

112 FERC ¶ 61,274
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Nora Mead Brownell, and Suedeen G. Kelly.

Indiana Municipal Power Agency

Docket No. EL05-134-000

ORDER ACCEPTING REVENUE REQUIREMENT FOR REACTIVE POWER

(Issued September 15, 2005)

1. In this order, we will accept for rate recovery purposes Indiana Municipal Power Agency's (IMPA) proposed revenue requirement for providing Reactive Supply and Voltage Control from Generation Sources (reactive power) effective September 1, 2005, as requested.

Background

2. On July 15, 2005, IMPA, a non-public utility, filed a petition requesting that the Commission accept its proposed revenue requirement for providing reactive power to the Midwest Independent Transmission System Operator, Inc. (Midwest ISO). IMPA states that it provides the reactive power from two combustion turbine units that it owns at the Georgetown Plant located in Indianapolis, Indiana (Georgetown Units). IMPA states that these units have a total rated capacity of 170.7 MW.

3. IMPA states that its Georgetown Units are operated and maintained by Indianapolis Power & Light Company (IPL) and are interconnected to the transmission facilities owned by IPL. IMPA notes that IPL is a transmission-owning member of the Midwest ISO and has transferred operational control of its facilities to the Midwest ISO.¹

4. IMPA states that its Georgetown Units provide reactive power to the Midwest ISO to assist in maintaining transmission voltages within acceptable limits in the Midwest ISO footprint. IMPA adds that its Georgetown Units have provided reactive power to the Midwest ISO since prior to December 17, 2004, when IMPA purchased the units. However, IMPA notes that it has not been compensated for providing reactive power from its Georgetown Units.

¹ See *Indianapolis Power & Light Company*, 97 FERC ¶ 62,235 (2001).

5. IMPA states that it is a municipal joint action agency established pursuant to Indiana law, and consequently, it adds, it is not under the Commission's jurisdiction. However, IMPA notes that it is a transmission-owning member of the Midwest ISO and a Market Participant in the Midwest ISO.

6. IMPA explains that it is filing its proposed revenue requirement for providing reactive power pursuant to the Midwest ISO's Schedule 2 permitting providers of reactive power to recover their costs of providing such service.

7. IMPA states that its proposed revenue requirement consists of fixed plant costs for the Georgetown Units. IMPA adds that the costs associated with the reactive portion of the IMPA Georgetown Units' generator/exciter systems and the generator step-up transformers have been calculated using an allocation factor based on the relationship between real and reactive power to determine the portion of IMPA's Georgetown Units' plant costs that should be assigned to the provision of reactive power.² To determine an annual revenue requirement, IMPA states that it developed an annual fixed charge to apply to the total amount of plant investment associated with providing reactive power.

8. IMPA further states that it used an overall rate of return based on a proxy derived from the capital structure and return on equity (and overall rate of return) for IPL, the owner of the transmission system with which the IMPA Georgetown Units interconnect.

9. IMPA requests that the proposed revenue requirement become effective on September 1, 2005.

Notice and Responsive Filings

10. Notice of IMPA's filing was published in the *Federal Register*, 70 Fed. Reg. 43,856 (2005), with comments, interventions, and protests due on or before August 5, 2005. The Midwest ISO filed a timely motion to intervene.

Discussion

11. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2005), the Midwest ISO's timely, unopposed motion to intervene serves to make it a party to this proceeding.

² *American Electric Power Service Corp.*, 88 FERC ¶ 61,141 (1999) (*AEP*).

12. The Commission has stated that all generators seeking to recover a reactive power revenue requirement based on actual cost data must use the methodology employed in *AEP*.³

13. Our review of IMPA's proposed revenue requirement indicates that IMPA has properly used the *AEP* methodology and we will accept its proposed revenue requirement for rate recovery purposes, to be effective September 1, 2005.

The Commission orders:

IMPA's proposed revenue requirement is hereby accepted for rate recovery purposes to become effective on September 1, 2005, as discussed in the body of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

³ See *WPS Westwood Generation, L.L.C.*, 101 FERC ¶ 61,270 (2002).