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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF )	CAUSE NO. 43634
WABASH VALLEY POWER ASSOCIATION, )	
INC. FOR APPROVAL OF THE PURCHASE )	<u>FINAL ORDER</u>
OF ASSETS FROM HENDRICKS POWER )	
COOPERATIVE AND BOONE REMC )	APPROVED: APR 22 2009
PURSUANT TO IND. CODE §8-1-2-84 )	

**BY THE COMMISSION:**

**Gregory D. Server, Commissioner**  
**Lorraine Hitz-Bradley, Administrative Law Judge**

On January 29, 2009, Wabash Valley Power Association, Inc. ("Petitioner" or "Wabash Valley") filed its petition with the Indiana Utility Regulatory Commission ("Commission") in this matter requesting the Commission to approve the purchase of certain assets by Wabash Valley from Hendricks County Rural Electric Membership Corporation d/b/a/ Hendricks Power Cooperative ("Hendricks Power") and Boone County Rural Electric Membership Corporation d/b/a/ Boone REMC ("Boone REMC") (collectively the "REMCs").

Pursuant to a pre-hearing conference held on March 12, 2009 and the Pre-Hearing Conference Order issued March 25, 2009, an evidentiary hearing was held in this Cause on April 13, 2009 commencing at 10:30 a.m. EDT in Room 224 of the National City Center, 101 West Washington Street, Indianapolis, Indiana, at which Petitioner and the Indiana Office of Utility Consumer Counselor ("OUCC") presented evidence. WVPA presented testimony and exhibits sponsored by Brent A. Reyher, Wabash Valley's Manager of Delivery Services and Nisha A. Harke, Wabash Valley's Manager of Finance and Rates. The OUCC presented testimony sponsored by Greg A. Foster, a utility analyst for the OUCC's Electric Division. No members of the general public appeared at the evidentiary hearing or otherwise opposed the purchase of the assets described herein by Wabash Valley from the REMCs.

The Commission having examined the evidence in this Cause and being sufficiently advised, now finds as follows:

1. **Notice and Jurisdiction.** Due, legal and timely notice of the evidentiary hearing in this Cause was given and published by the Commission as required by law. Petitioner is a public utility within the meaning of the Public Service Commission Act, as amended, Indiana Code § 8-1-2-1 et seq. Ind. Code § 8-1-2-84 requires approval by the Commission of a purchase by a public utility of any part of the utility related property of another public utility. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. **Petitioner's Characteristics and Business.** WVPA is a public utility organized and existing under the laws of the State of Indiana with its principal office at 722 N. High School Road, Indianapolis, Indiana. It provides wholesale electric service to its member systems that

distribute and sell electricity in rural areas of northern Indiana. WVPA owns and operates plant and other equipment in the State of Indiana used and useful in the production, transmission and delivery of electric power to its members.

3. **Relief Requested.** Petitioner requests the Commission grant it authority to acquire the following assets: (i) approximately 1.0 acres of land owned by Hendricks Power in Hendricks County, Indiana on which Wabash Valley's Pittsboro West Substation is located; (ii) approximately 2.867 acres of land owned by Boone REMC in Boone County, Indiana on which Wabash Valley's Royalton Substation is located; and (iii) approximately 2.42 acres of land owned by Boone REMC in Boone County, Indiana on which Wabash Valley's Anson North Substation is located (collectively, the "Substation Real Estate") so that Wabash Valley owns all assets associated with such substations. The real estate to be purchased is used in the provision of wholesale electric service by Wabash Valley to the REMCs. The value of the real estate to be transferred by Boone REMC and the sale price to Wabash Valley is \$121,000.00. The value of the real estate to be transferred by Hendricks Power and the sale price to Wabash Valley is \$53,619.58. The total purchase requested herein is approximately 0.03575% of the book value of Wabash Valley's Consolidated Net Utility Plant as of November 30, 2008.

4. **Parties' Evidence.** Petitioner's evidence was submitted by its witnesses Brent A. Reyher, Petitioner's Manager of Delivery Services and Nisha A. Harke, Petitioner's Manager of Finance and Rates. Mr. Reyher testified that Wabash Valley built two substations on land owned by Boone REMC at the request of Boone REMC. The Royalton substation is located off of State Road 334 in Boone County and the Anson North substation is located approximately one-quarter of a mile west of the intersection of County Roads 450 S and 575 East in Boone County. Mr. Reyher testified that Boone REMC arranged for the acquisition of the land on which the substations are located and that part of the arrangement was that when the construction of the substation was completed the REMC would sell the land to Wabash Valley at its original cost. Mr. Reyher also testified that Hendricks Power Cooperative purchased property near the Town of Pittsboro in Hendricks County upon which Wabash Valley constructed a new substation to support Hendricks Power Cooperative. Mr. Reyher testified that Hendricks Power Cooperative intended to convey title to the land to Wabash Valley after completion of construction of the substation at its original cost.

Mr. Reyher testified that Boone REMC and Hendricks Power Cooperative are electric distribution cooperatives and that energy needs for both REMCs are supplied by Wabash Valley via a number of delivery points including the Royalton, Anson North and Pittsboro West substations. Finally, Mr. Reyher testified that Wabash Valley requests approval from the Commission for these transfers because Wabash Valley has a policy of constructing and owning substations for delivery of wholesale electric energy and services to its member cooperatives and that Wabash Valley, Boone REMC and Hendricks Power Cooperative agreed that as part of the process of constructing the Royalton, Anson North and Pittsboro West substations the land would initially be acquired by the REMCs and subsequently conveyed to Wabash Valley so that the entire facility will be owned, managed and maintained by Wabash Valley.

Ms. Harke presented testimony to explain the financial aspects of the purchase of the Substation Real Estate by Wabash Valley from its members, Boone REMC and Hendricks Power

Cooperative. Ms. Harke testified that Wabash Valley constructed the three substations on land owned by Boone REMC and Hendricks Power Cooperative. As part of the arrangement with the REMCs, the parties intended that each REMC would sell the land to Wabash Valley at each parcel's original cost upon completion of construction of the substations. Ms. Harke sponsored Exhibit NAH-1 consisting of a table showing the breakdown of costs associated with the purchase of the Substation Real Estate. Ms. Harke testified that the cost to acquire the Royalton substation and the Anson North real estate from Boone REMC is \$121,000.00 and the purchase price to acquire the Pittsboro real estate from Hendricks Power is \$53,619.58. Ms. Harke testified that the total purchase price to acquire all of the substation land represents 0.03575% of the book value of Wabash Valley's consolidated net utility plant as of November 30, 2008. Finally, Ms. Harke testified that the Wabash Valley Board of Directors approved the Pittsboro and Royalton substation purchases on November 1, 2006 and approved the Anson North substation purchase on November 5, 2008.

Greg A. Foster, a utility analyst in the electric division of the OUCC's energy group submitted evidence on behalf of the OUCC. Mr. Foster testified that he reviewed the petition and pre-filed testimony submitted in this cause by Wabash Valley and reviewed various other documents obtained from Wabash Valley through open dialogue. Mr. Foster summarized petitioner's request in this cause and explained why the OUCC believes that petitioner's request for approval to transfer assets appears reasonable. Mr. Foster testified that the Pittsboro West property and Anson North property were purchased by the REMCs and Wabash Valley is now seeking to purchase these properties at their original cost. Mr. Foster testified that it was his understanding that the Royalton substation property was transferred to the REMC by Duke Construction Limited Partnership at a nominal cost and is now being transferred to Wabash Valley. Finally, Mr. Foster testified that the OUCC does not oppose the proposed asset transfer and that the agreements entered into by the members and Wabash Valley regarding the land in this proposal appear to be reasonable.

5. **Commission Discussion and Findings.** Based on the record evidence, we find that the purchase of the Substation Real Estate by WVPA from the REMCs as proposed should be approved. The evidence shows that Wabash Valley has constructed a substation upon each of the three tracts of land that it proposes to purchase from Boone REMC and Hendricks Power. The evidence also shows that as part of Wabash Valley's arrangement with Boone REMC and Hendricks Power, the REMCs arranged for the acquisition of the land upon which the substations are located with the intent that when the construction of each substation was completed, the REMCs would sell the land to Wabash Valley at the original cost. Finally, the evidence shows that the purchase price of each tract represents the original cost of each tract and that the total purchase price is approximately 0.0375% of the book value of Wabash Valley's Consolidated Net Utility Plant. We find the proposed asset purchase and the terms thereof to be reasonable.

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

1. The proposed purchase by Wabash Valley of (i) approximately 1.0 acres of land owned by Hendricks Power in Hendricks County, Indiana on which Wabash Valley's Pittsboro

West Substation is located; (ii) approximately 2.867 acres of land owned by Boone REMC in Boone County, Indiana on which Wabash Valley's Royalton Substation is located; and (iii) approximately 2.42 acres of land owned by Boone REMC in Boone County, Indiana on which Wabash Valley's Anson North Substation is located pursuant to the terms described herein is hereby approved.

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

**GOLC, SERVER AND ZIEGNER CONCUR; HARDY AND LANDIS ABSENT:**

**APPROVED: APR 22 2009**

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

  
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Brenda A. Howe  
Secretary to the Commission