STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

MidAmerican Energy Company	:	
	:	**01-0696**
Proposed general increase in gas rates	:	

STAFFOF THE ILLINOIS COMMERCE COMMISSION'S EXCEPTIONS TO ADMINISTRATIVE LAW JUDGE'S PROPOSED ORDER

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TABLE OF EXCEPTIONS

Now comes the staff of the Illinois Commerce Commission ("Staff" and "Commission"), by its attorneys, and takes exception to the Administrative Law Judge's Proposed Order ("ALJPO") in this proceeding.

VI. Revenue requirement

C. Contested adjustments to MEC's proposal

3. Cordova Energy Center

Discussion. Staff agrees with the ALJPO's conclusion regarding Cordova Energy Center ("Cordova") contract revenues – both monthly charges under the contract between Cordova and MidAmerican Energy Company ("MEC" or "Company") should be included in the determination of class-by-class revenues presently under review (ALJPO, page 16). It recommends a correction clarifying that MEC began recovering both monthly charges at the end of the test year concluding December 31, 2000, continuing recovery through 2001 (Staff Cross Exhibit 2.0).

Proposed amendment. Based on the discussion above, Staff recommends that the second full paragraph beginning on page 16 of the ALJPO be amended as follows:

> The Commission agrees with Staff that the second customer charge should be included in the pro forma revenues. The Company began to receive~~d~~ both of the customer charges in ~~throughout~~ the test year, continuing its receipt during the immediately subsequent calendar year 2001. Additionally, MEC provided no evidence that it has received the twelve-month notification to end the gas transportation deliveries. Therefore, it is reasonable to believe MEC will continue to receive the customer charge for at least the next twelve months.

VIII. Cost of service

A. Class-by-class peaks – 85 HDD vs. 90 HDD

Discussion. Staff disagrees with the ALJPO's conclusion that the division of

mains-related costs between average use and peak demand should be based upon the Company's peak-demand projection on a day experiencing 90 heating-degree days ("HDD") of cold (ALJPO, page 26) rather than Staff's 85 HDD projection. The ALJPO bases peak demand-related costs upon a low temperature that has never actually occurred in MEC's service area. As Staff discusses and the ALJPO notes, the coldest day on record at the National Weather Service's Moline station is 85 HDD.

The capability of MEC gas-distribution system to handle 90 HDD should be considered against the likelihood of a 90 HDD actually occurring. The costs of a 90 HDD-capable system relative to an 85 HDD-capable system should also be evaluated.

Since the Moline station has never recorded a 90 HDD date, Staff's projection based upon an all-time 85 HDD low is a more appropriate measure of how MEC's gas distribution-system will likely be utilized in extreme circumstances. (The all-time extreme cold did not occur during the test year. Measuring test-year peak usage based upon a lower HDD count, such as the test-year low temperature or a multiyear average, was not suggested by MEC, Staff, or any other party. Viewed against this possibility and similar measurement alternatives, Staff considers its 85 HDD proposal particularly reasonable relative to the Company's projection.)

Nonetheless the ALJPO agrees with MEC that using 90 HDD design capacity to allocate peak demand-related costs is appropriate because the capacity relates to the actual system built to serve all customer classes (ALJPO, page 26). The system has not needed to serve all customers under 90 HDD conditions. MEC's disagreement with the Citizens Utilities Board ("CUB") over the division of mains-related costs between average-use and peak-demand allocation demonstrates that a 90 HDD-capable system

does not necessarily cost more than an 85 HDD-capable system; MEC does not dispute CUB's contention that costs to add system capacity decline on a marginal basis (ALJPO, page 33).

MEC does not clarify cost differences between a 90 HDD system versus an 85 HDD system. Equipment necessary to serve MEC's service area under 85 HDD conditions may well be the same as that needed under 90 HDD conditions given declining marginal costs. Staff knows only that Moline has never recorded a 90 HDD and that the test year does not include a 90 HDD throughput. Accordingly Staff considers its reliance on the all-time 85 HDD extreme the most reasonable and best-documented solution.

Regarding the allocation of peak demand-related costs, Staff recommends the ALJPO be rephrased to eliminate references to sales customers. Peak demand-related costs affect both sales and transportation customers equally within any given rate class; there is no need to resolve issues concerning allocation differences between these two types of customers.

Proposed amendment. Based on the discussion above, Staff recommends that the second full paragraphs beginning on pages 25 and 26 of the ALJPO be amended as follows:

> At issue here are the Peak Demand allocation factors~~, one for the sales customers within each rate class and one~~ for ~~the~~ each rate class ~~as a whole~~. These factors are based upon a projection applied to the system-design peak. The dispute is, when doing this projection, whether 90 heating degree days ("HDD") should be assumed in the system-design peak or 85 HDD. HDD is a measure of cold based upon the average daily temperature compared to 65 degrees.
>
> The Commission agrees with ~~MEC that using design day (90 HDD) to allocate peak-demand-related costs is the appropriate choice because it is~~

~~related to the actual system as built to serve all classes of customers. The~~ Staff that the most extreme temperature experienced, ~~which results in~~ represented by an 85 HDD factor, ~~as proposed by Staff, does not have that relationship~~ is a more appropriate benchmark to estimate peak throughput than MEC's proposed 90 HDD. The National Weather Service's Moline, Illinois station has never recorded 90 HDD, making the relevance of 90 HDD to peak demand questionable. (The Commission also notes that MEC has not demonstrated an increase in mains-related costs attributable to increasing capacity from 85 HDD to 90 HDD.) ~~We recognize that Staff's~~ MEC's proposal results in low load factor customers having an ~~reduced~~ increased percentage of mains-related costs allocated according to peak demand based upon extreme temperatures that did not occur during the test year and have never been recorded in MEC's service area ~~but we find that to be an insufficient reason to adopt Staff's position~~. Therefore, the Commission concludes ~~the design day factor of~~ that an ~~90~~ 85 HDD, as recommended by Staff, should be used to allocate peak-demand-related costs.

B. Weighting for services, meters, and regulators

Discussion. Staff disagrees with ALJPO's acceptance of MEC's significant changes in weighting factors for services, meters and regulators. MEC bases its changes on typical installed costs that exclude supposedly atypical "outlier" installations (ALJPO, page 30). It is appropriate that the ALJPO is troubled by the exclusion of unexpected outliers, but Commission acceptance of the ALJPO's conclusion provides utilities additional incentive to use forward-biased, results-based data. The ALJPO should be revised to accept Staff's recommendation, which maintains weightings reflected in rates from MEC's gas-rates proceeding of two years ago (Docket No. 99-0534).

As the ALJPO notes, MEC's Company-specific information used to determine weighting factors was tainted by the exclusion of outlier installations. These high-cost exclusions raise questions regarding the reliability of MEC's remaining information as an accurate proxy for weighting installations among customer classes. Company-specific

information for calculating average installation costs across customer classes, once edited, is no longer superior to the general experience of the Company's outside expert from Docket No. 99-0534.

The ALJPO does not reject a cost-of-service study from MEC's recent electric delivery-services proceeding (Docket No. 01-0444), which the Company suggests uses a similar approach for determining weighting factors as its present gas cost-of-service study. Yet the Commission's acceptance of Docket No. 01-0444's electric study does not necessarily control the present gas proceeding. Its acceptance of the electric cost-of-service study was not without qualification; the Commission did not allow transformer costs that MEC based upon company-specific information (Order in Docket No. 01-0444, pages 17-19). Moreover the Commission was not faced with MEC's selective data editing.

Since Staff views the data editing as invalidating MEC's present weighting factors, it recommends readopting weighting factors approved in Docket No. 99-0534. Given the minor changes in MEC's customer mix and the short, two-year time period since adoption, Staff believes these previous weighting factors remain an appropriate proxy for in-depth analysis of the Company's embedded costs.

Proposed amendment. Based on the discussion above, Staff recommends that the first full paragraph beginning on page 30 of the ALJPO be amended as follows:

> The data used by the Company to develop its cost of service study for this proceeding were company specific, which, in general, the Commission would find~~s~~ to be more appropriate. The Commission must choose between weightings based on the industry as a whole and weightings based on questionable company specific data. The Commission agrees with Staff that the Company's proposal is imperfect and we are troubled by the fact that MEC excluded outliers in developing the weighting factors and the unclear relationship of the typical installments to the actual. ~~Nonetheless,~~ Given these difficulties, the Commission

concludes that weighting factors proposed by MEC are not properly based on Company specific data ~~represent a more appropriate proxy than those proposed by Staff which are, essentially, unsupported. We believe that the use of Company specific data provides a more accurate reflection of how costs were incurred and, therefore, should be allocated~~. The Commission is surprised that MEC is backing away from the same weighting factors it forwarded in Docket No. 99-0534. It is appropriate to maintain the customer weightings from this prior cost of service study of two years ago. The study is sufficiently recent to remain applicable to MEC's current mix of customers; the mix has not changed to a degree that suggests a significant change in weighting factors is appropriate. Basing the weighting factors upon the Company's cost of service position in Docket No. 99-0534 offers the additional advantage of providing perspective on costs over several years, rather than applying current costs to installations that vary in age from months to decades.

IX. Rate design

A. Rate 60

Discussion. Staff does not necessarily disagree with the ALJPO's review and conclusions regarding the design of Rate 60, but it disagrees with effects on Rate 60 stemming from the ALJPO's cost-of-service-study conclusions regarding peak-demand projections and weighting factors, both discussed above. If the ALJPO's determinations regarding peak-demand projections and weighting factors remain, the design of Rate 60 will be different than the ALJPO's present conclusions suggest.

The ALJPO accepts Staff's recommended $10.50 Rate 60 customer charge, perhaps because Staff offers a compromise between CUB's recommendation maintaining the current Rate 60 customer charge and actual cost of service. Staff's recommendation maintains the current volumetric Rate 60 distribution energy charge ("DEC"), which would otherwise be reduced by Staff's cost-of-service study (Brief of the Staff of the Illinois Commerce Commission ("Staff's Brief"), pages 31-33 and Staff Exhibit 5.0, page 15). Appendix A calculates rates based upon the ALJPO's

conclusions, resulting in either a 9% increase in the Rate 60 DEC and a $10.50 customer charge or, alternatively, an $11.10 customer charge with an increase in the DEC accounting for rounding of rates to recover the Rate 60 revenue requirement. Either result appears to contradict at least part of the apparent basis for several ALJPO conclusions.

In accepting Staff's $10.50 customer charge, the ALJPO appears to give merit to CUB's proposal maintaining the current $9.00 charge. CUB's proposal addresses concerns regarding the effect upon low-volume Rate 60 customers of MEC's recommended 33% increase to customer charge established only two years ago. (The current Rate 60 customer charge represents a 50% increase over the $6.00 charge in effect prior to Docket No. 99-0534, making MEC's proposed $12.00 charge double that recently in effect.) The ALJPO concludes that Staff's $10.50 charge mitigates CUB's concerns while making reasonable movement toward cost of service (ALJPO, page 36).

If Staff's cost-of-service study is used to determine rates, the ALJPO's conclusion is correct. Yet the ALJPO does not use Staff's cost of service study, at least with regard to HDDs and weighting factors. Should the Commission leave these ALJPO conclusions intact, the reasons for Staff's Rate 60 recommendations no longer apply. In this instance Staff recommends that the Rate 60 DEC be viewed as more than a fallback position for Rate 60 revenue-requirement recovery. A comparison of Appendix A, page 7 with Staff Exhibit 12.0, Schedule 1, page 7 shows that the ALJPO shifts approximately $474,376 in total costs to Rate 60 after a 97.707% adjustment to the overall Staff and ALJPO revenue requirement. Most of this difference is in customer costs, which are typically recoverable through the customer charge. Accordingly Staff

recommends that, if ALJPO's cost-of-service conclusions remain unchanged, Rate 60 be set at cost of service – resulting in an $11.20 customer charge and a $0.08082 per-therm DEC. Otherwise the ALJPO's $10.50 customer charge results in a charge below cost of service and a DEC both above cost of service and increased approximately 9% above the current level ($0.08051 at $0.8797 per therm).

Proposed amendment. Based on the discussion above and in the event that its remaining cost-of-service concerns are persuasive, Staff recommends that the first full paragraph beginning on page 37 of the ALJPO be amended as follows:

> MEC ~~and Staff agree~~ states that the Rate 60 energy charge should recover the portion of the Rate 60 class revenue requirement which is not recovered *via* the customer charge. (MEC Ex. 20.0 at 3). Staff recommends setting the energy charge at or near the current rate, allowing the customer charge to be set below the cost of service rate. Using Staff's approved cost of service study, MEC and Staff's Rate 60 distribution energy charge proposals are essentially the same. The Commission finds this approach to be reasonable; with the DEC set at or slightly below the current rate, it allows for Rate 60 revenue recovery while accommodating rounding of the customer charge.

In the event that its remaining cost-of-service concerns are not persuasive, Staff instead recommends that the sixth full paragraph beginning on page 36 and the first full paragraph beginning on page 37 of the ALJPO be amended as follows:

> The Commission concurs with Staff and CUB's assertion that MEC's proposed customer charge disproportionately burdens low-use customers. The Commission finds that setting the Rate 60 customer charge at the level suggested by Staff, $10.50 per month, ~~mitigates CUB's concern while still making reasonable movement toward the cost of service~~ would result in a customer charge set below cost of service and a volumetric distribution energy charge set above the current charge. This resulting dichotomy in the relationship to cost of service is inappropriate. Instead the customer charge should be set at the cost of service level.
>
> MEC ~~and Staff agree~~ states that the Rate 60 energy charge should recover the portion of the Rate 60 class revenue requirement which is not recovered *via* the customer charge. (MEC Ex. 20.0 at 3). Staff recommended setting the distribution energy charge at or near the current rate, allowing the

customer charge to be set below the cost of service rate. The Commission finds this approach to be reasonable, but notes several differences between the Staff cost of service study and the conclusions reached in this Order. Since the Staff cost of service study did not include MEC's proposals concerning projection of peak demand and weightings for customer installations, the customer charge is set at the cost of service rate rounded to the nearest dime, and the distribution energy charge is set at or near the cost of service rate, accommodating revenue recovery using a rounded customer charge.

C. Rate 85

1. Customer charge

Discussion. As discussed above, the ALJPO accepts the HDD used in MEC's projection of peak demand as well as the Company's weighting of customer installations. The resulting cost-of-service study includes different assumptions than Staff's proposal. To the extent the Commission accepts these differing assumptions, the Rate 85 customer charge should change similarly.

Proposed amendment. Based on the discussion above and in the event that its remaining cost-of-service concerns are not persuasive, Staff recommends that the third full paragraph beginning on page 39 of the ALJPO be amended as follows:

> Staff and MEC agree that the Rate 85 customer charge should be capped at the lower of cost of service or $1,200 per month, which the Commission finds to be reasonable. ~~The Commission finds that Staff's revenue requirement and cost of service study shall be used for the reasons previously discussed, resulting in a $1,200 Rate 85 customer charge~~.

X. Findings and Ordering Paragraphs

Discussion. Staff notes that the gas operating-revenue increase and corresponding percentage increase incorrectly reference the difference between Staff and MEC's final positions. It should correctly show the total revenue increase and percentage in the overall case. The gas operating-revenue overall increase is

calculated using the sum of $2,204,000 on Staff Exhibit 1.0, Schedule 1.1 and $29,000 on Staff Exhibit 11.0, Schedule 11.1, for a total of $2,233,000. The overall percentage increase is calculated using the corresponding sums on the same schedules – specifically 3.37% and 0.04% – for a total of 4.41%.

Proposed amendment. Based on the discussion above, Staff recommends that the seventh finding on page 49 of the ALJPO be amended as follows:

> (7) the rates of return set forth in Finding (6) hereinabove result in gas operating revenues of $67,572,000 and net annual operating income of $3,331,000 based on the test year herein approved; to earn this operating income, an increase in MEC's gas operating revenues, of ~~$29,000~~ $2,233,000 or ~~0.04%~~ 4.41%, is required at this time;

Wherefore, for the foregoing reasons, Staff respectfully requests that the Commission adopt a revised ALJPO including all proposed amendments above as the final order in this proceeding.

Respectfully submitted,

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August 5, 2002

MidAmerican Energy Company
Rate Design - Summary of Proposed Rates

	Customer Charge per month	Transportation Administrative Charge per month	Transportation Metering Charge per month	Distribution Energy Charge per therm -- Sales	Distribution Energy Charge per therm -- Transportation	Distribution Demand Charge per therm MDR -- Sales	Distribution Demand Charge per therm MDR -- Transportation
Rate 60	$ 11.10			$ 0.08082	-----	-----	-----
Rate 70	$ 19.00	$ 85.00	$ 18.00				
0 - 1,000				$ 0.10660	$ 0.10379	-----	-----
1,001 - 10,000				$ 0.09474	$ 0.08964	-----	-----
10,000 +				$ 0.05910	$ 0.05400	-----	-----
Rate 85	$ 1,200.00	$ 85.00	$ 11.00	$ 0.02341	$ 0.02042	$ 0.25120	0.25114
Rate 87	$ 159.00	$ 85.00	$ 18.00	$ 0.03595	$ 0.02971	-----	-----

Distribution Energy Charge for Rate 87 Transportation is the Sales Distribution Energy Charge discounted by Energy Costs per therm. See page 4.

MidAmerican Energy Company
Rate Design - Summary of Proposed Rates

	Customer Charge per month	Transportation Administrative Charge per month	Transportation Metering Charge per month	Distribution Energy Charge per therm -- Sales	Distribution Energy Charge per therm -- Transportation	Distribution Demand Charge per therm MDR -- Sales	Distribution Demand Charge per therm MDR -- Transportation
Rate 60	$ 10.50			$ 0.08797	-----	-----	-----
Rate 70	$ 19.00	$ 85.00	$ 18.00				
0 - 1,000				$ 0.10660	$ 0.10379	-----	-----
1,001 - 10,000				$ 0.09474	$ 0.08964	-----	-----
10,000 +				$ 0.05910	$ 0.05400	-----	-----
Rate 85	$ 1,200.00	$ 85.00	$ 11.00	$ 0.02341	$ 0.02042	$ 0.25120	0.25114
Rate 87	$ 159.00	$ 85.00	$ 18.00	$ 0.03595	$ 0.02971	-----	-----

Distribution Energy Charge for Rate 87 Transportation is the Sales Distribution Energy Charge discounted by Energy Costs per therm. See page 4.

Mid-American Energy Company
Rate Design

	Net COS	Rate 60	Rate 70	Rate 85	Rate 87
Transportation Metering Charge			**$ 18.00**	**$ 11.00**	**$ 18.00**
Transportation Bills			834	86	7
Revenue Recovery	$ 16,084		$ 15,012	$ 946	$ 126
Customer Costs:	$ 11,713,338	$ 9,089,591	$ 2,480,494	$ 139,709	$ 3,544
Multiplied by: Staff Revenue Adjustment Factor (see page 7)	0.97707	0.97707	0.97707	0.97707	0.97707
	$ 11,444,715	$ 8,881,139	$ 2,423,609	$ 136,505	$ 3,463
Less: Transportation Metering Charge Revenues	$ (16,084)		$ (15,012)	$ (946)	$ (126)
Net Customer Costs	$ 11,428,631		$ 2,408,597	$ 135,559	$ 3,337
Less: Over-recovered Demand and Energy Costs (Rate 60 only)	$ (866,392)	$ (866,392)			
Costs to be Recovered through Customer Charge	$ 10,562,239	$ 8,014,747	$ 2,408,597	$ 135,559	$ 3,337
Divided by: Total Monthly bills		722,043	61,663	91	21
Monthly Customer Charge		**$ 11.10**	**$ 19.00**	**$ 1,200.00**	**$ 159.00**
Multiplied by: Total Monthly bills		722,043	61,663	91	21
Revenue Recovery	$ 9,298,813	$ 8,014,677	$ 1,171,597	$ 109,200	$ 3,339
Over/(under) recovery	$ (1,263,426)	$ (70)	$ (1,237,000)	$ (26,359)	$ 2
Transportation Administration Costs:	$ 82,675	$ -	$ 74,195	$ 7,420	$ 1,060
Multiplied by: Staff Revenue Adjustment Factor (see page 7)	0.97707	-	0.97707	0.97707	0.97707
	$ 80,779	$ -	$ 72,494	$ 7,249	$ 1,036
Divided by: Total Monthly bills			834	86	7
Monthly Transportation Administration Charge			**$ 85.00**	**$ 85.00**	**$ 85.00**
Multiplied by: Total Monthly bills			834	86	7
Revenue Recovery	$ 78,795		$ 70,890	$ 7,310	$ 595
Over/(under) recovery	$ (1,984)	$ -	$ (1,604)	$ 61	$ (441)

Mid-American Energy Company
Rate Design

	Net COS	Rate 60	Rate 70	Rate 85	Rate 87
Transportation Metering Charge			**$ 18.00**	**$ 11.00**	**$ 18.00**
Transportation Bills			834	86	7
Revenue Recovery	$ 16,084		$ 15,012	$ 946	$ 126
Customer Costs:	$ 11,713,338	$ 9,089,591	$ 2,480,494	$ 139,709	$ 3,544
Multiplied by: Staff Revenue Adjustment Factor (see page 7.1)	0.97707	0.97707	0.97707	0.97707	0.97707
	$ 11,444,715	$ 8,881,139	$ 2,423,609	$ 136,505	$ 3,463
Less: Transportation Metering Charge Revenues	$ (16,084)		$ (15,012)	$ (946)	$ (126)
Net Customer Costs	$ 11,428,631		$ 2,408,597	$ 135,559	$ 3,337
Less: Over-recovered Demand and Energy Costs (Rate 60 only)	$ (1,299,952)	$ (1,299,952)			
Costs to be Recovered through Customer Charge	$ 10,128,679	$ 7,581,187	$ 2,408,597	$ 135,559	$ 3,337
Divided by: Total Monthly bills		722,043	61,663	91	21
Monthly Customer Charge		**$ 10.50**	**$ 19.00**	**$ 1,200.00**	**$ 159.00**
Multiplied by: Total Monthly bills		722,043	61,663	91	21
Revenue Recovery	$ 8,865,588	$ 7,581,452	$ 1,171,597	$ 109,200	$ 3,339
Over/(under) recovery	$ (1,263,091)	$ 265	$ (1,237,000)	$ (26,359)	$ 2
Transportation Administration Costs:	$ 82,675	$ -	$ 74,195	$ 7,420	$ 1,060
Multiplied by: Staff Revenue Adjustment Factor (see page 7.1)	0.97707	-	0.97707	0.97707	0.97707
	$ 80,779	$ -	$ 72,494	$ 7,249	$ 1,036
Divided by: Total Monthly bills			834	86	7
Monthly Transportation Administration Charge			**$ 85.00**	**$ 85.00**	**$ 85.00**
Multiplied by: Total Monthly bills			834	86	7
Revenue Recovery	$ 78,795		$ 70,890	$ 7,310	$ 595
Over/(under) recovery	$ (1,984)	$ -	$ (1,604)	$ 61	$ (441)

Mid-American Energy Company
Rate Design

	Net COS	Rate 60	Rate 70	Rate 85	Rate 87
Demand Costs:	$ 6,060,677	$ 3,422,508	$ 2,034,657	$ 595,578	$ 7,934
Multiplied by: Staff Revenue Adjustment Factor (see page 7)	0.97707	0.97707	0.97707	0.97707	0.97707
	$ 5,921,687	$ 3,344,019	$ 1,987,996	$ 581,919	$ 7,752
Distribution Demand Charge per MDR therm (Rate 85 only)				**see page 6**	
Revenue Recovery	$ 272,739			$ 272,739	
Over/(under) recovery	$ (5,648,948)	$ (3,344,019)	$ (1,987,996)	$ (309,180)	$ (7,752)
Energy Costs:	$ 993,188	$ 706,534	$ 280,461	$ 4,432	$ 1,761
Multiplied by: Staff Revenue Adjustment Factor (see page 7)	0.97707	0.97707	0.97707	0.97707	0.97707
	$ 970,411	$ 690,331	$ 274,029	$ 4,330	$ 1,721
Plus or (minus) under-recovered/(over)-recovered Customer Costs	1,263,426		1,237,000	26,359	(2)
Plus or (minus) under-recovered/(over)-recovered Transportation Administration Costs	1,984	-	1,604	(61)	441
Plus or (minus) under-recovered/(over)-recovered Demand Costs	5,648,948	3,344,019	1,987,996	309,180	7,752
	$ 7,884,768	$ 4,034,350	$ 3,500,628	$ 339,809	$ 9,911
Divided by: Total Billing units (therms)		60,637,738			275,696
Distribution Energy Charge per therm		**$ 0.08082**	**see page 5**	**see page 6**	**0.03595**
Multiplied by: Total Billing units		60,637,738			275,696
Revenue Recovery	$ 8,751,017	$ 4,900,742	$ 3,500,660	$ 339,705	$ 9,911
Over/(under)-recovery	$ 866,249	$ 866,392	$ 32	$ (104)	$ (0)
Total Revenue Recovery	$ 18,417,448	$ 12,915,419	$ 4,758,159	$ 729,900	$ 13,971
Total Unadjusted Costs (see page 7)	18,849,877	13,218,633	4,869,807	747,138	14,299
Multiplied by: Staff Revenue Conversion Factor (see page 7)	0.97707	0.97707	0.97707	0.97707	0.97707
Net Revenues from Base Rates	18,417,591	12,915,489	4,758,127	730,004	13,971
Over/(under)-recovery	$ (143)	$ (70)	$ 32	$ (104)	$ (0)

Mid-American Energy Company
Rate Design

	Net COS	Rate 60	Rate 70	Rate 85	Rate 87
Demand Costs:	$ 6,060,677	$ 3,422,508	$ 2,034,657	$ 595,578	$ 7,934
Multiplied by: Staff Revenue Adjustment Factor (see page 7.1)	0.97707	0.97707	0.97707	0.97707	0.97707
	$ 5,921,687	$ 3,344,019	$ 1,987,996	$ 581,919	$ 7,752
Distribution Demand Charge per MDR therm (Rate 85 only)				**see page 6**	
Revenue Recovery	$ 272,739			$ 272,739	
Over/(under) recovery	$ (5,648,948)	$ (3,344,019)	$ (1,987,996)	$ (309,180)	$ (7,752)
Energy Costs:	$ 993,188	$ 706,534	$ 280,461	$ 4,432	$ 1,761
Multiplied by: Staff Revenue Adjustment Factor (see page 7.1)	0.97707	0.97707	0.97707	0.97707	0.97707
	$ 970,411	$ 690,331	$ 274,029	$ 4,330	$ 1,721
Plus or (minus) under-recovered/(over)-recovered Customer Costs	1,263,091		1,237,000	26,359	(2)
Plus or (minus) under-recovered/(over)-recovered Transportation Administration Costs	1,984	-	1,604	(61)	441
Plus or (minus) under-recovered/(over)-recovered Demand Costs	5,648,948	3,344,019	1,987,996	309,180	7,752
	$ 7,884,433	$ 4,034,350	$ 3,500,628	$ 339,809	$ 9,911
Divided by: Total Billing units (therms)		60,637,738			275,696
Distribution Energy Charge per therm		**$ 0.08797**	**see page 5**	**see page 6**	**0.03595**
Multiplied by: Total Billing units		60,637,738			275,696
Revenue Recovery	$ 9,184,577	$ 5,334,302	$ 3,500,660	$ 339,705	$ 9,911
Over/(under)-recovery	$ 1,300,144	$ 1,299,952	$ 32	$ (104)	$ (0)
Total Revenue Recovery	$ 18,417,783	$ 12,915,754	$ 4,758,159	$ 729,900	$ 13,971
Total Unadjusted Costs (see page 6.1)	18,849,877	13,218,633	4,869,807	747,138	14,299
Multiplied by: Staff Revenue Conversion Factor (see page 7.1)	0.97707	0.97707	0.97707	0.97707	0.97707
Net Revenues from Base Rates	18,417,591	12,915,489	4,758,127	730,004	13,971
Over/(under)-recovery	$ 192	$ 265	$ 32	$ (104)	$ (0)

MidAmerican Energy Company
Rate 70 Distribution Energy Charges

	Total	Sales	Transportation	
Energy Costs x Staff Revenue Conversion Factor	$ 274,029	$ 227,444	$ 46,585	83% sales, 17% transportation
Demand Costs:				
Average x Staff Revenue Conversion Factor	736,866	495,836	241,030	Throughput
Peaking x Staff Rev. Conversion Factor	1,251,130	832,362	418,769	Peak
Plus or (minus) under/(over)-recovered customer costs	1,237,000	1,220,376	16,623	Customers
Plus or (minus) under/(over)-recovered transportation administration costs	1,604		1,604	
	$ 3,500,628	$ 2,776,018	$ 724,610	
Divided by: Throughput	39,404,125	26,290,065	13,114,060	GCS-1, Schedule 2, page 1
Average per therm	0.08884	0.10559	0.05525	
Average Energy Costs per therm	0.00695	0.00865	0.00355	
Average Demand Costs per therm	0.05045	$ 0.05052	$ 0.05031	
Average Unrecovered Customer Costs per therm	$ 0.04193	$ 0.05097	$ 0.00303	First 2 blocks, GCS-3, page 1
Average Unrecovered Transportation Administration Costs per therm			$ 0.00229	First 2 blocks, GCS-3, page 1

MidAmerican Energy Company
Rate 70 Distribution Energy Charges

Block Charges per therm:	Sales	Transportation	
0-1,000			
Unrecovered Customer Costs per therm + Block Increase	$ 0.04750	$ 0.04750	
Plus: Unrecovered Transportation Administration Costs per therm		0.00229	
Plus: Demand Costs per therm	0.05045	0.05045	
Plus: Energy Costs per therm	0.00865	0.00355	
	0.10660	**0.10379**	
Multiplied by: Billing units (therms)	14,859,979	774,706	WP GCS-3a
Revenue Recovery	$ 1,584,074	$ 80,407	
1,001-10,000			
Customer Costs per therm x .85	$ 0.03564	$ 0.03564	
Plus: Demand Costs per therm	0.05045	0.05045	
Plus: Energy Costs per therm	0.00865	0.00355	
Distribution Energy Rate per therm	**0.09474**	**0.08964**	
Multiplied by: Billing units (therms)	9,163,856	4,706,391	WP GCS-3a
Revenue Recovery	$ 868,184	$ 421,881	
10,001+			
Demand Costs per therm	0.05045	0.05045	
Energy Costs per therm	0.00865	0.00355	
Distribution Energy Rate per therm	**0.05910**	**0.05400**	
Multiplied by: Billing units (therms)	2,266,230	7,632,962	WP GCS-3a
Revenue Recovery	$ 133,934	$ 412,180	
Total Revenue Recovery	$ 2,586,192	$ 914,468	$ 3,500,660

MidAmerican Energy Company
Rate 85 Distribution Demand and Energy Charges

	Total	Sales	Transportation	
Energy Costs x Staff Revenue Conversion Factor	$ 4,330	$ 2,252	$ 2,079	
Divided by: Billing units (therms)	16,530,375	720,595	15,809,780	
Energy Costs per billing unit	$ 0.00026	$ 0.00312	$ 0.00013	
Demand Costs:				
Average x Staff Revenue Conversion Factor	309,122	13,475	295,646	Throughput
Peaking x Staff Rev. Conversion Factor	272,798	14,538	258,259	Peak
Plus or (minus) under/(over)-recovered transportation administration costs	(61)		(61)	
	$ 586,189	$ 30,266	$ 555,924	
Demand Charge per Maximum Daily Requirement ("MDR"):				
Peaking Demand Costs	$ 272,798			
Less: Over-recovered Transportation Adm. Costs			(61)	
Divided by: Demand billing units (MDR therms)	1,086,000		1,059,000	
Cost/(credit) per MDR therm	$ 0.25120		(0.00006)	
Distribution Demand Charge per MDR therm		**$ 0.25120**	**$ 0.25114**	
Multiplied by: Demand Billing Units		27,000	1,059,000	WP GCS-3b
Revenue Recovery		$ 6,782	$ 265,957	$ 272,739
Energy Charge per therm:				
Average Demand Costs	$ 309,122			
Plus: Unrecovered Customer Costs	26,359			
	$ 335,481			
Divided by: Energy Billing units (therms)	16,530,375			
	$ 0.02029			
Plus: Energy Costs per therm		$ 0.00312	$ 0.00013	
Distribution Energy Charge per therm		**$ 0.02341**	**$ 0.02042**	
Multiplied by: Energy Billing Units		720,595	15,809,780	
Revenue Recovery		$ 16,869	$ 322,836	$ 339,705
				$ 612,444

Mid-American Energy Company
Rate Design - Summary of Costs by Function and
Staff Revenue Conversion Factor

Functional Costs	Net COS	Rate 60	Rate 70	Rate 85	Rate 87	Allocation Method
Demand-related Costs						
Mains (Average)	2,238,268	1,160,554	754,161	316,377	7,177	Throughput (Weather Normalized)
Mains (Peaking)	3,822,408	2,261,954	1,280,496	279,201	757	Peak Demand (Total Throughput)
	$ 6,060,677	$ 3,422,508	$ 2,034,657	$ 595,578	$ 7,934	
Customer-related Costs						
Services	$ 3,712,581	$ 3,392,821	$ 318,687	$ 949	$ 124	Weighted Customers - Services
Meters	3,734,400	2,316,788	1,404,463	12,603	547	Weighted Customers - Meters
Regulators	464,544	273,774	188,435	2,261	73	Weighted Customers - Regulators
Industrial Meters	15,112	-	9,806	5,306	-	Weighted Customers - Industrial Meters
Customer Accounts	3,786,700	3,106,208	559,102	118,590	2,800	Weighted Customers - Cust Service
	$ 11,713,338	$ 9,089,591	$ 2,480,494	$ 139,709	$ 3,544	
Transportation Administration	$ 82,675	-	$ 74,195	$ 7,420	1,060	Transport Customers
Energy Costs						
Cost of Gas	$ 48,868,872	$ 33,596,583	$ 14,758,282	$ 273,151	$ 240,856	Cost of Gas (Direct Assigned)
Less: PGA Recoveries	(48,535,381)	(33,367,313)	(14,657,568)	(271,287)	(239,213)	
	$ 333,491	$ 229,270	$ 100,713	$ 1,864	$ 1,644	
Peak Facilities	659,697	477,264	179,748	2,568	117	Peak Demand (Sales Service Only)
	$ 993,188	$ 706,534	$ 280,461	$ 4,432	$ 1,761	
Total Costs (unadjusted to Staff)	$ 18,849,877	$ 13,218,633	$ 4,869,807	$ 747,138	$ 14,299	

Staff Revenue Requirement	$ 19,037,000	
Less: Other Operating Revenues	(619,409)	
Net Revenue from Base Rates	$ 18,417,591	same as page 3, Total Costs adjusted by Staff Revenue Conversion Factor
Divided by: ML Cost Study Revenue Requirement (unadjusted)	18,849,877	
Staff Revenue Conversion Factor	**0.97707**	used in calculating charges on pages 2 and 3

MidAmerican Energy Company
Customer Class Allocators

I. Throughput (Weather Normalized)

	60	70	85	87	Total (w/o Contract)
W.N. Throughput	60,637,738	39,404,125	16,530,375	374,989	116,947,227
Allocator	**0.5185051**	**0.3369394**	**0.1413490**	**0.0032065**	**1.0000000**

II. Peak Demand (Sales Service Only)

	60	70	85	87	Total (w/o Contract)
Allocator	**0.7234595**	**0.2724697**	**0.0038927**	**0.0001781**	**1.0000000**

III. Peak Demand (Total Throughput)

	60	70	85	87	Total (w/o Contract)
Allocator	**0.5917615**	**0.3349972**	**0.0730432**	**0.0001981**	**1.0000000**

IV. Customers

	60	70	85	87	Total (w/o Contract)
Total Customers	60,170	5,139	8	2	65,319
Allocator	**0.9211715**	**0.0786754**	**0.0001225**	**0.0000306**	**1.0000000**

V. Transport Customers

	60	70	85	87	Total (w/o Contract)
Total Customers	-	70	7	1	78
Allocator	**-**	**0.8974359**	**0.0897436**	**0.0128205**	**1.0000000**

VI. Weighted Customers - Services

	60	70	85	87	Total (w/o Contract)
Total Customers	60,170	5,139	8	2	65,319
Weight	1.00	1.10	2.10	1.10	N/A
Weighted Customers	60,170	5,652	17	2	65,841
Allocator	**0.9138711**	**0.0858398**	**0.0002557**	**0.0000334**	**1.0000000**

MidAmerican Energy Company
Customer Class Allocators

VII. Weighted Customers - Meters - see page 11

	60	70	85	87	Total (w/o Contract)
Total Customers	60,170	5,139	8	2	65,319
Weight	1.00	7.10	40.91	7.10	N/A
Weighted Customers	60,170	36,476	327	14	96,987
Allocator	**0.6203910**	**0.3760880**	**0.0033747**	**0.0001464**	**1.0000000**

VIII. Weighted Customers - Regulators - see page 11

	60	70	85	87	Total (w/o Contract)
Total Customers	60,170	5,139	8	2	65,319
Weight	1.00	8.06	62.12	8.06	N/A
Weighted Customers	60,170	41,414	497	16	102,097
Allocator	**0.5893395**	**0.4056353**	**0.0048673**	**0.0001579**	**1.0000000**

IX. Weighted Customers - Industrial Meters - see page 11

	60	70	85	87	Total (w/o Contract)
Eligible Customers	-	82	7	-	89
Weight	1.00	7.36	46.63	7.36	N/A
Weighted Customers	-	603	326	-	930
Allocator	**-**	**0.6488826**	**0.3511174**	**-**	**1.0000000**

X. Weighted Customers - Customer Service

	60	70	85	87	Total (w/o Contract)
Total Customers	60,170	5,139	8	2	65,319
Weight	1.00	2.11	287.15	27.12	N/A
Weighted Customers	60,170	10,830	2,297	54	73,352
Allocator	**0.8202941**	**0.1476490**	**0.0313175**	**0.0007394**	**1.0000000**

MidAmerican Energy Company
Customer Class Allocators

XI. Manufactured Gas Cleanup

	60	70	85	87	Total (w/o Contract)
Throughput	60,637,738	39,404,125	16,530,375	374,989	
Revenue	44,518,635	19,066,105	995,271	258,240	
COG	33,367,314	14,657,569	271,287	239,213	
Total Margin	$ 11,151,321	$ 4,408,536	$ 723,984	$ 19,027	$ 16,302,869
Margin Allocator	0.6840097	0.2704148	0.0444084	0.0011671	1.0000000
Throughput Allocator	0.5185051	0.3369394	0.1413490	0.0032065	1.0000000
50/50	**0.6012574**	**0.3036771**	**0.0928787**	**0.0021868**	**1.0000000**

XII. Cost of Gas

	60	70	85	87	Total (w/o Contract)
Cost of Gas	$ 33,367,314	$ 14,657,569	$ 271,287	$ 239,213	$ 48,535,382
Allocator	**0.6874843**	**0.3019976**	**0.0055895**	**0.0049286**	**1.0000000**

Weighted Customer Calculation

	60	70	85	87	Contract
Total Bills	722,043	61,663	91	21	24
Total Customers	60,170	5,139	8	2	2
Total Industrial & Transport Bills	-	989	86	-	24
Total Indust & Transport Customers	-	82	7	-	2
Total Transport Bills	-	834	86	7	24
Total Transport Customers	-	70	7	1	2
Typical Service Cost	$ 451	$ 496	$ 949	$ 496	$ 949
Ratioed	1.00	1.10	2.10	1.10	2.10
Typical Metering Cost	$ 92	$ 653	$ 3,764	$ 653	$ 3,764
Ratioed	1.00	7.10	40.91	7.10	40.91
Typical Regulator Cost	$ 34	$ 274	$ 2,112	$ 274	$ 2,112
Ratioed	1.00	8.06	62.12	8.06	62.12
Typical Meter+Regulator Cost	$ 126	$ 927	$ 5,876	$ 927	$ 5,876
Ratioed	1.00	7.36	46.63	7.36	46.63

MidAmerican Energy Company
Peak Demand Estimation

(therms)

Month	Rate 60	Rate 70	Rate 85	Rate 87	HDD	70 Sales
Jan	11,064,039	6,797,249	2,070,360	17,643	1,268	5,192,340
Feb	8,046,801	5,835,260	2,193,481	-	863	3,899,068
Mar	5,658,784	3,930,449	1,891,382	11,526	606	2,443,622
Apr	3,902,283	2,797,673	1,584,144	5,970	427	1,645,074
May	2,149,331	1,860,978	1,479,846	4,513	112	804,427
Jun	1,279,506	1,025,347	1,205,653	85,056	29	459,395
Jul	1,277,596	1,235,596	1,146,228	59,636	-	598,508
Aug	1,310,290	874,376	810,512	25,441	-	399,132
Sep	1,464,309	1,509,052	808,773	41,720	97	637,184
Oct	2,733,971	1,906,646	730,429	29,087	263	1,073,422
Nov	7,639,933	3,897,112	931,094	54,855	866	3,092,289
Dec	12,803,430	6,992,428	1,678,470	39,542	1,601	5,303,646
Intercept	1,079,327	1,139,964	1,078,289	36,761		407,296
Slope	7,563	4,074	586	(11)		3,369
Estimated Annual Sales	61,478,259	39,819,222	16,696,686	371,926		26,504,989
Average Load	167,973	108,796	45,619	1,016		72,418
Estimated Peak Day	716,088	404,048	88,058	235	1,208,428	316,591
Estimated Load Factor	23.46%	26.93%	51.81%	433.33%		22.87%
W.N. Total Throughput	60,637,738	39,404,125	16,530,375	374,989		
W.N. Peak Demand	706,297	399,836	87,181	236	1,193,551	
Allocator	0.59176	0.33500	0.07304	0.00020	1.00000	
W.N. Total Sales	60,637,738	26,215,078	720,595	275,696		
W.N. Peak Demand	706,297	266,006	3,800	174	976,278	
Allocator	0.72346	0.27247	0.00389	0.00018	1.00000	