

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

MT. CARMEL PUBLIC UTILITY CO.)	
)	
Petition for an Order of the Commission)	11-0738
Authorizing issuance of Notes under)	
220 ILCS 5/6-102.)	

DRAFT ORDER

By the Commission:

On November 22, 2011, Mt. Carmel Public Utility Co. (“Mt. Carmel” or “Petitioner”) filed with the Illinois Commerce Commission (“Commission”) a verified Petition, pursuant to Section 6-102(b) of the Public Utilities Act (“Act”), 220 ILCS 5/1-101 *et seq.* The Petition seeks all necessary authorizations for Mt. Carmel to issue multiple notes in the total principal amount not to exceed \$8,000,000, and for the execution of documents securing property in connection therewith.

Staff filed an Answer to Mt. Carmel’s Petition, with certain recommendations and changes, in which it recommends approval of the authorization sought in the Petition subject to said changes. Mt. Carmel filed a Response adopting Staff’s recommendations and changes. No issues were contested. The parties stipulated to the admission into evidence without trial of Mt. Carmel Ex. 1.0, sponsored by Mr. Dan E. Long.

MT. CARMEL’S FILING

Petitioner is an Illinois corporation that provides electric and natural gas service to the public in Mt. Carmel, Illinois, and portions of the surrounding area in Wabash County and Lawrence County, Illinois. In Docket 07-0225, Petitioner obtained authorization from the Commission to consolidate debt and issue a note up to \$8,000,000 to Old National Bank of Evansville, Indiana (hereinafter “Old National Bank”). Said note was to bear ICC Identification No. 6444. Said note required no principal payments and carries a balance of \$8,000,000. Interest was a floating rate linked to LIBOR.

Mt. Carmel states that it negotiated with Old National Bank for restructuring of current debt. The terms of the negotiated loan are as follows:

- a. The first instrument proposed is a \$2 million principal and interest loan with a term of 7 years, at a fixed interest rate of 4.50%. This \$2 million dollar loan is amortized over a 10 year period. At the end of the 7 year term, this results in a single balloon payment of principal and interest to fully retire the debt.

At the stated interest rate, the monthly cost of this debt is approximately \$20,825. The 7 year term of this loan drives the number and term of each of the other loans described below in order to establish \$8 million issued debt for the 7 year period proposed.

b. The second instrument is for \$1.5 million. The terms of this loan are identical to those of the current \$8 million interest only loan the Company proposes to retire. This loan would have a term of 7 years, at the LIBOR rate described earlier. This rate is currently estimated to be 1.7433%. At this rate, the monthly cost is approximately \$2,179.

c. The third instrument is an interest only loan for \$1.5 million dollars for an initial term of 5 years. This loan would have a fixed interest rate of 4.25% annually. The Company also proposes that, prior to the termination of this loan, it would negotiate a 2 year extension or replacement to carry the \$1.5 million in principal through the 7 year period described above.

d. The fourth instrument is an interest only loan for \$1.5 million for an initial term of 3 years. The initial term of this loan would carry a fixed interest rate of 3.70% annually. The Company also proposes that, prior to the expiration of this loan, it would negotiate an extension of 2 years, and sequentially again 2 years later negotiate another 2 year extension, all in order to cover the 7 year period described above.

e. The fifth instrument proposed is a single year line of credit in the amount of \$1.5 million. This interest only loan would carry an interest rate described as the Wall Street Journal Prime Interest Rate (most recently 3.25%) minus 0.55%. This effective rate is currently 2.70%. The Company proposes to replace this line of credit each year with an identical amount at a rate based on the WSJ Prime, but to be negotiated prior to the expiration each year of the then current line of credit. This replacement process would continue so as to secure one year lines of credit for the 7 year period described above.

The above interest rates may change or fluctuate depending on the market conditions from the date of the quotes to the date of execution of the notes.

A Financing Statement and Security Agreement with mortgage of property will also be required. There is no affiliated interest between Mt. Carmel and Old National Bank.

Mt. Carmel asserts that this form of financing is the most efficient and practical for Mt. Carmel, because it is not large enough to use common utility financing such as bond issuances or additional stock issuances. Mr. Long also stated that the loan as proposed for the full \$8,000,000 would result in a capital structure of 47.24% long term debt to 52.76% common equity, which is within a traditional range for utilities similar to Mt. Carmel.

STAFF'S ANSWER

Mt. Carmel's proposal is subject to Section 6-101 of the Act, which requires the Commission to provide proper identification numbers on the proposed indebtedness when it is issued.

Mt. Carmel's proposal also is subject to Section 6-102(a) of the Act, which requires Commission authorization prior to issuing indebtedness for a term over twelve months. Only \$6,500,000 of the proposed loan is subject to this provision as \$1,500,000 is proposed in the form of a line of credit with a one year time period.

Section 6-102(a) of the Act also requires an assessment of the amount and purpose of the financing. Staff states that, based upon its review, the proceeds of the borrowing are reasonably required to finance utility assets and to refinance existing indebtedness.

Staff stated that the line of credit set forth in paragraph 6(e) of Mt. Carmel's Petition is not subject to loan approval by the Commission until such time as Mt. Carmel has maintained a balance under that line of credit for an aggregate period longer than two years.

Staff further recommended that paragraphs 6(c) and (d) of Mt. Carmel's Petition not be approved in the manner set forth in Mt. Carmel's Petition. Staff stated that the facts and circumstances pertinent to the Commission's decision may change prior to the maturity date of these instruments, and giving Mt. Carmel approval now to negotiate rates in the future upon said maturity dates without later review was not therefore recommended. Staff recommend the.....

Staff further states that Petitioner's proposal is subject to Section 6-108, including the proceeds Mt. Carmel contemplates using for the purposes of retiring existing indebtedness. However, because that indebtedness remains outstanding with prior Commission consent, Petitioner shall not be required to pay any fees as no new money is being borrowed, only the refinance of previously approved debt.

Staff also notes that the proposal is subject to 83 Ill. Adm. Code 240 ("Reports of Issuance and Sale or Disposal of Securities and the Application of Proceeds (General Order 129)") (hereinafter "Part 240"). Part 240 requires Petitioner to file reports relative to the issuance and sale of the mortgage bonds and the application of the proceeds, unless otherwise ordered.

MT. CARMEL'S REPLY

Mt. Carmel in its Reply adopted the changes and recommendations of Staff. Specifically that the \$1,500,000 line of credit proposed in paragraph 6(e) of its Petition

did not need Commission approval, and that paragraphs 6(c) and (d) of Mt. Carmel's Petition should not allow for automatic extensions or replacement of the notes set forth therein without further review and approval by the Commission.

COMMISSION CONCLUSION

The Commission concludes that the proposed debt restructuring from Old National Bank is reasonable. The proceeds should be used to retire existing term debt, and the balance of the funds should be used for financing utility assets and operations. The new indebtedness is not contrary to the public interest, and will not adversely affect the financial condition of Mt. Carmel. Old National Bank is not an affiliated interest of Mt. Carmel. The terms of the loan as agreed to by Staff and Mt. Carmel should be approved.

The promissory notes shall contain on their faces Identification Numbers _____, _____, and _____. No fee pursuant to 220 ILCS 5/6-108 is required to be paid to the Commission.

After execution of the promissory notes and upon the transfer of the borrowed funds, Mt. Carmel shall file a first and final report with the Commission pursuant to 83 Ill. Adm. Code Part 240. The report shall state that the funds have been received, that the current indebtedness has been paid, and that the remaining balance of the funds have been put into the corporate capital structure for financing utility plant and operations.

FINDINGS AND ORDERING PARAGRAPHS

Having considered the record and being full advised in the premises, the Commission is of the opinion and finds that:

1. Mt. Carmel Public Utility Co. is an Illinois corporation engaged in the transmission and distribution of electricity and in the distribution of natural gas to the public in Illinois, and therefore is a public utility as defined in the Public Utilities Act;
2. the Commission has jurisdiction over Mt. Carmel Public Utility Co. and of the subject matter of this proceeding;
3. the recitals 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. Old National Bank is not an affiliated interest of Petitioner;
5. the proceeds from the issuance of the notes are reasonably required to retire long term debt and to finance utility assets and operations;

6. approval should be granted to Petitioner for the issuance of notes to Old National Bank, in an aggregate principal amount not to exceed \$6,500,00, and for the execution of documents necessary therewith for old National Bank to perfect and secure its loan.

IT IS THEREFORE ORDERED that approval is granted to Mt. Carmel Public Utility Co. to issue notes to Old National Bank in the principal aggregate amount not to exceed \$6,500,000, and to execute other necessary documents in connection therewith for Old National Bank to perfect and secure its loan, so long as the proceeds realized from the issuance of the notes are used only to retire debt and to finance utility plant and operations.

IT IS FURTHER ORDERED that Petitioner shall, before the issuance and delivery of the notes herein authorized, cause the following to be placed on the faces thereof;

ILLINOIS COMMERCE COMMISSION
Identification No. _____

ILLINOIS COMMERCE COMMISSION
Identification No. _____

ILLINOIS COMMERCE COMMISSION
Identification No. _____

IT IS FURTHER ORDERED that Mt. Carmel shall file a report as required by 83 Ill. Adm. Code 240 relative to the issuance and disposition of the notes and the application of the proceeds thereof as outlined above.

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 _____, 2012.

(SIGNED) DOUGLAS P. SCOTT

Chairman