Docket No. 07-0357
ICC Staff Ex. 4.0

DIRECT TESTIMONY

OF

MARK MAPLE

ENGINEERING DEPARTMENT

ENERGY DIVISION

ILLINOIS COMMERCE COMMISSION

MT. CARMEL PUBLIC UTILITY CO.

PROPOSED GENERAL INCREASE IN
ELECTRIC AND GAS RATES

DOCKET NO. 07-0357

SEPTEMBER 20, 2007

Q. Please state your name and business address.

A. My name is Mark Maple and my business address is: Illinois Commerce Commission, 527 East Capitol Avenue, Springfield, Illinois 62701.

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

A. I am employed by the Illinois Commerce Commission ("Commission") as a Gas Engineer in the Engineering Department of the Energy Division.

Q. Please state your educational background.

A. I hold a Bachelor of Science degree in Mechanical Engineering and a minor in Mathematics from Southern Illinois University - Carbondale. I also received a Master's degree in Business Administration from the University of Illinois at Springfield. Finally, I am a registered Professional Engineer Intern in the State of Illinois.

Q. What are your duties and responsibilities as a Gas Engineer in the Engineering Department?

A. My primary responsibilities and duties are in the performance of studies and analyses dealing with the day-to-day, and long-term, operations and

planning of the gas utilities serving Illinois. For example, I review purchased gas adjustment clause reconciliations, rate base additions, levels of natural gas used for working capital, and utilities' applications for Certificates of Public Convenience and Necessity. I also perform utility gas meter test shop audits.

Q. What is the purpose of this proceeding?

A. On May 4, 2007, Mt. Carmel Public Utility Company ("Mt. Carmel" or the "Company") filed tariffs that requested Commission approval to increase its bundled rates for both electric and gas service. The purpose of this proceeding is to investigate Mt. Carmel's request for a general increase in its rates pursuant to its filed tariffs.

Q. What is your assignment within this proceeding?

A. I was assigned to review the reasonableness of the Company's requested level of working capital associated with its propane gas in storage.

Q. Are you sponsoring any schedules or exhibits with your direct testimony?

A. Yes, I prepared the following schedule that is being filed with my direct testimony:

Schedule 4.01 G Mt. Carmel Propane Working Capital Adjustment

Q. Please summarize the recommendations you are making in this proceeding?

A. Based on my analysis showing that the Company's test year amount of propane in storage should be lowered due to known and measureable changes, I recommend that the Commission reduce Mt. Carmel's working capital allowance for propane in storage by $4,014. I also recommend that the Commission order Mt. Carmel to perform a study to determine the appropriate level of propane storage.

Propane in Storage

Q. How does Mt. Carmel make use of propane in its system?

A. Most gas utilities operate some type of peaking facility. The main purpose of these peaking facilities is to provide a reserve supply of gas on days when it is extremely cold or gas is in short supply. In the event that a utility is unable to purchase or ship enough gas to meet its system needs, it can draw upon these reserves to satisfy demand and prevent curtailments.

It is common in the gas industry for utilities to use other alternative fuels to serve peak day demand, such as liquefied natural gas or

propane. These fuels can be blended into the gas stream to supplement the incoming supplies. Mt. Carmel maintains this type of a propane facility to help meet extreme winter demand.

Q. Why does Mt. Carmel maintain an inventory of propane?

A. In order to be ready for winter demand, the propane storage should be filled during the warmer months when supplies are theoretically cheaper and easily available. Also, there are some years when Mt. Carmel does not use any propane due to the lack of extreme winter weather. It would be very rare for the Company to use all of its propane in a given winter, and even if this occurred, Mt. Carmel would likely replenish its supply as quickly as possible. For these reasons, the Company maintains a certain inventory of propane during the entire year.

Q. What was the value of the propane stored during the test year?

A. The thirteen month average used by the Company was $77,005, according to Mt. Carmel's Schedule B-9.1 Gas.

Q. Did the monthly value of propane change at any time during the test year?

A. Yes. In December 2006, Mt. Carmel used 7,691 gallons of

propane to test the system to ensure it was working properly (Staff Data Request ENG 1.06). This amounted to a $4,348 reduction to December's inventory value.

Q. Has Mt. Carmel replenished the propane that it used in December 2006?

A. No. According to the Company's response to Staff Data Request ENG 2.01, as of June 2007, the Company had not replenished any of the used propane. The value of propane in storage remains at $72,991.

Q. Do you believe that Mt. Carmel should replenish the volumes it used in December 2006?

A. No. The Company is currently maintaining approximately 9 days of propane supplies, which I believe could be excessive. Mt. Carmel currently maintains about 129,000 gallons of propane in storage. At no time from 2000-2007 did storage even dip below 90,000 gallons. In fact, there was only one month in the last six years that the Company actually used the propane facility for anything other than routine testing (Staff Data Request ENG 1.06). Therefore, the Company should not increase the amount of stored propane that it currently has in stock.

Q. What is the ideal volume of propane that Mt. Carmel should have in storage?

A. Mt. Carmel does not seem to have studied this issue in the past, and thus cannot justify a particular number. When asked the question "…justify why (Mt. Carmel) needs to carry the current volume of propane." in Staff Data Request ENG 1.05, the Company responded that the propane volumes are "…not precisely related to any specific ongoing volume requirement…." Rather than use guesswork or the capacity of the propane tanks to dictate the amount of prudent storage, I recommend that the Commission order Mt. Carmel perform a study to determine the appropriate level of propane storage. The results of such a study could be used in a future rate case or annual prudence review to make a permanent change in the value of propane that the Company maintains.

Q. What is your recommendation?

A. I recommend that the Commission reduce Mt. Carmel's working capital allowance for propane in storage by $4,014 to reflect the known and measurable change associated with the inventory reduction from testing the propane facility. I also recommend that the Commission order Mt. Carmel to perform a study to determine

the appropriate level of propane storage. Mt. Carmel should provide this study to the Director of the Energy Division within 90 days of the Commission order in this proceeding.

Q. Does this conclude your direct testimony?

A. Yes, it does.

Docket No. 07-0357
ICC Staff Exhibit 4.0
Schedule 4.01 G

Mt. Carmel Public Utility Co.
Gas
Propane Working Capital Adjustment
For the test year ended December 31, 2006

Line No.	Description	Amount
	(a)	(b)
1	Propane Value Dec. 2006 - June 2007 per Staff	$ 72,991
2	2005 Propane Value per Company	77,339
3	Difference	(4,348)
4	Effect of test year adjustment	(334)
5	Staff proposed Adjustment	$ (4,014)

Source:
Line 1: Company response to Staff Data Request ENG 2.01
Line 2: Mt. Carmel Schedule B-9.1, Line 14, Column B
Line 3: Line 1 - Line 2
Line 4: 2006 Propane value - 2005 Propane value (77,005-77,339)