

Illinois Commerce Commission Docket No. 00-0727 **OFFICIAL FILE**

Prepared Testimony of Philip Barnhard ILLINOIS C. DOCKET NO. 00-0727

Mt. Carmel Public Utility Co.

MCPU

Exhibit No. 1.0

Witness \_\_\_\_\_

Date 7-24-01

Reporter CB

My name is Philip Barnhard IV and my business address is 316 Market

Street, Mt. Carmel, Illinois 62863. I have been employed by Mt. Carmel Public Utility Co., (Company) for fifteen years. I have been President of the Company since July 1986 and I have been a Director since July 1986.

A citation Order of the Illinois Commerce Commission dated November 8, 2000 ordered Mt. Carmel Public Utility Co. to present evidence showing the reconciliation of Fuel Adjustment Clause revenues and actual prudent cost of fuel paid by the utility and authorized to be collected under the utility's provisions of the Fuel Adjustment Charge.

The period to be covered was the calendar year 2000.

This reconciliation has been made and my testimony is for the purpose of presenting it and other exhibits.

#### ELECTRIC

Exhibit E-1 is a copy of Company's Uniform Fuel Adjustment Clause on file with and approved by the Illinois Commerce Commission and in effect for the year 2000.

Exhibit E-2 is a summary of the Fuel Adjustment Reconciliation for 2000.

For the year 2000 we purchased all our power requirements from Ameren

Energy Company. For the year 2000 we have made monthly reports to the Illinois Commerce Commission under the Uniform Fuel Adjustment Clause with more detailed figures contained therein. The net reconciliation for the year 2000 shows us with an under recovery of \$37,112.25, which left an FAC Over Recovery balance of \$23,980.85 at December 31, 2000; an Ordered Reconciliation Factor of (\$33,912.58), issued 18 October 2000 in Docket 99-0471 was refunded in November 2000. No Ordered Reconciliation Factor (Factor 0) is requested.

We believe the above exhibits together with our monthly filings with the Commission are sufficiently clear to eliminate the need of detailing them at this time.

By the time of the hearings on this matter public notice will have been published twice in newspapers of general circulation in the cities and villages in which there are customers of the company who are affected by the filing. The first publication will have been within ten days following the date of the filing and the second publication will have been made during the week following. Notice will also have been posted in a prominent place in the office of the company. Beginning with the date of this filing copies of the same have been available to the public at the company's business office. We believe that all fuels were prudently purchased.

This concludes my testimony.

**Exhibit E-1**

**Fuel Adjustment Charge Rate Sheets**

Applies to Mt Carmel, Illinois

**RULES, REGULATIONS, AND CONDITIONS OF SERVICE****RIDER B****ELECTRIC FUEL ADJUSTMENT CLAUSE**

Applicable to all Rates Except Ill CC No 8,  
3rd Revised Sheet No 7 and 5th Revised  
sheet No 7.1, Ill C C No 8, 9th Revised  
Sheet No 11 and Ill CC No 8, 7th Revised  
Sheet No 12.

This rider is applicable to all kilowatt-hours (KWHs) of energy billed each month to customers served by the Company under the above designated rates and individual contracts on file with the Illinois Commerce Commission (Commission) where the charge for such energy is subject to adjustment for increases and decreases in the cost of fuel.

Costs passed through the FAC are required to represent estimates of actual costs to be incurred, with adjustment to actual costs as they become available. The fuel charge passed through the FAC is the total amount of allowable fuel and fuel related charges as identified herein.

The fuel adjustment clause shall be of the following form:

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

where:

**FAC** = Fuel adjustment charge per KWH. The amount in cents per KWH, rounded to the nearest 0.001¢, to be charged for each KWH billed during any monthly billing period, in excess of that amount included in Base Fuel Costs. The FAC is subject to refunds or increases due to over-collection or under collection, depending on the results of the automatic reconciliation factor (Ra) and the ordered reconciliation factor (Ro) as defined under "Administration".

**CF** = Allowable fuel cost associated with company owned generating plants. Fuel cost shall be interpreted in accordance with "Interpretation" to include all fossil and nuclear fuel to be consumed in the utility's own plants or in plants owned by wholly-owned subsidiaries of the utility and/or the utility's share of fossil and nuclear fuel to be consumed in jointly owned or leased plants during the period for which the FAC is being determined.

FILED  
APR 26 1996  
ILLINOIS COMMISSION

Filed pursuant to Commission Order in Docket 95-0418 and entered April 24, 1996.  
Issued April 26, 1996

Effective May 1, 1996

Issued by Philip Barnhard IV

President

316 Market Street, Mt Carmel, IL 62863

Applies to Mt Carmel, Illinois

**RULES, REGULATIONS, AND CONDITIONS OF SERVICE****RIDER B (continued)**

**CPP** = Allowable energy cost associated with purchased power. Purchased power shall be interpreted to include emergency, contract, and economy purchases. Except for power purchased for economy reasons, only the energy portion of the power to be purchased during the period for which the FAC is being determined is to be included. All other associated charges are specifically excluded. The demand charges for power to be purchased for economy reasons are allowable energy cost.

Under the provisions of the Commission Order entered in docket No 83-0275, Mt Carmel Public Utility Co is allowed to include in their computation of purchased power cost (CPP) the demand charges associated with such purchases.

**CNS** = Fuel costs associated with sales not subject to FAC. Non-jurisdictional sales, including sales for resale; interdepartmental sales; energy furnished without charge; and other sales not subject to FAC. Such fuel costs shall be assumed to be average fuel costs during the period for which the FAC is being determined except in the case of fuel costs associated with interchange power sales which shall represent the amounts recovered with respect to fuel in such sales, ordinarily the incremental cost of such fuel.

**S** = KWH subject to FAC estimated to be delivered to ultimate consumers, during the period for which the FAC is being determined, and represented in fuel costs recorded in the billing period.

**BFC** = Base Fuel Cost in cents/KWH. This base cost is equal to 0.760 cents/KWH.

**R<sub>a</sub>** = Automatic Reconciliation factor in cents/KWH.

**R<sub>o</sub>** = Ordered Reconciliation factor in cents/KWH.

**D** = Desulfurization fee in cents/KWH.

Applies to Mt Carmel, Illinois

**RULES, REGULATIONS, AND CONDITIONS OF SERVICE****RIDER B (continued)****A. INTERPRETATION**

1) **Economic dispatch.** Economic dispatch means the operation of the electric utility's system, utilizing the source of available power to achieve minimum overall costs, taking into consideration the utility's voltage, frequency, reliability, environmental, safety and service quality requirements, as well as the utility's existing contractual obligations. The utility shall adhere to the principles of economic dispatch unless under unusual circumstances the prudent operation of the utility's system dictates otherwise. If there is a deviation from economic dispatch or any use of less than 100% of the fuel cost of any resource in the dispatch, the deviation shall be fully explained in the initial monthly filing after the facts giving rise to such deviation first occur. Subsequent filings which continue to be affected by facts previously explained need not be accompanied by such explanation.

2) **Billing period.** The billing period is defined as the period beginning with the first billing cycle of the month for which the FAC is being determined and ending with the last billing cycle thereof.

3) **Allowable fuel and fuel-related charges (CF):**

The cost of fuel shall include the direct cost of fuel delivered at the generating plants. The direct fossil fuel costs are limited to costs entered into fuel expense Accounts #501 and # 547 which have been cleared upon consumption from Fuel Stock Account #151, or in the case of gas fuel the amount which is charged directly to accounts #501 or # 547. Costs cleared from Fuel Stock Accounts #152 and #153 are specifically excluded. The cost of fuel used in the generation or production of electric power shall not include transportation costs of coal (this exclusion includes items 2, 4, and 5 of Fuel Stock Account #151) except as otherwise provided in this subsection. Such costs of fuel shall, when requested by a utility or at the conclusion of the utility's next general electric rate proceeding, whichever shall first occur, include transportation costs of coal purchased under existing coal purchase contracts. For purposes of this subsection "existing coal purchase contracts" means contracts for the purchase of coal in effect on August 27, 1991, as such contracts may thereafter be amended, but only to the extent that any such amendment does not increase the aggregate quantity of coal to be purchased under such contract (Section 9-220 of the public Utilities Act ("Act") [220 ILCS 5/9-220]).

The cost of nuclear fuel shall be that as expensed in Account #518, including provisions for storage and disposal of spent fuel disposal fees, except that handling costs for nuclear fuel assemblies or any expense for fossil fuel which has already been included in the costs of fossil fuel, are specifically excluded.

The consumed fuel costs associated with test generation shall be included in allowable fuel and fuel related charges to the extent they are equal to or less than the average fuel costs of the utility's other units operated during the period for which the FAC is being determined. Average fuel costs equal total fuel costs of a utility's generating facilities less the cost of test generation, divided by total net generation less test generation.

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**RULES, REGULATIONS, AND CONDITIONS OF SERVICE****RIDER B (continued)****INTERPRETATION (continued)**

Where the cost of fuel includes fuel and/or transportation costs from company owned or controlled services (in whole or in part), that fact shall be noted and described as part of any filing.

With respect to the price of fuel purchases or transportation services from company or controlled sources pursuant to contracts which are not subject to regulatory authority, the utility company shall file such contracts and amendments thereto annually with the Commission.

Fuel or transportation charges by affiliated companies which do not appear to be reasonable may result in the suspension of the fuel adjustment clause or cause an investigation thereof to be made by the Commission on its own motion. Any suspension of the fuel adjustment clause may occur if, after a hearing, a finding is made that such charges of a utility are unreasonable.

The cost of fuel shall include the direct cost of purchasing or otherwise acquiring, for utility operations purposes, emission allowances, created under the Federal Clean Air Act Amendments of 1990 (Pub L 101-549) including the emission allowances allocated to the utility by the United States Environmental Protection Agency, limited to the following:

- i) The costs cleared from Account #158.1 - Allowance Inventory, and charged to Account #509 - Allowances, concurrent with the monthly emission of sulfur dioxide;
- ii) The gains cleared from Account #254 - Other Regulatory Liabilities, and credited to Account #411.8 - Gains from Disposition of allowances; and
- iii) The losses charged to Account #411.9 - Losses from Disposition of Allowances.

**4) Allowable Energy Costs Associated with Purchased Power (CPP).** Allowable Energy Costs Associated with Purchased Power (CPP) represents only the energy cost portion of emergency and contract purchase. It represents the energy and demand cost portions of economy purchases. Non-monetary exchanges of power are not included. Mt Carmel Public Utility Company is permitted to include in its computation of purchased power cost (CPP) the demand charges associated with such purchases.

**5) Base Fuel Cost (BFC).** The base fuel costs in cents per KWH rounded to the nearest 0.001¢ included in the energy charges of the utility's rates.

**6) Non-jurisdictional sales.** Fuel costs associated with sales to other privately owned electric utilities under interchange power agreements.

Applies to Mt Carmel, Illinois

**RULES, REGULATIONS, AND CONDITIONS OF SERVICE****RIDER B (continued)****INTERPRETATION (continued)**

7) **Desulfurization Cost.** Payment for professional services, licenses, etc for the implementation and operation of a process for the desulfurization of the flue gas when burning high sulfur coal at any location within the State of Illinois irrespective of the attainment status designation of such location, except for any fees or costs related to a service contract to the extent that recovery of comparable costs would not be permitted through the FAC if incurred directly by a utility owning and operating such a facility (Section 9-220 of the Act).. If fees are more than 10% of the estimated fuel cost for the month (CF + CPP - CNS) excluding the desulfurization fees, they shall be deferred (Account # 186, Miscellaneous Deferred Debits) and amortized at a rate which will permit the charge off of the deferred amount in the shortest time frame, while conforming to the 10% restraint.

**B. ADMINISTRATION**

1) **Reporting.** Utilities are to report monthly in a format designated by the Commission.

2) **Annual reconciliation.** In conjunction with a docketed reconciliation proceeding, the Company shall file with the Commission a statement showing the determination of the reconciliation balance for the reconciliation year. This annual reconciliation shall be accompanied by the opinion of the Company's outside public accountants on the reconciliation and verified by an officer of the Company.

3) **Ordered Reconciliation.** Costs and revenues associated with the clause shall be subject to an ordered reconciliation factor ( $R_o$ ) as required by the Commission.

4) **Automatic Reconciliation.** The automatic reconciliation factor ( $R_a$ ) will consist of the difference between actual allowable costs incurred and FAC recoveries for each month so identified in the second month prior to the billing month. This difference shall be divided by the KWHs subject to FAC estimated to be delivered to ultimate customers during the billing period.

REGISTERED

Filed pursuant to Commission Order in Docket 95-0418 and entered April 24, 1996.  
Issued April 26, 1996

Effective May 1, 1996

Issued by Philip Barnhard IV

President

316 Market Street, Mt Carmel, IL 62863

**Exhibit E-2**

**Fuel Adjustment Charge Reconciliation Schedule**

**MT CARMEL PUBLIC UTILITY CO - DOCKET NO 00-0727**

07-Apr-2001

FAC Reconciliation - Electric Energy Charge  
for the year ended December 31, 2000Line No

1	FAC Rec Balance at Dec 31, 1999	<u>(\$27,180.52)</u>
	Factor O to be Collected/(Refunded) During 2000	<u>(\$33,912.58)</u>
	Balance to be Collected/(Refunded) During 2000	(\$61,093.10)
2	2000 FAC Recoverable Costs	\$3,254,283.11
3	2000 FAC Revenues	(\$2,541,513.68)
4	2000 Base Fuel cost Revenues	(\$675,657.18)
5	(Over)/Under Recovery	\$37,112.25
6	FAC Rec Balance @ Dec 31, 2000	(\$23,980.85)
7	Ra Balance at Dec 31, 2000	<u>(\$23,980.85)</u>
8	Requested Orderd Rec Factor	\$0.00



## INDEPENDENT AUDITORS' REPORT

To Mt. Carmel Public Utility Co.:

We have audited the accompanying calculation of under (over) recoveries of the fuel adjustment clause (the "Calculation") of Mt. Carmel Public Utility Co. (the "Company") for the year ended December 31, 2000. This Calculation is the responsibility of the Company's management. Our responsibility is to express an opinion on this Calculation based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Calculation is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Calculation. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Calculation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Calculation was prepared to present the under (over) recovery of electric costs for the purpose of complying with the rules and regulations of the Illinois Commerce Commission and is not intended to be a complete presentation of the Company's electric revenues and costs.

In our opinion, such Calculation presents fairly, in all material respects, the under (over) recovery of electric costs of the Company for the year ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

*Deloitte + Touche LLP*

February 23, 2001

# MT. CARMEL PUBLIC UTILITY CO.

## CALCULATION OF UNDER (OVER) RECOVERIES OF THE FUEL ADJUSTMENT CLAUSE YEAR ENDED DECEMBER 31, 2000

	Fuel Adjustment Clause Revenues	Fuel Costs Collected Through Base Rates	Recoverable Purchased Power	Adjustment (1)	Monthly Under/ (Over) Recoveries of the Fuel Adjustment Clause	Cumulative Under/ (Over) Recoveries of the Fuel Adjustment Clause (As Reported)	Cumulative Under/ (Over) Recoveries of the Fuel Adjustment Clause (As Adjusted) (1)
Balance at January 1, 2000						\$ (27,180)	\$ (61,092)
January	\$ 223,394	\$ 61,783	\$ 251,614	\$ -	\$(33,563)	(60,743)	(92,702)
February	170,865	49,488	220,727		374	(60,369)	(90,152)
March	138,140	47,007	206,767		21,620	(38,749)	(66,535)
April	168,568	48,454	235,037		18,015	(20,734)	(46,719)
May	145,823	43,342	255,839		66,674	45,940	23,438
June	218,857	57,554	317,461	(11,410)	29,640	75,580	41,668
July	319,539	73,236	351,448		(41,327)	34,253	341
August	261,827	65,135	362,343		35,381	69,634	35,722
September	291,249	77,287	323,282		(45,254)	24,380	24,380
October	252,352	49,576	240,610	(33,912)	(95,230)	(70,850)	(70,850)
November	127,618	50,035	230,172		52,519	(18,331)	(18,331)
December	223,282	52,760	270,393		(5,649)	(23,980)	(23,980)
<b>TOTAL</b>	<b>\$2,541,514</b>	<b>\$675,657</b>	<b>\$3,265,693</b>	<b>\$(45,322)</b>	<b>\$ 3,200</b>		
Balance at December 31, 2000						<u>\$ (23,980)</u>	<u>\$ (23,980)</u>

(1) Pursuant to order #99-0471 issued by the Illinois Commerce Commission (the "ICC"), Mt. Carmel Public Utility Co. (the "Company") has adjusted the current year Fuel Adjustment Clause to refund over collections of fuel cost recoveries pertaining to "Schedule 1-Reconciliation of Fuel Adjustment Clause Revenues with Allowable Fuel Costs" and "Schedule 2-Staff Adjustment to Sales Not Subject to FAC". The \$11,410 adjustment has been calculated by the Company to correct over recoveries occurring during January 2000 to May 2000 and was included as an adjustment in the June 2000 filing. The adjustment for \$33,912, pertaining to 1999 over collections, has been included in the October 2000 filing as ordered by the ICC. The "as adjusted" cumulative under/(over) recoveries column reflects the fuel adjustment liability as if the original amounts were reported consistently with the adjusted treatment.