

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. 13-0685

August 18, 2014

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 2013 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 Revenues

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 2013 FAC Revenues be reduced
41 by \$290 and the Base Fuel Cost Revenues be increased by \$13.

42 **Q. Please explain your proposed adjustment to the FAC revenues.**

43 A. In January 2013 it was discovered by the Company that a customer was
44 inadvertently billed an additional 4,714 kWh due to an additional meter
45 installation downstream of the primary meter to measure the electricity at
46 another facility. The result was that the same 4,714 kWh was billed to two
47 different customers. To remedy the situation, the Company filed a second
48 revised filing for the month of March 2013 which appropriately reduced the

49 number of kWhs sold in the second prior month of January 2013.
50 However, this correction was not recognized by the Company's external
51 auditors when preparing the 2013 reconciliation statement Mt. Carmel
52 Exhibit 1.0, E-2. Staff and the Company's witness, Ms. Felts, have
53 discussed this situation and are in agreement that the Company's FAC
54 revenues for 2013 should be reduced by \$290.

55 **Q. Please explain your proposed adjustment to the base fuel cost**
56 **revenues.**

57 A. The adjustment to the base fuel cost revenues is simply a \$13 rounding
58 error made by the Company's external auditors when preparing the 2013
59 reconciliation statement Mt. Carmel Exhibit 1.0, E-2. Staff and the
60 Company's witness, Ms. Felts, have discussed this situation and are in
61 agreement that the Company's base fuel cost revenues for 2013 should
62 be increased by \$13.

63

64 **Factor Ro**

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

67 A. Yes. The reconciliation results in a factor Ro to be recovered by the
68 Company in the amount of \$2,002. This factor Ro is comprised of my
69 proposed adjustments to FAC revenues (\$290) and base fuel cost
70 revenues (-\$13) discussed above and the Company's requested factor Ro
71 of \$1,725.

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

73 A. In March 2013, the Company's President, Margaret Felts, contacted staff
74 concerning the calculation of the fuel costs associated with sales not
75 subject to FAC (CNS). Specifically, the Average CNS Energy Cost has
76 been calculated incorrectly by the Company for January and February
77 2013. Per the Company's tariff, Rider B, and in compliance with the 83 Ill.
78 Adm. Code 425, the costs associated with sales not subject to FAC are to
79 be considered average fuel costs during the period for which the FAC is
80 being determined. Subsection 425.40(i) provides a fraction calculation for
81 these average fuel costs.¹ The numerator of this fraction is based upon
82 the total energy cost. The Company, however, had been incorrectly
83 calculating this fraction with a numerator based upon revenues and not
84 costs. The result is that the Company had been over-charging for the
85 non-recoverable sales thereby incorrectly reducing the net recoverable
86 costs. Ms. Felts has recalculated the net recoverable costs for January
87 and February 2013 based upon the correct Average CNS Energy Costs
88 used in determining the costs associated with sales not subject to the
89 FAC. Staff has performed these same re-calculations and is in
90 agreement with the Company's methodology for determining the Average
91 CNS Energy Cost.

92

¹83 Ill. Adm. Code 425.40(i)

93 **Summary**

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

95 A. I recommend that the Commission approve the FAC reconciliation as
96 presented on ICC Staff Exhibit 1.0, Schedule 1.01. The reconciliation
97 reflects \$5,194,328 in 2013 Total FAC Recoverable Costs and \$5,236,721
98 in 2013 Total FAC and Base Fuel Cost Revenues, resulting in a \$42,393
99 over-recovery of fuel costs for the 2013 reconciliation year.

100 The over-recovery of \$42,393, when combined with the under-recovery
101 balance from prior periods of \$152,145, results in a \$109,752 under-
102 recovered balance at December 31, 2013. That amount combined with
103 the Factor Ra of \$78,885 and the Factor Ro from Docket No.12-0649 of
104 \$28,865 results in a Factor Ro of \$2,002 to be collected from customers
105 of Mt. Carmel. Therefore, I recommend that the Commission direct Mt.
106 Carmel to include the under-recovered amount of \$2,002 through the fuel
107 adjustment charge in its first monthly FAC filing following the date of the
108 Order in this docket.

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

112

113 **Conclusion**

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

115 A. Yes.

MT CARMEL PUBLIC UTILITY CO
 FAC Reconciliation - Electric Energy Charge
 For the Year Ended December 31, 2013

| <u>Line No</u> | <u>Per Company</u> | <u>Staff</u> <u>Adjustment</u> | <u>Per Staff</u> |
|----------------|--------------------|-----------------------------------|------------------|
| | (a) | (b) | (c) |
| 1 | \$ 123,280 | \$ - | \$ 123,280 |
| 2 | 28,865 | - | 28,865 |
| 3 | \$ 152,145 | \$ - | \$ 152,145 |
| 4 | 5,194,328 | - | 5,194,328 |
| 5 | (4,518,047) | 290 | (4,517,757) |
| 6 | (718,951) | (13) | (718,964) |
| 7 | \$ (42,670) | 277 | \$ (42,393) |
| 8 | 109,475 | 277 | 109,752 |
| 9 | 78,885 | - | 78,885 |
| 9a | 28,865 | | 28,865 |
| 10 | \$ 1,725 | \$ 277 | \$ 2,002 |

Sources:

Per Company: Mt Carmel Exhibit 1.0, E-2
 Staff Adjustment: ICC Staff Exhibit 1.0, Sch. 1.02
 Per Staff: Column (a) + (b)

MT CARMEL PUBLIC UTILITY CO
 Adjustment to Revenues
 For the Year Ended December 31, 2012

| Line No | Description (a) | Amount (b) | Source (c) |
|---------|--|--------------------|-------------------------------------|
| 1 | 2013 FAC Revenues per Staff | \$ (4,517,757) | Line 2 + Line 3 |
| 2 | 2013 FAC Revenues per Mt Carmel | <u>(4,518,047)</u> | Mt. Carmel Exhibit 1.0, E-2, Line 5 |
| 3 | Staff Adjustment | <u>290</u> | Staff Exhibit 1.0 Attachment A |
| <hr/> | | | |
| 4 | 2013 Base Fuel Cost Revenues per Staff | \$ (718,964) | Line 5 + Line 6 |
| 5 | 2013 Base Fuel Cost Revenues per Mt Carmel | <u>(718,951)</u> | Mt. Carmel Exhibit 1.0, E-2, Line 6 |
| 6 | Staff Adjustment | <u>\$ (13)</u> | Staff Exhibit 1.0 Attachment B |

Exhibit B(1)

EL 3

Memo: FAC Reconciliation File

Subject: Meter and Billing Error

The Meter Dept. notified the Billing Dept. in January, 2013 of a problem they discovered in the field with Acct. # 6537-026. There was a primary meter installation that was being billed to account 6537-026. During the month of November, an additional meter was installed downstream of that primary meter to measure the electricity at another facility, account 19938-003. The result was that the following kWh were billed to both customers:

December 11, 2012 2069 kWh

January 8, 2013 4714 kWh

The Billing Department processed a billing adjustment for the base rate charges and FAC charges to Account #6537-026:

| Date | kWh | Base Rate Adjustment | FAC Adjustment | Tax Adjustment |
|-----------|---------|----------------------|----------------|----------------|
| 1/22/2013 | (2,069) | (\$147.00) | (\$127.86) | (\$6.82) |
| 1/22/2013 | (4,714) | (\$334.93) | (\$290.62) | (\$15.26) |

*Used in Feb filing to set
MARCH
FAC*

The kWh and FAC Revenues for January are reflected in the February, 2013 filing for March FAC.

Following discussion with Scott Tolsdorf with the ICC, he recommended passing the December kWh and Revenues through the 2012 Reconciliation.

The meter error has since been corrected. In February, an additional adjustment was required and that correction will be noted in the March filing reflecting February revenues.

Schedule 08

| Rate Schedule | KWH SALES SUBJECT TO FAC & FAC RECOVERIES DURING THE MONTH OF | |
|-----------------------------|--|-----------------------------------|
| | JANUARY 2013 KWH Sales Subj to FAC | FAC Recoveries (\$) 0.06165 |
| General Residential | 2,645,909 | 163,120.23 |
| Residential Electric Heat | 691,315 | 42,619.66 |
| Residential Net Metering | 1,292 | 79.66 |
| Rural Electric | 1,192,340 | 73,507.79 |
| Rural Electric Heat | 395,567 | 24,386.66 |
| Rural Water Heating | 0 | 0.00 |
| Industrial | 2,570,661 | 158,481.31 |
| General Commercial | 1,139,341 | 70,240.22 |
| Commercial Net Metering | 2,720 | 167.69 |
| Commercial Heating | 32,274 | 1,989.70 |
| Sales to Public Authorities | 46,826 | 2,886.82 |
| TOTAL | 8,718,245 | 537,479.74 |

UNIFORM FUEL ADJUSTMENT CLAUSE
 SCHEDULE VI

ACTUAL JURISDICTIONAL KWH SALES AND FAC RECOVERIES
 IN THE 2nd PRIOR MONTH (JANUARY 2013)
 AS REPORTED FOR THE MONTH OF MARCH 2013

| JURISDICTIONAL SALES | ACTUAL 2nd PRIOR MONTH | | REFERENCE |
|---|---------------------------|------------|------------------|
| | KWH | AMOUNT | |
| (B) | (C) | (D) | (E) |
| 1 RESIDENTIAL | 4,926,423 | 303,714.00 | |
| 2 COMMERCIAL | 1,174,335 | 72,397.61 | |
| 3 INDUSTRIAL-FIRM | 2,570,661 | 158,481.31 | |
| 4 INDUSTRIAL-INTERRUPTIBLE | 0 | 0.00 | |
| 5 PUBLIC STREET LIGHTING | 0 | 0.00 | |
| 6 OTHER SALES TO PUBLIC AUTHORITIES | 46,826 | 2,886.82 | |
| 7 TOTAL ACTUAL REVENUE & KWH BILLED DURING JANUARY 2013 | 8,718,245 | 537,479.74 | SUM LINES 1..6 |
| 8 REVERSE PRIOR UNBILLED REVENUES & KWH (4) | 0 | 0.00 | |
| 9 PLUS CURRENT MONTH UNBILLED REVENUES & KWH | 0 | 0.00 | |
| 10 NET UNBILLED REVENUES & KWH FOR THE MONTH (4) | 0.00 | 0.00 | LINE 8 + LINE 9 |
| 11 TOTAL ACTUAL REVENUES & KWH FOR THE MONTH OF JANUARY 2013 | 8,718,245 | 537,479.74 | LINE 7 + LINE 10 |

(1). THE COMPANY SHALL ESTIMATE SALES AS "UNBILLED"
 OR "AS BILLED", WHICHEVER METHOD IS BOOKED

(2). CLASSIFICATION OF REVENUES CAN BE SHOWN AS
 COMPANY CLASSIFIES THEM

(3). ACCRUING AND REVERSING OF UNBILLED REVENUES
 CAN BE SHOWN SEPARATELY OR INCLUDED IN THE
 CLASSIFICATION

(4). UNBILLED REVENUES SHALL BE FOR ENERGY COSTS ONLY

04-30-2014 2013-01 MT CARMEL PUBLIC UTILITY CO.
 12:11:30 RATE AND REVENUE SUMMARY All Rates
 BL5042 CURRENT

| RATE CODE | CNSMRS BILLED | FNLS BILL | MIN BILLS | ENERGY | USAGE | PCA/PGA | FCA | # OF S/L | S/L USAGE | S/L CHG | TOTAL SALES | TOTAL USAGE |
|----------------------|---------------|-----------|-----------|----------------------|-------|---------|-----|----------|-----------|---------|-------------|-------------|
| BILLED | 5 | | | | 33625 | | | | | | | 33625 |
| ADJ/OTH | | | | | 33625 | | | | | | | 33625 |
| TOTAL | 5 | | | | | | | | | | | |
| 904 BILLED | 4 | | | MCPU DEMAND NON-BILL | | | | | | | | 20637 |
| ADJ/OTH | | | | 20637 | | | | | | | | 20637 |
| TOTAL | 4 | | | | 20637 | | | | | | | 20637 |
| 981 BILLED | | | | NONBILL 175w DD LT | | | | 20 | 1525 | | | 1525 |
| ADJ/OTH | | | | | | | | 20 | 1525 | | | 1525 |
| TOTAL | | | | | | | | | | | | |
| 982 BILLED | | | | NONBILL 400w DD LT | | | | 9 | 1350 | | | 1350 |
| ADJ/OTH | | | | | | | | 9 | 1350 | | | 1350 |
| TOTAL | | | | | | | | | | | | |
| REVENUE CLASS BILLED | TOTALS | 9 | | | 70169 | | | 29 | 2875 | | | 73044 |
| ADJ/OTH | | 16 | | | 70169 | | | 29 | 2875 | | | 73044 |
| TOTAL | | 16 | | | | | | | | | | |

| SERVICE BILLED | TOTALS | 1 | 217 | 638844.76 | 9160682 | 1289 | 114925 | 10674.38 | 1205906.40 | 9275607 |
|----------------|--------|------|-----|-----------|---------|-----------|--------|----------|------------|---------|
| ADJ/OTH | | 74 | | 319.38- | 1080- | 66.74- | 450- | 36.75- | 422.87- | 1530- |
| TOTAL | | 5490 | 74 | 638525.38 | 9159602 | 556320.52 | 114475 | 10637.63 | 1205483.53 | 9274077 |

Handwritten notes:
 Billing / meter corr < 4,714 >
 (Dee Drilling) < 70,169 >
 2) Co. v FRANCHISE < 366,300 >
 3) Village of Attendale < 877 >
 4) Net Metering < 877 >
 8,718,245 ✓
 AS Filed

Handwritten notes:
 556387.26 < 290.62 >
 66.74-
 556320.52
 18,550.16 >
 537,479.74 ✓
 AS filed



Responses to: Illinois Commerce Commission Engineering Department Year End Data Requests EL-3 to EL-6, GS-3 to GS-27, EG1- to EG-10 1.55
Docket #s 13-0685 and 13-0691

Person Preparing Responses:

Margaret E. Felts, President
MT. CARMEL PUBLIC UTILITY CO.
316 N. Market Street, P.O. Box 220 Mount Carmel, IL 62863
(618) 262-5151 mfelts@mtcpu.com

EL-3: For the costs included in the annual fuel adjustment charge (FAC) reconciliation, provide the following supporting documentation:

- a. A summary worksheet of fuel costs for the year, by month, which details the total costs by type;
- b. A worksheet reconciling fuel costs reported in Form 21 ILCC or FERC Form 1 with fuel costs included in the FAC annual reconciliation;
- c. A worksheet reconciling fuel costs included in the FAC annual reconciliation with the total of fuel costs reported on Schedule IV of monthly FAC filings relating to the reconciliation year;
- d. Documentation supporting the cost of nuclear fuel assemblies placed into service during the reconciliation year;
- e. Inventory records for the emission allowances recorded in Account 158.1 (including the number of allowances, the dollar amounts, and the weighted average costs) which detail the reconciliation year beginning balance, all transactions during the year (by date), and the reconciliation year ending balance; and
- f. Documents detailing any buy-out or buy-down costs, associated with the termination of fuel contracts, included in the reconciliation year fuel costs.

Use the documents listed above, and others as necessary, to perform the following tests of the FAC data:

1. Trace fuel costs from the annual reconciliation to the cost summary.

REVISED RESPONSE: The summary worksheet of fuel costs and the reconciliation to FERC Form1, pp 327 and 332 follows as Exhibit A. Revised Exhibit B contains an Xcel workbook with supporting schedules for Company responses to EL 3c. The revision was necessary to clear up information provided on a billing adjustment that occurred in January 2013. Also attached as Exhibit B(1) is a copy of the "Memo to the File" made in February, 2013 regarding the billing adjustment, along with a copy of the totals page from the BL0042 Revenue Report for January 2013, Schedule 8 and Schedule 6 from the March FAC 2nd Revised Filing, which reflect the adjustments and tie the numbers submitted to the Revenue Collected. (The portion of the adjustment attributable to December, 2012 was passed through the 2012 Reconciliation process.)



Responses to: Illinois Commerce Commission Engineering Department Year End Data Requests EL-3 to EL-6, GS-3 to GS-27, EG1- to EG-10 1.55
 Docket #s 13-0685 and 13-0691

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Also described is the discrepancy that occurred between the actual and the Kemper Reconciliation. Following a discussion with the auditor, they didn't pick up the adjustment to the FAC revenues in the amount of \$290, which is reflected on line 5 of the Reconciliation. They did adjust the kWh and believe the \$13 difference on line 6 to be a rounding issue.

| 2013 | Transmission | | | Power and Energy | Total Monthly Cost |
|-------------------------------|--------------------------|-----------------|---------------------|-------------------------|--------------------|
| EL-3(a) | MISO charged through AEM | Ameren Services | MISO Charges | Ameren Energy Marketing | |
| January | \$32,571.65 | \$50,053.07 | \$8,702.86 | \$ 523,957.70 | \$615,285.28 |
| February | \$28,409.87 | \$28,066.66 | \$5,711.78 | \$ 459,627.66 | \$521,815.97 |
| March | \$29,802.51 | \$26,276.83 | \$6,613.81 | \$ 481,268.45 | \$543,961.60 |
| April | \$24,768.64 | \$24,426.03 | \$7,189.38 | \$ 389,617.89 | \$446,001.94 |
| May | \$27,273.04 | \$50,898.32 | \$10,708.82 | \$ 423,677.54 | \$512,557.72 |
| June | \$ 1,345.71 | \$53,641.91 | \$13,006.49 | \$ 358,520.22 | \$426,514.33 |
| July | \$1,536.28 | \$35,757.62 | \$13,518.07 | \$ 398,833.10 | \$449,645.07 |
| August | \$1,206.86 | \$48,517.36 | \$10,816.83 | \$ 403,005.36 | \$463,546.41 |
| September | \$1,121.04 | \$36,629.70 | \$10,537.98 | \$ 352,090.47 | \$400,379.19 |
| October | \$1,747.03 | \$18,200.23 | \$5,877.80 | \$ 316,553.92 | \$342,378.98 |
| November | \$1,359.09 | (\$17,364.43) | \$6,753.52 | \$ 328,444.72 | \$319,192.90 |
| December | \$972.98 | \$46,797.71 | \$8,716.51 | \$ 385,620.83 | \$442,108.03 |
| Total by Vendor | \$152,114.70 | \$401,901.01 | \$108,153.85 | \$,0821,217.86 | \$5,483,387.42 |
| Total Transmission | | | \$662,169.56 | \$4,821,217.86 | \$5,483,387.42 |
| Total Purchased Power | | | | | |
| EL-3 (b) | | | | | |
| 2013 Ferc Form 1, p. 332 | | | \$ 662,170 | | |
| 2013 FERC Form 1 p. 327 (MWH) | | | | | 108,026 |
| 2013 Ferc Form 1, p. 327 | | | | \$ 4,821,218 | |



Responses to: Illinois Commerce Commission Engineering Department Year End Data Requests EL-3 to EL-6, GS-3 to GS-27, EG1- to EG-10 1.55
Docket #s 13-0685 and 13-0691

Person Preparing Responses:

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(618) 262-5151 mfelts@mtcpu.com

EL-4: For the revenues included in the annual FAC reconciliation, provide the following supporting documentation:

- a. A sales summary with KWH sales, FAC revenues, base fuel cost (BFC) revenues, and total electric revenues for the year, by month;
- b. A worksheet reconciling KWH sales reported in Form 21 ILCC or FERC Form 1 with KWH sales included in the FAC annual reconciliation;
- c. A worksheet reconciling total revenues included in the FAC annual reconciliation with the total revenues reported on schedule IV of monthly FAC filings relating to the reconciliation year; and
- d. A description of the accounting method used by the Company in determining FAC revenues (e.g., as-billed method or unbilled/accrued revenue method).

Use the documents listed above, and others as necessary, to perform the following tests of the FAC data:

1. Trace FAC and BFC revenues from the annual reconciliation to the sales summary.

All supporting documentation for EL-3 and EL-4 should be indexed and cross-referenced. A detailed summary should be included to explain the documents provided. Also provide the tickmark legend used to perform the above tests.

Note: The Company's FAC Reconciliation is to be filed in the specified format and include the information required in the Commission's Citation Order.

REVISED RESPONSE: The Company revised response to EL4 a, b, and c are included in the electronic file entitled Exhibit B.

EL4 d: The Company uses an "as billed" method to determine FAC revenues.