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**SURREBUTTAL TESTIMONY**

**OF**

**DAN LONG**

**ON BEHALF OF MT. CARMEL PUBLIC UTILITY CO.**

**November 21, 2007**

25 **Q. Please state your name.**

26 A. Dan E. Long

27

28 **Q. Are you the same Dan E. Long that previously submitted testimony**  
29 **in this proceeding?**

30 A. Yes.

31

32 **Q. What is the purpose of your rebuttal testimony?**

33 A. My surrebuttal testimony will address various issues presented in rebuttal  
34 testimony by ICC Staff Witnesses Mike Ostrander, Mary Everson and Greg  
35 Rockrohr, as well as a single administrative issue.

36

37 **Rebuttal Testimony of Mike Ostrander**

38 **Q. Mr. Ostrander, on pages 7 and 8 of his rebuttal testimony, reaffirms**  
39 **his initial adjustment to remove the un-amortized balance of rate case**  
40 **expense. Do you still contest his adjustment?**

41 A. No. Initially, I had included un-amortized rate case expense in rate base  
42 because of information that caused me to believe it had been included in the  
43 Company's prior rate case filing. I later discovered it had not been included and  
44 stated so in a data request response to Mr. Ostrander. I no longer contest his  
45 adjustment. However, the Company and Mr. Ostrander agree on the treatment  
46 of the expense portion of Rate Case costs. One-third of the total Rate Case

47 expense should still be allowed as an operating expense for purposes of the total  
48 revenue requirement for both electric and gas operations.

49

50 **Q. Mr. Ostrander, on page 10 of his rebuttal testimony, makes an**  
51 **adjustment to payroll expense to remove the cost associated with certain**  
52 **personnel additions proposed by the Company due to his uncertainty that**  
53 **the Company will actually hire the remaining three people. Can you offer**  
54 **any additional assurance that the Company will in fact hire these additional**  
55 **people?**

56 A. Yes. Mr. Ostrander has expressed doubts related to the Company's  
57 statements that it has an informal plan to add the proposed staff. In response to  
58 staff data requests the Company has indicated that two of the proposed positions  
59 have been filled. He believes that the Company has not given enough certainty  
60 that the remaining jobs will be filled in a timely manner. In an effort to make the  
61 Company's intentions perfectly clear, I had earlier stated the concerns of the  
62 Staff to Company Board members in an effort to inform them that the ICC Staff  
63 might propose an adjustment to remove the cost of these personnel from the  
64 Company's revenue requirements. The Directors were also made aware of data  
65 requests that asked for the specific schedule under which these staff positions  
66 would be filled. At the Board of Directors regular meeting on November 2, 2007,  
67 they directed the Company's operating Staff to in fact fill the remaining positions  
68 proposed in the Company's initial filing. This should provide the Commission  
69 with reasonable assurance that not only will the new positions be filled, but that

70 they will be filled in such a manner that the impact will be an addition of five new  
71 people to the Company's staff. Further, the Company's Board directed that these  
72 jobs be filled prior to May 4, 2008. I have attached as Exhibit 2.0SR a copy of  
73 the resolution language passed by the Board at their November meeting. Board  
74 minutes are normally held as confidential, but in this case the Company feels it is  
75 necessary to provide the Commission with reasonable assurance that the  
76 Company will take timely action.

77

#### 78 **Rebuttal Testimony of Mary Everson**

79 **Q. On page 2 of her rebuttal testimony, Ms. Everson proposes an**  
80 **adjustment to remove the Company's proposed addition to rate base of a**  
81 **line truck, a service truck, two small utility service trucks and a meter**  
82 **testing van because she believes these additions may not be made within**  
83 **12 months after the filing date of the Company's proposed tariffs. Can you**  
84 **offer any additional assurance that these additions will be made by May 4,**  
85 **2008?**

86 A. Yes. As I mentioned with respect to Mr. Ostrander's adjustment, I also  
87 had informed the Company's Board of Directors of Staff's data requests relative  
88 to the schedule by which these vehicles would be purchased. In response, the  
89 Board of Directors, on November 2, 2007 directed the Company's operating Staff  
90 to in fact order and purchase the vehicles proposed in the Company's initial filing.  
91 They further directed the Company's operating staff that all of these vehicles be  
92 ordered and paid for such that the Company would expend funds for these

93 vehicles prior to May 4, 2008. This action by the Company's Board of Directors is  
94 intended to support the Company's claim that these vehicles will be purchased.  
95 This action by the Board is included in its minutes of the November 2<sup>nd</sup> meeting.  
96 I have attached as Exhibit 2.0 SR a copy of the pertinent language from the  
97 Board of Directors meeting minutes. This action may be seen as being in  
98 conflict with previous statements regarding the lack of funds to make these  
99 purchases. The Board took into consideration the impact of losing this cost  
100 recovery in the rate case revenue requirement and now intends to use capital  
101 funds from the 2007 loan to purchase these vehicles early in 2008, even though  
102 current income at that time might not otherwise allow such expenditures. As of  
103 this writing, the Company has issued purchase orders for each of the five  
104 vehicles. The two bucket trucks will be purchased in early 2008, but prior to May  
105 2008. The remaining trucks will be purchased prior to the end of year 2007.

106

107 **Q. On pages 7 through 9 of her rebuttal testimony, Ms. Everson offers**  
108 **an “additional comment” regarding the Company’s ability to file for an**  
109 **increase in it’s rates during the mandatory rate freeze. Do you have any**  
110 **comments regarding her testimony and the Company’s ability to file for an**  
111 **increase during that period?**

112 A. Yes. I do not take issue with any of the earned income assertions made  
113 by Ms. Everson. She clearly shows that during 2003 through 2006 the Company  
114 could have met the hardship provisions of Section 16-111(d). The Company  
115 acted when it could and in what it felt were the best interests of itself and its rate

116 payers by avoiding the filing as long as possible. I do not understand the value  
117 of the ~~an~~ additional comment because it appears to have no purpose other than to  
118 criticize the Company for not filing for an increase in rates during the rate freeze  
119 period. What also strikes me as unfortunate about Ms. Everson's rebuttal  
120 testimony on this subject is her assertion, on page 8 and 9, that the Company  
121 could have also filed for an increase in its delivery service rates. This assertion  
122 makes it sound as though the Company could have benefited financially from  
123 filing for an increase in its delivery service rates. While Mt. Carmel has had  
124 delivery service rates in place as long as every Company in Illinois, none of the  
125 Company's customers have taken service under its delivery service rates. As a  
126 result, the Company receives no revenue from delivery service tariffs. Thus,  
127 expending the cost of a filing to increase delivery service rates during the  
128 transition period would have been an exercise in futility and further eroded  
129 earnings.

130

131 **Q. Ms. Everson, Mr. Ostrander and Mr. Rockrohr all make reference to**  
132 **83 ILL ADMIN CODE part 287 and why they believe it applies to the**  
133 **Company. Can you explain why you believe it does not?**

134

135 A. Yes. While I am not a lawyer, I will try to describe, as Staff has done,  
136 what I believe this portion of the code says.

137

138 Section 287.10 states:

139

140  
141 This part shall apply to all public utilities as defined in Section 3-105  
142 of the Public Utilities Act (Act) [220 ILCS 5/3-105] and to those  
143 telecommunications carriers as defined in Section 13-202 of the Act  
144 [220 ILCS 5/13-202] that are subject to the requirements of Section  
145 9-210 of the Act [220 ILCS 5/9-201] and 83 Ill Adm. Code 285. As  
146 used in this Part, "utility" shall mean both public utilities and those  
147 telecommunications carriers to which this Part is applicable.  
148

149  
150 I read this to state that Part 287 is applicable to "all public utilities as defined  
151 in Section 3-105 of the Public Utilities Act (Act) [220 ILCS 5/3-105] and to those  
152 telecommunications carriers as defined in Section 13-202 of the Act [220 ILCS  
153 5/13-202] that are subject to the requirements of Section 9-120 of the Act [220  
154 ILCS 5/9-201])... **AND** 83 Ill Adm. Code 285. (parentheses and emphasis  
155 added) I assume that this means that part 287 is applicable to utilities and  
156 telecommunications carriers who are also subject to part 285. The Company is  
157 not subject to the requirements of 83 Ill Adm. Code 285. That is the basis under  
158 which the Company structured its filing. Prior to the most recent change in this  
159 portion of the Ill Admin Code, parts 286 and 287 did not exist. The portions of  
160 parts 286 and 287 that existed previously were a portion of Part 285. The  
161 Company assumed its interpretation to be correct because it makes sense that if  
162 a company were exempt from one part of the filing requirements, it followed that  
163 it would be exempt from all portions of the filing requirements. Portions of Ms.  
164 Everson's testimony state that the company intentionally picks and chooses  
165 when it follows the filing requirements. This may be true, but I regret that we  
166 have given Staff the impression that this was done in a disingenuous manner. I  
167 would refer Ms. Everson to my direct testimony, MCPU 1.0, page 2. I clearly

168 state there that the Company believes it is exempt from the filing requirements. I  
169 further state, at lines 10 through 14, the following:

170

171                   %However, in order to make review by Staff more efficient and  
172                   expedient, the company has attempted in most ways to structure  
173                   its filing in line with the filing requirements. The filing is contained  
174                   in two document volumes. The first volume contains the  
175                   Company's filing schedules. The second Volume contains  
176                   testimony and cost studies not in the form of filing schedules. %  
177

178 While the Company is, as stated by Ms. Everson, essentially picking and  
179 choosing from the filing requirements, it did so in an effort to structure its filing so  
180 it was similar to one subject to the filing requirements, for ease of reference and  
181 review by Staff. While the term %pro-forma+adjustment is a %term of art+  
182 specifically related to the requirements of part 287, the term was used by the  
183 Company because those dealing with the filing would understand its intent. The  
184 Company regrets any confusion this has caused.

185 Applicability of part 287 aside, the Company is willing to abide by the parameters  
186 required in this case by Mr. Ostrander and Ms. Everson with respect to how  
187 certain costs may be allowed as part of the Company's revenue requirement. As  
188 a showing of that intent, as stated earlier and below, the Company's Board of  
189 Directors has required Company staff to in fact take action with respect to  
190 personnel additions, vehicle purchases, and the Oak Street project so that this  
191 requirement will be met and the Commission will have reasonable assurance that  
192 these costs will be incurred within the twelve month period prescribed.

193

194 **Rebuttal Testimony of Greg Rockrohr**

195 **Q. Mr. Rockrohr, in his rebuttal testimony on pages 9 and 10,**  
196 **recommends that the Oak Street Project be disallowed from rate base if it is**  
197 **not completed within 12 months of the filing date. Do you have any**  
198 **additional information regarding that project?**

199 A. Yes. Mr. Rockrohr issued several data requests related to the Oak Street  
200 project. I informed the Company's Board about these issues. At their November  
201 2, 2007 meeting, the Board also issued formal direction to the Company's  
202 operating staff that they should take all necessary action to complete the Oak  
203 Street project as soon as possible, and prior to May 4, 2007. The Board of  
204 Directors had previously instructed the Company's operating staff to complete  
205 this project in said timeframe, but had not included such formal direction in its  
206 minutes. As a result, the Board resolution at its November meeting is formal  
207 direction as to when it must be completed.

208

209 **Public Notice**

210 **Q. Did the Company publish notice of its original filing in this**  
211 **proceeding in newspapers of general circulation in its service area, and**  
212 **during the time period required?**

213 A. Yes. I have attached as MCPU Exhibit 3.0 SR a copy of the certificates of  
214 publication provided by each newspaper and a copy of the notice posted in the  
215 offices of the Company.

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