

TO: COMMISSIONERS AND ADVISORS
FROM: DARREN KEARNEY AND KAREN CREMER
SUBJECT: STAFF RECOMMENDATION FOR DOCKET GE14-001
DATE: APRIL 29, 2014

STAFF MEMORANDUM

On April 10, 2014, Staff filed a memorandum to the commission that provided an overview of MidAmerican Energy Company's (MEC) energy efficiency plan filing. That memo identified that staff would follow-up with a formal recommendation after reviewing additional information yet to be provided by MEC. On April 11, April 23, and April 24, 2014, MEC provided additional information to support their filing. After reviewing this additional information, Staff makes the following recommendations:

2013 Performance Incentive: Staff recommends the commission approve the 2013 performance incentive recoveries as proposed by MEC. The proposed performance incentive for the electric program is \$10,047, which is based on 2013 actual expenditures (due to electric budget underrun in 2013). The proposed performance incentive for the gas program is \$110,712, which is based on 2013 approved budgeted expenses (due to gas budget overrun in 2013).

Reconciliation (true-up) of 2013 Actuals: Staff recommends the commission approve MEC's reconciliation of 2013 actual expenditures and recoveries. All true-up calculations provided by MEC were properly calculated based on the operating data provided in the filing and Staff data requests.

2014 Electric Program Budget: Staff recommends the commission approve MEC's proposed budget increases for the residential and nonresidential electric programs. The budget increase for the residential program involves adding \$32,000 for ground source heat pump incentives. The budget increase for the nonresidential program involves adding \$5,340 for lighting. The electric programs remain cost effective with the budget increases.

2014 Gas Program Budget: Staff recommends the commission approve MEC's proposed budget increases for the residential and nonresidential gas programs. The budget increase for the residential program involves adding \$780,000 for furnaces. The budget increase for the nonresidential program involves adding \$241,767 for furnaces. The gas programs remain cost effective with the budget increases. Staff did have some concern regarding the furnace incentive rebate amounts; however, MEC provided additional

information that supported those rebate amounts¹. Staff believes the rebate amounts are appropriate based on the purpose of the program, which is to entice consumers to install the more expensive energy efficient furnaces.

MEC identified that their incentive levels result in payback periods of approximately 6.7 years and 4.6 years for residential and nonresidential furnaces, respectively. Staff believes setting incentive amounts based on a payback period is reasonable because consumers focus on how quickly they can make back their additional upfront costs when making the decision to purchase more expensive energy efficient furnaces. It is Staff's opinion that homeowners tend to plan living at one residence for 5 to 7 years and, thus, targeting a payback period within that time frame is appropriate. Turning to nonresidential furnaces, Staff believes that commercial and industrial businesses require a quicker payback in order to have management fund energy efficient upgrades; otherwise, they would use capital to invest in other projects that would generate a quicker return for the company. Given this, Staff believes a 4.6 year payback for nonresidential furnaces to be reasonable.

2014 Energy Efficiency Recovery Factors: Staff recommends the commission approve the Energy Efficiency Recovery factors for 2014, with an effective date of May 1, 2014. MEC properly calculated the factors based on the true-up of 2013 actual spending to actual recoveries and adjusting for the 2014 proposed budget and 2014 proposed performance incentive. The table below shows the Energy Efficiency Recovery factors that would become effective in 2014, if approved.

Proposed Energy Efficiency Recovery Factors for 2014		
	2013 (Current)	2014 (Proposed)
Gas Residential	\$0.03336/therm	\$0.00677/therm
Gas Non-Residential	\$0.00517/therm	\$0.01387/therm
Electric Residential	-\$0.00035/kWh	\$0.00291/kWh
Electric Non-Residential	\$0.00010/kWh	\$0.00047/kWh

If the commission approves the new Energy Efficiency Recovery factors for 2014, Staff requests that the commission instruct MEC to file final gas and electric tariff sheets that correctly identify the date filed as February 27, 2014, the initial date the filing was made.

¹ See MEC's response to Staff data request 3-1, filed on April 23, 2014.