

ILLINOIS
COMMERCE COMMISSION

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CHIEF CLERK'S OFFICE

MidAmerican Energy Company

Annual Energy Efficiency Reconciliation Report

For the Illinois Commerce Commission

March 20, 2010



Background

On June 1, 2008, MidAmerican began offering energy efficiency (EE) programs in its Illinois service territory pursuant to Illinois Commerce Commission (Commission) Order on May 21, 2008, in Docket Nos. 08-0107 and 08-0108 (Consolidated). On September 17, 2009, MidAmerican filed to increase its residential cost recovery factors to reflect significantly greater-than-expected costs due to participation in its residential programs, particularly the Residential Energy Audit program. The availability of federal tax credits to offset up to 30% of the cost of residential energy efficiency improvements dramatically increased customer interest in MidAmerican's programs, driving up both the total cost of providing energy audits and the incentives paid for efficiency measures. In order to mitigate the impact of the change on customer bills, MidAmerican elected to spread the anticipated 2009 under-recovery for these programs over a six-month period, from October 2009 through March 2010.

Reconciliation Schedules

The attached reconciliation schedules show the 2009 energy efficiency (EE) costs, recoveries and revised energy efficiency cost recovery (EECR) factors for both gas and electric. *See* Exhibit 1, Illinois Electric Reconciliation and Exhibit 2, Illinois Gas Reconciliation. Page 1 of Exhibits 1 and 2 outlines the estimated total budgeted costs of the EE plan as amended in MidAmerican's September 17, 2009 filings. *See* Exhibits 3 and 4 and Table 2 from the original plan filing in Docket No. 08-0107/0108 (Consol.). Column (b) includes the 2009 total budgeted dollars and Column (c) includes the total EE actual costs. Lines 7 and 16 from Exhibit 1 and Lines 6 and 14 from Exhibit 2 show the deduction of energy efficiency costs embedded in MidAmerican's current rates.

MidAmerican does not recover embedded costs through the EECR factor. These costs include 2007 costs incurred for pre-existing Illinois energy efficiency programs, MidAmerican's on-line energy audit program, and MidAmerican's current Rider No. 4 Curtailment Service. The costs embedded in base rates are memorialized in electric Rider No. 2, Sheet No. 17.40 and gas Rider No. 10, Sheet No. 19.40.

As outlined in MidAmerican's Accounting Plan and Procedures, the total actual EE costs are derived from the Company's Management Information System (MIS). *See* EE Plan, Accounting Plan and Procedures, pages D2-1 through D2-7. MidAmerican separated costs by program, cost category and resource using project numbers, sub-numbers and cost elements. Wherever possible, invoices for Illinois energy efficiency expenditures were prepared separately from those for other jurisdictions. Where this was not possible, costs were allocated between the states. The majority of invoices were allocated based on total customer count for each state as of May 31, 2009. In a few instances, other allocation methods were used if they were more appropriate.

Page 2 of Exhibits 1 and 2 shows EECR recoveries by customer class. Lines 1-12 of the Exhibits contain the total EECR recoveries by month for 2009. Lines 14-16 contain an estimate of the portion of the 2009 residential program estimated under-recoveries that MidAmerican elected in its September 17, 2009 filing to collect in January through March of 2010. These have been calculated by applying the increase in the residential factors contained in MidAmerican's September 17 filing to January and February 2010 actual sales and to estimated March 2010 sales. Inclusion of these recoveries in MidAmerican's 2009 reconciliation and calculation of new EECR factor should result in a better match between costs and recoveries for the remainder of 2010.

On page 3 of Exhibits 1 and 2, the 2009 EE expenditures (column c) from Page 1 are compared with the 2009 EE cost recoveries (column d) from Page 2 and the result is added to the under/(over) recovery for 2008 (column b) to derive the under(over) recoveries for each class (column e). The 2009 EECR increases collected in January through March of 2010 (column f) are added to the under(over) recoveries, and the result is divided by the projected April-December sales (column a) to compute a reconciliation factor (Factor A) for each class. These reconciliation factors are then added to the current EECR factors and the factors to recover the increased 2009 budgets are subtracted (for residential), to calculate the new EECR factors to go into effect April 5, 2010.

Reasonableness and Prudence of Costs

The costs associated with MidAmerican's Illinois energy efficiency programs in 2009, while greater in some cases than those contained in MidAmerican's original filed EE Plan, are the result of greater-than-expected customer participation, and are reasonable and prudent. As indicated in the initial EE Plan filing, fees; charges; billings; costs and expenses associated with equipment, devices, or services, including contracted services and/or consultative services, are based on competitive bidding processes and procedures developed and consistently administered by the Company's procurement and supply chain department.

MidAmerican's procurement and supply chain processes and procedures include a requirement to re-bid contracts at regular intervals (i.e., usually about every three years) to ensure that fees and charges related to the EE programs and costs and expenses related to equipment and services for the EE programs are competitively priced and, therefore, cost effective for Illinois customers.

MidAmerican also regularly monitors and examines its expenses for wages, salaries and benefits of all employees, including those engaged in energy efficiency activities. Additionally, MidAmerican followed its internal accounting procedures and ensured that “incremental costs [will] not include any expenses for wages, salaries and benefits of Company employees, employed either before or after the effective date of Section 8-408 of the Act, that are otherwise recovered under other approved tariffs.”

It is also important to note that MidAmerican continues to monitor its Illinois EE programs as they mature, and the Company will take appropriate steps to improve program performance. Monitoring and evaluation is a key aspect of the EE programs and help ensure that the EE expenditures are reasonable and prudent.

Summary of 2009 Illinois Energy Efficiency Program Spending

Natural Gas Program Spending

MidAmerican exceeded its revised 2009 budget for gas EE program expenditures by \$110,604 or 13.7% and its original budget by \$826,905 or 65%. As explained above, the increased spending on natural gas can be attributed largely to the availability of federal tax credits, combined with pent-up customer demand for residential audits and residential equipment. Spending on nonresidential gas programs was also greater than budgeted as a result of completion of a large Nonresidential Custom project late in the year. Both Residential and Nonresidential New Construction programs were under budget, reflecting continued weakness in the construction market. The Residential Low Income program was also below budget, reflecting community action agency use of federal stimulus money instead of MidAmerican program funding.

Electric Program Spending

MidAmerican's electric EE program expenditures, in contrast, were \$334,039 or 12.3% below its revised 2009 budget and \$217,317 or 8.4% below its original budget. Expenditures for electric residential audit and equipment programs were greater than budgeted, although to a lesser degree than comparable gas programs. Since a majority of the costs and savings associated with residential audits and insulation rebates are allocated to natural gas, the impact on the electric budget due to increased demand was not as significant. Spending on the Residential Load Management program was also slightly over budget, reflecting a successful 2009 recruitment effort. The electric Residential Low Income program, like its gas counterpart, was also under budget. Nonresidential programs were a mixed bag, with some under and some over budget. The budget for the electric Small Commercial Audit program in MidAmerican's original plan filing was understated due to inadvertent exclusion of the electric portion of audits for combination customers. As a result of this error and an increase in follow-up lighting measures, the actual expenditures and savings for the program are significantly over budget. Nonresidential Energy Analysis programs were particularly successful in both Illinois and Iowa, with expenditures much greater than budget. However, lower spending on MidAmerican's Nonresidential Load Management program more than offset all higher electric program expenditures.

MidAmerican believes that strong demand for residential and commercial energy audits is a positive sign of acceptance of its programs. Although gas expenditures have exceeded budgets, MidAmerican has not attempted to stop its programs because we believe that continuity of programs is important to success. MidAmerican's prior

experience indicates that stopping programs mid-year results in adverse impacts on customer satisfaction and customer complaints.

Moreover, the residential savings goals were exceeded because customers were able to capitalize on the availability of federal tax credits combined with MidAmerican incentives to realize the savings potential identified in their energy audits.

Summary of Energy Savings

2009 Activity*

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Therm savings (all programs)	266,487	405,335	+ 52%,
Peak therm savings (“)	3,910	6,558	+ 68%
kWh savings (“)	12,491,893	8,153,207	- 35%
kW savings (“)	23,882	10,948	- 54%

* The energy savings reported in the table above are preliminary results; additional analysis is being conducted to determine final results.

Actual energy savings compared to budget generally track expenditure levels, with gas savings significantly exceeding budget, while electric savings are below budget. The shortfall of actual electric savings compared to budget is greater than the shortfall in expenditures, however. Electric savings are heavily dependent on nonresidential programs, where projects tend to be more complicated and therefore have longer lead times before savings are realized.

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

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For the Illinois Commerce Commission
March 15, 2010

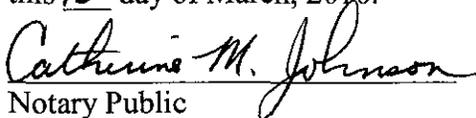
VERIFICATION

STATE OF IOWA)
) SS
COUNTY OF SCOTT)

I, Fredrick A. Leuthauser, being first duly sworn on oath, hereby state that I am Manager, Energy Efficiency for MidAmerican Energy Company and verify that the report and accompanying documents filed in the Annual Energy Efficiency Reconciliation Report compose the annual energy efficiency reconciliation statement for the year 2009 of MidAmerican Energy Company and that the same includes schedules setting forth (1) the costs recoverable through the Energy Efficiency Cost Recovery Charge during the reconciliation year, as adjusted by applicable factors, and (2) the revenues arising through the application of the Energy Efficiency Cost Recovery to applicable kilowatt hours and therms during the reconciliation year.


Fredrick A. Leuthauser

Subscribed and sworn to before me
this 15th day of March, 2010.


Notary Public

