

REBUTTAL TESTIMONY

Of

MARY H. EVERSON

Accountant

Financial Analysis Division

Illinois Commerce Commission

Mt. Carmel Public Utility Co.

Proposed General Increase in Electric and Gas Rates

Docket No. 07-0357

November 7, 2007

1 **Witness Identification**

2 **Q. Please state your name and business address.**

3 A. My name is Mary H. Everson. My business address is 527 East Capitol Avenue,
4 Springfield, Illinois 62701.

5 **Q. Are you the same Mary H. Everson who previously provided direct**
6 **testimony in this proceeding?**

7 A. Yes.

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

9 A. The purpose of my testimony is to respond to Mt. Carmel Public Utility Co.
10 (“MCPU”) witness Dan E. Long (MCPU Exhibit 1.0R). I address MCPU’s pro
11 forma adjustments to Mt. Carmel’s rate base for vehicles and his assertion
12 regarding the applicability of 83 Ill. Adm. Code 287 (“Part 287”) to Mt. Carmel. I
13 also have a comment regarding Mt. Carmel’s ability to file for new rates during
14 the transition period.

15 **Q. Are you sponsoring any schedules with your testimony?**

16 A. Yes. I prepared the following schedules that show data as of, or for the historical
17 test year ending, December 31, 2006:

18 **Adjustment Schedules**

19 Schedules 8.01 E and G - Adjustment for 2006 Test Year

20 Schedules 8.02 E and G - Adjustment to General Office Allocation

21	Schedules 8.03 E and G -	Adjustment to Materials & Supplies
22	Schedule 8.04 E -	Adjustment to CWIP Depreciation
23	Schedule 8.05 E -	Adjustment to Affiliate Transactions
24	Schedule 8.06 E and G -	Adjustment to Attorney's Office-Accumulated
25		Depreciation Allocation
26	Schedule 8.07 E -	Adjustment to CWIP-New Transmission Line
27	Schedule 8.08 E -	Adjustment to Pro forma Vehicles

28 **Q. Are these the same schedules you presented with your direct testimony?**

29 A. With the exception of new schedule numbers and the addition of Schedule 8.08
30 E, they are the same schedules I presented with my direct testimony.

31 **Pro forma Adjustments for Vehicles**

32 **Q. Please describe Schedule 8.08 E, Adjustment to Pro forma Vehicles.**

33 A. Schedule 8.08 E presents my proposed adjustment to remove the Company's
34 pro forma adjustments for the purchase of a line truck, a service truck, two small
35 utility service trucks and a meter testing van (collectively "vehicles") proposed by
36 Mt. Carmel since the purchases are not certain of effectuation. Part 287.40
37 allows pro forma adjustments only if those adjustments are reasonably certain to
38 occur subsequent to the historical test year within 12 months after the filing date
39 of the tariffs and where the amounts of the changes are determinable.

40 **Q. When did Mt. Carmel file its tariffs that are the subject of Docket No. 07-**
41 **0357?**

42 A. Mt. Carmel filed for its rate increase on May 4, 2007. Thus, pro forma
43 adjustments that are certain of effectuation prior to May 4, 2008 would be
44 allowable.

45 **Q. What is your understanding of MCPU's commitment to purchasing and**
46 **placing the vehicles into service within the guidelines of Part 287 as a**
47 **result of reviewing Mt. Carmel's rebuttal testimony?**

48 A. Mr. Long's rebuttal testimony indicates an inability of the company to purchase
49 the vehicles prior to May 4, 2008.

50 Specifically, page 15 at lines 3-4 of Mr. Long's rebuttal testimony states: "The
51 Company lacks the funds to make these expenditures until rates have been
52 increased." And, again on lines 17-18, he states "I have clearly demonstrated the
53 Company did not have these funds, and requires rate relief to follow through with
54 these expenditures."

55 **Q. Did MCPU's responses to data requests indicate the purchase of the**
56 **vehicles would occur prior to May 4, 2008?**

57 A. No. MCPU's response to my data request MHE 4.01 is particularly troubling.
58 MCPU stated: "The Company intends to purchase the vehicles as soon as its
59 income is such that it can budget for and expend the funds necessary. This will
60 be as soon as possible after rates sought in this proceeding allow for such

61 expenditures....The Company's informal plan is to purchase these vehicles early
62 in 2008." While the Company states that MCPU's informal plan is to budget and
63 expend funds for the vehicles perhaps by early 2008, that response does not
64 offer much assurance regarding the timing or the certainty of the expenditures.

65 Similarly, MCPU's response to MHE 4.04 is also troubling. The Company stated
66 that while the purchase of the vehicles is not contingent upon a specific level of
67 increase, the purchase is contingent upon the pro forma vehicle adjustments
68 being allowed in MCPU's revenue requirement. Furthermore, the Company's
69 response to MHE 4.03 indicates that MCPU's Board of Directors has not
70 approved the purchase of these vehicles in accordance with MCPU's own
71 procedures governing the acquisition and retirement of utility property. Thus,
72 MCPU has not taken the internal step of having Board of Directors approval in
73 accordance with its own policies and procedures for acquisitions. Therefore, the
74 purchase of the vehicles is not certain of effectuation.

75 **Applicability of Part 287**

76 **Q. Did Mt. Carmel accept your adjustment to update the Company's test year**
77 **to historical 2006?**

78 A. Yes.

79 **Q. Did MCPU agree with the reasons behind the update to the test year?**

80 A. No. On page 21 of Mr. Long's rebuttal testimony he states that MCPU is exempt
81 from the standard filing requirements set forth in Part 287 since MCPU is not

82 required to file all of the schedules required by 83 Ill. Adm. Code 285 (“Part
83 285”).

84 **Q. Do you agree with Mr. Long’s assertion regarding MCPU’s exemption from**
85 **all the requirements of Parts 285 and 287?**

86 A. No. While I agree that Section 285.120(d) exempts utilities serving no more than
87 35,000 customers from filing all of the schedules required in Part 285, the
88 question of whether Part 287 applies to MCPU is open to interpretation.

89 Regardless of how one interprets the applicability of Part 287, MCPU has made
90 no argument that the regulatory principles underlying Part 287 are not applicable
91 to Mt. Carmel. To the contrary, it is clear that MCPU included several pro forma
92 adjustments to its historical 2005 test year. Part 287 represents the requirements
93 by which the utilities and the Commission are constrained in developing a test
94 year in a rate case. It is Section 287.40 that allows the use of pro forma
95 adjustments to an historical test year. Since MCPU elected to include pro forma
96 adjustments to its historical test year, then it is appropriate that MCPU not be
97 allowed to pick and choose which portions of Part 287 is applicable to MCPU.

98 **Q. Has another utility attempted to extend the exemption from meeting all of**
99 **the filing requirements to also include an exemption from Part 287?**

100 A. No. Three other small utilities with fewer than 35,000 customers have initiated
101 rate proceedings since the current Parts 285 and 287 went into effect and none
102 claimed to be exempt from the requirements of Part 287. Each company
103 provided a limited set of filing schedules presumably since each is exempt from

104 the full filing requirements of Part 285. However, each of those companies
105 proposed a test year in compliance with Part 287. The companies that I am
106 referring to are Illinois Gas Company in Docket No. 04-0609, Consumers Gas
107 Company in Docket No. 04-0475 and Sundale Utilities, Inc. in Docket No. 04-
108 0637.

109 **Q. Is there a portion of MCPU's rebuttal testimony that convinces you that**
110 **MCPU only conforms to the requirements of Parts 285, 286 or 287 when it**
111 **finds it beneficial to do so?**

112 A. Yes. On page 23 of Mr. Long's rebuttal testimony he states:

113 The Company does not feel it is appropriate for the reasons to be
114 portrayed as compliance with a portion of the code that does not
115 apply to the Company. As with other requests by Staff the Company
116 will willingly attempt to comply, but wishes to make it clear that it
117 does so without agreeing that it is constrained by Ill. Admin Code
118 Parts 285, 286 and 287. Accordingly, if the Company, through no
119 fault of its own, is unable to complete the project by May 4, 2008, the
120 investment should not be excluded from rates based upon the test
121 year requirements that do not apply to the Company.

122 Mr. Long appears to be arguing that regardless of the guidelines by which
123 Staff evaluates the reasonable certainty of pro forma adjustments,
124 MCPU's pro forma adjustments should not be subject to any standards.
125 The Company is more than willing to request that pro forma adjustments
126 be included in its revenue requirement, but it objects to being constrained
127 by any rules or guidelines regarding the timing of those same pro forma
128 adjustments.

129 **Q. Do you have a recommendation regarding the applicability of the**
130 **underlying principles of Part 287 as they pertain to MCPU?**

131 A. Yes. I recommend that the Commission put Mt. Carmel on notice that it is
132 subject to the underlying regulatory principles embodied within 83 Ill. Adm.
133 Code 287.

134 **Additional Comment**

135 **Q. Do you have an additional comment regarding a statement in MCPU's**
136 **rebuttal testimony?**

137 A. Yes. In Mr. Long's rebuttal testimony he states on page 18, lines 21-22 that
138 during the 10-year rate freeze, MCPU's rates could not be increased. That is not
139 correct with respect to MCPU. The Electric Service Customer Choice and Rate
140 Relief Law of 1997, (220 ILCS 5/16-111), contained a provision to allow an
141 electric utility to request an increase in base rates. Section 16-111(d) of the
142 Public Utilities Act states:

143 During the mandatory transition period, but not before January 1,
144 2000, and notwithstanding the provisions of subsection (a), an
145 electric utility may request an increase in its base rates if the
146 electric utility demonstrates that the 2-year average of its earned
147 rate of return on common equity, calculated as its net income
148 applicable to common stock divided by the average of its beginning
149 and ending balances of common equity using data reported in the
150 electric utility's Form 1 report to the Federal Energy Regulatory
151 Commission but adjusted to remove the effects of accelerated
152 depreciation or amortization or other transition or mitigation
153 measures implemented by the electric utility pursuant to subsection
154 (g) of this Section and the effect of any refund paid pursuant to
155 subsection (e) of this Section, is below the 2-year average for the
156 same 2 years of the monthly average yields of 30-year U.S.
157 Treasury bonds published by the Board of Governors of the Federal

158 Reserve System in its weekly H.15 Statistical Release or successor
 159 publication.

160 **Q. Was Mt. Carmel eligible during the mandatory transition period to file for**
 161 **new rates under Section 16-111(d)?**

162 A. Yes. In its Section 16-111(e) filing with the Commission reporting the results of
 163 the 2-year periods of 2003-2004, 2004-2005 and again 2005-2006, MCPU's 2-
 164 year average earned rate of return on common equity was below the 2-year
 165 average of the benchmark securities calculated in accordance with Section 16-
 166 111(e). The following table illustrates MCPU's results for each of the 2 year
 167 periods and the benchmark for the same 2-year period calculated in accordance
 168 with Sections 16-111(e) and (d):

2-Year Period	Mt. Carmel 2-year average Rate of Return on Common Equity	2-year average Treasury Securities
2003-2004	4.43%	5.04%
2004-2005	2.57	4.90%
2005-2006	(1.03)%	4.74%

169 In each of the last three reporting periods required by Section 16-111(e), MCPU's
 170 rate of return on common equity was such that it was eligible to file for new rates
 171 under Section 16-111(d).

172 **Q. Could Mt. Carmel have filed for a rate increase under any other section of**
 173 **the Act during the mandatory transition period?**

174 A. Yes. Section 16-108(a) required electric utilities to file delivery service tariffs with
175 the Commission at least 210 days prior to the date on which the Act required a
176 utility to offer such delivery services to retail customers. In addition, Section 16-
177 108 placed no limitation on electric utilities filing for changes to delivery services
178 tariffs during the transition period. In fact, Commonwealth Edison Docket Nos.
179 99-0117 and 01-0423, CILCO Docket Nos. 99-0119/99-0131 and 01-0465/01-
180 0530/01-0637, CIPs/UE Docket Nos. 99-0121 and 00-0802, Illinois Power in
181 Docket Nos. 99-0120/99-0134 and 01-0432 and MidAmerican Energy Docket
182 Nos. 99-0122/9-0130 and 01-0444 were all delivery service cases filed during the
183 mandatory transition period. Mt. Carmel Public Utility could also have filed for
184 new delivery service rates as did other electric companies during the transition
185 period. MCPU was not as Mr. Long claims, unable to file for new rates to improve
186 its financial situation. Thus, MCPU had the option of filing for increased rates
187 during the mandatory transition period and should not be accorded special
188 treatment for its pro forma adjustments due to a situation that it could have
189 mitigated at an earlier time.

190 **Conclusion**

191 **Q. Does this question end your prepared rebuttal testimony?**

192 A. Yes.

**Mt. Carmel Public Utility Co.
 Electric
 Adjustment for 2006 Test Year
 For the test year ended December 31, 2006**

Line No.	Description	Staff Adjusted 2006 Balance (2006 Form 21)	Company Original Filing 2005 Unadjusted Balance (Co. Sch. B-2)	Staff Adjustment (b-c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant in Service	\$ 21,782,939	\$ 21,224,246	\$ 558,693
2	Accumulated Depreciation	<u>(12,751,644)</u>	<u>(12,211,229)</u>	<u>(540,415)</u>
3	Net Utility Plant	\$ 9,031,295	\$ 9,013,017	\$ 18,278
4	CWIP	2,555,927	2,221,952	333,975
5	Working Capital Allowance	1,961,408	1,787,760	173,648
6	Deferred Income Taxes	(507,907)	(549,957)	42,050
7	Customer Deposits	<u>(113,266)</u>	<u>(104,272)</u>	<u>(8,994)</u>
8	Electric Rate Base	<u>\$ 12,927,457</u>	<u>\$ 12,368,500</u>	<u>\$ 558,957</u>

**Mt. Carmel Public Utility Co.
 Electric
 Adjustment for 2006 Test Year
 For the test year ended December 31, 2006**

Line No.	Description (a)	Staff Adjusted 2006 Amount (2006 Form 21) (b)	Company Original Filing 2005 Amount (Co. Sch. C-2) (c)	Staff Adjustment (b-c) (d)
1	Operating Revenue	\$ 11,257,485	\$ 11,457,828	\$ (200,343)
2	Operation & Maintenance Expense	\$ 9,897,187	\$ 10,108,876	\$ (211,689)
3	Depreciation Expense	659,625	563,127	96,498
4	Taxes Other than Income	<u>581,813</u>	<u>595,815</u>	<u>(14,002)</u>
5	Effect on Operating Income before taxes	\$ 118,860	\$ 190,010	\$ (71,150)
6	Investment Tax Credit	\$ (4,128)	\$ (5,863)	\$ 1,735

Mt. Carmel Public Utility Co.
 Electric
 Adjustment to General Office Allocation
 For the test year ended December 31, 2006

Line No.	Description (a)	Amount (b)	Source (c)
<u>Plant in Service</u>			
1	Pro forma Adjustment to Decrease Electric UPIS per Staff	\$ (242,296)	Page 2 line 9
2	Pro forma Adjustment to Decrease Electric UPIS per Company	<u>(253,919)</u>	Co. WP B 2.6 p. 2, l. 8
3	Difference-Staff Adjustment	<u>\$ 11,623</u>	Line 1 minus Line 2
<u>Accumulated Depreciation</u>			
4	Adjustment to Electric UPIS Accum. Depreciation per Staff	\$ 205,360	Page 3, line 11
5	Adjustment to Electric UPIS Accum. Depreciation per Company	<u>229,847</u>	Co. WP B 2.6, p. 2 l. 10+15
6	Difference-Staff Adjustment	<u>\$ (24,487)</u>	Line 4 minus Line 5
<u>Depreciation Expense</u>			
7	Adjustment to Electric Test Year Depreciation Exp. per Staff	\$ (33,921)	Sch. 8.02 E p. 3
8	Adjustment to Electric Test Year Depreciation Exp. per Company	<u>(35,549)</u>	Co. WP B 2.6, p. 2 l. 10
9	Difference-Staff Adjustment	<u>\$ 1,628</u>	Line 7 minus Line 8

Mt. Carmel Public Utility Co.
 Electric
 Adjustment to General Office Allocation
 For the test year ended December 31, 2006

Line No.	Description (a)	Amount (b)	Source (c)
1	<u>Electric Plant Accounts-2006</u>		
2	3900-Structures & Improvements	\$ 408,625	2006 General Ledger
3	3902-Air Conditioning & Heating	69,262	2006 General Ledger
4	3910-Office Furniture & Equipment	52,067	2006 General Ledger
5	3910.01-Office Furniture & Equipment	543,294	2006 General Ledger
6	Total Electric Plant Accounts-2006	\$ 1,073,248	
7	Total Electric Plant Accounts-2006	\$ 1,073,248	Line 6
8	Gas Labor % to allocate Office Bldg. To Gas	(0.2258)	Line 19
9	Plant in Service to be Allocated to Gas Operations	\$ (242,296)	Line 7 * Line 8
10	<u>Gas Allocator</u>		
11	Total Gas Operation Payroll-2006	\$ 298,619	2006 Form 21
12	Total Gas Maintenance Payroll-2006	106,981	2006 Form 21
13	Charges to Clearing Accounts	10,551	2006 Form 21
14	Construction	27,529	2006 Form 21
15	Plant Removal	2,221	2006 Form 21
16	Total Gas Payroll-2006	\$ 445,901	Sum of lines 11 through 15
17	Total Electric Payroll-2006	\$ 1,529,215	Sum of 2006 Form 21 electric payroll accts.
18	Total 2006 Electric and Gas Payroll	\$ 1,975,116	Line 16 +Line 17
19	2006 Gas Payroll as a % of 2006 Total Payroll	0.2258	Line 16 / Line 18

**Mt. Carmel Public Utility Co.
 Electric
 Adjustment to General Office Allocation
 For the test year ended December 31, 2006**

Line No.	Description (a)	Amount (b)	Source (c)
1	Electric Plant Depreciation Rate	0.14	Co. Sch. B-6.2
2	Adjustment to Electric General Plant	<u>(242,296)</u>	Page 2, line 9
3	Test Year Accum Depr./Depr. Exp. Adjustment for Office Allocation	<u>\$ (33,921)</u>	Line 1 * Line 2
4	Total General Office Plant Accounts-2006	\$ 1,073,248	Page 2 line 6
5	Gross Utility General Plant at Original Cost-2006	<u>2,242,664</u>	2006 FERC Form 1 p 207
6	General Office Plant Accts-2006 as a % of Total Elec. General Plant	0.4786	Line 4 / Line 5
7	Electric General Plant Accum. Depr. Per Sch. B-6	\$ 1,900,786	2006 FERC Form 1 p 219
8	General Office Plant Accts-2006 as a % of Total Elec. General Plant	<u>0.4786</u>	Line 6
9	Percentage of Electric General Plant Accum. Depr.	909,639	
10	Gas Percentage	<u>0.2258</u>	Page 2, line 19
11	Accumulated Depreciation Allocated to Gas	<u>\$ 205,360</u>	

**Mt. Carmel Public Utility Co.
Electric
Adjustment to Materials & Supplies
For the test year ended December 31, 2006**

Line No.	Description (a)	Amount (b)	Source (c)
1	2006 Working Capital - Materials & Supplies per Staff	\$ 527,029	Page 2, line 6
2	2005 Working Capital - Materials & Supplies per Company	<u>459,915</u>	Co. Sch. B-8.1
3	Difference	\$ 67,114	Line 1- Line 2
4	Impact of Staff adjustment to update to 2006 test year	<u>\$ 90,083</u>	See note below
5	Difference-Staff Adjustment	<u><u>\$ (22,969)</u></u>	Line 3 - Line 4

Note:

Line 4 calculation: 2006 average of monthly M & S balances minus 2005 average of M & S monthly balances

**Mt. Carmel Public Utility Co.
 Electric
 Adjustment to Materials & Supplies
 For the test year ended December 31, 2006**

Line No.	Description (a)	Amount (b)	Source (c)
1	2006 Accounts Payable 13-month average of monthly balances	28,011	Co. response to MHE 3.01
2	Electric Allocator	<u>0.82</u>	Co. Workpaper B-2.6
3	Electric allocation of accounts payable monthly balances	\$ 22,969	Line 1 * Line 2
4	Staff Adjusted 13-month average balance of 2006 M & S	549,998	2006 General Ledger
5	Electric allocation of accounts payable monthly balances	<u>22,969</u>	Line 3
6	Difference-Staff Adjusted Materials & Supplies	<u><u>\$ 527,029</u></u>	Line 4 - Line 5

**Mt. Carmel Public Utility Co.
 Electric
 Adjustment to Test Year CWIP Accumulated Depreciation
 For the test year ended December 31, 2006**

Line No.	Description (a)	Amount (b)	Source (c)
1	Pro forma Adjustment to CWIP Depreciation per Staff	\$ (89,457)	Line 6
2	Pro forma Adjustment to CWIP Depreciation per Company	<u>(77,768)</u>	Co. Sch. B-2.7
3	Difference-Staff Adjustment	<u><u>\$ (11,689)</u></u>	Line 1 - Line 2
4	2006 Construction Work in Progress per Staff	\$ 2,555,927	Schedule 8.01 E p. 1
5	Depreciation Rate-Transmission Assets	<u>3.50%</u>	Co. Sch. B-6.2
6	Pro Forma Adj. to CWIP Depreciation per Staff	\$ 89,457	Line 4 * Line 5

**Mt. Carmel Public Utility Co.
 Electric
 Adjustment to Affiliate Transactions
 For the test year ended December 31, 2006**

Line No.	Description (a)	Amount (b)	Source (c)
	<u>Rent Revenue</u>		
1	Rent Revenue-Koger & Bramlet per Staff	\$ -	
2	2005 Rent Revenue-Koger & Bramlet per Company	<u>2,700</u>	2005 General Ledger
3	Difference	\$ (2,700)	
4	Impact of Staff adjustment to update to 2006 test year	<u>-</u>	See note 1 below
5	Difference-Staff Adjustment	<u>\$ (2,700)</u>	Line 3 - Line 4
	<u>Legal Expense</u>		
6	Legal Expense per Staff	\$ -	
7	2005 Legal Expense per Company	<u>25,305</u>	Co. response to MHE 1.02
8	Difference	\$ (25,305)	Line 6 - Line 7
9	Impact of Staff adjustment to update to 2006 test year	<u>4,992</u>	See note 2 below
10	Difference-Staff Adjustment	<u>\$ (20,313)</u>	Co. response to MHE 3.13

Note:

- 1 Line 4 calculation: 2005 rent revenue balance minus 2006 rent revenue balance
- 2 Line 9 calculation: 2005 legal expense balance minus 2006 legal expense balance

Mt. Carmel Public Utility Co.
Electric
Adjustment to Attorney's Office Accumulated Depreciation Allocation
For the test year ended December 31, 2006

Line No.	Description (a)	Amount (b)	Source (c)
	<u>Accumulated Depreciation - Attorney's Office</u>		
1	Adjustment to Electric UPIS Accum. Depreciaton per Staff	\$ -	
2	Adjustment to Electric UPIS Accum. Depreciation per Company	<u>5,594</u>	Co. WP B 2.6, p. 3 l. 10
3	Difference-Staff Adjustment	<u><u>\$ (5,594)</u></u>	Line 1 minus Line 2

Mt. Carmel Public Utility Co.
Electric
Adjustment to CWIP - New Transmission Line
For the test year ended December 31, 2006

Line No.	Description (a)	Amount (b)	Source (c)
	<u>CWIP-New Transmission Line</u>		
1	Construction Work In Progress-New Transmission Line per Staff	\$ 1,892,139	ICC Staff Ex. 9.0
2	2005 Construction Work In Progress per Company	<u>2,221,952</u>	Co. Schedule B-2
3	Difference	\$ (329,813)	Line 1 - Line 2
4	Impact of Staff adjustment to update to 2006 test year	<u>333,975</u>	Schedule 8.01 E
5	Difference-Staff Adjustment to CWIP-New Transmission Line	<u><u>\$ (663,788)</u></u>	Line 3 - Line 4
	<u>Accumulated Depreciation-New Transmission Line</u>		
6	CWIP-New Transmission Line	\$ 663,788	Line 5
7	Depreciation Rate-Transmission Assets	3.50%	Co. Sch. B-6.2
8	Accumulated Depreciation - New Transmission Line	\$ 23,233	Line 6 * Line 7
9	Impact of 2006 Test Year CWIP Adj. - New Transmission Line	<u>3,036</u>	Page 2, Line 5
10	Difference-Staff Adj to Accumulated Depreciation - New Trans. Line	<u><u>\$ 26,269</u></u>	Line 8 + Line 9

Mt. Carmel Public Utility Co.
Electric
Adjustment to CWIP - New Transmission Line
For the test year ended December 31, 2006

Line No.	Description (a)	Amount (b)	Source (c)
1	Staff Adjustment -New Transmission Line	\$ 663,788	Co. response to MHE 3.10
2	2006 Construction Work in Progress	2,555,927	Co. response to MHE 3.10
3	Staff adjustment - New Transmission Line as a % of 2006 CWIP	25.97%	Line 1 / Line 2
4	Staff 2006 Test Year Adjustment-CWIP Accumulated Depreciation	<u>11,689</u>	Schedule 8.04 E
5	CWIP Accum. Depr. % of Staff 2006 Test Year Adj.	<u>\$ 3,036</u>	Line 3 * Line 4

**Mt. Carmel Public Utility Co.
 Electric
 Adjustment to Pro Forma Adjustments for Vehicles
 For the test year ended December 31, 2006**

Line No.	Description (a)	Amount (b)	Source (c)
	<u>Vehicles</u>		
1	Pro forma Adjustment for Vehicles per Staff	\$ -	
2	Pro forma Adjustment for Vehicles per Company	<u>315,000</u>	Page 2, line 5
3	Difference-Staff Adjustment for Vehicles	<u>\$ (315,000)</u>	Line 1 - line 2
	<u>Accumulated Depreciation</u>		
4	Pro forma Adj. for Accum. Depreciation-Vehicles per Staff	\$ -	
5	Pro forma Adj. for Accum. Depreciation-Vehicles per Company	<u>(44,100)</u>	Page 2, line 10
6	Difference-Staff Adjustment for Accum. Depreciation-Vehicles	<u>\$ 44,100</u>	Line 4 - Line 5

**Mt. Carmel Public Utility Co.
 Electric
 Adjustment to Pro Forma Adjustments for Vehicles
 For the test year ended December 31, 2006**

Line No.	Description (a)	Amount (b)	Source (c)
<u>Vehicles</u>			
1	Co. Pro forma adjustment for Line Truck	\$ 150,000	Co. Sch. B-2.1
2	Co. Pro forma adjustment for Service Truck	75,000	Co. Sch. B-2.2
3	Co. Pro forma adjustment for 2 Small Service Trucks	50,000	Co. Sch. B-2.3
4	Co. Pro forma adjustment for Meter Test Van	40,000	Co. Sch. B-2.4
5	Total Co. Pro forma adjustment for Vehicles	<u>\$ 315,000</u>	Sum of Lines 1-4
<u>Accumulated Depreciation</u>			
6	Co. Pro forma adjustment for Accumulated Depreciation-Line Truck	\$ (21,000)	Co. Sch. B-2.1
7	Co. Pro forma adjustment for Accumulated Depreciation-Service Truck	(10,500)	Co. Sch. B-2.2
8	Co. Pro forma adjustment for Accumulated Depreciation-2 Small Service Trucks	(7,000)	Co. Sch. B-2.3
9	Co. Pro forma adjustment for Accumulated Depreciation- Meter Test Van	(5,600)	Co. Sch. B-2.4
10	Total Co. Pro forma adjustment for Accumulated Depreciation-Vehicles	<u>\$ (44,100)</u>	Sum of Lines 6-9

**Mt. Carmel Public Utility Co.
 Gas
 Adjustment for 2006 Test Year
 For the test year ended December 31, 2006**

Line No.	Description (a)	Staff Adjusted 2006 Balance (2006 Form 21) (b)	Company Original Filing 2005 Unadjusted Balance (Co. Sch.B-2) (c)	Staff Adjustment (b-c) (d)
1	Gross Utility Plant in Service	\$ 4,992,532	\$ 4,966,318	\$ 26,214
2	Accumulated Depreciation	<u>(3,044,030)</u>	<u>(2,956,820)</u>	<u>(87,210)</u>
3	Net Utility Plant	\$ 1,948,502	\$ 2,009,498	\$ (60,996)
5	Working Capital Allowance	691,006	687,718	3,288
6	Customer Deposits	(82,020)	(73,606)	(8,414)
7	Accumulated Deferred Income Tax	<u>(33,405)</u>	<u>(38,914)</u>	<u>5,509</u>
8	Gas Rate Base	<u>\$ 2,524,083</u>	<u>\$ 2,584,696</u>	<u>\$ (60,613)</u>

Mt. Carmel Public Utility Co.
Gas
Adjustment for 2006 Test Year
For the test year ended December 31, 2006

Line No.	Description	Staff Adjusted 2006 Amount (2006 Form 21)	Company Original Filing 2005 Amount (Co. Sch. C-2)	Staff Adjustment (b-c)
	(a)	(b)	(c)	(d)
1	Operating Revenue	\$ 4,370,175	\$ 4,490,745	\$ (120,570)
2	Operation & Maintenance Expense	\$ 4,222,358	\$ 4,368,758	\$ (146,400)
3	Depreciation Expense	111,671	92,948	18,723
4	Taxes Other than Income	\$ 253,777	\$ 269,091	\$ (15,314)
5	Effect on Operating Income before taxes	(217,631)	(240,052)	22,421

**Mt. Carmel Public Utility Co.
 Gas
 Adjustment to General Office Allocation
 For the test year ended December 31, 2006**

Line No.	Description (a)	Amount (b)	Source (c)
<u>Plant in Service</u>			
1	Adjustment to Gas Utility Plant in Service per Staff	\$ 242,296	Page 2, l. 9
2	Adjustment to Gas Utility Plant in Service per Company	<u>253,919</u>	Co. WP B 2.6
3	Difference-Staff Adjustment	<u><u>\$ (11,623)</u></u>	Line 1 minus Line 2
<u>Accumulated Depreciation</u>			
4	Adjustment to Gas Test Year UPIS Accum. Depr. per Staff	\$ (205,360)	Page 3, l. 11
5	Adjustment to Gas Test Year UPIS Accum. Depr. per Company	<u>(229,847)</u>	Co. WP B 2.6
6	Difference-Staff Adjustment	<u><u>\$ 24,487</u></u>	Line 4 minus Line 5
<u>Depreciation Expense</u>			
7	Adjustment to Gas Test Year Depreciation Exp. per Staff	\$ 33,921	Page 3, l. 3
8	Adjustment to Gas Test Year Depreciation Exp. per Company	<u>35,549</u>	Co. WP B 2.6
9	Difference-Staff Adjustment	<u><u>\$ (1,628)</u></u>	Line 7 minus Line 8

**Mt. Carmel Public Utility Co.
 Gas
 Adjustment to General Office Allocation
 For the test year ended December 31, 2006**

Line No.	Description (a)	Amount (b)	Source (c)
1	<u>Electric Plant Accounts-2006</u>		
2	3900-Structures & Improvements	\$ 408,625	2006 General Ledger
3	3902-Air Conditioning & Heating	69,262	2006 General Ledger
4	3910-Office Furniture & Equipment	52,067	2006 General Ledger
5	3910.01-Office Furniture & Equipment	<u>543,294</u>	2006 General Ledger
6	Total	\$ 1,073,248	
7	Total Electric Plant Accounts-2006	\$ 1,073,248	Line 6
8	Gas Labor % to allocate Office Bldg. To Gas	<u>0.2258</u>	Line 19
9	Plant in Service to be Allocated to Gas Operations	<u>\$ 242,296</u>	
10	<u>Gas Allocator</u>		
11	Total Gas Operation Payroll-2006	\$ 298,619	2006 Form 21
12	Total Gas Maintenance Payroll-2006	106,981	2006 Form 21
13	Charges to Clearing Accounts	10,551	2006 Form 21
14	Construction	27,529	2006 Form 21
15	Plant Removal	<u>2,221</u>	2006 Form 21
16	Total Gas Payroll-2006	\$ 445,901	Sum of lines 11 through 15
17	Total Electric Payroll-2006	\$ 1,529,215	Sum of 2006 Form 21 electric payroll accts.
18	Total 2006 Electric and Gas Payroll	\$ 1,975,116	Line 16 +Line 17
19	2006 Gas Payroll as a % of 2006 Total Payroll	<u>0.2258</u>	Line 16 / Line 18

Mt. Carmel Public Utility Co.
Gas
Adjustment to General Office Allocation
For the test year ended December 31, 2006

Line No.	Description (a)	Amount (b)	Source (c)
1	Electric Plant Depreciation Rate	0.14	Co. Sch. B-6.2
2	Adjustment to Electric General Plant	<u>242,296</u>	Sch. 8.02 G p. 2
3	Depreciation Adjustment for Office Allocation	<u>\$ 33,921</u>	Line 1 * Line 2
4	Total General Office Plant Accounts-2006	\$ 1,073,248	Page 2 line 6
5	Gross Utility General Plant at Original Cost-2006	<u>2,242,664</u>	2006 FERC Form 1 p 207
6	General Office Plant Accts-2006 as a % of Total Elec. General Plant	0.4786	Line 4 / Line 5
7	Electric General Plant Accum. Depr. Per Sch. B-6	\$ 1,900,786	2006 FERC Form 1 p 219
8	General Office Plant Accts-2006 as a % of Total Elec. General Plant	<u>0.4786</u>	Line 6
9	Percentage of Electric General Plant Accum. Depr.	909,639	
10	Gas Percentage	<u>(0.2258)</u>	Page 2, line 19
11	Accumulated Depreciation Allocated to Gas	<u>\$ (205,360)</u>	

**Mt. Carmel Public Utility Co.
 Gas
 Adjustment to Materials & Supplies
 For the test year ended December 31, 2006**

Line No.	Description (a)	Amount (b)	Source (c)
1	2006 Working Capital - Materials & Supplies per Staff	\$ 48,254	Page 2, Line 6
2	2005 Working Capital - Materials & Supplies per Company	<u>53,541</u>	Co. Sch. B-8.1
3	Difference	(5,287)	Line 1- Line 2
4	Impact of Staff adjustment to update to 2006 test year	<u>(245)</u>	See note below
5	Staff Proposed Adjustment	<u><u>\$ (5,042)</u></u>	Line 3 - Line 4

Note:

Line 4 calculation: 2006 average of monthly M & S balances minus 2005 average of M & S monthly balances

**Mt. Carmel Public Utility Co.
 Gas
 Adjustment to Materials & Supplies
 For the test year ended December 31, 2006**

Line No.	Description (a)	Amount (b)	Source (c)
1	2006 Accounts Payable 13-month average of monthly balances	\$ 28,011	Co. response to MHE 3.01
2	Gas Plant Allocator	0.18	Co. Workpaper B-2.6
3	Gas allocation of accounts payable monthly balances	<u>5,042</u>	Line 1 * Line 2
4	Staff Adjusted 13-month average balance of 2006 M & S	53,296	2006 General Ledger
5	Gas allocation of accounts payable monthly balances	<u>5,042</u>	Line 3
6	2006 Working Capital - Materials & Supplies per Staff	<u>\$ 48,254</u>	Line 4 - Line 5

**Mt. Carmel Public Utility Co.
Gas
Adjustment to Attorney's Office Accumulated Depreciation Allocation
For the test year ended December 31, 2006**

Line No.	Description (a)	Amount (b)	Source (c)
	<u>Accumulated Depreciation - Attorney's Office</u>		
1	Adjustment to Gas UPIS Accum. Depreciaton per Staff		
2	Adjustment to Gas UPIS Accum. Depreciation per Company	<u>1,229</u>	Co. WP B 2.6, p. 3 l. 10
3	Difference-Staff Adjustment	<u>\$ (1,229)</u>	Line 1 minus Line 2