



MidAmerican Energy Company

July 24, 2007

Electric Rate Workshop



Background

- In 2003, MidAmerican filed a request to establish ratemaking principles for 310 MW of wind power
- As part of that proceeding MidAmerican agreed to extend its revenue freeze until January 1, 2011
- The Iowa Utilities Board asked MidAmerican, in light of its revenue freeze extension, how it intended to address the issue of geographic differences between its rates



MidAmerican's Approved Plan

- Target scheduled residential and lighting rate reductions to customers in geographic areas with higher rates
- Make rate reductions to other rate groups equally across geographic areas
- Commit to additional rate reductions to areas with higher rates
- Hold rate workshops beginning in 2007 to gather input from other parties regarding potential future rate changes
- File a cost-of-service analysis and recommendations regarding rates in 2009
- Begin implementing any approved rate changes January 1, 2011



Disclaimer

These are informational workshops. They are intended to assist MidAmerican in developing its final positions on rate issues. I encourage your input today. You should recognize that the positions that are expressed today both by MidAmerican and by the participants are to be considered preliminary in nature and not final positions.



Workshop Description

- Workshop process (conducted by MidAmerican Energy Company)
 - Provide MidAmerican's initial thoughts on rate issues
 - Gather customer input
 - Discuss issues
- Not a formal proceeding
 - No formal record
 - Discussion not intended to be used in future proceedings
 - Designed to provide education and flesh out issues



Introductions

- MidAmerican
 - Debbie Kutsunis, Manager of Regulated Pricing
- Office of Consumer Advocate



Schedule for Today

- Emergency exits, rest rooms
- Meet until approximately noon
 - Unless group wants to work through lunch
- Lunch on your own
 - Restaurants on Ankeny Blvd.
 - 60 Restaurants within 2 miles
 - S Ankeny Blvd.
 - SE Oralabor Road
- Resume at 1:30
- Soda and coffee bar are available at any time
- Dismiss no later than 4:00



Schedule for Today (continued)

- Preliminary or initial comments
 - Comments that would be important before we begin presentations
 - Comments from parties that may not intend to stay for the entire workshop
- MidAmerican Energy Company presentations on residential rate design
- Alternative presentations by attendees
- Review procedures for future workshops



Preliminary Comments



Residential Rate Design



Rate Design

- Costs to be collected from a specific rate class are determined in cost-of-service study
- Rate design establishes *how* the costs are collected
 - Daily, weekly, monthly, annually
 - Fixed, volumetric, combination



Current Rates

- Three legacy pricing zones
- 2 East residential rates
 - regular
 - small use
- 6 North and 6 South rates
 - Standard base
 - Standard water heating
 - Standard heat
 - An apartment heat
 - Standard all electric
 - All electric apartment



Goals and Objectives

- Rates should be based on cost-of-service principles
- Number of electric rates should be reduced
- Rates should incorporate customer input
- Rates should make economic sense



Definitions

Basic Service Charge – a fixed monthly charge that recovers “customer related” costs such as meters, services, customer accounting

Generation – production of electrical energy

Delivery – poles, wires, and facilities required to deliver energy to user



Cost-of-Service Guidelines

- Costs assigned to those causing costs (cost causation)
- Rates should recover the cost-of-service
- Provides foundation for rate design



Cost-of-Service Guidelines (continued)

- Costs that do not vary with usage should be collected in fixed charges
- Costs that vary with usage should be collected in volumetric charges
- Costs that vary by season should be collected through seasonally differentiated rates

Cost-of-Service Results

2006 Iowa Revenue (millions)

	Current Revenue	Cost-of-Service Revenue (HCM)
Residential Base	\$389.7	
Residential Heat	\$39.0	
Total Residential	\$428.7	\$440.9
Non-Residential	\$617.5	\$605.3
Total	\$1046.2	\$1046.2

Cost-of-service revenues are for illustrative purposes only and are not intended to be test year quality data.



End-State

The rate design discussed is the end-state based on identified goals and objectives
Whether MidAmerican implements such a rate design or how many steps implementation takes will be the subject of an Iowa Utilities Board proceeding



Sample Rate Design

- One rate for all residential customers
- Basic Service Charge based on cost-of-service
- Summer and winter generation rate components based on cost-of-service
 - Higher generation rate for summer kWh compared to winter kWh



Sample Rate Design (continued)

- Delivery rate component
 - Delivery facilities are sized to accommodate summer peak
 - Summer delivery rate on all kWh
 - Winter delivery rate on first 500 kWh only
 - Creates second lower winter block
 - No separate electric heat or electric only rates



Reduce Number of Rates

- Rate design eliminates all residential end-use rates (end-use rates are rates determined by what the energy is used for, such as a water heater)
- Indifferent to the end-use being served
- Eliminate policing to the extent possible
- Eliminate any illogical incentives

Summer and Winter Differential

- Supported by cost-of-service results
- Addresses cost of generation
 - Higher in summer months
 - Lower in winter months
- Encourages conservation during summer months



Comments and Other Ideas Considered

- Do not eliminate electric heat rates
 - Addressed through lower generation cost and second block in winter
- Confusion about apartment rates
 - Condo, villa, townhouse, duplex or apartment
 - Addressed by eliminating apartment rate and setting winter block at 500 kWh

Comments and Other Ideas Considered (continued)

- Eliminate the summer/winter differential
 - Not adopted - Is not consistent with cost-of-service and would not promote energy efficiency
- Adopt inverted block rates – second step is more expensive than first step
 - Not adopted – Customers do not currently have tools to know when they are getting into the second block
 - Higher priced block reached as billing period ends, not necessarily during periods of high demand

Comparison of Illustrative Rates

	Sample Rates	Current East	Current North Base	Current South Base	Current North All Electric	Current South All Electric
Customer Charge	\$12.00	\$6.00	\$8.50	\$8.50	\$8.50	\$8.50
Summer	\$.08854	\$.08551	\$.06852	\$.08200	\$.06852	\$.08200
Winter						
1 st 500	\$.08572					
Over 500	\$.02805					
1 st 600						
Over 600						
1 st 800		\$.08301				
Over 800		\$.04122				
1 st 1000			\$.06632	\$.07950	\$.05482	\$.06802
Over 1000			\$.05652	\$.07052	\$.02552	\$.02962

Note: Rates are for illustrative purposes only and not intended to be test year quality.

Comparison of Illustrative Rates (continued)

	Sample Rates	East Small Use	North All Electric Apartment	South All Electric Apartment
Customer Charge	\$12.00	\$6.00	\$8.50	\$8.50
Summer	\$.08854	\$.08551	\$.06852	\$.08200
Winter				
1 st 500	\$.08572			
Over 500	\$.02805			
1 st 600			\$.05482	\$.06802
Over 600			\$.02552	\$.02962
1 st 800		\$.07352		
Over 800		\$.04122		
1 st 1000				
Over 1000				

Note: Rates are for illustrative purposes only and not intended to be test year quality data.



Residential Customer Impacts

- Average residential monthly impact
- Average monthly impact by pricing zone
- Average monthly impact by season
- Average winter impact for current heat and base customers

Average Residential Impacts— Dollar per Month Change

	Total Iowa	South	East	North
All Months	3	-1	3	10
Summer Months Only	13	10	8	22
Winter Months Only—Non Space Heat	-3	-6	0	2
Winter Months-Space Heat Only	3	-2	n/a	11

Average Residential Impacts— Dollar per Month Change (continued)

	Total Iowa	South All-Electric Apartment	East Small Use	North All Electric Apartment
All Months	3	8	7	15
Summer	13	7	6	14
Winter Months-Space Heat Only Winter Heating	3	8	n/a	16



Summary

- Cost-of-service is revenue neutral overall
 - Changes are between customer classes
 - Changes are between pricing zones
- Alternative Energy Production (AEP) and Energy Efficiency Cost Recovery (EECR) are not included in rates



Residential Time-of-Use

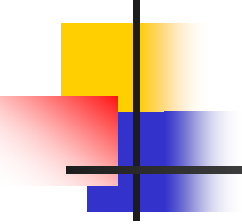
- Offer optional time-of-use rate
- Participate in pilot programs as part of an existing IUB docket
- Preliminary proposal
 - On-peak hours noon to 7 p.m.
 - Holidays off-peak
 - Saturday and Sunday off-peak



Residential Time-of-Use Rates

	Summer	Winter
Customer Charge	\$12 + additional meter cost	
On-Peak	\$0.12287	\$0.06173
Off-Peak	\$0.07706	\$0.06114

Note: Rates are for illustrative purposes only and are not intended to be test year quality data



Questions?



Procedures for Presentations

- RSVP 7 days prior to workshop
- Provide electronic copy of presentation 3 days prior to workshop
 - Email to tthompson@midamerican.com
- Time limits for presentations
- Plan for 30 minutes or less
 - Time limits may be shortened depending on number of alternative presentations



Website Information

- Refer to MidAmerican's website
 - MidAmericanenergy.com
 - Rates tab, electric workshop dropdown
- Or directly at <http://www.midamericanenergy.com/html/rates2a.asp>
- Presentations will be posted prior to scheduled workshop
- Changes in dates or subject will be posted



Future Workshop Schedule

- DMACC is reserved
 - September 4 – Non-residential Rate Design
 - October 2 – Lighting