KF / DJ

NG 02-007

DOCKET NO. NG 02-007

In the Matter of IN THE MATTER OF THE FILING BY MIDAMERICAN ENERGY COMPANY FOR APPROVAL OF CONTINUATION OF THE IGSPP

Public Utilities Commission of the State of South Dakota

DATE		MEMORANDA
8/27	02	Filed ; Docketed
8/29	02	Weekly Filing
10/28	02	Final Decision and Order;
10/28	02	Docket Closed.

MidAmerican
ENERGY
OBSESSIVELY, RELENTLESSLY ***AT YOUR SERVICE.***

MidAmerican Energy Company
P.O. Box 657
Des Moines, Iowa 50303-0657
(515) 281-2783 Telephone
(515) 281-2460 Fax
E-mail: arlasich@midamerican.com

A. Robert Lasich
Senior Attorney

August 26, 2002

RECEIVED
AUG 27 2002
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

SENT VIA OVERNIGHT DELIVERY
Ms. Debra Elofson
Executive Director
South Dakota Public Utilities Commission
500 East Capitol
Pierre, SD 57501

Re: MidAmerican Energy Company Request for Continuation of the Incentive Gas Supply Procurement Plan – Docket No. NG98-010

Dear Ms. Elofson:

Enclosed for filing please find one original and 11 copies of MidAmerican Energy Company's Application for Authority to Continue its Incentive Gas Supply Procurement Plan.

Please file-stamp one of the enclosed copies and return it to me in the enclosed, self-addressed stamped envelope. If you have any questions in that regard, please notify me.

Sincerely,

A. Robert Lasich, Jr.
Senior Attorney

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE

STATE OF SOUTH DAKOTA

RECEIVED
AUG 27 2002
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF MIDAMERICAN ENERGY COMPANY FOR AUTHORITY TO CONTINUE ITS INCENTIVE GAS SUPPLY PROCUREMENT PLAN IN SOUTH DAKOTA	)))))))	DOCKET NO. NG98-010

REQUEST FOR CONTINUATION OF THE INCENTIVE GAS SUPPLY PROCUREMENT PLAN

COMES NOW MidAmerican Energy Company ("MidAmerican") and herein requests the South Dakota Public Utilities Commission ("Commission") authorize the continuance of the Incentive Gas Supply Procurement Plan ("IGSPP") for MidAmerican and its customers. The current term of the IGSPP ends October 31, 2002. In support of its Request for Continuation of the Incentive Gas Supply Procurement Plan in South Dakota ("Request"), MidAmerican states as follows:

1. On May 1, 1995, Midwest Gas, a division of Midwest Power Systems, Inc. ("Midwest") filed with the Commission an application for approval to increase its rates for natural gas service (Docket No. NG95-006) and requested that the IGSPP be implemented. The IGSPP implemented a mechanism by which Midwest's performance in purchasing and transporting natural gas to its purchased gas adjustment ("PGA") customers (e.g. sales-service customers) would be measured against a market-based benchmark for the delivered cost of gas. The amount of cost savings between Midwest's

actual gas costs compared to the benchmark would be shared by Midwest and its customers. Subsequent to the filing, Midwest Power Systems, Inc. merged with Iowa-Illinois Gas & Electric Co. to form MidAmerican.

2. As a result of negotiations between Midwest and Commission Staff, a Settlement Stipulation was entered into between the parties on September 28, 1995, however, the Settlement Stipulation reserved for hearing all issues related to the IGSPP. Commission Staff and Midwest filed testimony on the IGSPP and briefed the legal issues prior to a hearing on the matter, which hearing was held on October 5, 1995.

3. On October 17, 1995, at its regularly scheduled meeting, the Commission voted to approve the Settlement Stipulation. Additionally, the Commission approved the IGSPP as revised and adopted by the Iowa Utilities Board ("IUB") as described below, for a three year experimental period effective date of November 1, 1995.

4. The IGSPP was initially approved by the IUB in Docket No. RPU-94-3. (*Midwest Gas, a Division of Midwest Power Systems, Inc.*, Docket No. RPU-94-3, Final Decision and Order, (May 19, 1995); and *Midwest Gas, a Division of Midwest Power Systems, Inc.*, Docket No. RPU-94-3, Order Granting Rehearing in Part and Denying Rehearing in Part, (June 30, 1995)). In these Orders, the IUB approved the IGSPP for an initial three year period beginning November 1, 1995. Midwest was required to use actual volumes rather than contract entitlements (e.g., maximum contract volumes a utility may receive without paying penalties) in the calculation of the commodity portion of the Reference Price. As part of the IGSPP approval, the IUB conducts a review on a semi-annual basis comparing Midwest's actual costs to the Reference Costs every six months. Total savings or excess costs are divided by sales and are added to the PGA

formula for the next six-month period comparable in seasonality. The IUB granted Midwest a waiver of Iowa Admin. Code 19.10 to incorporate the new factor in the PGA calculation and recover costs, which are related to, but are not included in the definition of actual cost of purchased gas. The first comparison filing was due July 1, 1995. After the IGSPP was approved, Midwest was allowed to add a factor to the PGA for the next seasonally comparable six months. Subsequent filings were due two months after the expiration of the remaining six-month periods. The Reference Price must be filed with the IUB on a monthly basis in conjunction with the PGA. The first year, the top of the tolerance band was 3.5 percent and the bottom of the band was the Reference Price. The second year, the top of the tolerance band was 3 percent and the bottom was the Reference Price. The third year, the top of the tolerance band was 2.5 percent and the bottom was one-half percent below the Reference Price.

5. On November 8, 1995, the Commission issued a Final Decision and Order in Docket No. NG95-006 setting out the above findings. It also required Midwest to file schedules setting forth the results of the IGSPP semi-annually in accordance with all statutory notice requirements for rate and tariff revisions. Any adjustment to the customer's bill is to be made during the subsequent semi-annual period. Midwest was required to track the adjustment through the collection period and reconcile the over collection or under collection in the subsequent semi-annual period.

6. On October 30, 1998, MidAmerican filed with the Commission an application for approval to continue its IGSPP, requesting the Commission to continue the program for the later of an additional three year period, or until such time as its PGA was eliminated, whichever came first.

7. The Commission Staff and MidAmerican submitted prepared testimony pursuant to the Commission's procedural schedule. Thereafter, on or about June 28, 1999, Commission Staff and MidAmerican requested the Commission hold the procedural schedule in abeyance while the parties pursued a potential settlement.

8. As a result of Commission Staff and MidAmerican's settlement discussions, the parties entered into a Settlement Stipulation, which was filed with the Commission along with a Joint Motion for Approval of Settlement Agreement on August 8, 1999.

9. The Settlement Stipulation set forth the following agreement between Commission Staff and MidAmerican:

(a) the parties agreed to modify the tolerance band and the proportion in which customers and MidAmerican share costs and savings resulting from gas costs falling above or below the tolerance band consistent with the illustration on Attachment A, which is incorporated herein by reference;

(b) The reinstated IGSPP, as modified, began November 1, 1999 and continues for a period of three years ending October 31, 2002;

(c) The Commission Staff and MidAmerican agreed the calculation and performance of the IGSPP mechanism was to remain consistent with the manner in which the IGSPP was calculated and performed during the initial three year term; and

(d) MidAmerican and Commission Staff clarified that MidAmerican's hedging activity related to winter commodity prices shall, consistent with past practices, be excluded from the calculation of the IGSPP. Nonetheless, MidAmerican will continue, consistent with past practices, to include in the IGSPP calculation other hedging activity including the hedges associated with MidAmerican's leased storage optimization program.

10. On August 26, 1999, the Commission approved the Settlement Stipulation.

11. To date, MidAmerican's award and customer savings under the IGSPP have been as follows:

IGSPP Period	Total Reference Dollars	MidAmerican Award	Customer Savings	Total Savings
Nov95-Apr96	$19,947,739	$299,216	$637,602	$936,818
May96-Oct96	$11,689,680	$175,345	$257,401	$432,746
Nov96-Apr97	$23,500,609	$352,509	$815,375	$1,167,884
May97-Oct97	$13,712,610	$205,689	$630,702	$836,391
Nov97-Apr98	$17,447,669	$261,715	$576,238	$837,953
May98-Oct98	$11,689,400	$175,341	$487,333	$662,674
Nov98-Apr99	No filing			
May99-Oct99	No filing			
Nov99-Apr00	$17,781,293	$407,325	$985,217	$1,392,542
May00-Oct00	$18,346,787	$165,407	$761,678	$927,085
Nov00-Apr01	$51,260,770	$229,564	$1,457,603	$1,687,167
May01-Oct01	$13,361,890	$270,410	$704,672	$975,082
Total	**$198,738,447**	**$2,542,521**	**$7,313,821**	**$9,856,342**

12. Based upon the extensive history behind the current IGSPP mechanism and the significant benefits that it has provided to both customers and MidAmerican, MidAmerican herein requests the Commission approve MidAmerican's request to extend the current IGSPP through October 31, 2005 with the following administrative modifications:

(a) For purposes of calculating the Reference Price, MidAmerican shall utilize the *Gas Daily* publication for the daily reference price and eliminate the use of the *Btu Daily* publication. The purpose for the change is that the *Btu Daily* publication is no longer commonly used within the natural gas industry. Without the change in publications, MidAmerican potentially could either gain or lose on commodity gas costs by referencing a benchmark that is no longer widely used by the industry.

(b) For purposes of calculating the Reference Price, MidAmerican shall utilize the actual index prices referenced in its gas supply agreements to calculate the monthly Reference Price. This change will allow MidAmerican to utilize its actual commodity gas costs, as opposed to the current mechanism, which utilizes an average of published gas commodity costs from *Inside FERC* and *Natural Gas Intelligence* ("NGI"). In many instances, only one of the above-referenced indices is appropriate for purchasing gas at a particular delivery point (e.g., at Chicago the accepted gas reference price is published in NGI, whereas at NNG Demarc the accepted gas reference price is published by *Inside FERC*).

If the Request is approved, MidAmerican will administer the IGSPP pursuant to the terms and conditions previously agreed upon by MidAmerican and Commission Staff under the terms and provisions of the Settlement Stipulation as set forth herein.

13. On August 16, 2002, MidAmerican Energy Holdings Company announced the completion of its acquisition of Northern Natural Gas Company ("Northern"). The announcement of this acquisition will not impact the calculation or operation of MidAmerican's IGSPP. With the announced acquisition, MidAmerican becomes a "marketing affiliate" of Northern, as that term is defined under applicable Code of Federal Regulations. Under the Federal Energy Regulatory Commission ("Commission") Order 497, and the Code of Federal Regulation implementing the Commission's Order (18 C.F.R. § 161, et. al.), standards of conduct exist to assure nondiscrimination and prevent affiliated marketer abuse.

14. Accordingly, MidAmerican respectfully requests the Commission authorize the continuation of the IGSPP in accordance with the terms specified herein without modification. If the Commission modifies this Request or establishes a procedural process similar to a contested case proceeding, MidAmerican reserves the right to withdraw this Request without prejudice.

WHEREFORE, MidAmerican Energy Company, for the reasons set forth herein above, respectfully request the Commission, without modification, to order the continuation of MidAmerican's Incentive Gas Supply Procurement Plan through October 31, 2005 as provided herein.

Dated this 26th day of August 2002.

Respectfully submitted,

MIDAMERICAN ENERGY COMPANY

By: ______________________________

A. Robert Lasich
Senior Attorney
4299 NW Urbandale Drive
Urbandale, IA 50322
Telephone: (515) 281-2783
Facsimile: (515) 281-2460
arlasich@midamerican.com

CERTIFICATE OF SERVICE

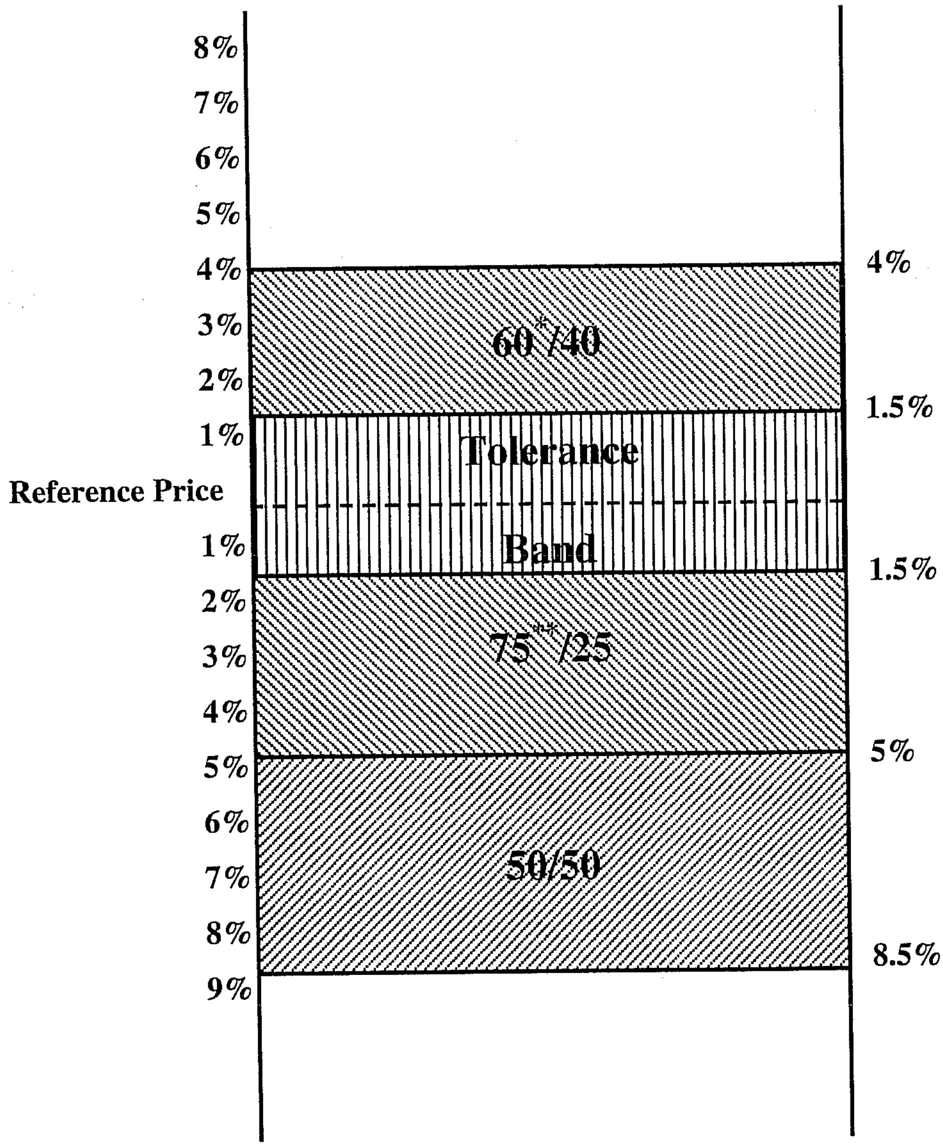
The undersigned hereby certifies that the foregoing document has been served this day upon all parties of record in this proceeding by mailing, by first class mail, to each such party a copy thereof, in properly addressed envelope with charges prepaid.

Dated this 26th day of August 2002.

Kelly Fraizer
Attorney
State Capitol Building
500 East Capitol Building
Pierre, SD 57501-5070

David A. Jacobson
Utility Analyst
State Capitol Building
500 East Capitol Building
Pierre, SD 57501-5070

ATTACHMENT A



*60% Customers

**75% Customers

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2000, the IGSPP adjustment resulting from November 1999 through April 2000 operations was put into effect. Currently MidAmerican is collecting information on the last six month period of the currently effective plan but the adjustment resulting from that data will not end until October of 2003. Thus changes, if any, approved in this filing will not affect the adjustment until November of 2003 unless the Commission would rule otherwise. Attachment E shows the current plan results in relation to the sharing diagram which depicts the sharing mechanism last approved by the Commission. Also included is an exhibit showing the effects of the current plan on typical residential customer bills.

The reports submitted by MidAmerican provide detail of both the reference price calculation and the actual costs incurred. Costs are broken down into four major components which MidAmerican describes as follows.

Reservation Charges
This category reflects the costs incurred by MidAmerican to ensure adequate interstate pipeline transportation and storage capacity is available to meet daily and peak day demand conditions. This category includes contractual production and market-area entitlement levels entered into by MidAmerican. These contract provisions are priced at FERC approved tariffed rate levels with the exception of grandfathered contracts which contain discounted rates for contracts in existence prior to July 24, 1994.

Supply Cost
This category includes the determination of the market-based supply cost associated with the actual supply of natural gas delivered to MidAmerican customers. Supply costs include any pipeline transition costs assigned to supply purchases (i.e. reverse auction contracts). Also included are imbalance supplies, LNG and LPG peaking facilities, repurchase of transportation customers monthly imbalances used by sales service customers and other gas purchases. Supply costs are reduced by the cost of sales for resale made to off-system customers.

Planned Storage Injection
This category reflects the commodity cost of storage gas injections incurred by MidAmerican relative to a storage injection and withdrawal plan.

Transportation and Storage Costs
This category includes the cost of transporting natural gas from supply basins to sales-service customers served by MidAmerican as well as the transportation of supplies for injection into storage. Also included in costs are storage injection and withdrawal charges.

In MidAmerican's IGSPP six month reports, separate calculations are performed for each of the above categories comparing actual costs to reference prices. By doing so the reports show the effect of each category on the total reference price vs. actual cost calculation which determines the adjustment ultimately applicable to rates.
Attachment F summarizes the results for each category during the first five reporting

periods of the currently effective IGSPP.

Discussion of the Current Plan Results

In examining the results of the first five reporting periods of the current plan as provided in MidAmerican's reports and as summarized in Attachment F, it is clear that the major contributor, both by dollar amount and percentage difference between reference and actual, to MidAmerican's IGSPP adjustment is the Reservation Charge category. Not shown in the summary is the month to month consistency with which MidAmerican beats the reference price by relatively fixed levels. This same pattern also occurs to a lesser extent in the Transportation and Storage Cost category but is less significant. These results could lead one to question the validity of the reference price. For example, is this actual vs. reference differential the result of semi permanent contracted costs which may not be subject to ongoing effort by MidAmerican to maintain? Or is the reference price unrealistically high?

Although we can review the contracts ultimately agreed to by MidAmerican, we cannot actually sit in on the day to day operations of the company to observe the negotiations and cost cutting efforts of company personnel. If long term contracts are negotiated at significant discounts compared to rates readily obtained with a minimum of effort, those savings may show up for many years. It may also be true that long term rates negotiated at a given time increasingly depart from current rates as market conditions change or pipeline rates increase over time. Many other possible explanations exist.

Ultimately and unavoidably, deciding the effectiveness of the IGSPP leads to a rather subjective study of the decision making process of MidAmerican and the intensity of their efforts at lowering gas supply costs. Attachment G consists of questions posed to MidAmerican regarding this these issues and their corresponding responses. It is expected that MidAmerican will further address this issue at the upcoming Commission meeting.

Northern Natural Gas Pipeline Purchase

As you are aware, MidAmerican recently purchased Northern Natural Gas Pipeline. Attached as Attachment H are questions and responses regarding MidAmerican's expected relationship with Northern.

In Summary, the above information is provided to help the Commission better understand MidAmerican's IGSPP, the results it has produced recently and to help develop any questions for MidAmerican on issues the Commission feels need further support. Staff is in possession of much more detailed information and can supply it to the Commission at any time. Company personnel will be available at the time of the meeting for further discussion. The IGSPP three year period ends on October 31, and MidAmerican has requested a Commission decision by that time.

General Description of the Midwest Gas GCI

Q. Please describe the Midwest Gas GCI.

A. The Midwest Gas GCI develops a market-based benchmark for the delivered cost of gas. If Midwest Gas beats the benchmark delivered cost of gas (or Reference Price), it shares the savings with its customers on a 50/50 basis. If

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The Midwest Gas GCI

Q. Please describe the Midwest Gas GCI.

A. The proposal for the gas procurement incentive is outlined below:

Midwest Gas' interstate pipeline transportation for South Dakota is provided by: Northern Natural Gas Co. (Northern). Since the market price of gas varies somewhat by production basin, it is necessary to determine where gas entering this pipeline originates and what the appropriate indices are for gas pricing in these supply areas.

The proposal is to use *Inside FERC's Gas Market Report (IF)* and *Natural Gas Intelligence (NGI)* and *BTU's Daily Gas Wire* (*BTU Daily*) published indices for the first of the current month for the portion of Midwest Gas' portfolio consisting of long-term (one year or more) contracts or short-term contracts based on these indices. Midwest Gas purchases varying amounts of its gas supply on a daily basis. For this supply, a daily index is the appropriate benchmark. After determining the actual percentage purchased each month in the spot market, the daily prices as reported in *BTU Daily* would be used to develop a daily index reference price. The quantity not purchased on the daily spot market would be priced by equally weighting the *IF* and *NGI* indices. For example, if in a given month 10% is purchased on a daily spot basis, 10% would be priced using *BTU Daily* and a 45% weighting would be used for both *IF* and *NGI*.

Q. After the market price of gas in the production areas is determined and properly weighted, what is the next step?

A. The pipeline rate to get the gas to the town border stations (TBS) must be determined. In order to accomplish this:

- The commodity charges including fuel, ACA, and GRI charges in the pipelines' tariffs will be added directly to the production-area gas cost indices;

- The tariffed demand charges, gas supply realignment (GSR) charges, direct bill charges, take-or-pay and other charges billed to the Company will be added to the reference budget directly as dollar amounts each month based on actual FERC tariffed rates.

Penalties will not be included in the reference price. If penalties are incurred, the Company will have to overcome them to realize savings, and they will be part of the tolerance band described below.

To the extent that Midwest Gas is able to reduce delivery costs through offsets or credits to tariff rates, it will be entitled to use such credits to reduce costs down to and eventually hopefully below the reference price.

Q. How are storage costs treated in the GCI?

A. The gas commodity costs associated with Midwest Gas' storage services will be included in the reference budget during the month in which gas is purchased for injection. Midwest Gas' operating plans for storage injections will be used to set scheduled monthly storage injections during the injection season (the months of April through October). Midwest Gas witness Gesell presents the Company's storage plan. The scheduled injections multiplied by the appropriate weighted index prices plus transportation, fuel, and other related charges will determine the costs of gas injected into storage in the reference budget. The schedule assumes that inventory levels will be full at the beginning of the heating season. The respective first of the month index prices and/or the daily market prices for the pipeline will be used for pricing storage injections for the reference storage gas price. It is appropriate to set the reference budget and compare it to actual purchases during these injection months rather than to compare it to inventory cost during withdrawal in order to compare "apples to apples." This is because there may be inventory which has been carried over from prior periods which would be included in the average inventory cost. Additionally, the following procedures would apply:

- Use of storage for balancing purposes would not be penalized. Volumes injected during the winter months would be added to the benchmark storage costs based on market (index) prices in that month using actual volumes.

- Tariffed Transportation costs using actual volumes for storage injections will be included in the reference budget during the month in which injections occurred.

- The premiums for <u>authorized</u> storage overruns will be included in the reference budget.

- Storage demand charges and any related surcharges will be added to the monthly reference budget.

- If Midwest Gas releases a portion of any of its storage services, the revenues from this release will be credited to actual monthly storage demand charges. The scheduled injections would be adjusted accordingly.

- Actual premiums required to purchase daily supply flexibility (swing) in lieu of storage investment or contract demand will be calculated and added to the reference price.

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A. If the purchased cost incurred during the year (actual prices multiplied by the same volumes as in the reference price calculation) adjusted for out-of-period costs is less than the reference price, the savings would be shared 50/50 between the customers and the shareholders. In this case, the cost of gas on the customer's bill would equal the reference price minus 50% of the difference between the reference price and the actual cost. In the event that the cost of gas exceeds the reference budget plus the tolerance band, the above normal cost would be shared equally by the customers and shareholders. A ceiling will be set on the amount of costs and savings to be shared annually. A band of 3% on either side of the tolerance band is proposed. This symmetrical sharing of the upside and downside potential is proposed as a way to limit exposure to shareholders and customers in an even-handed way.

As previously discussed in the section regarding the rationale for incentive ratemaking, those favoring incentive ratemaking believe that proposals such as that being offered here will be more reflective of the competitive market and focus efforts on lower costs in the present and future rather than dwelling on retrospective review. The 50/50 savings sharing and above normal cost sharing provide the carrot and the stick to accomplish that goal.

Q. What are some of the other elements of the Midwest Gas GCI?

A. Midwest Gas proposes the GCI as a three-year pilot project. At end of that period, the program will be extended, terminated or modified. The other elements of the Midwest Gas proposal are:

- The annual cycle will be from November 1 to October 31. Reference budget calculation for the year will thus include the storage injection season.

- The PGA formula needs to be modified to incorporate the reference budget formula. The reconciliation process within the tolerance band would occur as usual. Performance against the reference budget would also be calculated. Outside of the tolerance band, only 50% of the added costs or savings would be passed through the PGA to the customers in subsequent periods.

- If the savings or excess costs exceed 3% above or below the tolerance band calculated as a percent of the reference budget, the Company will pass 100% of the savings in excess of 3% back to the customers. In the case of costs above the tolerance band, the company would ask the SDPUC for full recovery of costs above the top of the tolerance band by more than 3% of the reference budget through the normal PGA process. Thus, the maximum that the company proposes to either keep or absorb related to gas procurement is 1.5% of reference delivered gas costs.

- Procurement, transportation and storage costs would not need to be subject to reasonableness review in the future, but would be judged by performance under the Midwest Gas GCI.

Q. Have you provided an example of how the reference price would be calculated and compared to actual gas cost based on historical information?

A. Yes. Exhibit ___(MRK-2) provides such an example.

Q. Please explain the calculations shown in Exhibit __- (MRK-2).

A.. Exhibit __ (MRK-2) provides a detailed example of the methodology used to calculate Midwest Gas' monthly reference procurement budget for August 1994.

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volumes (including purchases for fuel) equals the gas commodity cost component of the monthly reference budget.

Q. How are transportation costs for the reference budget calculated?

A. The transportation cost component in the monthly reference budget consists of the monthly pipeline commodity costs, fuel charges, pipeline demand charges and any surcharges. Transportation commodity charges are based on actual transported volumes times the current tariff rates. The calculations for August 1994 are shown on page 8. Pipeline demand charges are calculated using contract billing determinants for South Dakota customers times the current tariff rates as shown on page 9 of Exhibit __ (MRK-2).

Q. How are storage costs for the reference budget calculated?

A. The storage cost component of the monthly reference budget consists of fixed costs and costs associated with volumes purchased for storage injection. The fixed costs associated with Midwest Gas storage services are based on storage entitlements times the current monthly tariff rates. As discussed previously, storage gas is included in the reference budget during the month in which gas is purchased for injection. The costs for volumes purchased for storage injection are based on scheduled injections times the average of the monthly pipeline-specific WIP costs from each publication, plus any injection charges and fuel costs for injection and transportation costs for bringing gas into storage.

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Q. How would the proposed GCI be implemented?

A. As previously described, the Company proposes a three-year program. The annual cycle would be from November 1 to October 31 in order to take into account the full storage injection season. The savings factor or above normal cost factor would be added on a unitized basis to all throughput in the 12-month period beginning in the subsequent PGA period.

October 13, 1995, Midwest Gas submitted the revised gas tariff sheets.

5. The Settlement Stipulation reserved for hearing all issues related to the Incentive Gas Supply Procurement Program (IGSPP). Commission Staff and Midwest Gas filed testimony on this issue and the parties also briefed the legal issues prior to the hearing held on October 5, 1995.

6. As proposed by Midwest Gas, the IGSPP would develop a market-based benchmark for the delivered cost of gas which would be the reference price. If the purchased costs incurred during the year is less than the reference price, Midwest would retain one half of the first 3% of savings. Any savings exceeding 3% would go entirely to the customers. If the actual costs are above the tolerance band, which is 5% above the reference price, Midwest would absorb one half of the next 3% above the tolerance band. Any costs exceeding 3% above the tolerance band would go entirely to the customers. Midwest proposed to flow any shared costs or savings through the Purchased Gas Adjustment clause or, in the alternative, to calculate the amount of sharing on a volumetric basis and then file an updated rate schedule with the Commission annually pursuant to its authority to approve such schedules.

7. Commission Staff expressed concern about the IGSPP in its testimony. Specifically, Staff questioned whether it was fair to have a 5% tolerance band above the reference price with no tolerance band below the reference price. In addition, Staff questioned whether Midwest had accounted for all the costs necessary to implement the plan and whether the program could be effectively monitored. Finally, Staff expressed concern with whether the new corporate entity of MidAmerican could exert enough market power to guarantee a result below a general index regardless of effort.

8. Staff also attached orders issued by the Iowa Utilities Board which approved the IGSPP with modifications.

9. At its October 17, 1995 meeting, the Commission voted to approve the IGSPP, with modifications identical to those made by the Iowa Utilities Board, for a three year experimental period effective November 1, 1995.

10. The Commission finds that the calculation of the monthly weighted average commodity price shall be applied to actual purchased commodity volumes based on actual wellhead purchases rather than pipeline entitlements.

11. The Commission finds that program review and results determinations shall be made on a semi-annual rather than an annual basis.

12. The Commission finds that the tolerance band for year one shall be the

reference price to 3.5% above the reference price. The tolerance band for year two shall be the reference price to 3% above the reference price. The tolerance band for year three shall be 0.5% below the reference price to 2.5% above the reference price.

13. Midwest shall file schedules setting forth the results of the IGSPP semi-annually in accordance with all statutory notice requirements for rate and tariff revisions. If approved by the Commission, any adjustment to the customer's bill shall be made during the subsequent semi-annual period. Midwest shall track the adjustment through the collection period and would true-up or reconcile the overcollection or undercollection in the subsequent semi-annual period.

14. At its October 17, 1995 meeting, the Commission also approved the Settlement Stipulation and tariff sheets as revised by the parties to become effective for billings rendered on and after November 15, 1995.

15. The Commission finds that the following rate schedules and related tariff sheets are consistent with the revenue levels and rate design agreed to in the Settlement Stipulation and shall be approved:

SD P.U.C. Section No. I, Original Issue Sheet No. 1

SD P.U.C. Section No. II, Original Issue Sheet Nos. 1, 2, 3, 4, 5, and 6

SD P.U.C. Section No. III, Original Issue Sheet Nos. 1, 2, 3, 4, 5, 6, 7, 8-10, 11, 12, 13, 14, 15, 16, 17-20, 21, 22, 23, 24, 25, 26, 27, 28, and 29

SD P.U.C. Section No. III-A, Original Issue Sheet Nos. 1, 2, 3, 4, 5, 6, 7, 8-10, 11, 12, 13-19, 20, 21, 22, 23, 24-25, 26, 27, 28, 29-30, 31, 32, 33, 34, 35, 36, 37, 38-41, 42, 43, 44, 45, and 46

SD P.U.C. Section No. IV, Original Issue Sheet No. 1

SD P.U.C. Section No. V, Original Issue Sheet Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, and 32

SD P.U.C. Section No. VI, Original Issue Sheet Nos. 1, 2, 3, 4, 5, 6, 7, and 8

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to SDCL Chapter 49-34A, specifically 49-34A-4, 49-34A-6, 49-34A-8, 49-34A-10, 49-34A-11, 49-34A-12,

otherwise have with respect to any matter not expressly provided for herein; no party shall be deemed to have approved, accepted, agreed or consented to any rate making principle underlying the provisions of this Stipulation or be prejudiced or bound thereby in any other current or future proceeding before the Commission. No party or representative thereof shall directly or indirectly refer to this Stipulation or that part of any order of the Commission referring to this Stipulation as precedent in any other current or future rate proceeding before the Commission.

4. The Parties to this proceeding stipulate that all prefiled testimony and exhibits be made a part of the record in this proceeding. The Parties understand that if this matter had not been settled, MidAmerican would have filed rebuttal testimony responding to certain of the positions contained in the direct testimony of Commission Staff.

5. It is understood that Commission Staff enters into this Stipulation for the benefit of MidAmerican's South Dakota customers affected hereby.

III. ELEMENTS OF THE SETTLEMENT STIPULATION

1. The Parties agree to modify the tolerance band and the proportion in which customers and MidAmerican share costs and savings resulting from gas costs falling above or below the tolerance band consistent with Illustration A, which is incorporated herein by this reference.

2. The reinstated IGSPP, as modified, will commence November 1, 1999, and continue for a period of three years through October 31, 2002.

3. The Parties agree the calculation and performance of the IGSPP mechanism shall be consistent with the manner in which the IGSPP was calculated and performed during the initial three year term[1].

4. The Parties agree that in all other respects, except those set forth above, the calculation and treatment of the IGSPP shall be in accordance with the Commission's November 8, 1995, Final Decision and Order in Docket No. NG95-006.

This Stipulation is entered into this 11th day of August, 1999.

MidAmerican Energy Company

BY: ____________________
J. Gregory Porter
Senior Attorney
666 Walnut
Des Moines, IA 50309

DATED: August 11, 1999

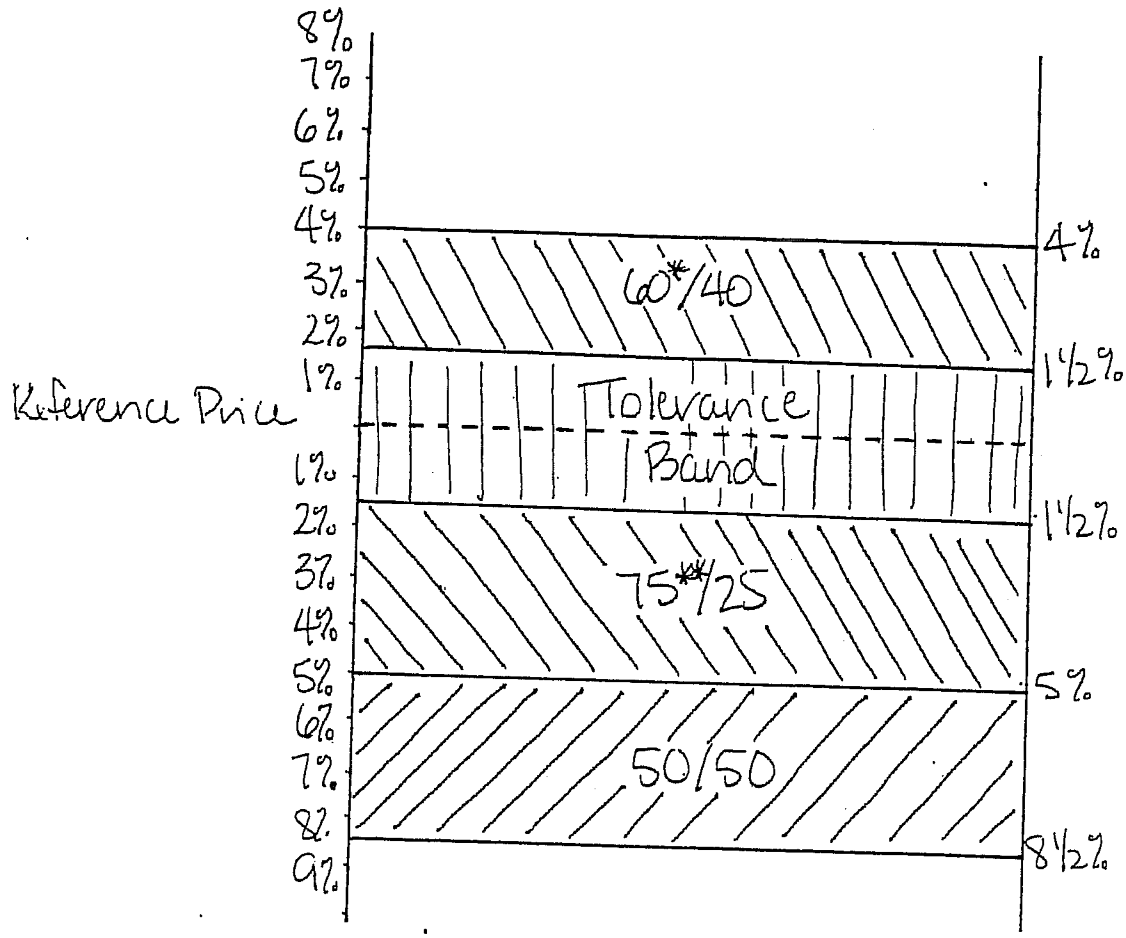
South Dakota Public Utilities Commission

BY: ____________________
Camron Hoseck
Attorney
State Capitol Building
500 East Capitol Building
Pierre, SD 57501-5070

DATED: 8/11/99

[1] For example, during settlement discussions, the Parties clarified that the hedging activity related to winter commodity prices shall, consistent with past practices, be excluded from the calculation of the IGSPP. Nonetheless, MidAmerican will continue, consistent with past practices, to include in the IGSPP calculation other hedging activity including the hedges associated with MidAmerican's leased storage authorization program.

Illustration A



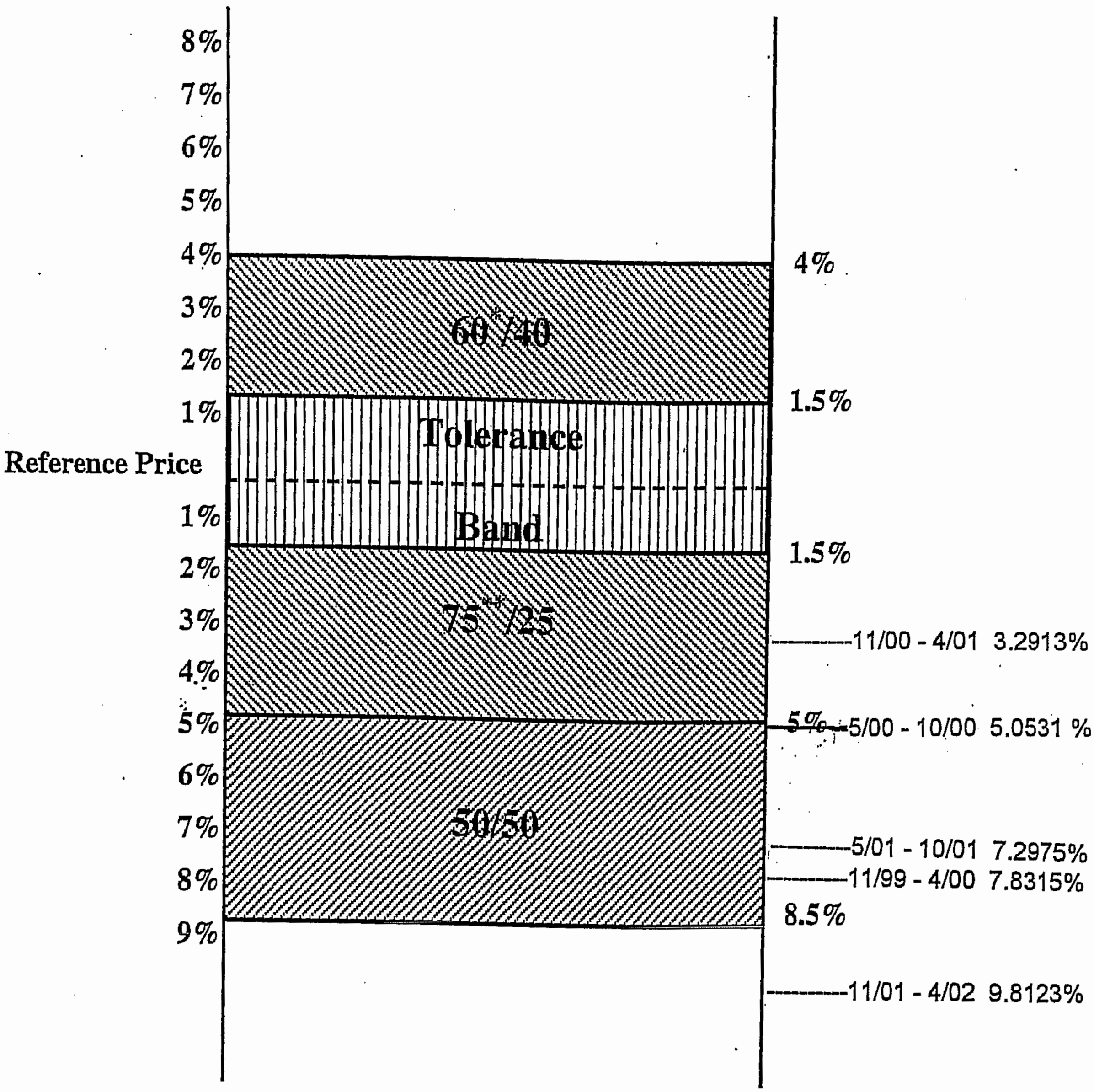
*60% Customers
** 75% Customers

Comparison Of IGSPP Results Utilizing Proposed Modifications

	Current Percentage Below Reference Price	Results With Proposed Modifications
November 1999 through April 2000	7.8315%	7.7922%
May 2000 through October 2000	5.0531%	5.0631%
November 2000 through April 2001	3.2913%	3.2862%
May 2001 through October 2001	7.2975%	7.3439%
November 2001 through April 2002	9.8123%	9.7495%

	Current PGA Dollars Retained by MidAmerican	PGA Dollars Retained With Modifications
November 1999 through April 2000	$407,325	$403,661
May 2000 through October 2000	$165,407	$166,336
November 2000 through April 2001	$229,564	$228,890
May 2001 through October 2001	$270,410	$270,545
November 2001 through April 2002	$477,269	$476,937

Attachment E



*60% Customers

**75% Customers

Effect Of IGSPP On Typical Residential Customer Bill

A	B Typical Residential Therm Usage	C IGSPP Adjustment Per Therm	D Typical Residential Bill	E IGSPP Portion Of Bill	F Percentage Of Bill Due To IGSPP
Nov-00	65	0.00428	$52.33	$0.28	0.54%
Dec-00	131	0.00583	$108.41	$0.76	0.70%
Jan-01	160	0.00583	$199.42	$0.93	0.47%
Feb-01	163	0.00583	$156.39	$0.95	0.61%
Mar-01	113	0.00583	$108.87	$0.66	0.61%
Apr-01	89	0.00583	$82.19	$0.52	0.63%
May-01	42	0.00987	$35.98	$0.41	1.14%
Jun-01	24	0.00987	$20.28	$0.24	1.18%
Jul-01	18	0.00987	$15.25	$0.18	1.18%
Aug-01	17	0.00987	$15.55	$0.17	1.09%
Sep-01	19	0.00987	$14.72	$0.19	1.29%
Oct-01	38	0.00987	$21.77	$0.38	1.75%
Nov-01	65	0.00307	$40.09	$0.20	0.50%
Dec-01	131	0.00307	$69.82	$0.40	0.57%
Jan-02	160	0.00307	$74.35	$0.49	0.66%
Feb-02	163	0.00307	$58.35	$0.50	0.86%
Mar-02	113	0.00307	$50.86	$0.35	0.69%
Apr-02	89	0.00307	$53.51	$0.27	0.50%
May-02	42	0.01576	$31.17	$0.66	2.12%
Jun-02	24	0.01576	$21.03	$0.38	1.81%
Jul-02	18	0.01576	$17.01	$0.28	1.65%
Aug-02	17	0.01576	$16.04	$0.27	1.68%
Sep-02	19	0.01576	$18.01	$0.30	1.67%
Oct-02	38	0.01576	$30.67	$0.60	1.96%

Sources: Column B - Normalizied SVF usage per NG01-010
Column C - Actual IGSPP adjustment in effect at that time.
Column D - Typical bill using base rate and PGA in effect at that time.
Column E - Column B times Column C
Column F - Column E divided by Column D

Difference Between Reference Price and Actual Cost

Reservation Charges

	Reference Price	Actual Cost	Actual Cost below Reference
November 1999 through April 2000	$ 4,510,715	$ 3,144,294	$1,366,421
May 2000 through October 2000	$ 2,828,521	$ 2,039,735	$ 788,786
November 2000 through April 2001	$ 4,402,603	$ 3,062,121	$1,340,482
May 2001 through October 2001	$ 2,558,483	$ 1,943,617	$ 614,866
November 2001 through April 2002	$ 5,088,248	$ 3,454,782	$1,633,466

Supply Charges

November 1999 through April 2000	$ 13,037,465	$ 13,059,480	$ (22,015)
May 2000 through October 2000	$ 7,570,324	$ 7,565,895	$ 4,429
November 2000 through April 2001	$ 46,610,935	$ 46,311,407	$ 299,528
May 2001 through October 2001	$ 7,347,635	$ 7,067,570	$ 280,065
November 2001 through April 2002	$ 12,866,680	$ 12,749,343	$ 117,337

Planned Storage Injection

November 1999 through April 2000	$ 5,230	$ -	$ 5,230
May 2000 through October 2000	$ 7,832,784	$ 7,767,135	$ 65,649
November 2000 through April 2001	$ -	$ -	$ -
May 2001 through October 2001	$ 3,327,308	$ 3,269,487	$ 57,821
November 2001 through April 2002	$ -	$ -	$ -

Transport and Storage Costs

November 1999 through April 2000	$ 227,883	$ 184,979	$ 42,904
May 2000 through October 2000	$ 115,160	$ 46,939	$ 68,221
November 2000 through April 2001	$ 247,194	$ 200,077	$ 47,117
May 2001 through October 2001	$ 128,462	$ 106,131	$ 22,331
November 2001 through April 2002	$ 226,763	$ 193,517	$ 33,246

Attachment (

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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

SD Public Utilities Commission
NG02-007 Initial Data Request

1. Describe in detail MidAmerican's current gas supply procurement process including all aspects such as hedging, etc. For example, provide the positions of the personnel involved, the different administrative levels, and which personnel positions are ultimately responsible for final procurement or hedging decision approval. Explain the difference, if any, regarding the decision making process for long-term procurements vs. short term. Explain any current incentive compensation programs for the aforementioned personnel that are related to or dependent on the results of the IGSPP.

   In determining its long-term (winter season) forecast, customer growth / decline rates and average use per customer are evaluated for each customer class and for each state jurisdiction to determine the impact on annual gas sales across the entire MidAmerican system. Historical gas sales are weather normalized based on 30-year weather normalization process. A summary of monthly minimum, maximum, and average volumes is derived and this analysis is used to reserve adequate supply when MidAmerican designs its winter season (November-March) portfolio. Required monthly flexibility is built into the supply portfolio by analyzing each month's specific minimum and maximum requirements and buying packages for the entire term, in addition to packages for peak months (December- February). This staggering gives MidAmerican more supply in the coldest months and less supply in the months that are typically warmer. Every year MidAmerican's Supply Group meets with MidAmerican's Gas Operations Group to discuss supply, transport, system operation, and weather related scenarios for the up coming season.

   The portfolio contracting process begins by MidAmerican sending an RFQ (Request For Quotation) to reliable and creditworthy suppliers that requests offers for MidAmerican's anticipated regulated supply requirements for the upcoming heating season. MidAmerican analyzes the offers received and begins negotiations with the suppliers providing the most competitive offers based upon market pricing at the applicable receipt points and contractual terms of MidAmerican's portfolio contracts. Once negotiations are completed, MidAmerican will execute supply contracts with the party or parties with the most competitive and reliable packages. MidAmerican's winter-term firm supply portfolio is comprised entirely of market priced (index) supply. MidAmerican has not entered into fixed price supply agreements because suppliers have generally offered such supply at prices above those which MidAmerican could achieve through the use of financial tools. All supply transactions with any counterparty are entered into only after a thorough canvassing of the prevailing market prices, suppliers, and offers. Index priced transactions are based on published indices (e.g., *Gas Daily, Inside FERC*, etc).

In determining short-term gas requirements, MidAmerican utilizes an artificial neural networking forecast model to predict gas requirements. In order to accommodate short-term swings, MidAmerican maintains a sufficient mix of portfolio swing supplies, daily firm purchases, storage, and peak shaving. To deliver this supply to customers, MidAmerican utilizes firm interstate pipeline transportation and pipeline leased storage as well as its own LNG and LP facilities. The exact amounts of capacity and supply are carefully evaluated during the winter setup process to meet system requirements on a peak day. As a part of its long-term seasonal supply portfolio MidAmerican purchases some portfolio swing packages. Portfolio swing packages are priced at a daily index price and can be turned on or off based on the system needs for individual days. Additionally, to meet system requirements MidAmerican purchases some daily firm packages on the spot market. Storage, swing, and daily firm supply purchases are used throughout the year to manage varying demand day to day. All encompass both reliability and cost. All short-term supply transactions with any counterparty are entered into only after a thorough canvassing of the prevailing market prices. Index priced transactions are based on published indices (e.g., *Gas Daily, Inside FERC*, etc.) and fixed priced transactions are based on market conditions.

MidAmerican hedges gas prices in two ways. First, as described in the attached PGA Hedging Plan (Attachment A), MidAmerican uses financial derivatives that correlate to its purchases of index priced supply to mitigate some PGA customer price risk. Secondly, MidAmerican physically hedges by injecting gas into storage during the summer and withdrawing it during the winter.

Monthly and daily physical supply purchases and sales transactions (short term) are entered into by a Portfolio Analyst. However, a Portfolio Analyst does not have the authority to bind the company to multi-month supply purchases (long term). For long-term portfolio supply, after the Portfolio Analyst has concluded negotiations he or she indicates approval and recommendation by initialing two originals of a proposed contract and forwarding them for legal review. Thereafter, MidAmerican legal council initials the contracts indicating his/her approval as to legal form and protection of MidAmerican's legal interests. The contracts are then submitted to the Director, Gas Supply Planning for his/her approval. Finally, the contracts are submitted to the Vice President, Gas Supply and Trading for execution.

A similar approval process exists for storage and financial hedging transactions. A Book Manager or Financial Trader works in conjunction with a Portfolio Analyst to make daily injections and withdrawals in accordance to a storage plan; which has been approved by both the

Director, Gas Supply Planning and the Vice President, Gas Supply and Trading. Financial hedging trades are executed by Financial Traders and Book Mangers under the direction of the Director, Gas Supply Planning in accordance with MidAmerican's PGA Hedging Plan which is approved by the Vice President, Gas Supply and Trading.

MidAmerican Energy Gas Supply and Trading personnel do participate in an incentive program that is different than MidAmerican's standard performance incentive program. The program does include in part results from the IGSPP program as well as results from other revenue improvements and cost savings from both the gas and electric businesses.

MidAmerican Energy Company
Response to South Dakota Public Utilities Commission Data Request
Docket No. NG02-007

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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

Responder Name: Dave Badura
Job Title: Director, Gas Supply Planning
Phone: (515) 242-4303

Requested Data:

1. Please describe in detail how MidAmerican is consistently able to achieve actual costs significantly lower than the reference price for reservation charges and planned storage injections. Describe the activities of gas supply personnel that make this possible. Explain if and how this process is an ongoing challenge for MidAmerican to achieve as opposed to a semi-permanent status based on long term commitments. Explain why the reference price is not too high to offer a challenge to MidAmerican to beat.

Response:

The IGSPP incentive mechanism has impacted and improved MidAmerican's performance in many areas related to providing our regulated customers with reliable, low-cost gas supply. Specifically, it has influenced and impacted the manner in which MidAmerican organizes and conducts its business activities, recruits and retains employees, designs its employee compensation programs and allocates company resources. All combined, these influences have created a culture and climate at MidAmerican where employees are constantly challenged on a daily basis to find creative ways to maximize revenue, reduce costs and create opportunity, which in turn may lead to maximized revenue and/or reduced costs. Through the IGSPP mechanism the goals and financial incentives of the company are aligned with the customer's best interests, that is providing reliable, low cost gas supply service. MidAmerican has been able to consistently achieve costs lower than the reference price based on the hard work and diligence of its employees and by structuring its business activities and organization in a manner that rewards such behavior.

IGSPP Reference Price: The current IGSPP reference price is set at an appropriate level and still challenges MidAmerican to perform in order to attempt to secure an award under the program. Beating the reference price requires active, daily management. Maximization of MidAmerican's gas supply assets and pipeline service agreements is a daily activity requiring active monitoring of the natural gas market to identify opportunities. Pipeline tariff reservation fees (e.g., reference prices) or tariff rates represent the pipeline's cost of service and are set through rate proceedings conducted by the Federal Energy Regulatory Commission ("FERC"). These reservation fees are the mechanism through which pipelines are allowed to recover its cost of service plus earn a return on equity, and as such, establish a fair benchmark for the IGSPP reference price. As such, the tariff rates are the appropriate target level for establishing the reference price because these rates are approved by the FERC. Although MidAmerican's South Dakota service territory is captive to one specific pipeline company, South Dakota customers benefit from MidAmerican's consolidated PGA and the fact that MidAmerican's Iowa service territory is served by competing pipelines. The reference price based on planned storage activity clearly establishes the appropriate IGSPP benchmark. As stated above, planned storage activity encompasses tariff, operational, market, and load considerations and requires intense, daily management to achieve results and have the opportunity to earn an award under the IGSPP.

Employee Daily Activities: Having the opportunity to earn an award from the IGSPP creates daily challenges for MidAmerican's gas supply employees. MidAmerican employees are constantly looking for ways to either maximize the value of the company's gas supply assets and transportation contracts or correspondingly, reducing the cost of such supplies and service. This includes efforts to negotiate special contract terms with suppliers and pipelines that provide additional flexibility, such as rights to nominate variable volumes on weekends or securing alternate point deliveries. To reduce reservation costs, one specific strategy that MidAmerican uses is to reduce the term of its pipeline transportation and storage agreements. This action has enabled MidAmerican to renegotiate rates and provisions on a more frequent basis thereby giving MidAmerican the opportunity to take advantage of market opportunities that may arise. MidAmerican will also take opportunities to re-negotiate existing contracts prior to expiration by coupling an incremental opportunity with rate reductions in an existing contract or contracts. MidAmerican has entered into negotiated rate contracts based on field to market gas price spreads for a substantial portion of its capacity where the resulting rates could potentially be higher or lower than tariff rates. MidAmerican has utilized an aggressive negotiating strategy to enhance the perception of the competitive environment between pipelines. The outcome of this approach results in the lowest cost reliable service for our regulated customers. MidAmerican also participates actively in federal and state regulatory proceedings, as well as, pipeline customer groups to protect our regulated customers' interests and to gain a more in-depth knowledge of pipeline rate proceedings and filings.

To achieve gas costs lower than reference price through customers leased pipeline storage services, MidAmerican has been successful in achieving gas costs lower than planned storage injections and withdraws because it actively manages and trades around these storage assets on a daily basis. MidAmerican constantly monitors the financial and physical markets, pipeline tariff parameters, as well as customer load requirements to optimize the value of pipeline storage. MidAmerican optimizes value by utilizing the natural gas futures and swap markets, along with associated physical transactions in the cash market, to adjust planned injections and withdrawals on an intraday, intermonth and intramonth basis.

Incentive Compensation & Culture: Traders at MidAmerican participate in a unique incentive compensation program that is separate from the rest of the company. This incentive plan couples the interests of the customer with the interests and incentive of

MidAmerican employees. This incentive plan allows MidAmerican to attract and retain top-notch gas industry professionals by rewarding such employees for their performance and contributions. The employees that MidAmerican has hired and retained have over time changed the culture of MidAmerican's gas trading department. MidAmerican also trains its traders in natural gas financial and physical transactions in order to keep current with market trading strategies. MidAmerican dedicates resources to acquire in-depth knowledge of the pipelines, tariffs, trading strategies and techniques necessary to compete in the mature natural gas commodity market. The knowledge that MidAmerican has gained is not easily learned and consists of some very complex subject matter that is typically found only in seasoned, experienced gas industry professionals. Without the opportunity to earn an award from the IGSPP combined with an incentive compensation mechanism that specifically rewards employees' performance, MidAmerican would not be able to attract and retain this level of staffing.

The savings and benefits that MidAmerican's regulated customers are experiencing today is partly due to activities that MidAmerican has taken throughout the term of the incentive plan. When an opportunity has arisen for MidAmerican to reduce reservation charges for an extended period of time, MidAmerican has taken the appropriate steps to lock-in additional cost savings without forethought of the existence of an incentive mechanism. MidAmerican has not attempted to alter the timing or realization of such cost savings based on the timing of incentive plan expirations. MidAmerican will continue to do what is best for customers and its actions will be dictated by opportunities as they arise. We do not know where additional cost savings will come from in the future, but if we continue to cultivate the culture of a gas trading organization instead of that of a gas procurement department we are confident that we will be in a position to take advantage of market opportunities as they arise.

2. Describe in detail the current and/or expected corporate relationship between MidAmerican's jurisdictional natural gas service entity and the newly acquired Northern Natural Gas pipeline. Describe in detail all changes in the process of procuring pipeline services from NNG that will result from the NNG acquisition. Provide a copy of the currently effective 18 C.F.R. 161, et al. Provide any other regulations MidAmerican must follow in other jurisdictions regarding affiliate purchases from NNG.

    Currently both MidAmerican Energy Company and Northern Natural Gas Company are wholly owned subsidiaries of MidAmerican Energy Holdings Company. As a result of this corporate relationship, MidAmerican Energy Company is a "Marketing Affiliate" of Northern Natural Gas Company as that term is defined by applicable Federal Energy Regulatory Commission ("FERC") regulations. MidAmerican and NNG must comply with the Standard of Conduct for Interstate Pipelines with Marketing Affiliates 18 C.F.R. 161, et al. (See Attachment B).

    MidAmerican Energy and Northern Natural Gas both have instituted training and compliance programs to insure compliance with FERC Interstate Pipeline Marketing Affiliate Standard of Conduct stated above. MidAmerican Energy does have an Inter-Company Administrative Services Agreement in place in Iowa and Illinois, which allows MidAmerican to share some inter-company general and administrative services across companies.

    In addition to complying with the FERC Standards of Conduct, MidAmerican has agreed with the Iowa Utilities Board to adopt a Request For Proposal (RFP) process in future MidAmerican Energy negotiations with Northern Natural Gas (See Attachment C). Finally, MidAmerican Energy must comply with existing ICC (Illinois Commerce Commission) affiliate rules (83 I.A.C. Part 450, Non-Discrimination in Affiliate Transactions for Electric Utilities).

South Dakota Public Utilities Commission
WEEKLY FILINGS
For the Period of August 22, 2002 through August 28, 2002

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five business days of this report. Phone: 605-773-3705 Fax: 605-773-3809

CONSUMER COMPLAINTS

CT02-033 In the Matter of the Complaint filed by Denise Haerter, Sioux Falls, South Dakota, against MCIWorldCom and Qwest Corporation Regarding Unauthorized Switching of Services.

Complainant states that she has three phone lines into her home and two of the lines were switched to MCI without authorization. Complainant wants MCI or Qwest to be fined the $1,000.00 per line as stated in the South Dakota slamming law, a letter of apology from the company, and a removal of all charges.

Staff Analyst: Mary Healy
Staff Attorney: Karen Cremer
Date Docketed: 08/22/02
Intervention Deadline: N/A

CT02-034 In the Matter of the Complaint filed by John M. Rice on behalf of Rice Insurance Agency, Inc., Sioux Falls, South Dakota, against McLeodUSA Telecommunications Services, Inc. Regarding Telephone Book Listing, Poor Service, Contract Dispute, No Long Distance or 800# Service.

Complainant states that it began having problems with McLeod in 2001. After Complainant relocated its business, McLeod omitted putting the Complainant's new address in the McLeod phone book. When Complainant decided to change providers, it contacted McLeod to see if it could match the offer that was made by Qwest, and McLeod did not respond to the offer. Complainant switched its local service to Qwest and left its long distance and 800# with McLeod. Complainant continued to be billed for its service with McLeod and a fee for canceling its local service. Although Complainant paid its long distance charges, its service was disconnected for several days. Complainant switched its remaining service to Sprint, but McLeod would not release its 800# until it paid a termination of contract fee of $3,245.00 to McLeod. Complainant paid the fee in order to get its 800# working with Sprint. Complainant has now received another termination of contract bill from McLeod for $10,000.00. Complainant requests a refund of the termination of contract fees that it has paid, the removal of any other penalty from McLeod, and reimbursement for loss of business, down-time and inconvenience to its business.

Staff Analyst: Amy Kayser
Staff Attorney: Kelly Frazier
Date Docketed: 08/27/02
Intervention Deadline: N/A

NATURAL GAS

NG02-006 In the Matter of the Filing by NorthWestern Energy for Approval of Tariff Revisions.

Application by NorthWestern Energy to update its fuel retention percentage for natural gas transportation service. NorthWestern Energy's tariff provides that the fuel retention percentage be adjusted annually with the updated percentage to be effective October 1 of each year.

Staff Analyst: Dave Jacobson
Staff Attorney: Kelly Frazier
Date Docketed: 08/23/02
Intervention Deadline: 09/13/02

NG02-007 In the Matter of the Filing by MidAmerican Energy Company for Approval of Continuation of the IGSPP.

Application by MidAmerican Energy to Continue its Incentive Gas Supply Procurement Program (IGSPP). This program was initially approved by the Commission for a three-year period in 1995, and was approved with modifications for a second three-year period in 1999. This filing proposes to further extend application of the plan, with modifications, to be effective through October 31, 2005. The IGSPP compares actual gas supply costs to a benchmark and allows for a sharing of the difference between ratepayers and MidAmerican Energy.

Staff Analyst: Dave Jacobson
Staff Attorney: Kelly Frazier
Date Docketed: 08/27/02
Intervention Deadline: 09/13/02

TELECOMMUNICATIONS

TC02-109 In the Matter of the Application of NECC Telecom, Inc. for a Certificate of Authority to Provide Interexchange Telecommunications Services in South Dakota.

NECC Telecom, Inc. has filed an application with the South Dakota Public Utilities Commission for a Certificate of Authority to provide interexchange service in South Dakota. The applicant intends to provide resold interexchange service, including 1+ and 101XXXX outbound dialing, 800/888 toll-free inbound dialing, directory assistance, data services and travel card service to customers throughout South Dakota.

Staff Analyst: Heather Forney
Staff Attorney: Kelly Frazier
Date Docketed: 08/23/02
Intervention Deadline: 09/13/02

TC02-110 In the Matter of the Application of Voicecom Telecommunications, LLC to Approve the Transfer of the Certificate of Authority of Premiere Communications, Inc.

On February 13, 1996, Premiere Communications, Inc. received a Certificate of Authority to provide interexchange telecommunications services in South Dakota. On August 26, 2002, Voicecom Telecommunications, LLC (VTL), Voicecom Telecommunications, Inc. (VTI) and Premiere Communications, Inc. (PCI) filed a joint application to transfer the Certificate of Authority of PCI to VTL. VTL intends to offer post-paid long distance calling card services throughout South Dakota through resale.

Staff Analyst: Keith Senger
Staff Attorney: Kelly Frazier
Date Docketed: 08/26/02
Intervention Deadline: 09/13/02

TC02-111 In the Matter of the Request of Citizens Telecommunications Company of Minnesota, Inc. For Certification Regarding its Use of Federal Universal Service Support.

On August 26, 2002, Citizens Telecommunications Company of Minnesota, Inc. (Citizens) provided information constituting Citizens' plan for the use of its federal universal service support and to otherwise verify that Citizens will use all federal universal service support received in a manner that is consistent with the federal universal service provisions of 47 U.S.C. Section 254.

Staff Analyst: Harlan Best
Staff Attorney: Karen E. Cremer
Date Docketed: 08/26/02
Intervention Deadline: 09/06/02

TC02-112 In the Matter of the Application of Global Communications Consulting Corp. for a Certificate of Authority to Provide Interexchange Telecommunications Services in South Dakota.

Global Communications Consulting Corp. is seeking a Certificate of Authority to provide interexchange telecommunications services in South Dakota. The Applicant intends to offer a full range of interexchange services on a resale basis. Services include direct dial, MTS, in-WATS, out-WATS and Calling Card services.

Staff Analyst: Keith Senger
Staff Attorney: Kelly Frazier
Date Docketed: 08/28/02
Intervention Deadline: 09/13/02

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE FILING BY MIDAMERICAN ENERGY COMPANY FOR APPROVAL OF CONTINUATION OF THE IGSPP	))))	**FINAL DECISION AND ORDER** **NG02-007**

On August 27, 2002, the Commission received an application by MidAmerican Energy Company (MidAmerican), to continue its Incentive Gas Supply Procurement Program (IGSPP). This program was initially approved for a three-year period in 1995, and was approved with modifications for a second three-year period in 1999. The IGSPP compares actual gas supply costs to a benchmark and allows for a sharing of the difference between ratepayers and MidAmerican. This filing proposed to further extend application of the plan, with modifications, with an effective date of November 1, 2002, to be effective through October 31, 2005.

On August 29, 2002, the Commission electronically transmitted notice of the filing to interested individuals and entities. The notice stated that any person wishing to comment on the filing had an intervention deadline of September 13, 2002. No parties sought formal intervention.

On October 17, 2002, at a regularly scheduled and noticed meeting, the Commission considered whether to approve continuation of the IGSPP, with modifications, for a third three-year period. Commission staff recommended approval with an effective date of November 1, 2002. The Commission voted unanimously to approve the filing, with the modifications proposed by MidAmerican, for a three-year period with an effective date of November 1, 2002.

The Commission has jurisdiction over this matter pursuant to SDCL Chapter 49-34A, specifically 49-34A-4, 49-34A-6, 49-34A-8, 49-34A-10, 49-34A-11, 49-34A-12, 49-34A-13, 49-34A-19, 49-34A-19.2 and 49-34A-21.

It is therefore

ORDERED, that the filing by MidAmerican for continuation of the IGSPP, with modifications, shall be approved for a three-year period with an effective date of November 1, 2002.

Dated at Pierre, South Dakota, this 28th day of October, 2002.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Tina Douglas

Date: October 28, 2002

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg

JAMES A. BURG, Chairman

Pam Nelson

PAM NELSON, Commissioner

Robert K. Sahr

ROBERT K. SAHR, Commissioner