

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission :
On Its Own Motion :
-vs- :
Mt. Carmel Public Utility Company : **12-0657**
: :
Reconciliation of revenues :
collected under gas adjustment :
charges with actual costs :
prudently incurred. :

ORDER

By the Commission:

The Illinois Commerce Commission (“Commission”) entered an Order commencing the instant purchased gas adjustment (“PGA”) reconciliation proceeding, in accordance with the requirements of Section 9-220 of the Public Utilities Act (“Act”), 220 ILCS 5/1-101 et seq. That Order directed Mt. Carmel Public Utility Company (“Mt. Carmel”) to present evidence at a public hearing to “show the reconciliation of PGA revenues with the actual cost of such gas supplies obtained through purchases demonstrated by the [utility] to be prudent, and the measures taken to insulate the PGA from price volatility . . .” for the 12 months ended December 31, 2012 (the “reconciliation period” or “reconciliation year”).

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 members of the Safety and Reliability and Financial Analysis Divisions of 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.”

Applicable Authority

In accordance with Section 9-220 of the Public Utilities Act (“Act”), 220 ILCS 5/1-101 et seq., the Commission may authorize an increase or decrease in rates and charges based upon changes in the cost of purchased gas through the application of a purchased gas adjustment clause. Section 9-220(a) requires the Commission to initiate annual public hearings “to determine whether the clauses reflect actual costs of . . . gas . . . purchased to determine whether such purchases were prudent, and to reconcile any amounts collected with the actual cost of . . . gas . . . prudently purchased.” In each such proceeding, the burden of proof shall be upon the utility to establish the prudence of its applicable costs.

For gas purchases, the provisions of Section 9-220 are implemented in 83 Ill. Adm. Code Part 525, "Uniform Purchased Gas Adjustment Clause." Section 525.40 of Part 525 identifies gas costs which are recoverable through PGA. Adjustments to gas costs through the Adjustment Factor are addressed in Section 525.50. The gas charge formula is contained in Section 525.60. Annual reconciliation procedures are described in Section 525.70.

Gas Procurement Process

Mt. Carmel is a combination electric and gas utility based at Mt. Carmel, Illinois. The company provides gas service to approximately 3,518 customers, of whom 3,160 are residential customers, located in various communities in Wabash and Lawrence Counties in Illinois.

During the reconciliation year, the gas volume supplied for the actual peak day on January 13, 2012 was 3,310 dekatherms. (Mt. Carmel Ex. 3.0 at 1.3)

Pipeline capacity of 5,214 dekatherms/day maximum was available under a contract with Texas Eastern Transmission Co. (*Id.* at 1.28)

An explanation of the gas load forecasting methods used by Mt. Carmel to forecast daily, short-term, long-term, and peak demand load requirements for the reconciliation period was provided. (*Id.* at 1.17)

In 2012, the Company purchased all its gas supply from Atmos Energy Marketing ("AEM") pursuant to a full-requirements contract with AEM that commenced on April 1, 2011 and ended on March 31, 2013. (*Id.* at 1.3, 1.18, 1.20) That contract resulted from a Request for Proposal ("RFP") process in which six suppliers responded to the RFP with various pricing and service options. (*Id.* at 1.48)

Mr. Eric Lounsberry, who is a Supervisor with the Energy Engineering Program of the Commission's Safety and Reliability Division, testified that he reviewed Mt. Carmel's filings, as well as responses to numerous data requests concerning the prudence of its gas purchases during the reconciliation period. Using the Commission's criteria for determining prudence, Mr. Lounsberry found no reason to question the prudence of gas purchases made during the reconciliation period.

Reconciliation of PGA Revenues and Gas Costs

Ms. Margaret E. Felts, President of Mt. Carmel, sponsored Exhibit G-2 showing the reconciliation of revenues and commodity and non-commodity gas costs, including Mt. Carmel's requested ordered reconciliation factor.

Mr. Scott Tolsdorf of the Accounting Department of the Commission's Financial Analysis Division reviewed Mt. Carmel's reconciliation and the underlying documents provided in support of the calculations.

Mr. Tolsdorf proposed no adjustments to Mt. Carmel's proposed reconciliation schedules. He recommended that a Commodity Gas Charge Factor O over-recovery of \$834 be refunded through the gas charge in the first monthly PGA filing after the date of the order in this docket.

The PGA Reconciliation recommended by Staff is shown in Schedule 1.1 of Staff Exhibit 1.0. Schedule 1.1 differs from Mt. Carmel's filed reconciliation schedule only to the extent the Factor O amounts from prior periods are identified by the year in which they were ordered rather than netted together, which results in a more transparent presentation of the prior-period ordered adjustments.

Commission's Conclusions, Findings and Ordering Paragraphs

The Commission concludes that the 2012 PGA reconciliation for Mt. Carmel, as shown in Staff Exhibit 1.0, Schedule 1.1 and in the Appendix hereto, appropriately reconciles the revenues collected by Mt. Carmel under its PGA for calendar year 2012 with the actual costs prudently incurred for the purchase of gas supply.

Such reconciliations, which reflect recoverable PGA costs of \$1,226,197, actual PGA recoveries of \$1,122,621, and other appropriate calculations, are reasonable and should be approved. As recommended by Mr. Tolsdorf, a Factor O over-recovery of \$834 shall be refunded through the gas charge in the first monthly PGA filing after the date of this order.

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 natural gas 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 Mt. Carmel 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 2012 reconciliation period, Mt. Carmel acted prudently in its purchases of natural gas;
- (5) the reconciliation of the revenues collected by Mt. Carmel under its PGA for calendar year 2012 with the actual costs prudently incurred for the

purchase of gas supply, as shown in Staff Exhibit 1.0, Schedule 1.1 and in the Appendix hereto, should be approved.

IT IS THEREFORE ORDERED that the reconciliation of the revenues collected by Mt. Carmel under its PGA for calendar year 2012 with the actual costs prudently incurred for the purchase of gas supply, as shown in Staff Exhibit 1.0, Schedule 1.1 and in the Appendix hereto, is approved.

IT IS FURTHER ORDERED that Mt. Carmel shall refund the Factor O of \$834 in its first monthly PGA 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 5th day of February, 2014.

(SIGNED) DOUGLAS P. SCOTT

Chairman