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6 DIRECT TESTIMONY OF PHILIP BARNHARD

7 IN ILLINOIS COMMERCE COMMISSION

8 DOCKET NO. 05-0746

9 Q. Please state your name and business address.

10 A. My name is Philip Barnhard IV. My business address is 316 Market Street, P.O.  
11 Box 220, Mt. Carmel, IL 62863.

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

13 A. I am the Chairman of the Board, President and Chief Executive Officer of Mt. Carmel  
14 Public Utility Co. ("Mt. Carmel" or "Company").

15 Q. Please describe your qualifications.

16 A. I received a Bachelor of Arts in Chemistry from Harvard College in 1951. I received a  
17 Master of Arts in Mathematics from the University of Delaware in 1959. I served as a naval  
18 officer aboard the U.S.S. Ingersoll (DD652) from June 1951 to August 1953, leaving active  
19 service as engineering officer. I joined the Explosives Department of E I DuPont de Nemours &  
20 Co. Inc., working as a chemist at the Repauno Works in Gibbstown, NJ, initially in polymer  
21 intermediates and heavy chemicals, later as a research chemist in commercial and military  
22 explosives. In 1968, I started a three year stint in the Control Division, working at business and  
23 financial analysis and on computer methods and systems. In January 1972, I joined Mt. Carmel

24 for two years as Vice-President and Treasurer; my duties included formulating the Uniform Fuel  
25 Adjustment Charge and implementing a conversion from manual posting of bills by  
26 Addressograph machinery to a computer. Later, I joined the Trojan - US Powder Division of  
27 Commercial Solvents Corporation as Technical Director. Part of my duties included the  
28 relocation of research facilities from Allentown, PA to Spanish Fork, UT. I left Trojan in late  
29 1981 to work for Apache Powder Company in Benson, AZ as Technical Director of explosives  
30 and nitric acid production. In July 1986 I joined Mt. Carmel as President. In 1989 I further  
31 assumed the position of Chairman and CEO.

32 In my position I am responsible for general management of the Company. I have  
33 implemented mechanization of office procedures where it has made sense, to reduce manual  
34 transcription of routine business data, to reduce lag time in generating reports required by authorities  
35 having jurisdiction, and to allow management to better perceive areas where corrective action is  
36 required. I have coordinated implementation of the computer and billing systems for the company. I  
37 have negotiated supply contracts for wholesale electric power and energy and for natural gas supply.

38 Q. Have you previously testified before this Commission?

39 A. I have testified before the Illinois Commerce Commission on behalf of the Company,  
40 particularly in areas of rates, FAC and PGA reconciliation, a major transmission line extension,  
41 and in requesting authority to seek financing for expansion.

42 Q. What is the purpose of your testimony today?

43 A. By Order dated November 22, 2005, the Illinois Commerce Commission ordered Mt. Carmel

44 Public Utility Co. to present evidence showing the reconciliation of Purchased Gas Adjustment  
45 revenues with the actual prudent cost of fuel and gas paid by the utility and authorized to be collected  
46 under the utility's provisions of the Purchased Gas Adjustment. The period to be covered is calendar  
47 year 2005.

48 These reconciliations have been made and my testimony is for the purpose of presenting them  
49 and other exhibits.

50 Q. Please describe what Exhibit G-1 attached to this testimony is.

51 A. Exhibit G-1 is a copy of Company's Purchased Gas Adjustment Clause on file with and  
52 approved by the Illinois Commerce Commission and in effect for the year 2005.

53 Q. Please describe what Exhibit G-2 attached to this testimony is.

54 A. Exhibit G-2 is a reconciliation of our receipts under the Purchased Gas Adjustment Clause  
55 with the cost of fuel paid by Company in 2005. We have been filing monthly reports with the Illinois  
56 Commerce Commission under the Uniform Purchased Gas Adjustment Clause detailing our receipts  
57 and purchases so that information is on file with the Commission.

58 Q. Please explain page 1 of Exhibit G-2 which addresses the Commodity Gas Charge.

59 A. The net of the reconciliation is an under recovery of \$204,718.04 in the Commodity Gas  
60 Charge, with an unamortized balance of \$127,831.96 at December 31, 2004, plus a Factor O of  
61 (\$12,320.28) , and an as filed balance of \$0.00 at December 31, 2005. Line 11 of page 1 shows an  
62 under recovery balance at December 31, 2005, of \$552,375.83. This minus the Factor A Adjustment  
63 shown on Line 12 result in a Requested Factor O of (\$151.94) for the reconciliation year 2005,

64 Commodity Gas Charge.

65 Q. Please explain page 2 of Exhibit G-2 which addresses the Non-Commodity Gas Charge.

66 A. Page 2 shows an over recovery of (\$161,031.23) in the Non-Commodity Gas Charge, with an  
67 unamortized balance of \$8,144.57 at December 31, 2004, plus a Factor O of (\$1,405.20), and an as  
68 filed balance of (\$43,389.12) at December 31, 2005. Line 11 of page 2 shows an over recovery  
69 balance at December 31, 2005, of (\$145,044.45). This minus the Factor A Adjustment shown on  
70 Line 12 result in a Requested Factor O of (\$0.00) for the reconciliation year 2005, Non-Commodity  
71 Gas Charge.

72 Q. Please explain page 3 of Exhibit G-2 which addresses the Combined Gas Charge.

73 A. Page 3 shows a total under recovery of \$43,686.81 for the Combined Gas Charges, with an  
74 unamortized balance of \$135,976.53 at December 31, 2004, plus a combined Factor O of  
75 (\$13,725.48), and with an as filed unamortized balance of (\$43,389.12) at December 31, 2005. Line  
76 11 of page 3 shows an under recovery balance at December 31, 2005, of \$407,331.38. This minus  
77 the Factor A Adjustment shown on Line 12 result in a Requested Factor O of (\$151.94) for the  
78 reconciliation year 2005, for the net of the Commodity and Non-Commodity Gas Charges (Combined  
79 Gas Charges).

80 Q. Who did you purchase natural gas from for the year 2005?

81 A. Our natural gas was purchased from Atmos Energy Marketing, L.L.C., with transportation  
82 provided by the City of Grayville, Illinois and Texas Eastern Transmission Corp. Propane, of which  
83 none was used in 2005, would have been purchased from the lowest price supplier at the time of

84 order.

85 Q. Have you detailed the monthly PGA filings with your testimony as an exhibit?

86 A. No, we believe the above exhibits, together with our monthly filings with the Commission, are  
87 sufficiently clear to eliminate the need of detailing them at this time.

88 Q. Have you attached to your testimony a copy of your independent auditor's report addressing  
89 the PGA?

90 A. Yes, a copy of the independent auditor's report issued by Deloitte and Touche for the year  
91 ended December 31, 2005, is attached to this testimony.

92 Q. Have you or will you give notice to your customers of the PGA filing?

93 A. By the time of the hearings on this matter public notice will have been published twice in  
94 newspapers of general circulation in the cities and villages in which there are customers of the  
95 company who are affected by the filing. The first publication will have been within ten (10) days  
96 following the date of the filing and the second publication will have been made during the week  
97 following. Notice will also have been posted in a prominent place in the office of the company.  
98 Beginning with the date of this filing, copies of the same have been available to the public at the  
99 company's business office.

100 Q. Do you believe that all fuels and gas were prudently purchased?

101 A. Yes, I do.

102 Q. Do you have anything further at this time?

103 A. No, this concludes my testimony.