ILLINOIS COMMERCE COMMISSION

MT. CARMEL PUBLIC UTILITY CO.	§	
	§	
Proposed general increase in electric	§	**DOCKET NO. 07-0357**
And natural gas rates.	§	

REBUTTAL TESTIMONY OF
BRANDI STENNETT
ON BEHALF OF CITY OF MT. CARMEL

CITY EXHIBIT 2.0

7 November 2007

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1
2 **Q. PLEASE STATE YOUR NAME.**

3 A. My name is Brandi Stennett.

4 **Q. DID YOU OFFER DIRECT TESTIMONY IN THIS DOCKET?**

5 A. Yes, I offered direct testimony that was marked as City Exhibit 1.0.

6 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

7 A. My purpose is to address the statements in Mt. Carmel Public Utility Company's
8 MCPU Exhibit 1.0R offered by Dan E. Long. Specifically, I want to address his
9 statements concerning:

10 - the closing of the Keensburg mine and Snap-On Tools.
11 - attempts by the City to attract new businesses to the City of Mt. Carmel.
12 - The short period to recover rate case expenses in this docket.
13 - The treatment of the new mining load.
14 - The request to include vehicles and personnel as part of this docket.
15 - The City's comments on rate design.

16 **Q. WHAT IS YOUR CONCERN ABOUT THE STATEMENTS IN MCPU**
17 **EXHIBIT 1.0R AS IT RELATES TO THE KEENSBURG MINE AND**
18 **SNAP-ON TOOLS?**

19 A. Mr. Long apparently mistakenly concludes that the statements in my direct
20 testimony concerning the closing of the mine and Snap-On Tools were directly
21 related to the charges by Mt. Carmel Public Utility Company. The purpose of my

22 statement relating to these two closings was to help the Illinois Commerce
23 Commission understand the current economic conditions in the City of Mt.
24 Carmel and the ability of the community to absorb significant utility rate
25 increases. For the City itself, MCPU's proposal would result in an annual
26 increase of $53, 917 for electricity up from $192,150 and in increase of $6,403 for
27 gas up from $37,500. This will result in a serious impact on the City's operating
28 budget.

29 **Q. WHAT ARE YOUR COMMENTS REGARDING THE STATEMENTS IN**
30 **MCPU EXHIBIT 1.0R AS IT RELATES TO THE ATTEMPTS BY THE**
31 **CITY TO ATTRACT NEW BUSINESS TO MT. CARMEL?**

32 A. First, MCPU's rebuttal testimony states that the City has refused to give MCPU
33 information as to businesses who have contacted the City concerning possible
34 relocation to the area. Initial contacts from potential businesses are sensitive in
35 nature. When MCPU asked in a data request for the names of the companies, the
36 City responded that such information is highly sensitive and confidential and
37 should not be disclosed publicly. This is why, absent any protective order, the
38 City declined to provide the information.
39
40 Second, I agree with Mr. Long that there are many factors that a company
41 considers when searching for potential locations, of which electricity and gas are
42 only two.
43

44 Third, potential businesses only have access to public data and published rates
45 when comparing utility costs. Mr. Long states that MCPU does not charge
46 businesses the published tariffs but rather enters into special unpublished
47 contracts that are lower than the published tariffs. Obviously neither the City nor
48 potential businesses seeking to relocate in Mt. Carmel would have any way to
49 know what these unpublished special contracts contain and cannot use them for
50 comparison.
51
52 Fourth, in each of the three instances I mentioned in my direct testimony, the City
53 asked each potential customer to discuss directly with MCPU each company's
54 concern about the high utility rates in Mt. Carmel. Based on Mr. Long's
55 testimony, apparently only one company did follow through and contact MCPU.
56
57 Fifth, the Company states that the one instance where a potential relocation
58 business contacted MCPU directly as the City suggested, the potential business
59 found the utility's rates were already 2 per cent higher than the rates in another
60 location that the business was considering. MCPU states in its testimony that the
61 business never provided more information to MCPU, a fact that is not the fault of
62 the City. With MCPU's request to increase rates by 28 to 38 per cent, the gap
63 between the other location and Mt. Carmel would be much greater.
64 **Q. TURNING TO RATE CASE EXPENSES, DO YOU AGREE THAT THE 10**
65 **YEARS BETWEEN RATE CASES SHOULD BE OMITTED?**
66 A. This is a legal issue that I understand the City will address in its hearings brief.

67 **Q. IN MCPU'S REBUTTAL TESTIMONY, IT STATES THAT MR. LONG**
68 **DOES NOT UNDERSTAND THE CITY'S CONCERN ABOUT THE**
69 **TREATMENT OF THE NEW MINING LOAD. CAN YOU CLARIFY THE**
70 **CITY'S CONCERN?**
71 A. Yes. In the original Company testimony at Page 24, there is a discussion about a
72 new mining load that will be up to full load in the summer 2007, which was well
73 after the 2005 test year. The City's concern was that the full amount of the
74 revenue received from the mine when it became fully operational in the summer
75 of 2007 was included as an adjustment to the revenue for the Company.
76 **Q. WHAT IS YOUR CONCERN ABOUT THE ADDITIONAL EQUIPMENT**
77 **AND PERSONNEL FOR WHICH MCPU SEEKS FUNDING IN THIS**
78 **CASE?**
79 A. Let me first say that the City welcomes and encourages new job creation in Mt.
80 Carmel. With the City's economic situation, job creation is one of our goals.
81
82 However, the City is concerned about including recovery of costs in rates when
83 the costs have not been incurred. In response to a data request, the Company
84 states that it has an "informal plan" to purchase new vehicles in 2008 but that it
85 has not even received "formal approval from its Board of Directors." For the
86 additional personnel, the Company states that it will fill the positions only if they
87 are included in the revenue requirement. I have attached the data responses to my
88 testimony at City Exhibit 2.01.
89

90 The City also is puzzled as to why these items were not purchased from the
91 proceeds of the new note that the Company drew down.
92
93 **Q. DOES THE CITY'S POSITION ON THE VEHICLES AND PERSONNEL**
94 **CONTRADICT YOUR OWN TESTIMONY AS MR. LONG CONTENDS**
95 **IN THE REBUTTAL?**
96 A. No. My testimony was not that the Company "overspent" as it is characterized,
97 but rather that the Company needed to take all reasonable measures to conserve
98 cash.
99 **Q. THE COMPANY SAID IT DID NOT UNDERSTAND THE CITY'S**
100 **PROPOSAL CONCERNING RATE STRUCTURE BETWEEN SMALL**
101 **BUSINESSES AND RESIDENTIAL CUSTOMERS. CAN YOU EXPLAIN**
102 **THE CITY'S CONCERN?**
103 A. The proposed residential rate is $.07142 per kWh and the proposed commercial
104 rate is $.08136 plus the FAC adjustment for each. In my review of electric rates
105 for other companies, I find that the commercial rates are generally lower than
106 residential rates. The City has questions as to whether the company's cost of
107 service study supported this differential. I understand that Staff has reviewed the
108 Company's cost of service and found, for example, that the commercial space
109 heating class rate should be reduced.
110 **Q. DOES THIS CONCLUDE YOUR TESTMONY?**
111 A. Yes.

DATA RESPONSES

MHE 4.01 Referring to the Rebuttal testimony of Dan E. Long, on pages 14-16 regarding the purchase of and placement into service of the line truck, service truck, each of the small utility service trucks, and the meter testing truck, is Mr. Long stating that the Company does not have a target date for purchase of this equipment?

RESPONSE - The Company intends to purchase this equipment as soon as its income is such that it can budget for and expend the funds necessary. This will be as soon as possible after rates sought in this proceeding allow for such expenditures. The Company has demonstrated that for some time its operating income has been negative, thereby precluding it from expending funds on many items. The Company's informal plan is to purchase these vehicles early in 2008.

MHE 4.02 Referring to the Rebuttal testimony of Dan E. Long, on pages 14-16, where he states that Mt. Carmel has not expended funds for purchase of vehicles which are included in Mt. Carmel's requested rate base as pro forma adjustments, provide Mt. Carmel's target date(s) by which Mt. Carmel intends to purchase and place into service the:

a) line truck,
b) service truck,
c) each of the small utility service trucks, and
d) meter testing van

Identify the target date(s) for each vehicle separately in your response.

RESPONSE – Please refer to the Company's response to MHE 4.01.

MHE 4.03 Provide a copy of Board of Directors approval for purchase of each of the line truck, service truck, each of the small utility service trucks and the meter testing van in accordance with Mt. Carmel's procedures governing the acquisition and retirement of utility property provided in response to MHE 2.16.

RESPONSE – The Company has not yet acted to purchase the referenced vehicles. As a result, it has not secured a formal approval from its Board of Directors. This approval will be secured in advance of purchase.

MHE 4.04 Referring to the Rebuttal testimony of Dan E. Long on pages 14-16, is the purchase of any of the vehicles contingent upon Mt. Carmel Public Utility Company receiving a certain level of revenue increase as a result of this proceeding? If so, state the level of revenue increase that would be necessary for Mt. Carmel to commit resources to the purchase of any of the vehicles.

RESPONSE – No, the purchase of these vehicles is not dependent on any specific level of revenue increase. Their purchase is only contingent upon the allowance of their cost in revenue requirement.

MHE 4.05 Referring to the Rebuttal testimony of Dan E. Long on pages 14-16, is there a level of revenue increase that would cause the Company to conclude it would only purchase some but not all of the vehicles it has proposed in this proceeding? Identify that threshold level of increase and identify which of the vehicles the Company would purchase in that circumstance.

RESPONSE – No. Please refer to the response to MHE4.05 above.

DATA REQUESTS

Referring to the Rebuttal testimony of Dan E. Long, on pages 14-16 regarding the addition of the following personnel: three tree trimmers, a storeroom supervisor and a gas utility man, is Mr. Long stating that the Company does not have a definite target date for filling these positions?

RESPONSE – The Company intends to fill all of these positions as soon as its income is such that it can budget for and expend the funds necessary to fill these positions. This will be as soon as possible after rates sought in this proceeding allow for such expenditures. The Company has demonstrated that for some time its operating income has been negative, thereby precluding it from expending funds on many items or on personnel. The Company's informal plan is to completely fill these positions early in 2008. In the interim, the Company has made some personnel shifts and additions in line with its pro-forma adjustments. The Company has hired, on a probationary basis, one gas utility man and one lineman. While the Company cannot consider or represent that these are permanent full-time employees because of their probationary status, it is anticipated that these personnel will help satisfy two of the additions contemplated in the pro-forma adjustments. In fact, two existing lineman have moved to tree-trimmer jobs. The Company will need to replace these linemen. The Company has hired one probationary lineman who currently has apprentice status. And finally, an existing Service Dept. staff person has moved to lineman (apprentice) status. The end result is that the pro-forma adjustments included an additional 5 new personnel additions. The Company, through the additions and movements described above, still must make a net addition of three more personnel, assuming that the probationary personnel will move to permanent status.

JMO 4.02 Are there job descriptions for each of the personnel positions described in the Company's pro forma adjustments? If so, provide copies of the job descriptions.

RESPONSE – No formal job description exists for the store room supervisor. It will be developed at the time the Company is able to expend funds to fill that position. The other positions described above are all existing job classifications.

JMO 4.03 Is there a plan that documents how/when the Company will recruit, interview and hire the additional personnel? If so, describe the specific

details of that plan and provide any documents that are part of that plan.

RESPONSE – No specific plan exists other than what is described above.

JMO 4.04 Referring to the Rebuttal testimony of Dan E. Long, on pages 14-16, where he states that the Company has not expended funds for additional personnel which are included in the Company's requested rate base as pro forma adjustments, provide the Company's current expected target date(s) by which the Company intends to hire the following personnel:

a) each of the three tree trimmers,
b) storeroom supervisor,
c) gas utility man

Identify the target date(s) for each personnel position separately in your response.

RESPONSE – Please refer to the response to JMO 4.01

JMO 4.05 Referring to the Rebuttal testimony of Dan E. Long on pages 14-16, is the addition of any personnel contingent upon the Company receiving a certain level of revenue increase as a result of this proceeding?

If so, state the level of revenue increase that would be necessary for the Company to commit resources for the addition of the proposed personnel.

RESPONSE – The Company will add these personnel irregardless of the level of overall increase granted in this docket so long as the pro-forma adjustments representing these personnel additions are part of the authorized revenue requirement.

JMO 4.06 Referring to the Rebuttal testimony of Dan E. Long on pages 14-16, is there a level of revenue increase that would cause the Company to conclude it would only add some but not all of the personnel it has proposed in this proceeding?

Identify that threshold level of increase and identify which personnel the Company would add in that circumstance.

RESPONSE – Please refer to the Company's response to JMO 4.05