

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission

On its Own Motion

-vs-

MidAmerican Energy Company

12-0404

Reconciliation of revenues collected under the EECR riders with the actual costs associated with energy efficiency programs.

ORDER

**I. Procedural History**

On June 27, 2012, the Illinois Commerce Commission ("Commission") entered an Order commencing this reconciliation proceeding. The Order required MidAmerican Energy Company ("MidAmerican") to reconcile the revenues it collected under its approved tariffs based on Rider No. 2, Energy Efficiency Cost Recovery Adjustment, applicable to electric customers, and Rider No. 10, Energy Efficiency Cost Recovery Adjustment, applicable to natural gas customers (collectively referred to as "EECR Riders"), from January 1, 2009, through December 31, 2009 ("reconciliation period"), with the costs it prudently incurred with respect to energy efficiency, as defined in the EECR Riders.

Pursuant to the Commission's Order, MidAmerican filed its Annual Energy Efficiency Reconciliation Report, testimony and exhibits on July 6, 2012. MidAmerican posted notice of the filing of its testimony and exhibits in its Moline office and in newspapers with general circulation in MidAmerican's service territory, in the manner prescribed by 83 Ill. Adm. Code Section 255, in compliance with the Commission's Order in this proceeding.

On August 2, 2012, Staff of the Commission ("Staff") filed Direct Testimony. Since Staff did not raise any contested issues, MidAmerican waived its right to file rebuttal testimony on August 13, 2012.

Pursuant to notice given as required by law and by the rules and regulations of the Commission, the evidentiary hearing in this proceeding convened at the Commission's office in Chicago, Illinois on August 20, 2012, before a duly authorized Administrative Law Judge ("ALJ"). Appearances were entered by counsel on behalf of

Staff and MidAmerican. MidAmerican presented the testimony of Diane C. Munns, Manager, Energy Efficiency and Megan M. Early, Energy Efficiency Data Analyst. Staff presented testimony of Scott Tolsdorf, an accountant in the Accounting Department of the Financial Analysis Division of the Commission.

## II. MidAmerican's Position

### A. Summary and Background of Plan

On June 1, 2008, MidAmerican began offering energy efficiency programs (EE Programs) in its Illinois service territory pursuant to the Commission's Order on May 21, 2008, in Docket Nos. 08-0107 and 08-0108 (Consolidated). The initial Program Year for the EE Plan was June 1, 2008 through December 31, 2008. The EE Programs covered in the 2008 reconciliation year are the eleven EE Programs approved by the Commission in Docket Nos. 08-0107 and 08-0108 (Consolidated). See MidAmerican Ex. 3.1.

### B. 2009 Plan Costs

Ms. Munns testified that MidAmerican incurred \$4,303,433 in incremental costs for the 2009 Plan Year. Of those total incremental costs, \$2,213,639 was spent on electric programs and \$2,089,794 was spent on gas programs. MidAmerican Ex.3.0 at 6. Ms. Early testified that cost breakdown by program and fuel are provided in MidAmerican Ex. 1.0 and Ex. 2.0, and provided an explanation of how the costs were calculated in the exhibits.

Ms. Munns further testified that the costs associated with MidAmerican EE programs were greater, in some cases, than those contained in MidAmerican approved EE Plan, and noted that the costs were associated with greater-than-expected customer participation, and are reasonable and prudent. MidAmerican Ex. 3.0 at 5. Ms. Munns noted that MidAmerican amended its electric and gas budgets in September 2009 to reflect the greater-than-expected customer participation. *Id.* MidAmerican mitigated the impact by spreading the 2009 under recovery over a six month period, from October 2009 through March 2010. *Id.*

Ms. Munns also explained the steps MidAmerican took to ensure its costs were reasonable and prudent. Ms. Munns indicated that 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 MidAmerican's procurement and supply chain department. MidAmerican Ex. 3.0 at 5-7.

Ms. Munns indicated 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 Ex. 3.0 at 6.

Ms. Munns further testified that MidAmerican also regularly monitors and examines its expenses for wages, salaries and benefits of all employees, including those engaged in energy efficiency activities. *Id.* 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.” *Id.*; MidAmerican Ex. 3.2 at 22-23.

Additionally, Ms. Munns testified MidAmerican did not recover costs embedded in its 2009 base rates through the EECR Riders for the 2009 Plan year.<sup>1</sup> The costs embedded in MidAmerican’s 2009 base rates were memorialized in electric Rider No. 2, Sheet No. 17.40 and gas Rider No. 10, Sheet No. 19.40. Ms. Munns testified that all costs recovered through the EECR Riders were incremental costs incurred in association with the Energy Efficiency programs and were reasonable and prudent. MidAmerican Ex. 3.0 at 6-7.

#### C. MidAmerican’s Internal Audit

In addition to testifying about the costs incurred, Ms. Munns testified that MidAmerican also conducted an internal audit of its program spending pursuant to the terms of the EECR Riders. MidAmerican Ex. 3.0 at 7; see MidAmerican Ex. 3.3. Ms. Munns testified that the audit found that MidAmerican is in compliance with the provisions of the Commission approved Energy Efficiency Plan Filing in Docket No. 08-0107/08-0108 (Consol.). MidAmerican Ex. 3.0 at 7.

### III. Staff’s Position

Mr. Tolsdorf presented testimony on behalf of Staff and explained the prior reconciliation ordered adjustment. Mr. Tolsdorf noted that during the reconciliation for the applicable 2008 period, Staff recommended a \$250 adjustment to the Company’s electric (over)/under recovery collection amount, and MidAmerican agreed. See Docket No. 10-0682, MidAmerican Ex. 5.0 at 1-2, and Staff Schedules 1.1 and 1.2. The Final Order in Docket No. 10-0682 reflected the adjustment in the total over-recovery by MidAmerican. Mr. Tolsdorf found that the Company did make the \$250 adjustment and that the adjustment did not impact the 2009 (over)/under calculation. Staff Ex. 1.0 at 3; Staff Schedule 1.1.

Mr. Tolsdorf recommended that the Commission accept the reconciliation of revenues collected under the EECR Riders with actual costs as reflected on Staff Ex. 1.0, Schedule 1.1 and Staff Ex. 1.0, Schedule 1.2.

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<sup>1</sup> These costs included 2007 costs incurred for pre-existing Illinois energy efficiency programs, MidAmerican’s on-line energy audit program (Aclara), and MidAmerican’s current Rider No. 4 Curtailment Service.

#### IV. Commission Analysis and Conclusions

Based on the record, the Commission finds that MidAmerican's EECR Riders, for both natural gas and electric Energy Efficiency Programs, covering January 1, 2009 through December 31, 2009, are reasonable, prudent and consistent with the terms of the natural gas and electric EECR Riders and should be recovered. Staff thoroughly reviewed MidAmerican's filings in this matter and supported the calculation that the total electric over-recovery by MidAmerican was \$298,005 and the total under-recovery for natural gas was \$110,035 after taking into account the cumulative over-recovery from the prior reconciliation periods.

#### V. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having reviewed the entire record herein and being fully advised in the premises, is of the opinion and finds that:

- (1) MidAmerican Energy Company is an Iowa corporation engaged in the generation, transmission, sale and distribution of electricity and storage, transmission, distribution and sale of natural gas at retail in Illinois and as such is a public utility within the meaning of the Public Utilities Act;
- (2) the Commission has jurisdiction over the parties and over the subject matter herein;
- (3) the statements of fact set forth in the prefatory portion of this Order are supported by the evidence and record and are hereby adopted as findings of fact;
- (4) for the period January 1, 2009 through December 31, 2009, MidAmerican prudently incurred program expenditures of \$4,303,433 through the respective EECR Riders (\$2,213,639 for electric programs and \$2,089,794 for natural gas programs);
- (5) for the period January 1, 2009 through December 31, 2009, MidAmerican recovered \$4,133,185 from ratepayers in accordance with the terms of the EECR Riders, \$1,956,158 for costs associated with electric energy efficiency programs and \$2,177,027 for costs associated with natural gas energy efficiency programs;
- (6) for the period January 1, 2009 through December 31, 2009, the difference between recoveries and expenditures resulted in an over-recovered amount of \$298,005 for electric and an under-recovered amount of \$110,035 for natural gas after taking into account the cumulative over-recovery from the prior reconciliation periods as reflected in the attached Appendix A - Electric and Appendix B - Gas.

IT IS THEREFORE ORDERED that the reconciliation submitted by MidAmerican Energy Company of the energy efficiency measures and associated costs actually incurred with the revenues received under the EECR Riders covering the period beginning January 1, 2009 through December 31, 2009, is hereby approved.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code Section 200.880, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 19<sup>th</sup> day of September, 2012.

(SIGNED) DOUGLAS P. SCOTT

Chairman