DIRECT TESTIMONY OF LARRY HORRALL

IN ILLINOIS COMMERCE COMMISSION

DOCKET NO. 05-0379

Q. Please state your name and business address.

A. My name is Larry Horrall. My business address is 316 Market Street, P.O. Box 220, Mt. Carmel, IL 62863.

Q. By whom are you employed and in what capacity?

A. I am the Vice President of Operations of Mt. Carmel Public Utility Co. ("Mt. Carmel" or "Company@).

Q. Please describe your qualifications.

A. In 1972 I finished my education in Electronics Technology at Wabash Valley College. I began employment with Mt. Carmel in 1974 working for the engineering department. This work included drafting, developing plans for and helping in construction of Company projects, including electric expansion and development. In 1981, I completed the IBEW Electrical Lineman=s 3 year training program and became a journeyman lineman. I later became a leadman in 1989. During this time I was actively involved in transmission line and substation projects. In 1997, I was moved into the Company position of Electric Distribution Superintendent and held that position until I was promoted to General Superintendent in 2000. In May, 2001, I was made Vice President of Operations. During my tenure with the Company, I have attended metering courses and other job related

courses. Also during my work I have been involved in the construction of transmission lines and substations, and also have been involved in electric system load profile and planning. I have been in charge of developing this project and working with the engineers who designed the substation components, wiring specifications and other necessary components. Part of my job duties include purchases and acquisition of materials, equipment and also management of labor.

Q. What is the purpose of your testimony today?

A. My testimony is to show the necessity and need for the construction and completion of a 69 KV and 138 KV dual constructed multigrounded electric transmission line and substation.

Q. Please briefly describe the proposed transmission line and the substation.

A. The proposed transmission line will be approximately 1.36 miles in length, is 100 feet in width and will encompass approximately 17.08 acres. It will be constructed with direct buried steel towers with 69 KV and 138 KV overhead dual construction. It will be built in accordance with 83 Ill.Adm.Code 305. No underground facilities will be involved. The substation sits on 3.67 acres and consists of a 138 KV/69 KV transformer, breakers and accompanying equipment; and also includes a 69 KV/7200 V transformer, breakers and accompanying equipment for distribution purposes. Also included is the acquisition of a small strip of land adjacent to the South Division Street substation.

Q. Please explain the current Mt. Carmel transmission and substation arrangement.

A. Mt. Carmel generates no electric power or energy. It is all purchased from other suppliers and is brought into Mt. Carmel=s system by a 138 KV transmission line connected to the West with Ameren CIPS and by a 69 KV transmission line connected to the North with Ameren CIPS.

Mt. Carmel has 4 electric substations. The Keensburg substation is energized at 138 KV and is used to serve a customer at multiple locations at 69 KV and to also feed the rest of the Mt. Carmel system at both 138 KV and 69 KV.

The South Division substation is energized at 138 KV and feeds the other substations at 69 KV, and it is also used to feed part of the distribution system at 7200 V. The distribution side of the substation is approximately 30 years old. The Plant substation and the 11th Street substations have incoming 69 KV lines and are used to serve the 7200 V distribution system. The 11th Street substation is approximately 45 years old and the Plant substation was rebuilt in about 1989. The 69 KV/7200 V transformers at South Division and 11th Street have both been rebuilt.

A. Please describe the 3 distribution substations and their load capacity.

Q. South Division has a 15 MVA 69 KV/7200 V transformer, the Plant substation has a 20 MVA transformer, and 11th Street has a 12 MVA transformer.

A. Have you done any assessments or studies of the load management on these 3 distribution substations?

A. Yes.

Q. Have you made any conclusions based on these studies, and if so, what are they?

A. Yes. After studying historical and possible load management scenarios, I believe that in the event the Plant Substation was inoperable on a mid to upper eighty degree or higher day, that continued management of the system would be questionable. If the Plant substation were out of commission, we typically would be shifting it-s load to the South Division substation. On a moderate temperature day, this is usually not a grave concern, but is watched closely. However, when temperatures reach the mid eighty degrees or above, a high level of concern for the capacity of 11th Street and South Division is exercised. The typical Plant load combined with what is already on the South Division transformer can approach capacity and exceed the 15 MVA rating of South Division. We have had days, such as July 28, 2003, where the 15 MVA rating was pushed to 14.8 MW. At these temperatures we have to be very watchful and take action if need be. Some load could be shifted from South Division to the 11th Street substation if capacity allowed. But again on July 28, 2003, the 11th Street substation had a 8.7 MW load. Its capacity is 12 MVA. This potential need for capacity relief described has shown itself on multiple occasions.

Existing data from 2000 to present indicates a trend for this condition to be more probable as time goes on. In 2000, there were 26 days of these types of possible weather and load conditions. In 2001, 42 days: 2002, 61 days: 2003, 62 days: and 2004, 38 days. Some relief in the number of days in 2004 which we could have observed these conditions was realized due to a sizable industrial

customer closing business.

In addition to this portion of the study there were days that the combined capacity of South Division and 11th Street were exceeded when demand topped the 27 MW capacity. This occurred 11 days in 2000; 27 days in 2001; 18 days in 2002; 13 days in 2003; and 2004 had several days that could have been a concern with a maximum demand for the year at 24.6 MW. June of 2005 had a total of 14 days that the demand was at 20 MW or more with a high of 23.8 MW. July has had even more severe weather and had more potential for concern. For example, on July 25, 2005, the maximum demand on the 3 distribution substations was 26.6 MW. If the plant substation had been out of operation, the combined 27 MW capacity of South Division and 11th Street together would have been met. 2004 and 2005 did not have the industrial customer which left town in these system loads, but there is another industrial customer getting ready to come on line which is expected to take its place for load. This is expected to add an additional 3 MW to the distribution system. Local government economic development activities along with new residential developments will also add load to the South Division substation unit and the system, thereby warranting the need for the new substation.

Q. Have you looked at alternate routes for connecting the South Division substation to the new substation?

A. Yes. Attached hereto is a map marked Exhibit A showing the proposed route along with the

alternate routes which Mt. Carmel looked at, along with alternate sites for the substation. After discussion with landowners and upon further review and analysis, the route which accompanied the Petition is the preferred route and location. Also, the placement of the new substation at its current location shortened the length of the transmission line to be constructed at this time, thereby impacting fewer landowners and acreage and reducing the cost of the project.

In selecting the route, we tried to make ease of line construction and maintenance part of the equation along with mitigating impact on the landowners and reducing the amount of land taken out of production. We also tried to keep the transmission line out of any residential areas. It just barely crosses one commercial property, with the rest of the property being agricultural. We believe this route causes the least inconvenience on the fewest people and is the least costly route.

Q. Does this route minimize the impact on farmland and the amount of land taken?

A. Yes, after discussion with the various landowners, we believe we have made concessions by placement of the transmission lines along field edges where possible. We have also made accommodations to try and avoid an area on one property where a very large and possibly record breaking oak tree is located. The route also avoids wetlands as much as possible and should have no negative environmental impact. The route covers lands of 5 property owners (1 is the City of Mt. Carmel levee) for approximately 1.36 miles of transmission line. For a 100 foot right-of-way and a few additional areas for guy wires and railroad accommodations, the route consists of 17.08 acres of

right-of-way for this project. Also used is 3.67 acres of crop land for the substation and a small section to be obtained in fee simple for expansion of the South Division substation to accommodate the incoming transmission line. The new substation site is in the corner of a field and had minimal trees along the property line which had to be removed. The route is set forth on the map attached hereto as Exhibit B.

Q. What other property characteristics for the right-of-way are involved?

A. The 1.36 miles used for right-of-way is broken down as follows: .13 miles on public areas; and 1.23 miles on privately owned lands. 12.64 acres of the right-of-way area is on crop land; 3.02 acres is woody or brushy areas; and 1.83 acres are over public lands, such as highways, roads, levee and railroad property.

Q. How many poles will be used?

A. We plan on using 37 poles for the transmission line. 29 of these poles will be placed in crop land, 4 poles will be placed in woody or brushy land and the balance of 4 poles on or along public rights-of-way or other properties.

Q. How many landowners are involved in this project?

A. 5 for easements (1 of which is the City of Mt. Carmel over its levee) and 2 for fee simple. (One of the fee simple landowners also owns part of the property needed for right-of-way.)

Q. How does Mt. Carmel propose to deal with landowners= field tile and any property damage?

A. Mt. Carmel gathers information from the landowners and the farmers and examines the property for any signs of field tiles. Maps are also reviewed if available. Any damage caused by Company to the field tile is repaired by the Company. Other damage caused by Company, such as soil compaction, is also repaired, usually by the farmer during the farming operation. If something extra is necessary, Mt. Carmel tries to accommodate the needs of the landowner. Crop damage caused by Company is paid for by Company. Mt. Carmel will address any other damages it causes which might become evident. When ditches have to be crossed along a roadway for access to a field, Company will have culverts put in place to avoid causing drainage problems. Mt. Carmel will clean up debris from construction as soon as possible after completion of the project.

Q. Has Mt. Carmel dealt with any other state or federal agencies for this project?

A. Mt. Carmel has authorized a Phase I Cultural Survey to be performed in accordance with the Illinois State Agency Historic Preservation Act. Nothing is expected to be a problem with the survey. Mt. Carmel has also submitted a Consultation Agency Action Report to the Illinois Department of Natural Resources. Mt. Carmel believes there are no endangered or threatened wildlife which will be impacted by the project. Company believes there are no wetlands which will be negatively harmed as the transmission line simply crosses the levee area and adjoins the edge of another designated wetland area. Tree removal will be necessary for the right-of-way, but this should have no negative impact. Mt. Carmel has contacted the Illinois Department of Agriculture to work on any issues, and the

protocol set forth above regarding farmland is being dealt with. Mt. Carmel will at the appropriate time for needing permits obtain such for the highway crossing from the Illinois Department of Transportation. General discussions about the project with IDOT have already occurred without any issues being presented to Company. Mt. Carmel has already obtained the permit from the City of Mt. Carmel and the Corps of Engineers for the levee crossing.

Q. Has Company looked at the project in relation to the flood plain?

A. Yes, a map of the flood plain is attached hereto as Exhibit C. As you can see, the route has minimal problems of being in a flood plain and is not a concern.

Q. In preparing for the project, did you evaluate the costs for rebuilding or upgrading the current transmission lines?

A. Yes, but this is not a viable option. No transmission line currently exists to the new substation location. The new location is to address load growth in the western part of the system and to split load between substations in normal operations and for reliability in the event of a substation being out of operation.

Q. Did you look at different bids for purchase of materials and equipment for the transmission line and the substation?

A. Yes I did. I took different price estimates and quotes from different vendors for the components. We chose the best options for the needs at the most reasonable prices available. We

also considered issues such as delivery times, quality of materials and equipment, similarity to other system installations or components, and history of vendors.

Q. How will Mt. Carmel manage the construction of this project?

A. I am overseeing this project. We have different electric crews and individuals in-house working on the construction and management. Also, we have utilized the manufacturer of the substation components to oversee and construct part of the project and we will probably hire an outside contractor to help assist in the transmission line construction.

Q. Do you believe that this project is necessary to allow Mt. Carmel to provide adequate, reliable and efficient service to its customers at a price which is least cost under the circumstances?

A. Yes, I believe that this project is necessary for the reasons set forth and that it will provide greater reliability, adequacy and efficiency for the system and for the customers. I also believe that the project is least cost after taking all things into account.