

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission :
On its Own Motion :
-vs- :
Mt. Carmel Public Utility Co. : **15-0528**
: :
Reconciliation of revenues collected under :
fuel adjustment charges with actual costs :
prudently incurred. :

DRAFT ORDER

By the Commission:

I. Introduction

On September 16, 2015, 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, 2015.

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 Scott Tolsdorf of the Financial Analysis Division of the Illinois Commerce Commission (“Staff”). Mt. Carmel presented the testimony of Margaret E. Felts, President of Mt. Carmel. Staff presented the testimony of Scott Tolsdorf, a Certified Public Accountant in the Accounting Department of the Financial Analysis Division and Rashid Yassir, an Electrical Engineer in the Energy Engineering Program of the Safety and Reliability Division. At the conclusion of the hearings, the record was marked “Heard and Taken.” Mt. Carmel and Staff filed a Draft Order.

II. 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 this proceeding provided, in part:

Mt. Carmel Public Utility Co. 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.

15-0528, Order, pp. 1-2 (September 16, 2015)

III. Nature of Operations; Procurement Strategies; Reconciliation

Mt. Carmel is a combination electric and gas utility serving customers in various communities in Wabash and Lawrence Counties in Illinois. Mt. Carmel serves approximately 5,372 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.

Mt. Carmel states that it issued a request for proposals ("RFP") in 2012 for the purchase of electric power and energy. It asserts that the proposal submitted by Ameren Energy Marketing ("AEM") was the least-cost offer received. Mt. Carmel states that AEM was acquired effective December, 2013, by Dynegy Company, d/b/a Illinois Power Marketing. It explains that the terms of its contract with AEM were unchanged in the transition. Mt. Carmel is not an affiliate of AEM or Dynegy Company.

The electric power and energy is delivered to Mt. Carmel at electric substations, owned by Ameren Illinois Company doing business as 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 2015 was 25 megawatts ("MW"), occurring on July 14, 2015.

Ms. Felts, presented a summary of Mt. Carmel's Fuel Adjustment Reconciliation for 2015. She testified that Mt. Carmel has made monthly reports to the Commission under the FAC detailing its receipts and purchases. She provided an independent auditor's report addressing the FAC. She sponsored Exhibit E-2, which shows the reconciliation of revenues and costs, including Mt. Carmel's requested ordered reconciliation factor.

Mr. Rashid testified that he reviewed Mt. Carmel's filing and its responses to Staff data requests concerning the prudence of Mt. Carmel's power purchases during the 2015 reconciliation period. He stated that he found no reason to dispute Mt. Carmel's assertion that all electric power supply purchases were prudently incurred during the reconciliation period.

Mr. Tolsdorf testified that he reviewed Mt. Carmel's filing and the underlying documents that support the FAC reconciliation calculations.

Mr. Tolsdorf presented the FAC Reconciliation recommended by Staff in Schedule 1.01 of Staff Exhibit 1.0. He recommended that Company's 2015 FAC recoverable costs be reduced by \$21 and the 2015 FAC Revenues be increased by \$3 to correct rounding and scrivener's errors in Company's Schedule E-2.

Mr. Tolsdorf stated that Company's prior period Factor Ro of (\$37) in Docket No. 14-0727, was ordered by the Commission by Order dated December 9, 2015 to be refunded to customers in Company's next monthly filing. The Factor Ro was refunded in accordance with the Order in January, 2016, and therefore was still owed to customers as of December 31, 2015. Mr. Tolsdorf recommended that because of the timing of the Commission's Order and refund by Company in January, 2016, that the (\$37) be included on Line 10 of the reconciliation schedule to properly reflect the "Disposition of Cumulative Under/Over Recovery Balance" section of reconciliation.

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

Mr. Tolsdorf recommended that Mt. Carmel be directed to collect the under-recovered amount of \$1,746 through the FAC in its first monthly FAC filing following the date of the Order in this docket for the reconciliation year ending December 31, 2015. He testified that total FAC Recoverable Costs for 2015 were \$4,707,860; FAC revenues were \$4,776,987; Base Fuel cost revenues were \$0. He stated the resulting over-recovery is (\$69,127).

Mr. Tolsdorf recommended that the FAC Reconciliation as presented in Schedule 1.01 be attached to the Order as an Appendix. He stated that lines 1-3 reflect that \$139,907 from prior periods was to be collected during the 2015 period. He indicated that adding this amount to the 2015 over-recovery of (\$69,127) results in an under-recovered FAC reconciliation balance on December 31, 2015 of \$70,780. Mr. Tolsdorf explained that this balance, combined with the Factor Ra balance of \$69,071 and the prior period refund of (\$37) results in a Factor Ro in the amount of \$1,746 to be collected as reflected in the attached Appendix, lines 8-11.

IV. Commission Conclusions, Finding and Ordering Paragraphs

Based on the evidence presented, the Commission finds that 2015 FAC reconciliations for Mt. Carmel, appropriately reconcile the revenues collected by Mt. Carmel under its FAC for calendar year 2015 with the actual costs prudently incurred. The reconciliation as presented by Staff is reflected in the Appendix hereto, this reconciliation is reasonable and should be approved.

The Commission, having considered the record herein, 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 subject matter in this proceeding;

- (3) the statements of fact set forth in the prefatory portion of this Order are supported by the record and hereby adopted as findings herein;
- (4) the evidence shows that for the calendar year 2015 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 2015 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 by the Illinois Commerce Commission that the reconciliation of the revenues collected by Mt. Carmel Public Utility Co. under its FAC for calendar year 2015 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 \$1,746 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 this Commission this ____ day of _____, 2016.

(SIGNED) BRIEN SHEAHAN

Chairman