

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission :
On Its Own Motion :
-vs- :
Mt. Carmel Public Utility Company : **10-0681**
: :
Reconciliation of revenues :
collected under fuel adjustment :
charges with actual costs :
prudently incurred. :

DRAFT ORDER

By the Commission:

The Illinois Commerce Commission ("Commission") entered an Order commencing the instant purchased fuel adjustment clause ("FAC") reconciliation proceeding versus Mt. Carmel Public Utility Company ("Mt. Carmel"), in accordance with the requirements of Section 9-220 of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq.

Pursuant to due notice, hearings were held in this matter before a duly authorized administrative law judge of the Commission at its offices in Springfield, Illinois. Appearances were entered by counsel for Mt. Carmel and by counsel for the Illinois Commerce Commission Staff ("Staff"). Evidence was presented by Mt. Carmel and Staff, and at the conclusion of the hearings, the record was marked "Heard and Taken." Leave was given for late filed exhibits by Mt. Carmel of Mt. Carmel Exhibits 3.0 and 4.0, which were admitted into evidence.

Applicable Authority

Section 9-220 of the Act provides in part, "Notwithstanding the provisions of Section 9-201, the Commission may authorize an increase or decrease in rates and charges based upon changes in the cost of fuel used in the generation or production of electric power, [or] changes in the cost of purchase power . . . through the application of fuel adjustment clauses"

Section 9-220(a) also provides, "Annually, the Commission shall initiate public hearings to determine whether the clauses reflect actual costs of fuel, gas, power, or coal transportation purchased to determine whether such purchases were prudent, and to reconcile any amounts collected with the actual costs of fuel, power, gas, or coal transportation prudently purchased." In each such proceeding, the burden of proof shall

be upon the utility to establish the prudence of its cost of fuel, power, gas, or coal transportation purchases and costs.

Rules implementing Section 9-220 are contained in 83 Ill. Adm. Code 425, "Uniform Electric Fuel Adjustment." Under Section 425.20, "the fuel charge passed through the FAC is the total amount of allowable fuel and fuel related charges as identified herein." The formula for determining the fuel adjustment charge per kilowatt-hour is set forth in Section 425.30.

$$FAC = \frac{(CF + CPP - CNS) \times 100}{S} - BFC + Ra + Ro + D$$

FAC is the Fuel adjustment charge per KWH; CF is Allowable fuel cost associated with company-owned generating plants; CPP is Allowable energy cost associated with purchased power; CNS is Energy costs associated with sales not subject to FAC; S is Applicable estimated KWHs subject to FAC either to be billed or delivered during the period for which the FAC is being determined; BFC is Base fuel cost in cents/KWH; Ra is Automatic Reconciliation factor in cents/KWH; Ro is Ordered Reconciliation factor in cents/KWH; and D is Desulfurization fee in cents/KWH.

Rules regarding economic dispatch, billing periods, allowable fuel and fuel related charges, allowable energy charges associated with purchased power, base fuel costs, non-jurisdictional sales, and desulfurization costs are contained in Section 425.40.

The Order initiating the instant proceeding provided, in part:

Mt. Carmel . . . shall reconcile total revenue collected under the fuel adjustment charge . . . with total cost of fuel, power, and coal transportation, if applicable, under Section 9-220 as amended by Public Act 90-561. The reconciliation balance shall be the difference between (1) costs as recorded in the books and records, and (2) applicable revenues. As Mt. Carmel has a base cost in its FAC, the revenues shall include those revenues from base rate charges that recover fuel, power, and transportation costs includible in the FAC. Mt. Carmel shall also demonstrate that its fuel, power, and coal transportation, if applicable, purchased during the reconciliation period were prudently purchased.

Nature of Operations; Procurement Strategies; Reconciliation

Mt. Carmel is a combination electric and gas utility serving customers in the area of Wabash County and Lawrence County, Illinois. Mt. Carmel serves approximately 5,500 electric customers. Mt. Carmel has no generation facilities and purchases all electric power and energy under long term contract based on requests for proposals.

The electric power and energy is delivered to Mt. Carmel at electric substations owned by Ameren Illinois located in Albion and Lawrenceville, Illinois. The power and energy is then transported upon Mt. Carmel's transmission lines to its distribution system. Mt. Carmel's peak electric load for 2010 was 27.7 megawatts.

Mt. Carmel purchased all of its electric power requirements from Duke Energy Indiana ("Duke") from January 1, 2010, to May 31, 2010. From June 1, 2010, to December 31, 2010, Mt. Carmel purchased all of its electric power requirements from Ameren Energy Marketing ("AEM"). Staff witness Mr. Phillip Roy Buxton, Manager of the Engineering Department of the Energy Division, reviewed Mt. Carmel's filing and Mt. Carmel's responses to Staff data requests concerning the prudence of Mt. Carmel's power purchases during the 2010 reconciliation period. Mr. Buxton states that he found no reason to dispute Mt. Carmel's assertion that all electric power supply purchases were prudently incurred during the reconciliation period. Mr. Buxton further testified that he found no reason to dispute the prudence of Mt. Carmel's decision to enter into a new power purchase contract with Ameren Energy Marketing Company.

Regarding the reconciliation of FAC revenues and costs, Philip Barnhard IV, President of Mt. Carmel, sponsored exhibits which identify and reconcile the components of Mt. Carmel's 2010 fuel costs and recoveries. Exhibit E-2 shows the reconciliation of revenues and costs, including Mt. Carmel's requested ordered reconciliation factor.

Mt. Carmel also filed its responses to Staff's ENG Data Requests as Mt. Carmel Exhibit 3.0 to substantiate the prudence of its electric power purchases for the reconciliation period.

Staff witness Mr. Scott Tolsdorf, an Accountant with the Accounting Department of the Financial Analysis Division, reviewed Mt. Carmel's filing and the underlying documents that support the FAC reconciliation calculations. Mr. Tolsdorf recommends that the Commission approve the FAC reconciliation as presented by the Company in Mt. Carmel Ex. 1.0 (E-2) resulting in a Factor Ro under recovery balance of \$9,230. Mr. Tolsdorf recommends that the Commission direct Mt. Carmel to include this unrecovered fuel cost amount of \$9,230 in its fuel adjustment charge in its first monthly FAC filing following the date of the order in this docket.

Commission's Conclusions, Findings, and Ordering Paragraphs

Based on the evidence presented, the Commission finds that the 2010 FAC reconciliations for Mt. Carmel, as shown on Mt. Carmel Exhibit E-2 and in the Appendix attached hereto, appropriately reconcile the revenues collected by Mt. Carmel under its FAC for calendar year 2010 with the actual costs prudently incurred. This reconciliation is reasonable and should be approved.

The Commission notes that (\$25,349) from prior periods was refunded during the 2010 period as reflected in the attached Appendix, lines 1-3. The activity for the 2010 reconciliation period shows an under recovery in the amount of \$87,088 as reflected in the attached Appendix, lines 4-7. Thus, adding the balance refunded from prior periods to the 2010 under recovery results in an under recovered FAC reconciliation balance on December 31, 2010, of \$61,739. This balance combined with the Factor Ra balance of \$52,509, results in a Factor Ro in the amount of \$9,230, as reflected in the attached Appendix, lines 8-10.

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) Mt. Carmel is a corporation engaged in the distribution of electricity to the public in Illinois and, as such, is a public utility within the meaning of the Public Utilities Act;
- (2) the Commission has jurisdiction over Respondent and of the subject matter of this proceeding;
- (3) the statements of fact set forth in the prefatory portion of this Order are supported by the evidence of record and are hereby adopted as findings of fact;
- (4) the evidence shows that for the calendar year 2010 Reconciliation Period, Mt. Carmel acted prudently in its purchases reflected in its FAC reconciliation; and
- (5) the reconciliation of the revenues collected by Mt. Carmel under its FAC tariff for the calendar year 2010 with the actual costs prudently incurred for the purchases reflected in its FAC reconciliation, as shown in the Appendix hereto, should be approved.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the reconciliation of revenues collected by Mt. Carmel Public Utility Company under its FAC for calendar year 2010 with the actual costs prudently incurred, as shown in the Appendix hereto, is approved.

IT IS FURTHER ORDERED that Mt. Carmel shall include the under recovered Factor Ro amount of \$9,230 in its first monthly FAC filing following the date of this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this _____ day of _____, 2011.

(SIGNED) DOUG SCOTT

Chairman