

Docket No. 04-0671

Direct Testimony and Exhibits

Of

Sonya M. Kessinger

Reconciliation of Revenues Collected Under Fuel Adjustment Charges With
Actual Costs Prudently Incurred

South Beloit Water, Gas and Electric Company

Docket No. 04-0671

April 14, 2005

1 **Q. Please state your name and business address.**

2 A. My name is Sonya M. Kessinger and my business address is 4902 North Biltmore
3 Lane, Madison, Wisconsin 53718.

4 **Q. By who are you employed?**

5 A. I am employed by Alliant Energy Corporate Services as a Regulatory Pricing
6 Analyst.

7 **Q. How long have you been employed by Alliant Energy Corporate Services?**

8 A. I have been employed by Alliant Energy Corporate Services since March of 2003.

9 **Q. Please describe Alliant Energy Corporate Services.**

10 A. Alliant Energy Corporate Services is a service company subsidiary of Alliant
11 Energy Corporation (“Alliant Energy”).

12 **Q. On whose behalf are you testifying?**

13 A. I am testifying on behalf of South Beloit Water, Gas and Electric Company
14 (“SBWGE”).

15 **Q. Please describe Alliant Energy?**

16 A. Alliant Energy is a registered public utility holding company and is regulated by
17 the Securities & Exchange Commission under the Public Utility Holding
18 Company Act. Alliant Energy was formed on April 21, 1998 as a result of the
19 merger between WPL Holdings, Inc., IES Industries Inc. and Interstate Power
20 Company. Alliant Energy has two direct public utility subsidiaries. They are
21 Wisconsin Power & Light Company (“WP&L”), and IP&L. IP&L is the result of
22 a recent merger of Interstate Power Company (“IPC”) and IES Utilities (“IES”).

23 In addition, WPL has a wholly owned utility subsidiary, South Beloit Water, Gas
24 and Electric Company (“SBWGE”).

25 **Q. What are your duties as a Regulatory Pricing Analyst for Alliant Energy**
26 **Corporate Services?**

27 A. My current responsibilities include filing monthly PGA and FAC filings,
28 preparing revenue forecasts, cost studies and rate designs for electric, gas and
29 water rate cases, and filing tariff changes.

30 **Q. Please describe your educational background.**

31 A. I received a Bachelor of Science degree in Business Administration in 1989 and a
32 Master of Arts degree in Economics in 1997 from the University of Nevada, Las
33 Vegas.

34 **Q. Please describe your work experience prior to joining Alliant Energy**
35 **Corporate Services.**

36 A. Before joining Alliant Energy Corporate Services I was employed for five years
37 at Southwest Gas Corporation in Las Vegas, Nevada. I worked as a Rate Analyst
38 in 1990 and was promoted to Rate Specialist in 1993. My duties included tariff
39 filings, purchased gas adjustment filings, the writing and editing of filed
40 testimony, and cost analysis before state regulatory agencies governing Nevada,
41 Arizona, and California.

42 **Q. Please describe the purpose of your testimony.**

43 The Illinois Commerce Commission (“Commission”) issued an order for Docket
44 04-0671. This order commenced the twenty-seventh round of proceedings to
45 reconcile revenues collected under the fuel adjustment charges with actual costs

46 for the period of January 1, 2004 through December 31, 2004, except for
47 SBWGE. On June 29, 2004 the Commission issued an order in Docket No. 04-
48 0431, which eliminated the Company's FAC mechanism effective July 1, 2004.
49 Therefore, the reconciliation period for SBWGE is January 1, 2004 through June
50 30, 2004.

51 The Commission's order also directs that each utility listed as a
52 respondent by the Order present evidence at a public hearing. My testimony and
53 supporting schedules reconcile the total cost of fuel with the total revenues
54 collected under the fuel adjustment clause. Pursuant to the Commission's Order
55 in (Docket 85-0530), SBWGE is presenting evidence reconciling fuel adjustment
56 clause revenues collected based on the purchased power expense on the books of
57 SBWGE.

58 **Q. Are you familiar with the nature of the WP&L and SBWGE electric utility**
59 **system?**

60 A. Yes I am. Electric service is provided in areas adjacent to the Illinois-Wisconsin
61 State line as follows: the City of South Beloit, the Villages of Rockton and
62 Roscoe, and parts of the Townships of Rockton and Roscoe all in Winnebago
63 County; parts of the Townships of Manchester and LeRoy in Boone County; and
64 parts of the Townships of Chemung and Hebron in McHenry County. The issued
65 and outstanding capitol common stock of SBWGE is owned by WP&L. WP&L
66 furnishes electric service to the public in southern and central Wisconsin,
67 including the City of Beloit and surrounding areas of Rock County, Wisconsin.
68 The area that includes the City of Beloit, in Wisconsin, constitutes a single

69 community or population center. The City of South Beloit, Illinois, immediately
70 adjoins the City of Beloit, Wisconsin. The two cities are separated only by the
71 State Line, which in some areas runs down the center of a paved street. The
72 electric distribution systems of the respective utility companies are interconnected
73 at many points along the State Line. Physically, the entire Beloit-South Beloit-
74 Rockton area is served by a single integrated electric distribution. SBWGE has
75 no direct employees. WP&L is SBWGE's sole supplier of metered electric
76 service under terms of a contract approved by the Commission.

77 **Q. During your testimony, reference is made to two exhibits which have been**
78 **marked for identification as Exhibit 1.1 and Exhibit 1.2. Are you familiar**
79 **with these exhibits?**

80 A. Yes, I am.

81 **Q. Please describe Exhibit 1.1.**

82 A. Exhibit 1.1 summarizes the total fuel cost determined for the SBWGE FAC and
83 total FAC revenues from January 1, 2004 – June 30, 2004.

84 **Q. Please describe adjustments used to calculate the Requested Factor Ro as**
85 **shown in Exhibit 1.1, Line 13**

86 A. The development of the Ro factor was due to an over-collection of fuel costs in
87 the amount of \$300,516.

88 **Q. Without the FAC mechanism, how will the over-collection of fuel costs be**
89 **refunded to SBWGE customer?**

90 A. The refund of over-collected amounts will be based on customer monthly per
91 kWh usage. The specific refund method is listed in the SBWGE electric tariff,
92 Sheet No. 6.

93 **Q. Please describe Exhibit 1.2.**

94 A. Exhibit 1.2 presents an analysis of total monthly electric purchased power
95 expense determined per the SBWGE Uniform FAC. The total purchased power
96 expense determined from the SBWGE FAC for 2004 is shown on Line 1 of this
97 exhibit. In addition, Exhibit 1.2 provides a summary of the monthly 2004 FAC
98 Revenues. Line 9 shows the total FAC recoveries, and Line 12 shows the sum of
99 both the FAC recoveries and the base rate recoveries.

100 **Q. Have the revenue and cost data presented in this testimony been audited by**
101 **an independent accountant, as required by 83 Ill. Adm. Code 425.50(b)?**

102 A. Yes. The revenue and cost data presented in this testimony was provided to the
103 Company's independent accountant, Deloitte & Touche LLP for their review. A
104 copy of their opinion is provided in Exhibit 1.3.

105 **Q. Does this conclude your testimony?**

106 A. Yes it does.

South Beloit Water, Gas and Electric Company
FAC Reconciliation, Docket 04-0671
For the year ended December 31, 2004

<u>Line</u>	<u>Description</u>	<u>Amount</u>	<u>Line</u>
1	Balance of Factor Ra at December 31, 2003 per 2003 Reconciliation	\$ 53,836	1
2	Balance of Factor Ro at December 31, 2002 [1]	79,638	2
3	Balance of Factor Ro at December 31, 2003 [2]	-	3
4	Unamortized Balance at December 31, 2003	-	4
5	Factor Ro to be Collected/(Refunded) per the 2003 Reconciliation	-	5
6	Balance to be Collected/(Refunded) During 2004 from prior periods (Sum of Lines 1 and 3)	<u>\$ 133,474</u>	6
7	2004 FAC Adjusted Recoverable Costs	\$ 3,294,514	7
8	Less 2004 FAC Revenues	(1,444,007)	8
9	Less 2004 Base Fuel Cost (BFC) Revenues	(2,284,497)	9
10	Under/(Over) Recovery for 2004 (Sum of Line 5 to Line 7)	<u>\$ (433,990)</u>	10
11	FAC Reconciliation Balance at December 31, 2004 (Line 6 + Line 10)	\$ (300,516)	11
12	Balance of Factor Ra at June 30, 2004	-	12
13	Requested Factor Ro Collection/(Refund) (sum of Line 9 - Line 12)	<u>\$ (300,516)</u>	13

[1] Included in the monthly FAC filings January 2004 Schedule I, and April 2004, Schedule IV.

[2] Refunded to customers in January 2005 through a bill refund.

**South Beloit Water, Gas and Electric Company
2004 FAC Reconciliation, Docket 04-0671**

<u>Line</u>	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Total	Line
1 Unadjusted Total Recoverable Energy Co	\$625,907	\$554,476	\$553,790	\$526,397	\$625,311	\$692,413	\$0	\$0	\$0	\$0	\$0	\$0	\$3,578,294	1
2 Less True-up of ATC wheeling Amount	\$0	\$0	\$0	\$0	\$0	\$283,780							\$283,780	2
3 Adjusted Total Recoverable Energy Cost	\$625,907	\$554,476	\$553,790	\$526,397	\$625,311	\$408,633	\$0	\$0	\$0	\$0	\$0	\$0	\$3,294,514	3
4 Recoverable Energy Costs As Filed	\$625,907	\$774,475	\$521,960	\$480,290	-	-	\$0	\$0	\$0	\$0	\$0	\$0	\$2,402,632	4
5 Total KWH Sales	18,006,534	16,142,318	15,686,876	14,495,973	18,152,466	18,627,688	0	0	0	0	0	0	101,111,855	5
6 Interdepartmental Sales	7,474	6,763	5,455	3,479	2,615	2,153	0	0	0	0	0	0	27,939	6
7 Fuel Clause Sales	17,999,060	16,135,555	15,681,421	14,492,494	18,149,851	18,625,535	0	0	0	0	0	0	101,083,916	7
8 FAC Factor Billed	\$0.00042	\$0.03388	\$0.00516	\$0.00644	\$0.01882	\$0.00983	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000		8
9 FAC Factor Recovered	\$98,602	\$881,039	(\$156,742)	\$103,189	\$412,666	\$105,253	\$0	\$0	\$0	\$0	\$0	\$0	\$1,444,007	9
10 Base Rate Factor	\$0.02260	\$0.02260	\$0.02260	\$0.02260	\$0.02260	\$0.02260								10
11 Base Rate Recovery (Line 7 x Line 10)	\$406,779	\$364,664	\$354,400	\$327,530	\$410,187	\$420,937	\$0	\$0	\$0	\$0	\$0	\$0	\$2,284,497	11
12 Total FAC Recovery (Line 9 + Line 11)	\$505,381	\$1,245,703	\$197,658	\$430,719	\$822,853	\$526,190	\$0	\$0	\$0	\$0	\$0	\$0	\$3,728,504	12

Source:

- Line 1: C:\Temp\2004 FAC Calc.xls\Cost, Victoria Jacques
- Line 2: Monthly FAC filing, Schedule V, Line 21
- Line 3 - 4: WPL Journal Entry #4000022 (94, 307 & 404), Nancy Buckingham
- Line 6: Monthly FAC filing, Schedule I, Line 8
- Line 7: Monthly FAC filing, Schedule VI, Line II of the second prior month.
- Line 8: See SBWGE, Electric Tariff, Sheet



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
South Beloit Water, Gas and Electric Company
Madison, WI

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of South Beloit Water, Gas and Electric Company (the "Company") for the year ended December 31, 2004, included in the Company's 2004 Form 1 filed with the Federal Energy Regulatory Commission, and have issued our report thereon dated March 2, 2005. We have also audited the exhibits listed below (the "Exhibits") filed by the Company with the Illinois Commerce Commission (the "Commission") pursuant to the annual reconciliation requirement of the Company's fuel adjustment charge covering the period from January 1, 2004 through June 30, 2004. These Exhibits are the responsibility of the Company's management. Our responsibility is to express an opinion on these Exhibits based on our audit.

Exhibits:

- 1.1 FAC Reconciliation
- 1.2 Summary of FAC Revenues and Recovery

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Exhibits are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Exhibits. An audit also includes assessing the accounting principles used and significant estimates made by management, including compliance with the Federal Energy Regulatory Commission's Uniform System of Accounts and published accounting releases as prescribed by the Commission, as well as evaluating the overall presentation of the Exhibits. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Exhibits were prepared for the purpose of complying with the rules of the Commission governing automatic adjustment of fuel charges and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America nor a complete presentation of the Company's revenues and expenses.

In our opinion, the Exhibits referred to above present fairly, in all material respects, the information shown therein for the stated period in accordance with Title 83 of the Illinois Administrative Code Part 425 "Uniform Electric Fuel Adjustment."

This report is intended solely for the information and use of the Board of Directors and management of South Beloit Water, Gas and Electric Company and the Illinois Commerce Commission and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

April 4, 2005