



June 2, 2009

SUPPLEMENTAL STATEMENT
NATURAL GAS
ILL. C.C. NO. 9

MidAmerican Energy Company (MidAmerican), for the reasons discussed below and shown in its filed documents, proposes an increase in its rates for gas distribution service. MidAmerican is proposing an increase in natural gas distribution rates of approximately \$3.387 million or 3.6% over 2008 revenues.

MidAmerican is requesting an increase in its natural gas rates so that its natural gas distribution rates reflect the current costs of providing safe, adequate, and reliable natural gas distribution service to its Illinois customers. MidAmerican has not filed a rate case to increase its rates for natural gas distribution since 2001, nearly eight years ago, in Docket No. 01-0696.

Since the time of that filing, MidAmerican has experienced increased operating costs including the cost of materials and supplies, labor and employee benefits. Additionally, the Consumer Price Index has increased nearly 20% over the period.

MidAmerican has provided stable base rates for almost eight years by mitigating much of the increasing costs through increased efficiencies. MidAmerican, however, is not immune from the increases in costs. In addition to the cost increases, MidAmerican continues to make additional investments in gas distribution facilities. MidAmerican can no longer sustain the revenue shortfall caused by these factors. MidAmerican is requesting this rate relief in order to continue to provide safe, adequate, and reliable natural gas service.

SUMMARY OF PREPARED DIRECT TESTIMONY IN SUPPORT OF
MIDAMERICAN'S FILING

MidAmerican's filed tariffs are supported by the testimony of company witnesses and an independent expert. The testimony submitted with the filing is as follows:

- Dean A. Crist, Vice President – Regulation, provides an overview of the reasons MidAmerican is requesting an increase in its natural gas distribution rates. Additionally, Mr. Crist provides an overview of MidAmerican’s rate design and tariff changes. Mr. Crist’s direct testimony is marked as: MidAmerican Exhibit DAC 1.0.
- Rick R. Tunning, Manager – Corporate Accounting, supports the Company’s Illinois jurisdictional gas revenue requirement and the Illinois gas test year operating income. Mr. Tunning’s direct testimony is marked as: MidAmerican Exhibit RRT 1.0.
- James M. Behrens, Regulatory Finance Manager, presents MidAmerican’s capital structure as of December 31, 2008, the close of the Company’s test year, and the calculation of the weighted average cost of capital to apply to the Company’s rate base. Mr. Behrens’s direct testimony is marked as: MidAmerican Exhibit JMB 1.0.
- Kathleen C. McShane, President of and Senior Consultant with Foster Associates, Inc., analyzed a fair rate of return on equity applicable to the Company’s Illinois natural gas utility operations. Ms. McShane recommends a rate of return for MidAmerican’s common equity of 11.25%. Ms. McShane’s direct testimony is marked as: MidAmerican Exhibit KCM 1.0.
- Mary Jo Anderson, Senior Technical Accountant - Property Accounting, supports MidAmerican’s Illinois rate base and Illinois rate base pro forma adjustments. Ms. Anderson’s direct testimony is marked as: MidAmerican Exhibit MJA 1.0.
- David M. Blomquist, Senior Rates Analyst, supports cash working capital and the billing determinants used in creating rates. Mr. Blomquist’s direct testimony is marked as: MidAmerican Exhibit DMB 1.0.
- Gregory B. Elden, Director, Customer Office, Meter Reading and AMR project, addresses MidAmerican’s automated meter reading program and testifies that the investments made and costs incurred were reasonable and prudent. Mr. Eldon’s direct testimony is marked as: MidAmerican Exhibit GBE 1.0.

- Charles B. Rea, Manager, Regulatory Strategic Analysis, presents the selection of normal weather data and supports the related weather normalization adjustment. Mr. Rea's direct testimony is marked as: MidAmerican Exhibit CBR 1.0.
- Melissa A. Grannes, Manager, Compensation, provides an overview of MidAmerican's performance incentive compensation. Ms. Grannes direct testimony is marked as: MidAmerican Exhibit MAG 1.0.
- Melanie A. Acord, Senior Pricing Strategist, explains the cost of service study and rate design. Ms. Acord's direct testimony is marked as: MidAmerican Exhibit MAA 1.0.
- Debra L. Kutsunis, Manager, Regulated Pricing, describes the revised rates and the tariffs. Ms. Kutsunis direct testimony is marked as: MidAmerican Exhibit DLK 1.0.
- Tom A. Gesell, Manager of Gas Supply Operations, explains and supports the changes to large gas sales and transportation tariffs. Mr. Gesell's direct testimony is marked as: MidAmerican Exhibit TAG 1.0.

SCHEDULE OF RATES FOR GAS SERVICE

MidAmerican proposes to cancel all its natural gas tariffs designated as Ill.C.C. No. 2 (Schedule No. 2), and replace them with Ill.C.C. No. 9 (Schedule No. 9).

The proposed Schedule 9 includes the revised rates to implement the revenue requirement described by MidAmerican witness Rick Tunning and rate design described by MidAmerican witness Melanie Acord. Filing requirement 285.1015, Schedule A-3, provides a comparison of the present and proposed rates and demonstrates that the proposed rates will recover the revenue requirement.

Schedule 9 also consolidates the terms and conditions, rules and regulations, and rate schedules and provides a single, more detailed table of contents. The Schedule 9 reorganization will make it easier for customers, employees and regulators to use MidAmerican's schedules.

Additionally, MidAmerican is proposing more extensive definitions and revised language to provide additional clarity. These changes reflect input from employees in MidAmerican's customer service and delivery organizations who work with customers

on a daily basis. The changes also reflect changes to comply with revisions to 83 Ill. Admin. Code Part 500.

Schedule 9 is organized into eight major sections:

1. Gas Service Policies
2. Customer Policies
3. Technical and Operational Requirements
4. Expansion of Gas Distribution System
5. Existing System Modifications
6. Gas Distribution Services (rate schedules)
7. Gas Supply Options
8. Miscellaneous Fees and Charges

CHANGES TO SERVICE CLASSIFICATIONS AND MISCELLANEOUS CHARGES

MidAmerican is proposing a change to service classes approved by the Commission in prior dockets. The proposed service classes are based on therm volumes rather than customer class such as residential and general service. The service classes are consistent with the cost of service customer groups.

MidAmerican's proposed rate design has its basis in the cost of service study, with consideration given to reducing customer impacts. Schedule E-5 demonstrates that the proposed rates, when applied to adjusted test year billing determinants, will produce the requested increased revenue.

MidAmerican proposes three major service classifications:

- Small Volume services,
- Medium Volume services, and
- Large Volume services.

Small Volume service as proposed will be limited to 200 therms per day during the winter months of December, January, and February. Small Volume service includes residential and small commercial customers that meet the average volume requirements. A separate rate designation for residential customers will be maintained but the pricing for the service will be the same as the non-residential rate. A separate residential designation is included for residential customers who use more than 200 Therms per day during the winter months of December, January, and February.

Medium Volume service will encompass customers whose average daily volume is over 200 and up to 4,000 therms per day during the same winter months.

Large Volume service customers are those who have average daily volumes of 4,000 therms or greater during the winter months.

MidAmerican is eliminating the seasonal general service class because only three customers are currently in that class.

MidAmerican will continue to maintain distinctions of residential, commercial, industrial, and public authority in its customer service information system for the purpose of reporting.

MidAmerican's proposed charges are being reclassified by the following rate designations using the class sizes mentioned previously:

- SV – Small Volume,
- MV – Medium Volume, and
- LV – Large Volume.

As mentioned previously, the residential distinction will be retained and, therefore, designated:

- RV – Residential Volume.

Additionally, for each of these designations, -S will be added to indicate sales service and -T for transportation service. For example, a large volume customer on sales service will have rate designation LVS and a medium volume transportation customer will have rate designation MVT .

Each service will have a monthly service charge, a meter charge, and a per-therm delivery charge; the meter charges will be based on the size of meter in service on the customer premises. Large Volume service will also have Maximum Daily Requirement and Maximum Hourly Quantity charges.

MidAmerican is also proposing four meter classifications based on the size and capacity of the meters. The size translates into cost, so as the meter gets larger, the cost of the meter also increases.

- Class 1 will be the small meters that are typically installed for residential and small commercial service customers and are the smallest and least

costly of meters installed. The proposed charge for this classification is \$3.05 per month. These meters measure up to the 675 cubic feet per hour.

- Class 2 will have a charge of \$35.00 per month and are typically installed for medium-sized commercial customers and a few extremely large residential customers. These meters measure over 675 cubic feet per hour up to 3000 cubic feet per hour.
- Class 3 meters will have a charge \$61.25 per month and is comprised of sizes that measure over 3000 cubic feet per hour up to 11000 cubic feet per hour. Meters in this size range typically serve large commercial and small-to-medium industrial customers.
- Class 4, the meter charge will have a charge \$136.00 per month. This class is for meter sizes that measure over 11000 cubic feet per hour.

MidAmerican is also proposing to change its transportation administrative charge.

CHANGES TO RIDERS

MidAmerican is proposing to offer a gas supply option which includes system gas service, Rider S, which is available to all customers.

Non-residential customers will have an additional option for the transportation of customer owned gas, Rider T. Other transportation services such as balancing and standby services are also provided. MidAmerican witness Tom A. Gesell provides additional testimony regarding changes to MidAmerican's transportation service.