

Accounting Plan and Procedures

1. Introduction

This section describes MidAmerican's plan and procedures to account for energy efficiency in South Dakota. These procedures ensure 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 of costs, 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 within the Delivery business unit, 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
- 186340 MEC Gas Deferred Expenditures
- 186350 MEC Electric Deferred Expenditures
- 186385 MEC Commercial New Construction Discount
- 254200 MEC Commercial New Construction Regulated Liability
- 431061 Interest Expense – Energy-Efficiency New Construction
- 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
17804	Commercial New Construction
17805	Nonresidential Equipment
17806	Residential New Construction
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 and Nonresidential
17836	Nonresidential Load Management
17839	Low Income

Gas Utility

<u>Project Number</u>	<u>Project Name</u>
46002	Residential New Construction
98647	Small Commercial Energy Audit
98849	Energy-Efficiency Management – Residential
98851	Commercial New Construction
98852	Energy-Efficiency Management – Nonresidential
98853	Energy-Efficiency Management – Residential and 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 and 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 assignments to these energy-efficiency activities.

Accruals

The company may accrue energy-efficiency budgeted funds for certain projects with long lead times between project enrollment and completion. This results in charging anticipated expenses in the year in which the company pre-approves large projects. This procedure enables the company to enter each new plan year with its planned budget intact for projects of that plan year. Further, this procedure responds fully to our nonresidential customers' concerns that the company might not be administering energy-efficiency programs in the future due to unforeseen regulatory changes and, thus, the customers might not receive their earned and promised incentive payments.

At the end of the year, a journal entry is made charging the appropriate energy-efficiency account codeblock for the total amount of the incentive less a discount amount. This discount amount is computed using U.S. Treasury commercial paper rates and debited to a deferred debit activity (not an energy-efficiency activity). The total amount of the incentives is credited to a regulated liability activity. As a result of this entry, the company receives these incentive dollars in the current energy-efficiency cost-recovery reconciliation year, but at a reduced level to reflect the fact that they have not actually paid the incentives yet. As needed, these amounts are updated to reflect changes in estimated expenses and completion dates. An interest expense activity is debited and the discount activity is credited to offset the interest income the company has been receiving on this revenue. The regulated liability activity will be reduced as incentive payments are made, and eventually zeroed out, as will the discount activity, upon payment of the final incentive.

This is beneficial to both the customer and the company. The company begins recovery of this discounted amount in the year of occurrence of the energy-efficiency charges and,

through the regulated activity, the customer is assured of payment of the incentive regardless of what entity, if any, is administering energy-efficiency programs at that time. This procedure may be used for the Commercial New Construction program.

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.

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 12 months of 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. 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. Under certain circumstances, accruals may be made as discussed above.
- 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, is 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. Rick provides direction and oversees the maintenance of these procedures.