

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

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**Illinois Commerce Commission  
On its Own Motion**

**vs.**

**MidAmerican Energy Company**

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

**Docket No. 16-0031**

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**DRAFT PROPOSED ORDER**

**I. Procedural History**

On January 20, 2016, 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 EECR - Energy Efficiency Cost Recovery Adjustment,<sup>1</sup> applicable to electric customers, and EECR - Energy Efficiency Cost Recovery Adjustment,<sup>2</sup> applicable to natural gas customers (collectively referred to as "EECR Riders"), from January 1, 2012, through December 31, 2012 ("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 January 27, 2016. 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 February 18, 2016, 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 February 24, 2016.

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<sup>1</sup> Rider EECR – Energy Efficiency Cost Recovery Adjustment for electric customers was originally titled, "Rider No. 2 Energy Efficiency Cost Recovery Adjustment (EECR)." The current title became effective March 1, 2015.

<sup>2</sup> Rider EECR – Energy Efficiency Cost Recovery Adjustment for gas customers was originally titled, "Rider No. 10 Energy Efficiency Cost Recovery Adjustment (EECR)." The former title became effective April 8, 2010.

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 March 1, 2016, before a duly authorized Administrative Law Judge ("ALJ"). Appearances were entered by counsel on behalf of Staff and MidAmerican. MidAmerican presented the testimony of Tina M. Yoder, Manager, Energy Efficiency and Cade J. Simmons, 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) and as updated on December 17, 2010. The EE Programs covered in the 2012 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. 2012 Plan Costs

Ms. Yoder testified that MidAmerican incurred \$5,007,676 in incremental costs for the 2012 Plan Year. Of those total incremental costs, \$3,551,472<sup>3</sup> was spent on electric programs and \$1,456,204 was spent on gas programs. MidAmerican Ex. 3.0 at 4. Ms. Yoder 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. Yoder noted that MidAmerican amended its electric and gas budgets in the December 17, 2010 energy efficiency cost recovery update to reflect the greater-than-expected customer participation. *Id.*

Ms. Yoder explained the steps MidAmerican took to ensure its costs were reasonable and prudent. Ms. Yoder 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. Yoder 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

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<sup>3</sup> Reflects the costs as rounded to the nearest dollar.

competitively priced and, therefore, cost effective for Illinois customers. MidAmerican Ex. 3.0 at 5.

Ms. Yoder 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.” See MidAmerican Ex. 3.2 at 4.

Mr. Simmons testified that cost breakdown by program and fuel are provided in MidAmerican Revised Ex. 1 and Ex. 2, and provided an explanation of how the costs were calculated in the revised exhibits. Additionally, Mr. Simmons explained that MidAmerican presented revisions to the reconciliation exhibits originally filed on March 20, 2013 in Docket Nos. 08-0107 and 08-0108 (Consolidated). Mr. Simmons indicated that MidAmerican Revised Exhibit 1 and Revised Exhibit 2 exclude certain sponsorship costs. MidAmerican Ex. 4.0 at 2. Mr. Simmons explained that after responding to Staff’s data requests and discussions with Staff, MidAmerican agreed to exclude certain sponsorship costs from the 2012 energy efficiency costs, but further noted that the exclusion of these costs does not mean MidAmerican agreed with the rationale for the adjustments and MidAmerican reserved the right to include similar sponsorship costs in future cases. *Id.* at 2.

Mr. Simmons explained MidAmerican Revised Exhibit 1 reflected a deduction of \$1,800 from electric book costs and MidAmerican Revised Exhibit 2 reflected a deduction of \$1,200 from natural gas book costs, both deductions related to the retail value of River Bandits season tickets and sponsorship of the John Deere Classic. MidAmerican Ex. 4.0 at 3-4. Mr. Simmons also explained that MidAmerican will account for the excluded costs by entering a journal entry to remove \$3,000, \$1,800 allocated to electric and \$1,200 allocated to gas, from the amounts originally charged in the expenses in 2012. *Id.* at 5. The reductions will be reflected in the 2016 book costs reported in the energy efficiency reconciliation filed in 2017. *Id.*

Mr. Simmons also testified that the incremental energy efficiency expenditures recorded in MidAmerican’s books included embedded costs recovered in 2012 electric base rates. *Id.* at 3. Mr. Simmons explained that the embedded costs were deducted from the energy efficiency electric expenditures shown on lines 7 and 16 in MidAmerican Revised Exhibits 1 and 2 to derive the costs eligible for recovery in lines 8 and 17. *Id.*, see also MidAmerican Revised Exhibits 1 and 2. Thus, MidAmerican is requesting recovery of \$3,379,628 in electric energy efficiency costs (\$3,551,472 total incremental costs, less \$170,044 recovered in base rates, and less \$1,800 in excluded promotional costs). MidAmerican is also requesting recovery of \$1,455,004 in gas energy efficiency costs (\$1,456,204 total incremental costs, less \$1,200 in excluded promotional costs).

### C. MidAmerican's Internal Audit

In addition to testifying about the costs incurred, Ms. Yoder 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 6; See MidAmerican Ex. 3.2. Ms. Yoder 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 6.

### III. Staff's Position

Mr. Tolsdorf presented testimony on behalf of Staff and explained that he would address the incremental costs incurred and recovered by MidAmerican under its EECR Riders, for its electric and gas customers. Staff Ex. 1.0 at 2. Mr. Tolsdorf also noted that the MidAmerican Revised Exhibits 1 and 2 reflect an agreement reached between Staff and MidAmerican to exclude certain sponsorship costs. *Id.*

Mr. Tolsdorf also presented Schedules 1.01 and 1.02, which presents the reconciliation of the electric and gas energy efficiency costs and revenues for the gas and electric EECR Riders. 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 1.01 and ICC Staff Ex. 1.0, Schedule 1.02 and further recommended that these schedules be attached as appendices to the Commission's Order.

### 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, 2012 through December 31, 2012, with the exclusion of \$3,000 in sponsorship costs is 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 cumulative electric under-recovery by MidAmerican was \$184,215 and the cumulative over-recovery for natural gas was \$151,488 as of December 31, 2012, 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, 2012 through December 31, 2012, MidAmerican incurred incremental program expenditures of \$5,007,676 recoverable through the respective EECR Riders and 2012 electric base rates (\$3,551,472 for electric programs and \$1,456,204 for natural gas programs);
- (5) for the period January 1, 2012 through December 31, 2012, MidAmerican prudently incurred program expenditures of \$4,834,632 recovered through the respective EECR Riders (\$3,379,628 for electric programs and \$1,455,004 for natural gas programs);
- (6) for the period January 1, 2012 through December 31, 2012, MidAmerican recovered \$3,885,086 from ratepayers in accordance with the terms of the EECR Riders, \$2,625,711 for costs associated with electric energy efficiency programs and \$1,259,375 for costs associated with natural gas energy efficiency programs; and
- (7) for the period January 1, 2012 through December 31, 2012, 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, and the difference between authorized recoveries and expenditures, results in a cumulative under-recovered balance of \$184,215 for electric operations and a cumulative over-recovered balance of \$151,488 for natural gas operations.

IT IS THEREFORE ORDERED that the reconciliations submitted by MidAmerican Energy Company of the energy efficiency measures and associated costs prudently incurred with the revenues received under the EECR Riders covering the period beginning January 1, 2012 through December 31, 2012, as reflected in Appendices A and B herein, are 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 \_\_\_\_\_ day of March/April, 2016.

(SIGNED) BRIEN SHEAHAN

Chairman