- 1. The process used in calculating the pro forma adjustment for weather normalization is a two-step process.
 - a. The first step is to determine the difference in therms by month and by class between what was used by customers in the 2013 test year and what would have been used by customers had CDDs and HDDs in 2013 been normal. This difference becomes the usage component of the pro forma adjustment.
 - b. The second step is to apply the appropriate margin rates to the usage component to determine the revenue component of the pro forma adjustment.
- 2. MidAmerican is calculating a pro forma adjustment for the following rate classes: Rate SVF (residential and commercial), Rate MVF (commercial only), Rate STM, Rate MTM, Rate ST, Rate MT, and Rate LT.
- 3. The usage component is determined through statistical regression analysis of monthly use per customer for each rate class.
 - a. Use per customer per day is calculated for each month of the test year for each class, and a regression model is developed that relates monthly use per customer to monthly HDDs.
 - i. Use per customer is calculated by dividing the total therm sales by class in each billing month by the number of bills issued in each month.
 - ii. HDDs for Rates SVF, MVF, STM, and MTM are calculated as a weighted average of monthly HDDs, where the weighting is 40% for current month HDDs and 60% for the previous month's HDDs.
 - iii. HDDs for Rates ST, MT, and LT, are calculated as the previous months HDDs, as all usage in a revenue month for transport customers occurs in the previous month.
 - b. The result of each regression model is a coefficient that describes the relationship between use per customer and HDDs. The difference between actual and normal daily degree days is then multiplied by this coefficient to determine the appropriate weather adjustment on a per customer basis for each month.

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- c. This adjustment is then multiplied by the number of bills issued in each month to determine the total usage adjustment for each month. This calculation is done separately for each class.
- d. Weather normalized unbilled sales for rate classes SVF and MVF are determined through a modeling procedure similar to that for billing month sales described above, and substituting monthly unbilled sales for billed sales and the previous month's HDDs for the weighted average billing month HDDs. The unbilled sales models produce a regression coefficient similar to that in the billed sales models, and the difference between actual and normal weather is applied against that unbilled sales coefficient to arrive at an unbilled sales normalization amount by month. Because the only months whose unbilled sales affect total annual sales are January and December, only the January and December adjustments are used in the final pro forma adjustment.
- e. The regression models developed in this analysis are accurate and do a good job of accurately identifying the complex relationship between electric sales and weather. The R-Square values for the four different rate class models are as follows:
 - i. Rate SVF Residential 0.998
 - ii. Rate SVF Commercial 0.988
 - iii. Rate MVF Commercial 0.990
 - iv. Rate STM 0.989
 - v. Rate MTM 0.996
 - vi. Rate ST 0.986
 - vii. Rate MT 0.967
 - viii. Rate LT 0.856

A large majority of the month to month variation in natural gas sales is explained by the HDD variable in these models, which is to be expected.

- 4. The revenue component of the pro forma adjustment is determined by applying the appropriate revenue rates to the usage component of the pro forma adjustment. The revenue rate is equal to the current tariffed revenue rate..
 - a. For Rate SVF, a blended revenue rate is used to determine the revenue adjustment, where the blended rate is a weighted average of the under 250 therm

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rate and the over 250 therm rate based on the total annual percentage of therm sales in each step.

b. For all other rates, the single tariffed volumetric rate applicable in each class is applied to the therm adjustment to arrive at the revenue adjustment.

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Major Assumptions

- 1. Heating degree days are calculated from a 55 degree base (HDD 55).
- 2. Normal weather data used in the models are based on 30-year normal data for HDDs (55 degree base) for the NOAA reporting station at Joe Foss Field, Sioux Falls, SD. The 30 year period is 1981-2010.

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