities and Exchange Commission (SEC) to increase its investment authority for EWG and foreign utility company investments, as contemplated by 17 CFR 250.53. It represents that the approval it seeks is a redesignation of existing assets and will not permit it to acquire any additional assets. To comply with SEC policy, I&M requests that the Commission (1) advise the SEC that the Commission is aware of AEP’s request and (2) certify that, if the SEC approves AEP’s request, the Commission has the authority and jurisdiction to protect ratepayers in Michigan and that it intends to exercise that authority.

Because approval of the application will not increase the cost of service to its customers, I&M requests that the Commission make the requested findings without notice or hearing, pursuant to MCL 460.6a(1).

I&M's June 30, 2003 report in Case No. U-13360 again seems to indicate that I&M has not yet complied with the requirements of Section 10w of 2000 PA 141, which obligates the utility to either join an approved multistate regional transmission system organization or to divest its interest in its transmission facilities to an independent transmission owner. The Commission remains concerned of this fact, especially given the recent power outage that struck Ontario, Michigan, and other mideastern states on August 14, 2003.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACS, R 460.17101 et seq.
- b. The designation of the specified generating facilities as eligible facilities will benefit consumers, is in the public interest, and does not violate Michigan law.
- c. I&M's requests are reasonable and in the public interest, and should be approved.
- d. Ex parte approval of the application is appropriate.

THEREFORE, IT IS ORDERED that:

A. Indiana Michigan Power Company's application for certain findings under 15 USC 79z-5a(c) allowing the electric generating plants listed on Exhibit 1 to the application to be designated as eligible facilities is approved.

B. The Commission is aware of American Electric Power Company, Inc.'s request of the Securities and Exchange Commission to increase its investment authority for exempt wholesale generator and foreign utility company investments, and certifies that if American Electric Power Company, Inc.'s request is approved, the Commission has the authority and jurisdiction to protect the ratepayers of Michigan and that it intends to exercise that authority.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ J. Peter Lark
Chair

(S E A L)

/s/ Robert B. Nelson
Commissioner

/s/ Laura Chappelle
Commissioner

By its action of August 26, 2003.

/s/ Robert W. Kehres
Its Acting Executive Secretary

B. The Commission is aware of American Electric Power Company, Inc.'s request of the Securities and Exchange Commission to increase its investment authority for exempt wholesale generator and foreign utility company investments, and certifies that if American Electric Power Company, Inc.'s request is approved, the Commission has the authority and jurisdiction to protect the ratepayers of Michigan and that it intends to exercise that authority.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

Chair

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By its action of August 26, 2003.

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Case No. U-13309

Suggested Minute:

“Adopt and issue order dated August 26, 2003 granting Indiana Michigan Power Company’s request for certain findings under 15 USC 79z-5a(c) and 17 CFR 250.53, as set forth in the order.”