

DIRECT TESTIMONY

of

SCOTT TOLSDORF  
Accountant

Accounting Department  
Financial Analysis Division  
Illinois Commerce Commission

Reconciliation of Revenues Collected Under  
Fuel Adjustment Charges With Actual  
Costs Prudently Incurred

Mt. Carmel Public Utility Company

Docket No. 12-0649

August 22, 2013

1 **Witness Identification**

2 **Q. Please state your name and business address.**

3 A. My name is Scott Tolsdorf. My business address is 527 East Capitol  
4 Avenue, Springfield, Illinois 62701.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am currently employed as an Accountant in the Accounting Department  
7 of the Financial Analysis Division of the Illinois Commerce Commission  
8 (“ICC” or “Commission”).

9 **Q. Please describe your professional background and affiliations.**

10 A. I received a Bachelors of Science in Liberal Studies from Excelsior  
11 College in Albany, New York, and am nearing completion of a Master’s  
12 degree in Accounting from the University of Illinois-Springfield. I am a  
13 Certified Public Accountant and joined the staff of the Commission  
14 (“Staff”) in February 2010. Prior to the Commission, I was employed for  
15 four years as a staff accountant for a public accounting firm, and nine  
16 years in the U.S. Navy as an operator and instructor in the Naval Nuclear  
17 Power Program.

18 **Q. Have you previously testified before any regulatory bodies?**

19 A. Yes, I have testified on several occasions before the Commission.

20 **Q. What is the purpose of your testimony in this proceeding?**

21 A. The purpose of my testimony is to report the results of my review of Mt.  
22 Carmel Public Utility Company’s (“Mt. Carmel” or “Company”) Fuel  
23 Adjustment Charges (“FAC”) Reconciliation as presented by their witness

24 Margaret E. Felts, in Mt. Carmel Exhibit 1.0 (E-2), and the underlying  
25 documents which support the calculations.

26

27 **Schedule Identification**

28 **Q. Are you sponsoring any schedules with your testimony?**

29 A. Yes. I prepared the following schedules relating to the Company, which  
30 show data as of, or for the 2012 reconciliation period:

31 Schedule 1.1 Mt. Carmel Public Utility Company  
32 FAC Reconciliation - Electric Energy Charge

33

34 Schedule 1.2 Mt. Carmel Public Utility Company  
35 Adjustment to Recoverable Costs

36

37 **Results of the Review**

38 **Q. Do you recommend any adjustments to Mt. Carmel's FAC**  
39 **reconciliation as a result of your review?**

40 A. Yes. I recommend that the Company's 2012 FAC Recoverable Costs be  
41 reduced by \$5,431. In the Company's response to the annual year end  
42 data requests EL 3a and EL3b, the Company provided a spreadsheet in  
43 support of the annual fuel costs for the year by month. The spreadsheet  
44 contained some data entry errors. My adjustment simply corrects for  
45 those data entry errors.

46

47 **Factor Ro**

48 **Q. Does the reconciliation result in an Ordered Reconciliation Factor**  
49 **(Ro)?**

50 A. Yes. The reconciliation results in a factor Ro to be recovered by the  
51 Company in the amount of \$28,865. This factor Ro is comprised of my  
52 proposed adjustment to reduce recoverable costs by \$5,431 discussed  
53 above and the Company's requested factor Ro of \$34,296.

54 **Q. Please explain the reason for the Company's requested factor Ro.**

55 A. In March 2013, the Company's President, Margaret Felts, contacted staff  
56 concerning the calculation of the fuel costs associated with sales not  
57 subject to FAC (CNS). Specifically, the Average CNS Energy Cost has  
58 been calculated incorrectly by the Company for 2012. Per the Company's  
59 tariff, Rider B, and in compliance with the Illinois Administrative Code,  
60 Section 425, the costs associated with sales not subject to FAC are to be  
61 considered average fuel costs during the period for which the FAC is  
62 being determined. The Administrative Code provides a fraction  
63 calculation for these average fuel costs.<sup>1</sup> The numerator of this fraction is  
64 based upon the total energy cost. The Company, however, had been  
65 incorrectly calculating this fraction with a numerator based upon revenues  
66 and not costs. The result is that the Company has been over-charging for  
67 the non-recoverable sales thereby incorrectly reducing the net recoverable  
68 costs. Ms. Felts has recalculated the net recoverable costs for 2012

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<sup>1</sup>83 Ill. Adm. Code 425.40(i)

69 based upon the correct Average CNS Energy Costs used in determining  
70 the costs associated with sales not subject to the FAC. Staff has  
71 performed these same re-calculations and is in agreement with the  
72 Company's methodology for determining the Average CNS Energy Cost.

73

74 **Summary**

75 **Q. Do you have any recommendations?**

76 A. I recommend that the Commission approve the FAC reconciliation as  
77 presented on ICC Staff Exhibit 1.0, Schedule 1.1. The reconciliation  
78 reflects \$6,122,957 in 2012 Total FAC Recoverable Costs and \$6,027,275  
79 in 2012 Total FAC and Base Fuel Cost Revenues, resulting in a \$95,682  
80 under-recovery of fuel costs for the 2012 reconciliation year.

81 The under-recovery of \$95,682, when combined with the under-recovery  
82 balance from prior periods of \$56,463, results in a \$152,145 under-  
83 recovered balance at December 31, 2012.

84 That amount combined with the Factor Ra of \$123,280 results in a Factor  
85 Ro of \$28,865. Therefore, I recommend that the Commission direct Mt.  
86 Carmel to include the under-recovered amount of \$28,865 through the  
87 fuel adjustment charge in its first monthly FAC filing following the date of  
88 the Order in this docket.

89 I further recommend that Staff's FAC reconciliation presented on Exhibit  
90 1.0 be attached as an Appendix to the Final Order in this proceeding.

91

92 **Conclusion**

93 **Q. Does this question end your prepared direct testimony?**

94 **A. Yes.**

MT CARMEL PUBLIC UTILITY CO  
 FAC Reconciliation - Electric Energy Charge  
 For the Year Ended December 31, 2012

<u>Line No</u>		<u>Per Company</u>	<u>Staff</u> <u>Adjustment</u>	<u>Per Staff</u>
		(a)	(b)	(c)
1	Balance of Factor Ra at 12/31/2011	\$ 47,233	\$ -	\$ 47,233
2	Ordered Reconciliation Factor (Factor Ro) to be Collected/(Refunded) from prior periods	9,230	-	9,230
3	Balance to be Collected/(Refunded) from prior periods (sum of Lines 1-2)	<u>\$ 56,463</u>	<u>\$ -</u>	<u>\$ 56,463</u>
4	2012 FAC Recoverable Costs	6,128,388	(5,431)	6,122,957
5	2012 FAC Revenues	(5,296,852)	-	(5,296,852)
6	2012 Base Fuel cost Revenues	(730,423)	-	(730,423)
7	2012 (Over)/Under Recovery	<u>\$ 101,113</u>	<u>(5,431)</u>	<u>\$ 95,682</u>
8	FAC Rec Balance @ Dec 31, 2012 (line 3 + line 7)	157,576	(5,431)	152,145
9	Less: Balance of Automatic Reconciliation (Factor Ra) at December 31, 2012	<u>123,280</u>	<u>-</u>	<u>123,280</u>
10	Requested Factor Ro (Line 8-Line 9) Collected/(Refunded)	<u><u>\$ 34,296</u></u>	<u><u>\$ (5,431)</u></u>	<u><u>\$ 28,865</u></u>

Sources:

Per Company: Mt Carmel Exhibit 1.0, E-2  
 Staff Adjustment: ICC Staff Exhibit 1.0, Sch. 1.2, Page 1, Line 3  
 Per Staff: Column (a) + (b)

**MT CARMEL PUBLIC UTILITY CO**  
 Adjustment to Recoverable Costs  
 For the Year Ended December 31, 2012

Line No	Description (a)	Amount (b)	Source (c)
1	2012 FAC Recoverable Costs per Staff	\$ 6,122,957	Line 6
2	2012 FAC Recoverable Costs per Mt Carmel	<u>6,128,388</u>	Mt. Carmel Exhibit 1.0, E-2, Line 4
3	Staff Adjustment	<u>(5,431)</u>	Line 1 - Line 2
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4	Total Purchased Energy Costs	\$ 6,461,815	Mt. Carmel Year End DR Response EL-3(a)
5	Less: Energy Costs of Non-Recoverable Sales	<u>338,858</u>	ICC Staff Exhibit 1.0, Sch. 1.2, Page 2, Line 13
6	2012 FAC Recoverable Costs per Staff	<u>\$ 6,122,957</u>	Line 4 - Line 5

**MT CARMEL PUBLIC UTILITY CO**  
 Adjustment to Recoverable Costs  
 For the Year Ended December 31, 2012

<u>Line No</u>	<u>Month</u>	<u>Total Monthly Energy Cost</u>	<u>kWh Purchased</u>	<u>\$/kWh</u>	<u>Sales For Resale (kWh)</u>	<u>Sales Not Subject to FAC (kWh)</u>	<u>Sales Furnished w/o Charge (kWh)</u>	<u>Total Energy Costs Not Recoverable</u>	
	(a)	(b)	(c)	(d) (b)/(c)	(e)	(f)	(g)	(h) (d)*[(e)+(f)+(g)]	
1	January	\$505,410	9,622,587	\$ 0.0525	350,100	107,925	74,077	\$ 27,948	
2	February	468,301	8,501,469	0.0551	289,800	111,525	68,329	25,871	
3	March	412,541	7,837,333	0.0526	248,400	112,575	60,896	22,206	
4	April	386,969	7,219,924	0.0536	237,600	112,650	58,927	21,931	
5	May	545,560	9,216,260	0.0592	297,000	111,600	64,057	27,979	
6	June	644,967	10,303,152	0.0626	319,500	111,750	58,266	30,643	
7	July	812,315	13,105,286	0.0620	472,500	111,750	70,319	40,573	
8	August	667,104	10,694,859	0.0624	354,600	112,275	68,644	33,404	
9	September	511,052	8,233,196	0.0621	254,700	111,825	74,600	27,382	
10	October	476,078	7,645,900	0.0623	259,200	111,975	69,938	27,466	
11	November	491,623	8,074,018	0.0609	270,900	111,975	55,968	26,721	
12	December	539,895	8,975,205	0.0602	268,200	111,900	64,342	26,735	
13	Total 2012 Energy Costs Not Recoverable (Sum of Lines 1 through 12)							<u>\$</u>	<u>338,858</u>

Sources: Columns (a)(b)(c)(e)(f) taken from Mt. Carmel's monthly FAC filings with the Commission  
 Column (g) January - June; November - December taken from Mt. Carmel's monthly FAC filings with the Commission  
 Column (g) July - October taken from the Company's Year End Data Response EL 3a and EL 3b.