

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.	:	

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 respective counsel for Mt. Carmel and the Commission ("Staff"). Evidence was presented by Mt. Carmel and Staff, and at the conclusion of the hearings, the record was marked "Heard and Taken." A Proposed Order was issued by the Administrative Law Judge. No brief on exceptions ("BOE") was filed by Mt. Carmel. Staff filed a BOE in which two minor edits were proposed. Minor language changes in the order have been made in response to Staff's BOE.

Applicable Authority

Section 9-220(a) of the Act provides in part, "Notwithstanding the provisions of Section 9-201, the Commission may authorize the increase or decrease of rates and charges based upon changes in the cost of fuel used in the generation or production of electric power, changes in the cost of purchased power, or changes in the cost of purchased gas through the application of fuel adjustment clauses or purchased gas 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:

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

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 various communities in Wabash and Lawrence Counties in Illinois. Mt. Carmel serves approximately 5,490 electric customers. Mt. Carmel has no generation facilities. In the reconciliation year, it purchased all electric power and energy requirements pursuant to multi-year contracts as discussed below.

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 27.737 megawatts ("MW"), occurring on August 4.

For the first five months of 2010, Mt. Carmel purchased all of its electric power and energy requirements from Duke Energy Indiana ("Duke") pursuant to a multi-year contract resulting from an RFP (request for proposals) process. That contract expired on 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") pursuant to a multi-year full requirements contract with that supplier. According to Mt. Carmel, the proposal submitted by AEM was the least-cost offer received in response to an RFP issued by Mt. Carmel in December of 2009. (Mt. Carmel Ex. 3.0 at 1.6, 1.11, 1.15, 1.32 and 1.48) An explanation of the RFP process was submitted. (*Id.* at 2.1 - 2d Supp.) Mt. Carmel states that neither Duke nor AEM are affiliates of Mt. Carmel.

Forecasting methods used during the reconciliation period were described by Mt. Carmel. (*Id.* at 1.3 and 1.5) Mt. Carmel also provided a list of MISO (Midwest Independent Transmission System Operator) charges considered by Mt. Carmel to be allowable fuel charges under the FAC. (*Id.* at 1.45) Information regarding pricing was also submitted. (*Id.* at 3.1)

Staff witness Mr. Phillip Roy Buxton, Manager of the Engineering Department of the Energy Division, reviewed Mt. Carmel's filing and its responses to Staff data requests concerning the prudence of Mt. Carmel's power purchases during the 2010 reconciliation period. Certain of these responses were presented as Mt. Carmel Exhibit 3.0. Mr. Buxton found no reason to dispute Mt. Carmel's assertion that all electric power supply purchases were prudently incurred during the reconciliation period. Mr. Buxton also found no reason to dispute the prudence of Mt. Carmel's decision to enter into a new power purchase contract with AEM.

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.

For 2010, total FAC Recoverable Costs were \$5,682,081; FAC revenues were \$4,837,606; Base Fuel cost revenues were \$757,387. The resulting under-recovery is \$87,088.

As reflected in the attached Appendix, lines 1-3, \$25,349 from prior periods was refunded during the 2010 period. Adding this amount 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.

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 2010 FAC reconciliations for Mt. Carmel, as shown in Mt. Carmel Exhibit E-2 and in the Appendix 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. 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.

With regard to purchases in reconciliation periods subsequent to 2010, the prudence of costs incurred under the contract with AEM is an issue not reached in this Order and no presumptions are created with respect thereto.

The Commission, having considered the entire record, is of the opinion and finds that:

- (1) Mt. Carmel is a corporation engaged, among other things, in the distribution of electricity to the public in portions of the State of Illinois and is a public utility within the meaning of the Public Utilities Act;
- (2) the Commission has jurisdiction over the parties and the subject matter of this proceeding;
- (3) the statements of fact set forth in the prefatory portion of this Order are supported by the 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;

- (5) the reconciliation of the revenues collected by Mt. Carmel under its FAC for 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 that the reconciliation of the revenues collected by Mt. Carmel Public Utility Company under its FAC for calendar year 2010 with the actual costs prudently incurred, as shown in Mt. Carmel Exhibit E-2 and 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 22nd day of November, 2011.

(SIGNED) DOUGLAS P. SCOTT

Chairman