

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
WABASH VALLEY POWER ASSOCIATION, INC.,)
for authority to implement its power supply cost)
recovery plan and factors for the 12-month period)
ending December 31, 2003.)
_____)

Case No. U-13564

At the September 30, 2003 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

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

OPINION AND ORDER

On September 30, 2002, Wabash Valley Power Association, Inc., (Wabash) filed an
application requesting the Commission to approve its power supply cost recovery (PSCR) plan and
factors for the 12-month period ending December 31, 2003.

Pursuant to due notice, a prehearing conference was held on November 22, 2002 before
Administrative Law Judge Barbara A. Stump. Wabash, Midwest Energy Cooperative, and the
Commission Staff participated in the proceedings. Subsequently, Wabash's 2003 PSCR plan was
placed into the record and the parties submitted a settlement agreement that resolves all issues.

In the settlement agreement, attached as Exhibit A, the parties agree that Wabash's revised
PSCR plan and factors should be approved and that Wabash should be authorized to file the tariff
sheets attached to the settlement agreement. The parties also agree that Wabash's incurrence of

certain capacity charges in conjunction with long-term power supply arrangements should be approved.

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.; 1982 PA 304, as amended, MCL 460.6h et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.17101 et seq.

b. The settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. Wabash Valley Power Association, Inc., is authorized to charge a power supply cost recovery factor of up to negative 2.287 mills per kilowatt-hour.

C. The incurrence of capacity charges in connection with the purchase of power from Hoosier Energy Rural Electric Cooperative and American Electric Power is approved.

D. Wabash Valley Power Association, Inc., shall, within 30 days, file four sets of tariff sheets as approved in this case.

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

By its action of September 30, 2003.

/s/ Robert W. Kehres
Its Acting Executive Secretary

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

Commissioner

By its action of September 30, 2003.

Its Acting Executive Secretary

Revising Wabash's PSCR Plan and Factors to account for this anticipated underrecovery will mitigate the rate impact on Midwest and its customers as opposed to awaiting recovery in a subsequent reconciliation.

4. Midwest and the Michigan Public Service Commission Staff have reviewed the PSCR Plan as revised by Wabash and reflected on Attachment 1. The parties recommend that the Commission: (i) approve the plan which includes the incurrence of capacity charges in connection with the purchase of power from Hoosier Energy Rural Electric Cooperative and American Electric Power; (ii) authorize the revised PSCR Factors, all as requested in said Application; and (iii) incorporate such PSCR Factors into the attached tariff sheets, Seventeenth Revised Sheet No. 5, Ninth Revised Sheet No. 9 and Eighth Revised Sheet No. 15. The parties also have reviewed and recommend that the Commission authorize Wabash to file the attached tariff sheets.

5. As a condition to Staff and Midwest agreeing to the revised plan, Wabash agrees to withdraw from this proceeding its request for deferred accounting authority and recovery of the cost of a termination payment arising from the power purchase agreement with Enron, as set forth in paragraph 5 of the Application. Instead of seeking resolution of the issue in this proceeding, Wabash agrees to file its request in a separate application.

6. This Settlement Agreement, as well as Wabash's requested PSCR Factors of (2.287) mills/kWh, should be approved as a reasonable result of this proceeding.

7. All amounts collected pursuant to this Settlement Agreement shall be subject to review and reconciliation in the 2003 PSCR reconciliation. By signing this Settlement Agreement, the parties do not waive any right to challenge any issue in the 2003 PSCR reconciliation.

8. All parties waive the provisions of § 81 of the Administrative Procedures Act.
9. The parties further agree that if the Commission should not accept this Settlement Agreement in its entirety, then the Settlement Agreement will be withdrawn.
10. This Settlement Agreement has been made for the sole and express purpose of reaching a compromise among the positions of the signatories in this proceeding. All offers of settlement, discussions and this Settlement Agreement are privileged and shall not be used in any manner, nor be admissible for any purpose, other than enforcement of same in connection with this proceeding or any other proceeding. This Settlement Agreement shall not have any precedential value.

WABASH VALLEY POWER
ASSOCIATION, INC.

August 6
Dated: ~~July~~ __, 2003

By: *Richard J. Aaron*
Richard J. Aaron (P-30201)
Honigman Miller Schwartz and Cohn, LLP
222 N. Washington Square, Ste. 400
Lansing, MI 48933-1800
(517) 377-0701

MICHIGAN PUBLIC SERVICE
COMMISSION STAFF

August 6
Dated: ~~July~~ __, 2003

By: *Patricia S. Barone*
Patricia S. Barone (P-29560)
Assistant Attorney General
Michigan Public Service Commission
6545 Mercantile Way, Ste. 15
Lansing, MI 48911
(517) 241-6680

MIDWEST ELECTRIC COOPERATIVE

Dated: August 11, 2003

By: Christine Mason Soneral (w/ pen)

Albert Ernst (P-24059)

Christine Mason Soneral (P-58820)

Dykema Gossett, PLLC

124 W. Allegan Street, Ste. 800

Lansing, MI 48933

(517) 374-9155

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Case No. U-13564
 Exhibit A-_____(DAS-1)
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 Revised July 30, 2003

WABASH VALLEY POWER ASSOCIATION, INC.
 SCHEDULE A
 CALCULATION OF POWER SUPPLY COST RECOVERY FACTOR
 BASED ON PURCHASED POWER, PRODUCTION FUEL COST, AND
 MWH SALES FOR THE PSCR PLAN PERIOD OF AUG - DEC, 2003

	TOTAL SYSTEM
AVERAGE POWER SUPPLY COST: AUG-DEC 2003	
PURCHASED POWER (SCH. B)	\$ 82,149,000
PRODUCTION FUEL COST (SCH. B1)	<u>\$ 5,761,000</u>
TOTAL PSCR COSTS (AUG-DEC 2003)	\$ 87,910,000
DIVIDE BY MWH SALES (AUG-DEC 2003) SCH.C	<u>2,570,600</u>
AVERAGE POWER SUPPLY COST PER MWH (mill per kWh)	34.198
LESS: PSCR BASE	<u>36.485</u>
PROPOSED PSCR FACTOR FOR AUG - DEC, 2003	<u>(2.287)</u>

WABASH VALLEY POWER ASSOCIATION, INC.

SCHEDULE B
SUMMARY OF PURCHASE POWER FOR
THE MONTHS OF AUGUST TO DECEMBER 2003

PURCHASED POWER	TOTAL SYSTEM
AUGUST	\$ 21,711,000
SEPTEMBER	15,300,000
OCTOBER	13,546,000
NOVEMBER	14,970,000
DECEMBER	<u>16,622,000</u>
TOTAL	\$ <u>82,149,000</u>

WABASH VALLEY POWER ASSOCIATION, INC.

SCHEDULE B1
SUMMARY OF PRODUCTION FUEL FOR
THE MONTHS OF AUGUST TO DECEMBER 2003

PRODUCTION FUEL (NET)	TOTAL SYSTEM
AUGUST	\$ 1,199,000
SEPTEMBER	1,128,000
OCTOBER	1,185,000
NOVEMBER	1,090,000
DECEMBER	<u>1,159,000</u>
TOTAL	\$ <u>5,761,000</u>

WABASH VALLEY POWER ASSOCIATION, INC.

SCHEDULE C
SUMMARY OF MWH SALES FOR
THE MONTHS OF AUGUST TO DECEMBER 2003

MWH SALES	TOTAL SYSTEM
AUGUST	577,027
SEPTEMBER	493,850
OCTOBER	456,108
NOVEMBER	494,139
DECEMBER	<u>549,476</u>
TOTAL	<u>2,570,600</u>

WABASH VALLEY POWER ASSOCIATION, INC.
M.P.S.C. NO. 3 - ELECTRIC
(change of PSCR Factor)

NINETEENTH REVISED SHEET NO. 5
REPLACES EIGHTEENTH REVISED SHEET NO. 5

12. POWER SUPPLY COST RECOVERY CLAUSE AND FACTOR (continued)

Effective August 1, 2003, the monthly Power Supply Cost Recovery Factor will be (2.287) mills per kWh. The allowance for cost of power supply included in base rates is 36.485 mills per kWh.

13. INTERPRETATION OF APPLICATION OF SCHEDULE

The interpretation of, or the application by the Corporation, or by any member, of all rates, rules and regulations included in this tariff shall be subject to review by the Public Service Commission of the State of Michigan, or by any other government body having jurisdiction, upon application by the Corporation or any Member.

14. TAX ADJUSTMENT CLAUSE

The rates charged under this schedule shall be adjusted to provide an amount sufficient to reimburse Wabash Valley Power Association, Inc., for any amounts payable by it as a result of the imposition or removal of any sales, excise or similar taxes or assessments based on the total sales or receipts of Wabash Valley or a portion thereof imposed after the effective date of this schedule.

15. TERMS OF PAYMENT

Bills shall be rendered monthly and shall be due within 10 days of the date thereof. If bills are not paid by the said time, a penalty of 8% per annum shall be applied to the unpaid balance due.

ISSUED: _____

BY: EDWARD P. MARTIN
PRESIDENT AND CEO
INDIANAPOLIS, INDIANA

EFFECTIVE FOR ALL ELECTRIC SERVICE
ON OR AFTER: August 1, 2003
ISSUED UNDER THE AUTHORITY OF
M.P.S.C. ORDER DATED:
IN CASE NO. U-13564

WABASH VALLEY POWER ASSOCIATION
M.P.S.C. NO. 3 - ELECTRIC
(change of PCSR Factor)

TENTH REVISED SHEET NO.15
REPLACES NINTH REVISED SHEET NO. 15

10. RATE

For the first three years after commencing service:

Maximum Demand Charge

Distribution service at a delivery voltage of 12,470 volts.
Each kW of billing demand\$8.45 per kW.

Transmission service at delivery voltages of more than 12,470 volts.
Each kW of billing demand\$ 7.45 per kW.

Energy Charge

\$.020278 per kilowatt hour for all billing energy used per month, subject to PCSR Clause (see Tariff Sheet Nos. 3-5).

Effective August 1, 2003, the monthly Power Cost Recovery Factor will be (2.287) mills per kWh.

For the fourth year after commencing service, the monthly billing shall be the sum of (i) the charges under the rates set forth above plus (ii) one-third of the difference between (i) and the charges that would have been made for such service under the otherwise then applicable rate schedule.

For the fifth year after commencing service, the monthly billing shall be the sum of (i) the charges under the rates set forth above plus (ii) two-thirds of the difference between (i) and the charges that would have been made for such service under the otherwise then applicable rate schedule.

Facility Charge (Where Applicable)

In addition to the Maximum Demand Charge and Energy Charge, the member cooperative will be assessed a monthly facility charge when WVPA is required to install transmission, substation, or any other facilities to serve the additional load. The facility charge shall be based on one-twelfth (1/12) of WVPA's annual costs associated with the investment in said facility.

ISSUED:
BY: EDWARD P. MARTIN
PRESIDENT AND C.E.O.
INDIANPOLIS, INDIANA

EFFECTIVE FOR ELECTRIC SERVICE
ON OR AFTER : 08-01-03
ISSUED UNDER THE AUTHORITY OF
M.P.S.C. ORDER DATED:
CASE NO. U-13564

WABASH VALLEY POWER ASSOCIATION
M.P.S.C. NO. 3 - ELECTRIC
(change of PSCR Factor)

ELEVENTH REVISED SHEET NO.9
REPLACES TENTH REVISED SHEET NO.9

10. RATE

For the first three years after commencing service:

Maximum Demand Charge

Distribution service at a delivery voltage of 12,470 volts.
Each kW of billing demand\$10.82 per kW.

Transmission service at delivery voltages of more than 12,470 volts.
Each kW of billing demand\$ 9.82 per kW.

Energy Charge

\$.021440 per kilowatt hour for all billing energy used per month, subject to PSCR Clause (see Tariff Sheet Nos. 3-5).

Effective August 1, 2003, the monthly Power Cost Recovery Factor will be (2.287) mills per kWh.

For the fourth year after commencing service, the monthly billing shall be the sum of (i) the charges under the rates set forth above plus (ii) one-third of the difference between (i) and the charges that would have been made for such service under the otherwise then applicable rate schedule.

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Facility Charge (Where Applicable)

In addition to the Maximum Demand Charge and Energy Charge, the member cooperative will be assessed a monthly facility charge when WVPA is required to install transmission, substation, or any other facilities to serve the additional load. The facility charge shall be based on one-twelfth (1/12) of WVPA's annual costs associated with the investment in said facility.

ISSUED: 5/16/02
BY: EDWARD P. MARTIN
PRESIDENT AND C.E.O.
INDIANAPOLIS, INDIANA

EFFECTIVE FOR ELECTRIC SERVICE
ON OR AFTER : 08-01-03
ISSUED UNDER THE AUTHORITY OF
M.P.S.C. ORDER DATED:
CASE NO. U-13564