

Accounting Plan and Procedures

1. Introduction

This report describes MidAmerican's plan and procedures to account for energy efficiency in South Dakota. These procedures insure that these costs are categorized appropriately and in sufficient detail to identify individual costs for each program by type of expenditure.

2. Accounting System

MidAmerican will use the Management Information System (MIS) to identify expenditures as energy efficiency expenditures. Costs are separated by program, cost category and resource using project numbers, subnumbers and cost elements. The project numbers are used to indicate the energy efficiency program for which the costs are being incurred. Project subnumbers are used to designate the category such as planning, administration, customer incentives, etc. Cost elements are used to indicate the type of cost such as labor, transportation or nonlabor voucher costs.

In general, the Company uses a 44-character codeblock to account for expenditures. Using the MIS codeblock, employees assign the appropriate energy efficiency codeblock to time sheets, purchase orders, requests for payment and employee expense reports. Those elements of the codeblock that are specifically used to account for energy efficiency expenditures are as follows:

- ***Responsibility Center***

The responsibility center is used to identify the organizational unit within the Company that is responsible for the expenditure.

- ***Bill Center***

The bill center is used to identify the business unit for which the cost was incurred. For energy efficiency expenditures charged to deferred activities, the bill center is the same as the responsibility center.

- ***Utility Indicator***

The utility indicator is a utility type code used to identify which utility - electric, gas, or common (allocated to gas and electric) - is responsible for the expenditure.

- ***Activities***

The activity number is used to identify energy efficiency expenditures. The activity numbers used are as follows:

173172	MEC Electric Recoveries Over/Under
173272	MEC Gas Recoveries Over/Under
186350	MEC Gas Deferred Expenditures
186355	MEC Electric Deferred Expenditures
419007	Interest Charges on Over/Under Collections and Performance Incentive Plan Income
440011	Electric Residential Revenue
440045	Electric Residential Over/Under Recoveries
442001	Electric Small General Service Revenue
442045	Electric Small General Service Over/Under Recoveries
444211	Electric Large General Service Revenue
442245	Electric Large General Service Over/Under Recoveries
445011	Electric Public Authorities Revenue

480011	Gas Residential Service Revenue
480042	Gas Residential Over/Under Recoveries
481011	Gas Commercial Service Revenue
481042	Gas Commercial Over/Under Recoveries
481211	Gas Industrial Service Revenue
481242	Gas Industrial Over/Under Recoveries
908105	Electric Amortization
908205	Gas Amortization

- ***Project Numbers***

The following project numbers are to be used:

Electric Utility

<u>Project Number</u>	<u>Project Name</u>
17802	Residential Equipment
17805	Nonresidential Equipment
17808	Residential Audit
17812	Energy Efficiency Management. – Nonresidential
17817	Nonresidential Custom
17818	Energy Efficiency Management – Residential
17820	Small Commercial Energy Audit
17831	Residential Load Management
17834	Energy Efficiency Management – Residential & Nonresidential
17839	Low Income

Gas Utility

<u>Project Number</u>	<u>Project Name</u>
98647	Small Commercial Energy Audit
98849	Energy Efficiency Management – Residential
98852	Energy Efficiency Management – Nonresidential
98853	Energy Efficiency Management – Residential & Nonresidential
98854	Low Income
98855	Residential Audit
98856	Residential Equipment
98858	Nonresidential Equipment
98859	Nonresidential Custom

- ***Project Subnumbers***

Project subnumbers are used to identify the cost category of the expenditure. The project subnumbers that are used for MidAmerican energy efficiency expenditures are as follows:

30	Planning and Design
31	Administration
32	Advertising and Promotion
33	Customer Incentives
34	Monitoring and Evaluation
36	Equipment
37	Installation

Additional numbers or letters may be used to further segregate costs.

- ***Location***

All energy efficiency expenditures will be accounted for using South Dakota location code 400.

- ***Cost Elements***

The appropriate cost elements will be used to identify the type of cost, i.e. labor, transportation or nonlabor.

The MIS system and code block for energy efficiency expenditures make it possible to identify where the expenditures originated, which program the expenditures were made for, the type of source of the expenditure and the category or type of expenditure. MIS completely supports both the internal information requirements, as well as the regulatory reporting requirements related to program expenditures.

3. Procedures

- ***Direct Costs***

Direct costs are expenditures that can be specifically assigned to energy efficiency programs. All employees active in the design, implementation or evaluation of energy efficiency programs and related activities are trained in the use of the energy efficiency activity codeblock and are instructed to charge all costs, both labor and nonlabor, that are incurred in the performance of their energy efficiency assignment to these energy efficiency activities.

- ***Indirect Costs***

Indirect costs are expenditures incurred to support energy efficiency programs that cannot be specifically assigned (directly charged) to energy efficiency programs. These expenditures

are charged to programs through the use of loading rates. They include such items as paid absence and employee benefits.

- ***Performance Incentive Plan (Shared Savings Plan)***

To the extent the Company's actual net benefits exceeds targeted net benefits, the Company will qualify for an award based on a percentage of the spending budget. See the Cost Recovery and Performance Incentive section of this filing for a more detailed explanation.

- ***Recoveries***

Energy efficiency expenditures are charged to unique deferred debit activities. When amounts are billed to customers, they will be credited to the appropriate revenue activity through the Company's Customer Information System (CIS).

Anticipated recoveries will be projected for the recovery period and as amounts are recovered from customers, an entry will be made to book the amount over or under the anticipated recovery. Interest will be charged on the amount of over/under collections based on the return from MidAmerican's last gas rate case in 2004.

The deferred debits for energy efficiency expenditures will be reduced on a monthly basis by the amount of the approved expenditures as they are amortized.

4. Summary

To summarize, the basic accounting procedures will work as follows:

- As expenditures are made, they are recorded in the deferral activities
- The expenditures are loaded as appropriate using the various loading rates.
- The approved expenditures are expensed monthly based on authorized recoveries.

- The recovery of approved expenditures, and other costs, if appropriate, are billed to regular service accounts.

5. General

Any questions regarding this accounting plan and the energy efficiency accounting procedures should be directed to Rick Leuthauser, Manager of Energy Efficiency, at (563) 333-8846, who provides direction and oversees the maintenance of these procedures.