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.	)	

REVISED 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. Along with its Petition, the Petitioner submitted Mt. Carmel Ex. 1.0, the Direct Testimony of Mr. Dan E. Long.

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.

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 Mt. Carmel 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. Mt. Carmel 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. Mt. Carmel 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%. Mt. Carmel 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

Staff stated that the line of credit described in paragraph (e) above 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.

Mt. Carmel's proposal, with respect to paragraphs (a) through (d) above, 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, with respect to paragraphs (a) through (d) above, is also subject to Section 6-102(a) of the Act, which requires Commission authorization prior to issuing such indebtedness. Thus, only $6,500,000 of the $8,000,000 total proposed loans 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 (see paragraph (e) above).

Section 6-102(a) of the Act also requires an assessment of the amount and purpose of the financing and a finding that the borrowings are reasonably required for the purposes specified.

Staff further stated that Petitioner's proposal, with respect to paragraphs (a) through (d) above, is subject to Section 6-108. However, as the proceeds from the issuance of that indebtedness are to be used solely for the purpose of refunding outstanding securities issued with the consent of the Commission, no fee is due.

Staff also noted 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.

Thus, Staff recommended that the Commission issue an Order, pursuant to Section 6-102(a) of the Act, identifying the applicable provisions of the Act and Administrative Code and authorizing the transactions described in Mt. Carmel's Petition with respect to the indebtedness described in paragraphs (a) through (d) above, for the sole purpose of refunding, redeeming, or refinancing outstanding issues of notes or other evidences of indebtedness issued with the consent of the Commission.

Staff also recommended that the Commission should not approve of the proposed $1,500,000, one-year line of credit described in paragraph (e) above, as that transaction does not require Commission approval.

Staff further recommended that the contemplated future extensions of the indebtedness described in paragraphs (c) through (e) above not be approved at this time, as the facts and circumstances pertinent to the Commission's decision may change prior to the maturity date of those instruments.

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 (e) above did not need Commission approval, and that approval of the indebtedness described in paragraphs (c) and (d) above 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 from the indebtedness proposed in paragraphs (a) through (d) above should be used to retire existing term debt. 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 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 described in paragraphs (a) through (d) above and upon the transfer of the borrowed funds, Mt. Carmel shall file a report(s) with the Commission pursuant to 83 Ill. Adm. Code Part 240. The report(s) shall state that the funds have been received and that the proceeds from those notes were used to repay Mt. Carmel's current indebtedness.

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 described in paragraphs (a) through (d) above are reasonably required to retire long term debt;

6. approval should be granted to Petitioner for the issuance of notes to Old National Bank, in an aggregate principal amount not to exceed $6,500,000, as described in paragraphs (a) through (d) above, 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, as described in paragraphs (a) through (d) above, 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.

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
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ILLINOIS COMMERCE COMMISSION
Identification No. _________

IT IS FURTHER ORDERED that Mt. Carmel shall file a report(s) 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