

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF WABASH)
VALLEY POWER ASSOCIATION, INC. ("WABASH)
VALLEY") FOR APPROVAL OF THE SALE AND)
TRANSFER OF ASSETS TO MIDWEST ENERGY)
COOPERATIVE PURSUANT TO IND. CODE §8-1-2-)
84)

CAUSE NO. 43879

APPROVED: JUN 03 2010

BY THE COMMISSION:

Carolene Mays, Commissioner
David Veleta, Administrative Law Judge

On April 8, 2010, Wabash Valley Power Association, Inc. (the "Petitioner" or "Wabash Valley") filed its Verified Petition in this Cause requesting that the Indiana Utility Regulatory Commission ("Commission") approve the sale and transfer of certain assets by Wabash Valley to Midwest Energy Cooperative ("Midwest Energy"). Attached to the Verified Petition was the direct testimony of Gary R. Stein, Petitioner's Manager of Engineering, and Nisha A. Harke, Petitioner's Manager of Finance and Rates. On April 22, 2010, the Office of the Utility Consumer Counselor ("OUCC") filed with the Commission the testimony of Greg A. Foster, a Utility Analyst in its Electric Division.

Pursuant to notice of hearing given and published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, a public hearing in this Cause was held at 1:30 p.m. on May 11, 2010 in Room 224 of the National City Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared and participated. No members of the general public appeared. At the public hearing, evidence was presented by Petitioner and the OUCC, and all evidence was entered into record without objection.

Based upon applicable law and the evidence presented herein, the Commission 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, and is subject to the jurisdiction of the Commission in the manner and to the extent provided in Indiana Code § 8-1-2 *et seq.* Accordingly, the Commission has jurisdiction over the Petitioner and the subject matter of this proceeding.

2. Petitioner's Characteristics and Business. Wabash Valley is a corporation organized and existing pursuant to the Indiana Non-Profit Corporations Act and, pursuant to Order of this Commission in Cause No. 35091, has been granted a Certificate of Public Convenience and Necessity to operate as a public utility. Wabash Valley's principal place of business is located at 722 N. High School Road, Indianapolis, Indiana 46224. Wabash Valley serves as a power supplier to twenty-eight electric cooperative members and owns and operates generation, transmission and related facilities.

All Petitioner's cooperative members are corporations organized and existing under and pursuant to the Indiana REMC Act, Indiana Code § 8-1-13-1 *et seq.*, except for Midwest Energy, which is organized pursuant to the laws of the State of Michigan; Paulding-Putnam Electric Cooperative, Inc., which is organized pursuant to the laws of the State of Ohio; MJM Electric Cooperative, Corn Belt Energy Corporation, and EnerStar Electric Cooperative, which are each organized pursuant to the laws of the State of Illinois; and Citizens Electric Corporation, which is organized pursuant to the laws of the State of Missouri.

3. Relief Requested. Wabash Valley has requested that the Commission approve the sale and transfer of certain transmission and substation assets by Wabash Valley to Midwest Energy. Specifically, these assets are a sole-use 138kV transmission line, a substation known as the Midwest Grain Processors Substation, one transformer and control house and associated equipment and easements.

4. Wabash Valley's Evidence. Gary R. Stein testified on behalf of Petitioner as its Manager of Engineering. He testified that Midwest Energy, a member of Wabash Valley, has requested to purchase from Wabash Valley the sole-use electrical facilities required to serve an ethanol production facility located within Midwest Energy's service territory of Lenawee County, Michigan. He further testified that these facilities consist of a 4.3 mile 138kV transmission line which utilizes both road right-of-way and private easements; a substation consisting of a 134/12kV, 10/12/14Mva 3Ø power transformer, three (3) 1Ø voltage regulators, an S&C Circuit Switcher, a Control House, and related equipment. Mr. Stein testified that Wabash Valley constructed the 138kV line and dedicated substation in order to serve an ethanol plant proposed to be added to Midwest Energy's load in 2005. Mr. Stein testified that Wabash Valley recovers all costs associated with such facilities through a facilities charge pursuant to a Special Agreement for Transmission and Electric Service with Midwest Energy. He also testified that this transaction only impacts Midwest Energy. He further testified that Midwest Energy requested this transfer and that, pursuant to Wabash Valley's policy D-4, Wabash Valley allows such transfers whenever a requesting member serves the territory where the sole-use facilities are located.

Nisha A. Harke testified on behalf of Petitioner as its Manager of Finance & Rates. She testified that Wabash Valley made an investment outlay for its member Midwest Energy in installing the Midwest Grain Processors Substation and transmission line and by acquiring easements. She further testified that these system upgrades and changes were needed for an ethanol customer located in Midwest Energy's territory. She also testified that, pursuant to an October 25, 2005 contract, Midwest Energy was to reimburse Wabash Valley for this investment outlay via a monthly facility charge over a period of ten (10) years, and that, pursuant to the contract and Wabash Valley's Board policy, Midwest Energy has the option to purchase the facilities and prepay the unpaid facility investment at any time during this ten-year period. She testified that Midwest Energy has exercised the option to prepay and purchase these assets from Wabash Valley at the unpaid facility investment as of the closing date.

Ms. Harke testified that, pursuant to the requirements of Wabash Valley's Trust Indenture, the proceeds from the sale will be deposited with the Trustee and subsequently withdrawn so the funds can be placed into Wabash Valley's general fund and used for general corporate purposes.

Ms. Harke sponsored an exhibit providing the breakdown of the costs associated with the transfer of the assets. The sponsored exhibit evidences that the unpaid facilities investment as of September 1, 2010 totaled \$2,033,990.37 for the substation equipment, related transmission lines and easements, with the notation that such amount will be adjusted if the sale date occurs before or after September 1, 2010. She testified that the total purchase price is 0.0029861% of the book value of all of Wabash Valley's net utility plant as of September 1, 2010. Finally, she testified that the Wabash Valley Board of Directors approved the sale on April 7, 2010, and that the Midwest Energy Board of Directors approved the purchase on March 5, 2010.

5. **OUCC's Evidence.** Greg A. Foster, a Utility Analyst in the Electric Division of the OUCC's Energy Group, testified on behalf of the OUCC. He testified that Wabash Valley is seeking approval to sell and transfer a sole use 138KV transmission line, a substation known as the Midwest Grain Processors Substation, one transformer and control house, and associated equipment and easements to Midwest Energy Cooperative for a total sale price of \$2,033,990 which amounted to approximately 0.0029861% of the book value of Wabash Valley's net plant. He testified that the OUCC does not oppose the sale of the Midwest Grain Processors Substation to Midwest Energy Cooperative. He stated that the substation is located in Michigan and is dedicated to serving the needs of the onsite ethanol plant and CO₂ plant. He further stated that none of Wabash Valley's Indiana members nor Indiana consumers are currently served by the substation and that the transfer will have minimal, if any, impact on Indiana. Finally, he testified that the Board of Directors for both Wabash Valley and Midwest Energy Cooperative had reviewed the transfer and approved the sale and purchase of the assets.

6. **Commission Findings.** Based on the evidence presented, the Commission finds that the proposed transfer of assets by Wabash Valley to Midwest Energy is reasonable and should be approved.

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

1. Wabash Valley's sale and transfer of the assets described in this Order to Midwest Energy is hereby approved.
2. The Order shall be effective on and after the date of its approval.

HARDY, ATTERHOLT, MAYS AND ZIEGNER CONCUR; LANDIS ABSENT:

APPROVED: JUN 03 2010

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



**Sandra K. Gearlds, Acting
Secretary to the Commission**