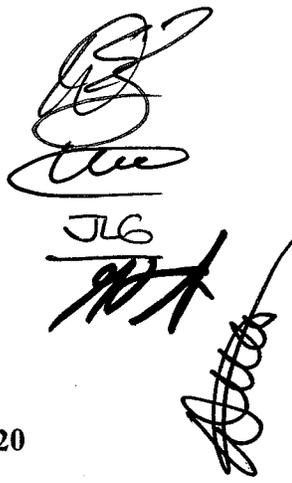


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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION


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PETITION OF NORTHEASTERN RURAL ELECTRIC)
MEMBERSHIP CORPORATION (NREMC) PURSUANT TO)
IND. CODE, INCLUDING CHAPTER 8-1-2, AND CHAPTER)
13, SECTIONS 8-1-13, 17, 18, 29, AND 30, FOR THE)
INDIANA UTILITY REGULATORY COMMISSION TO)
APPROVE AN ALTERNATIVE ECONOMIC)
DEVELOPMENT RATE FOR CERTAIN QUALIFIED)
MEMBERS OF NREMC AND FOR THE INDIANA UTILITY)
REGULATORY COMMISSION TO APPROVE A)
MODIFICATION OF ITS PRESENT ECONOMIC)
DEVELOPMENT RATE.)

CAUSE NO. 43620

APPROVED: MAY 13 2009

BY THE COMMISSION:

Jeffrey L. Golc, Commissioner
Angela Rapp Weber, Administrative Law Judge

On December 8, 2008, Northeastern Rural Electric Membership Corporation, an electric distribution cooperative ("Petitioner" or "NREMC") filed a Verified Petition with the Indiana Utility Regulatory Commission ("Commission"). The Verified Petition requests the Commission's approval of a new economic development rate ("Schedule EDR-4.2") and the amendment of its existing economic development rate, Schedule EDR-4.1. The Verified Petition explained that Schedule EDR-4.2 would apply to certain qualifying customers served by Petitioner. On February 3, 2009, Petitioner pre-filed the direct testimony and supporting exhibits of Gene Donaghy, Petitioner's Vice President of Energy Services, and Alan Tio, President of the Whitley County Economic Development Corporation ("WCEDC"). On March 4, 2009, the Office of Utility Consumer Counselor ("OUCC") pre-filed its direct testimony and exhibits, constituting its case-in-chief.

Pursuant to notice, published as required by law, the Commission convened an Evidentiary Hearing at 10:00 a.m. on April 7, 2009 in Room 224 of the National City Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared and participated in the Evidentiary Hearing. No members of the general public appeared or participated at the Evidentiary Hearing.

Based upon the applicable law, evidence presented herein, and being duly advised, the Commission now finds:

- Commission Notice and Jurisdiction.** Due, legal and timely notice of the public hearing conducted by the Commission in this Cause was given as provided by law. Petitioner is a rural electric membership corporation. Petitioner operates electrical facilities for the transmission and distribution of electric energy and is a "public utility" within the meaning of the Public Service Commission Act, as amended. Petitioner is subject to the jurisdiction of the Commission in the

manner and to the extent provided by the laws of the State of Indiana. The Commission, therefore, has jurisdiction over Petitioner and the subject matter of this proceeding.

2. **Petitioner's Characteristics.** Petitioner owns and operates an electric utility transmission and distribution system that renders electric service to approximately 24,000 residential, commercial and industrial consumers ("members") located within its assigned service area in the counties of Allen, Huntington, Kosciusko, Noble, Wabash and Whitley in the State of Indiana. Petitioner's electric system consists of electric transmission, distribution, substation and related facilities, all of which are used and useful in providing an efficient service to its consumers. NREMC is a member of Wabash Valley Power Association ("WVPA") and purchases all of its power and energy requirements from said generation and transmission cooperative.

3. **Relief Requested.** Petitioner seeks approval of proposed Schedule EDR-4.2 and an amendment to its existing Schedule EDR-4.1, which is its existing economic development rate as approved by this Commission. Proposed Schedule EDR-4.2 modifies the existing Schedule EDR-4.1 with respect to a clarification of terms to ensure recovery of marginal costs, including the Indiana Utility Receipts Tax and Commission fees, which result from additional power supply services revenue. Additionally, the proposed Schedule EDR-4.2 removes the prerequisite that the member qualify for service pursuant to the WVPA Economic Development Rate, thus allowing Petitioner the flexibility of offering its own economic development rate to prospective qualified members, ultimately benefitting the local economy.

4. **Evidence Presented by Petitioner.** Gene Donaghy described the rationale and the operating characteristics of proposed Schedule EDR-4.2, as well as the modifications requested to the operation of existing Schedule EDR-4.1. Mr. Donaghy testified that Schedule EDR-4.1 is an unbundled rate that aids in attracting new businesses to the area and enables the expansion of existing companies. He explained that it includes a distribution charge calculated to recover a portion of Petitioner's fixed costs and a power supply component that works in conjunction with WVPA's economic development rate in order to provide lower operating costs for new facility start-up or expansion.

Mr. Donaghy explained that purpose of Schedule EDR-4.2 is the same as Schedule EDR-4.1, but Schedule EDR-4.2 includes language that better explains the way in which power supply service charges are determined. In addition, the conditional language contained in Schedule EDR-4.1 requiring NREMC's economic development customers to qualify for WVPA's economic rate alternatives has been removed. According to Mr. Donaghy, this omission provides NREMC with flexibility to offer economic development incentives to potential customers at standard wholesale rates. Mr. Donaghy testified that language modifications included in Schedule EDR-4.2 allowed NREMC to offer economic development incentives in conjunction with state and local approval without imposing additional requirements regarding the impact on the local economy.

Mr. Donaghy further testified that the proposed rate is applicable only to members whose monthly non-coincident metered maximum demand is in excess of 300 kW. Also, the service

location must be adjacent to an electric transmission or distribution line that is able to supply the requested service. Mr. Donaghy stated that the rate is not available for standby service and that NREMC will make the determinations regarding a customer's eligibility for the rate.

Finally, Mr. Donaghy explained that Petitioner is presently serving three members under Schedule EDR-4.1. Petitioner proposes to continue such service until each member's contract term expires. Therefore, he requested that the Schedule EDR-4.1 be designated as "not-available to new members" concurrently with the approval of Schedule EDR-4.2. According to Mr. Donaghy, NREMC intends to request that the Commission remove Schedule EDR-4.1 from its tariff once the contract terms of those being served by it expire.

Alan Tio also testified on Petitioner's behalf. He described Petitioner's efforts to work with the WCEDC and the State of Indiana in order to retain and expand employment during the current economic recession. Mr. Tio described NREMC's development of industrial parks, which provide service infrastructure. Mr. Tio opined that continued economic development in Whitley County will benefit all NREMC members through the attraction and retention of jobs and the support of the tax base.

Mr. Tio stated that many businesses are currently evaluating how to reduce costs. The proposed Schedule EDR-4.2 will be a significant cost incentive in the effort to retain businesses confronted with the need to consolidate and reduce production during an economic recession. He concluded his testimony by stating that the proposed rate will, in his opinion, provide a significant and quantifiable incentive to industry to invest in the area.

5. **Evidence Presented by the OUCC.** Mr. Van Cleave testified on behalf of the OUCC. He explained that in preparation for his testimony, he reviewed the pre-filed testimony of Petitioner's witnesses and had informal discussions with Mr. Donaghy. Mr. Van Cleave stated that he requested and received written clarification of several matters through informal discovery, copies of which were attached to his pre-filed testimony.

Mr. Van Cleave testified that Schedule EDR-4.2 will allow Petitioner to offer economic development incentives to support efforts of state and local officials to retain existing industry without requiring potential customers to demonstrate plans to increase current employment levels, expand plant facilities or otherwise increase future energy usage. Mr. Van Cleave explained that under Petitioner's proposal, Petitioner will be responsible for verifying that an industrial customer requesting service under Schedule EDR-4.2 has qualified for state and local economic development incentives. The revised tariff will also include language clarifying that the maximum length of time for which an eligible customer will be permitted to purchase service under Schedule EDR-4.2 is five years.

Mr. Van Cleave noted that, due to the alignment between WVPA's rate and its proposed Schedule EDR-4.2, all variable costs will be recovered by Petitioner under the proposed tariff. He added that any unique costs required to provide service to qualifying members/customers will be recovered through a customer-specific facilities charge. Based on Petitioner's testimony and

additional discussions with Petitioner's representatives, Mr. Van Cleave stated that the Distribution Demand and Energy Charges contained in Schedule EDR-4.2 will also contribute to Petitioner's fixed cost recovery.

Mr. Van Cleave indicated that Petitioner proposed several other changes to its EDR tariff. He explained that the changes would better align its cost recovery with the provisions of WVPA's rates and clarify tax-recovery issues not expressly stated in Schedule EDR-4.1. Mr. Van Cleave expressed the OUCC's support for those changes since they will further clarify customer payment obligations under Petitioner's EDR tariff.

Mr. Van Cleave testified that, based on his review of the specific facts of this case, the OUCC is satisfied that Petitioner and any qualified members/customers to be served under the new EDR tariff will benefit from its approval. In addition, he stated that none of Petitioner's other customers will be harmed by its use since Schedule EDR-4.2 will cover all of Petitioner's variable costs and contribute toward its fixed cost recovery. Mr. Van Cleave further testified that it supports state and local economic development efforts to retain Petitioner's industrial customers and the economic benefits their continued presence provides.

6. Commission Discussion and Findings. Petitioner demonstrated that the proposed Schedule EDR-4.2 will not result in costs being shifted to its other member customers. A member utilizing the Schedule EDR-4.2 will pay all of Petitioner's wholesale power costs of energy and the marginal costs of providing service to that member. Additionally, Schedule EDR-4.2 will contribute to offsetting a portion of Petitioner's fixed costs.

Further, the proposed Schedule EDR-4.2 is expected to benefit the economic climate within Petitioner's service territory and will be used as a quantifiable incentive to attract and retain industry, thus preserving or adding jobs in the community and preserving the tax base. Petitioner demonstrated that the proposed Schedule EDR-4.2 eliminates a concern over ambiguous language contained in its existing Schedule EDR-4.1 pertaining to the length of the term for which service is available and allows Petitioner to offer the economic development rates based on readily ascertainable standards.

The Commission notes that no party opposed the proposed Schedule EDR-4.2. The OUCC examined Petitioner's application and concluded that the rate will not impose new cost burdens on Petitioner's other member customers. Based upon the applicable law and the evidence presented, the Commission finds Petitioner's proposed Schedule EDR-4.2 should be approved and Schedule EDR-4.1 should be amended to provide that it is no longer available for use by any new member customers not already served under Schedule EDR-4.1. Ind. Code § 8-1-13-17(a) provides that "the charge made by any corporation for any service rendered, either directly or in connection therewith, shall be non-discriminatory, reasonable, and just" Based upon the evidence of record, the Commission finds that the rates established under Petitioner's proposed Schedule EDR-4.2 meet that standard and should be approved. Accordingly, the Commission finds that Petitioner's requested relief should be granted.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. Petitioner's Verified Petition for approval of an economic development rate to be known as Schedule EDR-4.2 shall be and is hereby approved.

2. Petitioner's existing economic development rate, Schedule EDR-4.1, shall be available only to those of Petitioner's members currently receiving service pursuant to it and only for the remainder of their existing contractual term to receive said service.

3. Petitioner is hereby authorized to file a tariff sheet for Schedule EDR-4.2 consistent with the schedule set forth as Exhibit B to its Verified Petition. Schedule EDR-4.2 shall become effective upon filing with and approval by the Commission's Electricity Division.

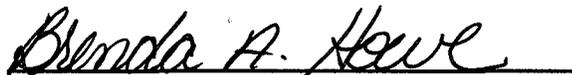
4. Petitioner is hereby authorized to file a tariff sheet for Schedule EDR-4.1 consistent with that set forth as Exhibit "A" to its Verified Petition, with the addition of language indicating that EDR-4.1 is not available to members of Petitioner not already receiving service pursuant to it as of the date of this Order.

5. This Order shall be effective on and after the date of its approval.

HARDY, GOLC, LANDIS, SERVER, AND ZIEGNER CONCUR:

APPROVED: MAY 13 2009

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



**Brenda A. Howe
Secretary to the Commission**