

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

MidAmerican Energy Company)	
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)	
Petition for Approval of Tariffs)	Docket 15-_____
Implementing Rider to Recover)	
Procurement Costs Pursuant to)	
Section 16-111.5(l))	
)	

**DIRECT TESTIMONY
OF
NAOMI G. CZACHURA**

Introduction

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

2 A. My name is Naomi G. Czachura. My business address is 106 East Second
3 Street, Davenport, Iowa 52801.

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

5 A. I am employed by MidAmerican Energy Company (“MidAmerican”). My title
6 is Vice President, Rates and Regulatory Strategy.

7 **Q. Please describe your education and business experience.**

8 A. I hold a Bachelor of Arts degree in Accounting and Economics from Augustana
9 College in Rock Island, Illinois and have done graduate work in Economics at
10 the University of Chicago. I have held various positions with MidAmerican and
11 its predecessor, Iowa-Illinois Gas and Electric Company, including Vice
12 President – Regulatory Strategy and Analysis, Manager – Regulatory Analysis,
13 Manager – Electric Accounting, Senior Rate Analyst, Senior Forecasting
14 Analyst and Accountant, since 1980. I was named to my present position in
15 July 2005.

16 **Q. Have you testified before Illinois Commerce Commission (“Commission”)
17 or other regulatory bodies previously?**

18 A. Yes, I have testified before the Commission and the Iowa Utilities Board
19 (“Board”) in a number of cases during the last 15 years. Most recently, I have
20 filed testimony in Docket No. 14-0066 and previously testified before the
21 Commission in Docket No. 13-0424 and Docket No. 08-0107/08-0108
22 (Consol.) and before the Board in Docket No. RPU-2012-0004 and Docket No.
23 EEP-2012-0002.

24 **Q. What is the purpose of your direct testimony?**

25 A. The purpose of my direct testimony is to: (1) explain the purpose of the
26 proposed Rider PE; (2) briefly describe the circumstances that led to
27 MidAmerican requesting a procurement plan from the Illinois Power Agency;
28 (3) discuss how the proposed Rider PE is designed to recover all reasonable
29 costs incurred to implement the procurement plan developed and put into effect
30 for MidAmerican pursuant to Section 1-75 of the Illinois Power Agency Act.

31 **Q. Are you sponsoring any exhibits in this filing?**

32 A. Yes, I am sponsoring Schedule B.

33 **Q. Please explain the purpose of Rider PE as provided in Schedule A the**
34 **Petition for Approval.**

35 A. The purpose of Rider PE is to recover all the reasonable incremental costs
36 incurred by MidAmerican to implement the procurement plan developed for
37 MidAmerican by the Illinois Power Agency as approved or modified by the
38 Commission in Docket No. 15-0541, as allowed under Section 16-111.5(l) of
39 the Public Utilities Act.

40 **Q. Please briefly explain the circumstances that have led MidAmerican to**
41 **request the Illinois Power Agency to develop a MidAmerican procurement**
42 **plan.**

43 A. MidAmerican has faced unique circumstances in harmonizing the different
44 regulatory and legislative frameworks between its Illinois and Iowa
45 jurisdictions in attempting to provide generation supply service to its customers.
46 Illinois is clearly a market-driven state, whereas Iowa has chosen to continue

47 regulation of generation supply and to encourage building of new regulated
48 generation in the state.

49 **Q. How has MidAmerican provided generation supply to its customers in**
50 **both states?**

51 A. Up to this point MidAmerican has not needed to acquire additional capacity on
52 a total system basis, although the capacity needs for Illinois have outstripped
53 the pre-competition generation assets that were allocated to the Illinois
54 jurisdiction. Since 2006, MidAmerican has been allocating a larger percentage
55 of pre-competition generation to its Illinois customers than would normally be
56 done under traditional generation allocations. This additional capacity and
57 energy is provided at cost by establishing transfer payments from
58 MidAmerican's Illinois jurisdiction to its Iowa jurisdiction. The Commission
59 approved this methodology in MidAmerican's fuel adjustment clause
60 reconciliations in Docket Nos. 05-0736, 06-0739, 12-0648, and 13-0684.
61 Because growth in MidAmerican's Illinois service territory has been modest,
62 the transfers have continued to be fairly small and this solution has remained
63 workable. The Iowa Utilities Board has also approved of this allocation
64 process.

65 **Q. Will this solution continue to be viable into the future?**

66 A. No. A number of the generating units that are currently allocated to Illinois to
67 meet customer needs have been or will be retired soon as a result of
68 environmental requirements for coal fired generators. The retirements reduce
69 both the amount of generation allocated to Illinois and MidAmerican's total

70 available capacity. Requirements of the Environmental Protection Agency's
71 Clean Power Plan may further impact capacity requirements between
72 jurisdictions. As a result of these changes MidAmerican decided to request the
73 Illinois Power Agency to develop a procurement plan that recognizes the value
74 that MidAmerican's existing generation brings to its Illinois customers, but that
75 also begins planning for procurement of additional resources from other
76 sources.

77 **Q. How are MidAmerican's circumstances vis-à-vis generation different from**
78 **those of ComEd and Ameren?**

79 A. Unlike ComEd and Ameren, MidAmerican has retained some generation within
80 the utility that is allocated to its Illinois customers. The costs of this generation
81 were reviewed by the Commission very recently in Docket No. 14-0066 and a
82 prudent amount of these costs were included in the development of the energy
83 supply component of MidAmerican's current base rates. MidAmerican also has
84 a fuel adjustment clause tariff on file that functions to recover the fuel costs of
85 its retained generation that are eligible for recovery through that clause.
86 MidAmerican's generation costs will be recovered through multiple rate
87 vehicles, as reflected in MidAmerican's Rider PE. Schedule B illustrates how
88 all the reasonable costs of generation identified in Docket No. 14-066 will be
89 recovered once Rider PE is implemented. The worksheet lists all of the costs
90 included in the generation component of the cost-of-service approved in Docket
91 No. 14-0066 and the costs for those components is included in column (f).
92 How each of those costs will be recovered after the proposed Rider PE is in

93 place is illustrated by assigning these total costs from column (f) to one of three
94 potential recovery mechanisms:

- 95 • Base rates – column (g). Recovery of these costs will remain fixed until
96 MidAmerican’s next rate case filing;
- 97 • FAC – column (h). Recovery of these costs will continue to be through
98 MidAmerican’s fuel adjustment clause;
- 99 • Rider PE – column (i). These are the costs that will be recovered through Rider
100 PE once that rider is approved. The costs that were included in base rates for
101 those costs that are now identified as recovered through Rider PE will be
102 subtracted from the Rider PE calculation, as explained in more detail below.

103 **Q. Please explain how Rider PE will be implemented.**

104 A. The initial annual Rider PE factors will be calculated and filed following the
105 Commission’s approval an outcome of the first procurement event for
106 MidAmerican. It is expected that the first factors will go into effect in June
107 2016, setting the recovery year for the first implementation of Rider PE as June
108 2016 through May 2017. The annual Rider PE factors will be recalculated and
109 filed each time the results of additional procurement events are approved by the
110 Commission. Adjustments to Rider PE charges will be made periodically
111 through calculation of an adjustment factor to help minimize differences
112 between actual costs incurred and revenue recovered under Rider PE. In
113 addition, MidAmerican will file with the Commission an annual reconciliation
114 of costs and recoveries under Rider PE after all Midcontinent Independent
115 System Operator (“MISO”) settlements have concluded for the recovery year.

Calculation of Annual Retail Energy Prices for Rider PE

116 **Q. Please explain how the annual by-class summer retail energy prices**
117 **(SRPEC) and winter retail energy prices (NRPEC) will be calculated.**

118 A. The first step in the process of calculating the retail energy prices is to
119 determine what forecasted costs will be included in the annual Rider PE
120 calculation. The types of costs that are includable are identified on page 2 of
121 Schedule A. These costs include both the incremental costs specific to
122 acquiring the resources required to be procured in a Commission approved
123 procurement plan for MidAmerican and incremental costs of managing the
124 matching of Illinois load and resources. Costs specific to acquiring procurement
125 plan resources include payments to suppliers of resources and renewable energy
126 credits, costs of contingency options if needed and costs involved in preparing
127 and executing the procurement plan. Costs of managing Illinois resources
128 include the identified Illinois portion of load balancing costs, costs related to
129 MidAmerican's responsibility to purchase capacity and energy from Qualifying
130 Facilities ("QF") facilities and transmission, ancillary services costs and other
131 costs assessed by the MISO related to energy supply.

132 **Q. What is the next step in calculating the retail energy prices after all costs**
133 **have been identified and estimated?**

134 A. The next step is to assign each of the includable costs and revenues to season
135 and time-of-use period. This is accomplished on an activity-by-activity basis.
136 Most activities will be directly forecasted by month, so no seasonal allocation
137 will be necessary. Some activities can be specifically identified as pertaining to

138 peak or off-peak usage periods, so those costs can be directly assigned to time-
139 of-use period. The cost of most activities will need to be allocated between time
140 periods, so the most appropriate allocation factor available will be used. Once
141 all the costs have been assigned to the appropriate combination of season and
142 time-of-use period they can then be allocated by customer class.

143 **Q. How will the allocation of the by-season, by-time period costs to customer**
144 **supply group be accomplished?**

145 A. Costs for each season/time period combination will be allocated separately to
146 each customer supply group. The results of the hourly costing model (HCM)
147 approved in Docket No. 14-0066 will be used to allocate costs to each customer
148 supply group for each season/time period combination. Those costs that are
149 determined to be energy-related will utilize the energy component of the HCM.
150 Costs that are determined to be capacity-related will utilize the capacity
151 component of the HCM. The costs assigned by each respective component of
152 the HCM to a particular group during the hours for the season/time period being
153 considered will be divided by the total HCM costs for that component that are
154 applicable to that period to determine the allocation for that customer group.

155 **Q. How will the purchased electricity price be calculated for each season/time**
156 **period?**

157 A. The total allocated costs for each season/time period will be divided by the
158 forecasted sales for that same season/time period to determine the electricity
159 price in \$/MWh for that period. These provide values for the summer on-peak
160 purchased electricity price (SPPEP), summer off-peak purchased electricity

161 price (SOPEP), non-summer on-peak purchased electricity price (NPPEP) and
162 and non-summer off-peak purchased electricity price (NOPEP) identified on
163 page 3 of Schedule A, that are used in calculating the retail energy prices.

164 **Q. How are these purchased electricity prices translated in the factors to be**
165 **applied to retail customers?**

166 A. In order to calculate the retail prices to be applied to customers, the purchased
167 electricity prices must be reduced for the portion of those costs that are already
168 being recovered in the base rates approved by the Commission in Docket No.
169 14-0066. Those costs are allocated to season/time period in the same way as
170 the costs that are includable for recovery in Rider PE. In calculating values for
171 the base rate factors SPBR, SOBR, NPBR and NOBR, however, the costs for
172 each season/time period will be divided by the test year sales for that same
173 season/time period to determine the value in base rates in \$/MWh for that
174 period.

175 For each supply group for each season/time period, the period base rate
176 value in \$/MWH is subtracted from the period purchased electricity price in
177 \$/MWH and the result is multiplied by the forecasted supply group sales for the
178 period. The by-sales group results for the on-peak and off-peak periods for
179 each season are combined and the total is divided by the total forecasted sales
180 for that season to arrive at a factor that will be applied to all retail sales made to
181 that supply group in that season.

182 **Q: Does this method ensure there is no over-recovery of costs by**
183 **MidAmerican from retail customers.**

184 A: Yes.

185

Calculation of Adjustment Factors

186 **Q. You noted that periodic adjustments will be made to reconcile the costs**
187 **that have been incurred with the revenues recovered under Rider PE, as**
188 **required under Section 16.111.5(l) of the Public Utilities Act. Please**
189 **explain how those adjustments will be made.**

190 A. An adjustment factor (Factor PEA) will be calculated for each month after the
191 final settlement of MISO costs for that month has occurred. At that point the
192 adjustment will be calculated as the difference between the accrued costs for
193 that month that are eligible for recovery through Rider PE and the accrued
194 recoveries of those costs from customers taking supply service from
195 MidAmerican during that month. The over/under recovery balance as of the
196 prior month will be added to the net of the costs and recoveries for the month,
197 as will any Commission-ordered adjustment, and the sum will be divided by the
198 forecasted sales remaining in the recovery year to calculate an adjustment
199 factor. This factor will be uniformly applied to all sales to customers taking
200 supply service from MidAmerican.

201 **Q. Does this conclude your prepared direct testimony?**

202 A. Yes, it does.

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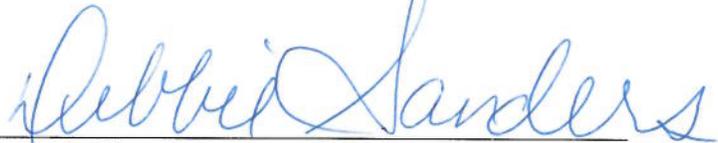
**AFFIDAVIT OF
NAOMI G. CZACHURA**

I, Naomi G. Czachura, being first duly sworn, depose and state that the statements contained in the foregoing prepared direct testimony are true and correct to the best of my knowledge, information and belief, and that such prepared direct testimony constitutes my sworn statement in this proceeding.



Naomi G. Czachura

Subscribed and sworn to before me this 15th day of October 2015.



Notary Public – Iowa

