

**BEFORE THE**

**STATE OF ILLINOIS**

**ILLINOIS COMMERCE COMMISSION**

**SOUTH BELOIT WATER, GAS and )  
ELECTRIC COMPANY )  
Re: Delivery Services Tariffs )  
submitted pursuant to Section 16-104 )  
and Section 16-108 of the Illinois Public )  
Utilities Act )**

**Docket No. 01-\_\_\_\_\_**

**DIRECT TESTIMONY OF**

**Martin W. Seitz**

**FOR**

**South Beloit Water, Gas and Electric Company**

September 28, 2001

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1    **Q.    Please state your name and business address.**

2    A.    My name is Martin W. Seitz. My business address is 222 West Washington  
3        Avenue, P. O. Box 192, Madison, Wisconsin 53701-0192.

4    **Q.    By whom are you employed and in what capacity?**

5    A.    I am employed by Alliant Energy Corporate Services, Inc. ("AECS") as the  
6        Manager of Financial Planning and Analysis – East.

7    **Q.    Would you please state your educational background?**

8    A.    I received a Bachelor's Degree in Accounting, as well as Economic and Statistical  
9        Analysis, from Ohio State University in the early 1970's.

10   **Q.    Please describe your current and prior work experience in the utility  
11        industry.**

12   A.    I have been employed in the utility industry in accounting capacities for about 25  
13        years and have been employed by Wisconsin Power and Light Company ("WPL")  
14        in an accounting capacity, or provided accounting services to WPL as an  
15        employee since June of 1978. I have held various positions in outside reporting,  
16        internal reporting, asset planning, the generation side of the business and most  
17        recently in the Financial Planning and Analysis area. I am currently responsible  
18        for the revenue requirements calculation, budgeting and forecasting for Alliant  
19        Energy Corporation's utility subsidiaries in the states of Wisconsin and Illinois

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1 including related rate and accounting filings with state and federal rate regulatory  
2 commissions.

3 **Q. Have you testified in previous cases before the Illinois Commerce**  
4 **Commission ("ICC")?**

5 A. Yes, I have provided testimony in previous Illinois Delivery Service Tariff filings  
6 for South Beloit Water, Gas and Electric Company ("SBWGE") a wholly owned  
7 subsidiary of WPL.

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of my testimony is to support and detail the Illinois Electric Delivery  
10 Service Tariff revenue requirements. This information is included in my  
11 testimony identified as Exhibit \_\_\_ MWS-1.0 and Exhibit \_\_\_ MWS-1.1 pages  
12 one through three.

13 **Q. What is the amount of Illinois Electric Delivery Service Tariff revenue**  
14 **requirements you have determined for SBWGE?**

15 A. The applicable amount of Illinois Electric Delivery Service Tariff revenue  
16 requirements for SBWGE I have computed is \$3,161,000.

17 **Q. What test year period and type have you selected to determine these revenue**  
18 **requirements?**

19 A. I have chosen 2000 as the test year and have made the revenue requirement  
20 computations based upon this historical test period.

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1   **Q.   What are the components that make up the revenue requirements of**  
2       **\$3,161,000?**

3   A.   The amounts consist of \$403,000 of operating and maintenance expenses;  
4       \$640,000 of customer accounts and service expenses; \$196,000 of administrative  
5       and general expenses; \$450,000 of depreciation expense; \$109,000 of taxes other  
6       than income taxes; \$424,000 of combined state and federal income taxes and  
7       \$939,000 of operating income.

8   **Q.   How were the operating and maintenance expense amount of \$403,000**  
9       **determined?**

10  A.   The operating and maintenance expense amounts of \$403,000 were the actual  
11       amounts charged in 2000 to ICC accounts for electric distribution operation and  
12       electric distribution maintenance. These account numbers range from ICC account  
13       580 (Operation supervision and engineering) through account 598 (Maintenance  
14       of miscellaneous distribution plant).

15  **Q.   How were the customer accounts and service expense amount of \$640,000**  
16       **determined?**

17  A.   The customer accounts and service expense amounts of \$640,000 were the actual  
18       amounts charged in 2000 to ICC accounts for electric distribution operation and  
19       electric distribution maintenance. These account numbers range from ICC account

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1           901(Supervision) through account 910 (Maintenance of customer service and  
2           information expense).

3   **Q.   How were the administrative and general expense amount of \$196,000**  
4           **determined?**

5   A.   The administrative and general expense amounts of \$196,000 were a portion of  
6           the actual amounts charged in 2000 to ICC accounts for electric utility. These  
7           account numbers range from ICC account 920 (Administrative and general  
8           salaries) through account 935 (Maintenance of general plant). The allocation to  
9           Illinois Electric Delivery Service Tariff revenue requirements was based on direct  
10          labor of WPL assigned to electric production, electric transmission and electric  
11          distribution expense accounts.

12 **Q.   Why did you use WPL labor costs to allocate electric administrative and**  
13           **general cost of SBWGE?**

14 A.   I used the data from WPL because SBWGE receives all necessary services from  
15          WPL to provide electric, gas and water service within the state of Illinois.  
16          SBWGE has no employees and contracts with WPL for such services through  
17          contracts previously approved by the ICC. For this reason use of WPL labor data  
18          is the best available proxy for SBWGE to use to allocate electric utility  
19          administration and general expenses between electric production, electric  
20          transmission and electric distribution service.

1   **Q.   How were the depreciation expense amount of \$450,000 determined?**

2   A.   The depreciation expense amounts of \$450,000 were the actual amounts charged  
3       in 2000 to ICC accounts for electric distribution depreciation. The depreciation  
4       related to electric utility plant recorded account numbers ranging from ICC  
5       account 360 (Land and land rights) through account 373 (Street lighting and  
6       signal systems).

7   **Q.   How were the taxes other than income taxes expense amount of \$109,000  
8       determined?**

9   A.   For this amount I used that actual amounts charged to electric utility service for  
10       2000.

11  **Q.   How did you determine the appropriate net operating income amount of  
12       \$939,000?**

13  A.   Based on the net rate base required of \$8,863,000 for the Illinois Electric  
14       Distribution Service - I multiplied that amount by the weighted cost of capital of  
15       10.60% to calculate the net operating income amount of \$939,000.

16  **Q.   How did you calculate the amount of state and federal income tax expense of  
17       \$424,000?**

18  A.   First I calculated a pretax operating income less synchronized interest and used  
19       that amount to calculate appropriate federal and state income tax expense. I used  
20       the currently effective statutory rates for both state and federal income taxes.

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1   **Q.   How did you determine the net rate base amount of \$8,863,000 noted above?**

2   A.   The net rate base consists of net electric distribution plant as of year end 2000 as  
3       recorded in SBWGE books of \$8,659,000 plus \$1,260,000 of investments by  
4       SBWGE for customer energy efficiency projects less \$539,000 for customer  
5       advances and less \$517,000 for accumulated deferred income taxes.

6   **Q.   How was the weighted cost of capital of 10.60% developed that you noted  
7       above?**

8   A.   The weighted cost of capital for SBWGE was developed by using the year end  
9       2000 capital structure of WPL, SBWGE parent SBWGE. The cost rates used for  
10      long term debt and preferred stock were the embedded costs for 2000. For the cost  
11      rate on equity I have used the recommended rate of 13.5% as detailed in other  
12      testimony filed by SBWGE in this docket.

13  **Q.   Why have you used a year end 2000 capital structure.**

14  A.   I have used a year end 2000 capital structure to match up with the use of a year  
15      end 2000 net investment rate base.

16  **Q.   Are all the amounts that have been assigned or allocated to the Illinois  
17      Electric Delivery Service Tariff revenue requirements for SBWGE recorded  
18      on books and accounts of SBWGE?**

19  A.   Yes, all amounts have been recorded on SBWGE books and accounts in  
20      accordance with contracts between WPL and SBWGE and no additional amounts

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1           were included in the Illinois Electric Delivery Service Tariff revenue requirements  
2           computation.

3   **Q.    Does this conclude your direct testimony?**

4   **A.    Yes.**