

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)
 On its Own Motion)
 Vs.)
Mt. Carmel Public Utility Co.) 13-0685
)
Reconciliation of revenues collected)
Under fuel adjustment charges with)
actual costs prudently incurred.)

DRAFT ORDER

By the Commission:

The Illinois Commerce Commission (“Commission”) entered an Order commencing the instant purchased fuel adjustment clause (“FAC”) reconciliation proceeding versus Mt. Carmel Public Utility Co. (“Mt. Carmel”), in accordance with the requirements of Section 9-220 of the Public Utilities Act (“Act”), 220 ILCS 5/1-101 et seq. The reconciliation year is the 12-month period ended December 31, 2013.

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 members of the Financial Analysis Division and Safety and Reliability Division 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

Section 9-220(a) of the Act provides in part, “Notwithstanding the provisions of Section 9-201, the Commission may authorize the increase or decrease of rates and charges based upon changes in the cost of fuel used in the generation or production of electric power, changes in the cost of purchased power, or changes in the cost of purchased gas through the application of fuel adjustment clauses or purchased gas adjustment clauses.”

Section 9-220(a) also provides, “Annually, the Commission shall initiate public hearings to determine whether the clauses reflect actual costs of fuel, gas, power, or coal transportation purchased to determine whether such purchases were prudent, and to reconcile any amounts collected with the actual costs of fuel, power, gas or coal transportation prudently purchased.” In each such proceeding, the burden of proof shall be upon the utility to establish the prudence of its cost of fuel, power, gas or coal transportation purchases and costs.

Rules implementing Section 9-220 are contained in 83 Ill. Adm. Code 425, "Uniform Electric Fuel Adjustment." Under Section 425.20, "the fuel charge passed through the FAC is the total amount of allowable fuel and fuel related charges as identified herein." The formula for determining the fuel adjustment charge per kilowatt-hour is set forth in Section 425.30:

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

FAC is the Fuel adjustment charge per KWH; CF is Allowable fuel cost associated with company-owned generating plants; CPP is Allowable energy cost associated with purchased power; CNS is Energy costs associated with sales not subject to FAC; S is Applicable estimated KWHs subject to FAC either to be billed or delivered during the period for which the FAC is being determined; BFC is Base fuel cost in cents/KWH; Ra is Automatic Reconciliation factor in cents/KWH; Ro is Ordered Reconciliation factor in cents/KWH; and D is Desulfurization fee in cents/KWH.

Rules regarding economic dispatch, billing periods, allowable fuel and fuel related charges, allowable energy charges associated with purchased power, base fuel costs, non-jurisdictional sales, and desulfurization costs are contained in Section 425.40.

The Order initiating the instance proceeding provided, in part:

Each electric utility shall reconcile total revenue collected under the fuel adjustment charge ("FAC") with total cost of fuel, power, and coal transportation, if applicable, under Section 9-220 as amended by Public Act 90-561. The reconciliation balance shall be the difference between (1) costs as recorded in the books and records, and (2) applicable revenues. For utilities with a base cost in their FAC, the revenues shall include those revenues from base rate charges that recover fuel, power, and transportation costs includible in the FAC. Each utility shall also demonstrate that its fuel, power, and coal transportation, if applicable, purchased during the reconciliation period were prudently purchased.

Nature of Operations; Procurement Strategies; Reconciliation

Mt. Carmel is a combination electric and gas utility serving customers in various communities in Wabash County and Lawrence Counties in Illinois. Mt. Carmel serves approximately 5,361 electric customers.

Mt. Carmel has no generation facilities. In the reconciliation year, it purchased all electric power and energy requirements pursuant to a multi-year contract as discussed below.

The electric power and energy is delivered to Mt. Carmel at electric substations owned by Ameren Illinois located in Albion and Lawrenceville, Illinois. The power and energy is then transported upon Mt. Carmel's transmission lines to its distribution system. Mt. Carmel's peak electric load for 2013 was 24.503 megawatts ("MW"), occurring on July 17, 2013.

For the reconciliation year 2013, Mt. Carmel purchased all of its electric power requirements from Ameren Energy Marketing ("AEM") pursuant to a three-year full requirements contract with AEM which became effective on June 1, 2010 and expiring on May 31, 2013, and subsequent thereto, under a new three-year full requirements contract with AEM that covers the period from June 1, 2013 to May 31, 2016.

Mt. Carmel asserts the proposal submitted by AEM was the least-cost offer received in response to an RFP issued by Mt. Carmel in 2012. Mt. Carmel is not an affiliate of AEM.

Mt. Carmel also provided a list of MISO (Midcontinent Independent System Operator, Inc.) charges considered by Mt. Carmel to be allowable fuel charges under the FAC.

Staff witness Mr. Yassir Rashid, who is an electrical engineer in the Energy Engineering Program of the Safety & Reliability Division, reviewed Mt. Carmel's filing and its responses to Staff data requests concerning the prudence of Mt. Carmel's Power purchases during the 2013 reconciliation period. The witness found no reason to dispute Mt. Carmel's assertion that all electric power supply purchases were prudently incurred during the reconciliation period. (ICC Staff Exhibit 2.0, lines 48-50)

With respect to the reconciliation of FAC revenues and costs, Margaret E. Felts, President of Mt. Carmel, sponsored exhibits which identify and reconcile the components of Mt. Carmel's 2013 fuel costs and recoveries. Mt. Carmel Exhibit 1.0, in attached Exhibit E-2, shows the reconciliation of revenues and costs, including Mt. Carmel's requested ordered reconciliation factor.

Staff Witness Mr. Scott Tolsdorf, an accountant with the Accounting Department of the Financial Analysis Division and a Certified Public Accountant, reviewed Mt. Carmel's filing and the underlying documents that support the FAC reconciliation calculations.

Mr. Tolsdorf recommend that the Company's 2013 FAC Revenues be reduced by \$290 to reflect a billing error remedied by Company but that was not recognized and reflected by Company's external auditors. (ICC Staff Exhibit 1.0, lines 50-54)

Mr. Tolsdorf further recommended an increase of \$13 to the base fuel cost revenues to correct a rounding error made by Company's external auditors. (ICC Staff Exhibit 1.0, lines 57-62)

These adjustments are further reflected in Mt. Carmel's requested factor Ro, increasing by \$277 the requested Factor Ro under-recovery to be collected from ratepayer's with the result being a Factor Ro of \$2,002. (ICC Staff Exhibit 1.0, lines 67-71)

Mr. Tolsdorf recommended Mt. Carmel be directed to include the under-recovered amount of \$2,002 through the fuel adjustment charge in its first monthly FAC filing following the date of the Order in this docket for the reconciliation year ending December 31, 2013. (ICC Staff Exhibit 1.0, lines 105-108)

Mt. Carmel accepted the revisions and recommendations advanced by Mr. Tolsdorf.

Based on Mr. Tolsdorf's corrections, for 2013, FAC Recoverable Costs were \$5,194,328; FAC revenues were \$4,517,757; Base Fuel cost revenues were \$718,964. The resulting over-recovery is \$42,393. (ICC Staff Exhibit 1.0, Schedule 1.01)

As reflected in the attached Appendix, lines 1-3, \$152,145 from prior periods was to be collected during the 2013 period. Adding this amount to the 2013 under-recovery results in an under-recovered FAC reconciliation balance on December 31, 2013 of \$109,752. This balance, combined with the Factor Ra balance of \$78,885 and Factor Ro from Docket No. 12-0649 of \$28,865 collected in January 2014, results in a Factor Ro in the amount of \$2,002, as reflected in the attached Appendix, lines 8-10.

Commission's Conclusions, Findings, and Ordering Paragraphs

Based on the evidence presented, the Commission finds that 2013 FAC reconciliations for Mt. Carmel, as shown in Mt. Carmel Exhibit E-2 as adjusted by Staff, as reflected in the Appendix hereto, appropriately reconcile the revenues collected by Mt. Carmel under its FAC for calendar year 2013 with the actual costs prudently incurred. This reconciliation is reasonable and should be approved.

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 electricity 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 the parties 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 2013 Reconciliation Period, Mt. Carmel acted prudently in its purchases reflected in its FAC reconciliation; and
- (5) the reconciliation of revenues collected by Mt. Carmel under its FAC for calendar year 2013 with the actual costs prudently incurred for the purchases reflected in its FAC reconciliation as adjusted by Staff, and as shown in the Appendix hereto, should be approved.

IT IS THEREFORE ORDERED that the reconciliation of the revenues collected by Mt. Carmel Public Utility Co. under its FAC for calendar year 2013 with the actual costs prudently incurred, as shown in the Appendix hereto, is approved.

IT IS FURTHER ORDERED that Mt. Carmel Public Utility Co. collect the under-recovered amount of \$2,002 in its first monthly FAC 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 _____ day of _____, 20____.

(SIGNED) DOUGLAS P. SCOTT

Chairman