MEMORANDUM

TO: COMMISSIONERS AND ADVISORS

FROM: BRIAN ROUNDS AND KRISTEN EDWARDS

SUBJECT: GE12-005 STAFF RECOMMENDATION

DATE: 11/6/12

MidAmerican Energy Company (MEC) has been offering energy efficiency programs in South Dakota since 2009. MEC's plan has been before the Commission a number of times since[1] and is set to expire at the end of this year[2]. With this filing, MEC requests to revamp the existing plan and continue providing programs for an additional five years, through 2017. Commission Staff (Staff) has worked closely with MEC on the new plan and believes it will result in lower costs to MEC's ratepayers.

NEW PLAN

MEC's proposed plan is, at its base, a continuation of the current plan. However, with updated avoided costs and efficiency standards, MEC has reevaluated the entire portfolio while closely monitoring the cost-effectiveness of each individual program. Whereas the 2011 plan showed a benefit-cost of 1.07[3], MEC anticipates a ratio of 2.12 over the next five years. In addition to changes to existing programs, MEC proposes adding an appliance recycling program[4].

COST

The proposed plan will have a total annual budget ranging from $560,998 to $579,891 over the next five years. Residential electric customers would pay approximately 0.15 cents/kWh for a total bill impact of about $20 per year. Residential gas customers would pay approximately 0.6 cents/therm for a total bill impact of about $4.60 per year. Nonresidential electric customers would pay approximately 0.02 cents/kWh for a total bill impact of about $40 per year. Finally, nonresidential gas customers would pay approximately 0.26 cents/therm for a total bill impact of about $12.50 per year.

BENEFITS

Although there is a cost associated with these programs, the purpose is to reduce costs overall. Whereas the five-year plan anticipates a total NPV cost of $3,656,577, it also anticipates total NPV benefits of $7,750,726, a TRC ratio of 2.12. The measures put in place during the five-year period are expected to save over 25,000,000 kWh of electricity and 8,000,000 therms of natural gas and reduce peaks by 500 kW and 6,400 therms over the next 30 years. The plan predicts

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[1] See Dockets EL07-015, GE10-001, GE11-001, GE11-002 and GE12-002

[2] Commission Order in GE11-002

[3] Total Resource Cost Test, as reported in GE12-002

[4] Similar to the program the Commission approved for Black Hills Power in Docket EL11-002

benefits exceeding costs on the individual measure level as well, with individual measures estimated to have TRC ratios between 1.07 and 149.24.

LOGISTICS

In this filing, MEC does not seek a change to the current energy efficiency rider rate, but would intend to make a true-up filing in February of 2013 and annually thereafter. The 2013 filing would attempt to recover the anticipated 2013 costs, and make up for any over/under recovery from the 2012 calendar year. If the programs are not going as planned or unforeseen events change the feasibility of the plan, MEC could make an ad hoc filing or the Commission could order changes in the annual true-up process. This is how the Commission typically handles these programs.

RECOMMENDATION

Staff recommends approval of MEC's proposed 2013-2017 Energy Efficiency Plan. As was mentioned before, MEC continuously sought feedback from Staff while developing this plan, and we are satisfied with the results. Above all, we believe the benefits of this program will significantly exceed its costs, which should result in ratepayers being served more economically.