

ILLINOIS COMMERCE COMMISSION

MT. CARMEL PUBLIC UTILITY CO.

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**Proposed general increase in electric
And natural gas rates.**

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DOCKET NO. 07-0357

**DIRECT TESTIMONY OF
BRANDI STENNETT
ON BEHALF OF CITY OF MT. CARMEL**

CITY EXHIBIT 1.0

20 September 2007

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Q. PLEASE STATE YOUR NAME.

A. My name is Brandi Stennett.

Q. PLEASE STATE YOUR TITLE AND ADDRESS.

A. I am the Economic Development Coordinator for the City of Mt. Carmel, Illinois.
My office address is 219 N. Market St., Mt. Carmel, Illinois.

Q. ON WHOSE BEHALF ARE YOU OFFERING TESTIMONY?

A. I am offering testimony on behalf of the City of Mt. Carmel.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to outline the concerns of the City of Mt. Carmel relating to the proposed increase in electric and natural gas rates by Mt. Carmel Public Utility Company. As a purchaser of gas and electric from Mt. Carmel Public Utility Company, the City is concerned about the level of the increase proposed. Also, in the role of Economic Development Coordinator for the City, I am concerned that rates for gas and electric do not place hardships on our citizens and our businesses.

17 **Q. ARE YOU OFFERING TESTIMONY AS AN EXPERT WITNESS IN GAS**
18 **OR ELECTRIC RATE MAKING?**

19 A. No.

20 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

21 A. I am a graduate of the University of Illinois, Springfield, with a BA degree in
22 Legal Studies.

23 **Q. WHAT IS YOUR FUNCTION FOR THE CITY AS ECONOMIC**
24 **DEVELOPMENT COORDINATOR?**

25 A. The Economic Development Department functions as the agency responsible for
26 facilitating development and redevelopment in Mt. Carmel. The department's
27 activities are intended to nurture and grow local enterprises, expand and diversify
28 the existing economic base, and attract new business entities to the community.

29 **Q. HOW LONG HAVE YOU SERVED AS ECONOMIC DEVELOPMENT**
30 **COORDINATOR?**

31 A. I have served as Economic Development Coordinator for the City since January
32 2006. Prior to my employment by the City, I was the executive director of the
33 Greater Wabash Regional Planning Commission, which serves a seven-county
34 area in Southeastern Illinois.

35 **Q. PLEASE DESCRIBE MT. CARMEL AND ITS ECONOMY.**

36 A. Mt. Carmel is a largely blue-collar skilled working community of 8,000. It has
37 been hit hard by the effects of an economy scaling back on industry and the
38 increased cost of energy. The two largest employers in Wabash County have

39 closed their doors in the past three and a half years, resulting in the loss of about
40 500 jobs.

41 In 2004, Snap-on Tools closed its factory that had been in the community since
42 1938. At one time, it employed 400 persons. When it closed, it had 270
43 employees.

44 An underground coal mine in neighboring Keensburg employed a large number of
45 Mt. Carmel residents. However, on April 5, 2007, Foundation Coal Holdings,
46 Inc. announced plans to close the Wabash Mine, resulting in a loss of another 230
47 jobs.

48 In June 2007, our unemployment rate was 6.3 per cent compared with the Illinois
49 average of 5.4 per cent and the national rate of 4.7 percent.

50 The decline in the local economy has overwhelmed our social services programs
51 with requests for both financial and emotional assistance. The Wabash County
52 school system has documented an increase in the amount of children enrolled in
53 the free and reduced cost lunch program.

54 **Q. WHAT ACTIVITIES IS THE CITY AND YOU AS ECONOMIC**
55 **DEVELOPMENT COORDINATOR UNDERTAKING IN THIS**
56 **ENVIRONMENT?**

57 A. The City is continuing to reach out to our existing business community and
58 encourage development in our area. At this time, we are in discussions with three
59 new businesses that could bring over 140 jobs back to our community.

60 The City also has established an enterprise zone and five tax increment financing
61 districts for the community to spur economic growth. It is our fear that the

62 increased utility rates of 28 per cent to 38 per cent will nullify our goals of
63 progress for the community.

64 **Q. ARE THERE CONCERNS ABOUT THE COST OF ENERGY FROM**
65 **COMPANIES SEEKING TO LOCATE IN MT. CARMEL?**

66 A. Yes. All three of the companies I just mentioned have expressed concern that the
67 electric rates are already higher in the MCPU area than other sites they are
68 considering in other locations. This concern is even before any rate increase.
69 According to an Illinois Commerce Commission 2006 report, Mt. Carmel Public
70 Utility has the highest rates of any utility company listed.

71 **Q TURNING TO THE CITY'S ELECTRIC CONSUMPTION, WHAT RATE**
72 **CLASSIFICATIONS DOES THE CITY PURCHASE ELECTRICITY**
73 **FROM MT. CARMEL PUBLIC UTILITY?**

74 A. The City has 35 electric accounts on the commercial general rate, four electric
75 accounts on the large light and power rate, an outdoor lighting account and 2
76 accounts for municipal pumping. The published increases for these delivery
77 services rates are 38.52 per cent, 38.64 per cent, 13.5 per cent and 28.25 per cent.

78 **Q. WHAT IS THE CITY'S ANNUAL PAYMENT TO MT. CARMEL PUBLIC**
79 **UTILILTY FOR ELECTRIC SERVICE?**

80 A. The City paid MCPU \$192,152.55 in electric rates in 2006.

81 **Q. DOES THE CITY PURCHASE GAS FROM MT. CARMEL UTLILTY?**

82 A. Yes. The City paid MCPU \$37,499.92 in gas charges in 2006.

83

84 **Q. HAS THE CITY CALCULATED THE INCREASE IN ITS ELECTRIC**
85 **BILLS AS A RESULT OF MT. CARMEL UTILITY’S REQUEST?**

86 A. In part, yes. For example, the City currently pays a customer charge of \$13.05
87 per month on 35 commercial accounts for a total monthly customer charge of
88 \$457.10 per month. The City pays four Large Light and Power accounts with
89 monthly charge of \$61.57 each for a total of \$246.30 per month. The City pays
90 six commercial gas account customer charges of \$28.27 per month for a total of
91 \$169.62. The total monthly customer charges paid by the City is \$882.02. With
92 the proposed increase in each customer charge, the City will see an increase of
93 \$6,095.76 per year for the customer charge alone, bringing the total customer
94 charge to \$16,680.

95 **Q. HAS THE CITY DONE ANY OTHER ANALYSIS OF THE RATE**
96 **INCREASE PROPOSAL BY MT. CARMEL UTILITY?**

97 A. This is the first time that the City has intervened in a Mt. Carmel Utility rate case.
98 The City did not intervene until three weeks before this testimony was due. As a
99 result, the City had only a short time to review the testimony filed in this docket
100 along with reviewing the answers to data requests sent by both the Illinois
101 Commerce Commission Staff and by the City. As a result, the City has not been
102 able to conduct a full review of the data nor has the City been able to identify all
103 of the areas in which the City has questions and concerns.

104 We do know that under the proposed rate increase, the City’s cost of electricity
105 will increase \$53,917.20 per year not including any taxes, customer charges or

106 FAC. The City's gas cost will increase \$6,403.40 not including any taxes,
107 customer charges of PAG.

108 **Q. BASED ON THE LIMITED REVIEW OF THE DATA RECENTLY**
109 **PROVIDED, DOES THE CITY HAVE AREAS OF CONCERN?**

110 A. Yes.

111 **Q. WHAT ARE THOSE CONCERNS?**

112 A. The concerns of the City identified to date include:

- 113 1. The test year used by the utility is 2005.
- 114 2. The utility seeks to amortize rate case expenses over a three-year period.
115 (MCPU Ex. 1.0 at page 12). The utility's last rate case was in 1997 with tariffs
116 that became effective in 1998. Three years seems too short for an amortization
117 period when the last case was almost 10 years ago. In a response to a City data
118 request, the utility stated that its previous three rate cases were in 1982, 1995, and
119 1997. Using this time between rate cases (25 years divided by 3), the average for
120 a rate case by the utility is every eight years rather than the three years used by the
121 utility.
- 122 3. Mr. Dan Long in his testimony (MCPU Ex. 1.0 at page 24) discusses a
123 new mining load for the utility that was to be up to full load in summer 2006. It is
124 not clear from his testimony if the revenue from the new mine was included as an
125 adjustment to the test year. This is in contrast to his testimony at page 36-37
126 where he discusses that another customer was ceasing operations in spring 2007
127 and the costs associated with this customer were allocated to all remaining
128 customers. In a data response to the City, the utility indicated that the total

129 increase in electric delivery service rates would have been 14 per cent if the
130 adjustment for the mine had not been made rather than the 32.64 per cent it is
131 requesting.

132 4. In early 2007, Mr. Long states that the utility obtained a new bank loan
133 that only requires the utility to pay interest rather than interest and principal as
134 was required under the old bank loan. Mr. Long adjusted the test year amounts
135 for this new note. There is nothing in his testimony to determine if the new note
136 structure is beneficial or detrimental to ratepayers.

137 5. Mr. Long makes several adjustments to the test year rate base for new
138 vehicles (MCPU Ex. 1.0 at page 17). In the testimony, he states that the trucks
139 would have been purchased subsequent to the test year. In response to a City data
140 request, the utility states that the trucks never were purchased.

141 6. Mr. Long includes as an adjustment to rate base \$300,000 for plant in
142 service for the Oak Street Project. However, in a response to a City data request,
143 the utility states that the project has yet to be completed.

144 7. Mr. Long includes an adjustment to rate base of \$2.2 million for
145 construction work in progress for a new transmission line and substation. (MCPU
146 Ex. 1.0 at page 21.) It is not clear when the transmission line and substation will
147 be placed in operation.

148 8. Mr. Long includes several adjustments for additional personnel for the
149 utility. (MCPU Ex. 1.0 at page 10). It is not clear to the City if these additions to
150 personnel have been made.

151

152 **Q. DOES THE CITY HAVE ANY OTHER CONCERNS?**

153 A. Yes. Mt. Carmel Public Utility has been aware of the declining economic
154 conditions of both the mine and Snap-On for some time. However, MCPU did
155 not scale back on building projects or business spending to allow for reduced
156 income.

157 In addition, MCPU should structure its rates in favor of small business increase of
158 their current rates that are above residential rates.

159 **Q. ARE THESE ALL OF THE CONCERNS OF THE CITY?**

160 A. As I stated, I am not a utility expert. These are concerns that the City has
161 identified based on a brief review of the data responses that we received in the
162 past several days. More issues may arise as the City continues its review. By
163 necessity, the City must rely on the ICC staff investigation for identifying other
164 issues as well.