

DIRECT TESTIMONY
of
SHEENA KIGHT-GARLISCH

Finance Department
Financial Analysis Division
Public Utilities Bureau
Illinois Commerce Commission

Mt. Carmel Public Utility Company

Docket No. 07-0225

May 10, 2007

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19

WITNESS IDENTIFICATION

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

A. My name is Sheena Kight-Garlich. My business address is 527 East Capitol Avenue, Springfield, IL 62701.

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

A. I am employed by the Illinois Commerce Commission (“Commission”) as a Senior Financial Analyst in the Finance Department of the Financial Analysis Division.

3. Q. Please describe your qualifications and background.

A. In May of 1998, I received a Bachelor of Business degree in Finance and Marketing from Western Illinois University in Macomb, Illinois. I earned a Master of Business Administration degree, with a concentration in Finance, also at Western Illinois University in May 2001. I have been employed by the Commission since January of 2001. I was promoted to Senior Financial Analyst on October 1, 2004.

4. Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to present my evaluation of Mt. Carmel Public Utility Company’s (“Mt. Carmel” or “Company”) proposed financing pursuant to Sections 6-102(b) and 6-108 of the Illinois Public Utilities Act

20 (“Act”). The Company filed an amended verified petition for approval to
21 issue \$8,000,000 of indebtedness.

22 **5. Q. Please summarize your analysis and recommendations.**

23 A. I have analyzed Mt. Carmel’s capital structure and financial ratios and
24 concluded that the Company can incur the requested \$8,000,000 in debt
25 without adversely affecting the financial condition of the Company. On
26 this basis I have no objection to the Company’s proposal to incur debt in
27 an aggregate amount not to exceed \$8,000,000 and to apply the proceeds
28 to retire existing indebtedness and fund expenditures on utility assets such
29 as the transmission voltage facilities and utility vehicles.¹ I also
30 recommend that the Company be ordered to pay a fee of \$19,200
31 pursuant to Section 6-108 of the Act.

32 **6. Q. Please describe the proposed indebtedness.**

33 A. The proposed \$8,000,000 indebtedness will be an interest only loan with a
34 variable interest rate based on the London Interbank Overnight Rate
35 (LIBOR) plus 1.5% and a term of five years.² The indebtedness will also
36 provide various options such as a “zero sum” and “swap” that may be
37 utilized by the Company during the term of the indebtedness.³ The
38 Company would seek Commission approval before exercising any option,

¹ Company’s response to Staff data request SK-1-02.; Amended Verified Petition.

² MCPU Exhibit 1.0, p. 4.

³ MCPU Exhibit 1.0, pp. 6-7.

39 as explained in Attachment A.⁴ The initial rate of the proposed
40 indebtedness would be 6.82%.⁵

41 **7. Q. Does Mt. Carmel owe a fee pursuant to Section 6-108 of the Act?**

42 A. Yes. Section 6-108 of the Act requires a utility to pay an amount equal to
43 24 cents for every \$100 of principal amount of indebtedness authorized by
44 the Commission. However, a fee is not payable when the indebtedness is
45 issued to refund indebtedness issued with the consent of the Commission.
46 (220 ILCS 5/6-108(2)) The Company received Commission authorization
47 in Docket No. 96-0366 to enter into indebtedness in the amount of
48 \$4,500,000 with a ten-year maturity and a variable interest rate of prime
49 plus 0.5%.⁶ The Company has modified the terms of the indebtedness
50 approved in Docket No. 06-0336 numerous times without Commission
51 authorization. Since the Company did not seek the Commission's
52 authorization to modify the terms of the indebtedness in Docket No. 06-
53 0336, in Staff's opinion, the \$1,781,090 in indebtedness that remains
54 outstanding from the original loan has not received the consent of the
55 Commission.⁷ Therefore, Staff believes that Mt. Carmel owes a fee on the
56 entire \$8,000,000 of indebtedness proposed in this docket. The fee to be
57 paid is \$19,200.

⁴ Company's response to Staff data request SK 2-01.

⁵ MCPU Exhibit 1.0, p.4.

⁶ Order, Docket No. 96-0336, p. 2.

⁷ Section 6-104 of the Act states in part that "...every bond, note or other evidence of indebtedness of a public utility not payable within 12 months, issued with the authorization of the Commission, but not conforming in its provisions to the provisions, if any, which it is required by the order of authorization of the Commission to contain, shall be void." .

58 8. Q. Does this conclude your direct testimony?

59 A. Yes, it does.

**DATA RESPONSE
Of Mt. Carmel Public Utility Co.
Docket No. 07-0225**

**INDIVIDUAL RESPONSIBLE: Dan Long
(217) 241-5385
danlong12@aol.com**

SK 2-01 In MCPU Exhibit 1.0 on page 6, Mr. Long states that “the Company and its lender have also provided for various options.” Please list all the “various options” and provide a copy of each of the option agreements between the Company and Old National Bank of Evansville.

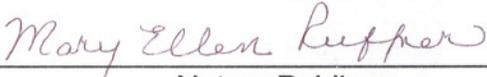
RESPONSE: Page 6 of the referenced testimony describes two options contemplated by the Company. In addition, only one other option was considered. This involved what term length the loan should be. The Company has not exercised any of these options at this time, so there exist no agreements related to these options. The Company further commits that it will not exercise any of these options in the future without first seeking permission from the Commission to do so. The Company assumes that exercising these options would constitute a change to the financing terms for which it is seeking permission, and thus would not engage any of those options without additional permission.

VERIFICATION

I, Sheena Kight-Garlich, being first duly sworn, depose and state that I am a Senior Financial Analyst in the Finance Department of the Financial Analysis Division at the Illinois Commerce Commission; that I sponsor the foregoing Direct Testimony of Sheena Kight-Garlich; that I have personal knowledge of the information stated in the foregoing Direct Testimony; and that such information is true and correct to the best of my knowledge, information and belief.


Sheena Kight-Garlich
Illinois Commerce Commission

Subscribed and sworn to before me
this 10th day of May, 2007.



Notary Public

