IOWA UTILITIES BOARD

Customer Service **Section**

Docket No.: FCU-2014-0015
Utility: MidAmerican Energy Company
Memo Date: March 4, 2015

TO: The Board

FROM: Tara Ganpat-Puffett, Barb Oswalt, Gary Stump, Jane Whetstone, Rosemary Tate

SUBJECT: Post-Hearing Memo

I. Background

From September 18, 2014, through October 20, 2014, ten small businesses from around the state of Iowa filed written complaints with the Utilities Board (Board) against MidAmerican Energy Company (MidAmerican) regarding the increase in the electric rates paid by each business that resulted from a new demand charge approved by the Board in MidAmerican's last general rate case, Docket No. RPU-2013-0004. A complaint was also filed by Arti, LLC (Arti), concerning rates charged by MidAmerican approved in Docket No. RPU-2013-0004. The complaint of Arti was separated from the other complaints.

On November 21, 2014, the Board issued an order consolidating the ten small business complaints into Docket No. FCU-2014-0015 and allowed for further investigation into the similar complaint issues raised by the complaints concerning MidAmerican electric rates. Concurrently the Board issued a separate order opening Docket No. FCU-2014-0016 to address the issues in the Arti complaint.

The Board's order in Docket No. FCU-2014-0015 required MidAmerican to file direct testimony on or before December 15, 2014, which MidAmerican did. Complainants could also file direct testimony and exhibits on December 15, 2014, or rely on their informal complaints and submissions in their respective informal proceedings; none filed direct testimony. A hearing was scheduled and held on January 6, 2015, to receive testimony, cross-examination, and responses to Board questions.

The primary issues in these complaints are: 1) whether MidAmerican made every reasonable effort to explain significant bill impacts of the Board's final decision in Docket No. RPU-2013-0004 to the impacted small business customers, or any other customers, and present them with information about programs that are available to mitigate the rate increases, and 2) whether MidAmerican complied with the Board's mitigation plan in this case, which limited annual increases to nonresidential customers on a percentage (15 percent) and dollar basis ($1,500); both thresholds had to be met before mitigation would apply. It is important to note that the mitigation plan is based on the customer's 2013 usage. The following is a summary of the individual complaints:

C-2014-0123 – Montana Mike's: Judy Lilly filed the complaint on behalf of Montana Mike's Steakhouse (Montana Mike's) in Des Moines, Iowa. Lilly stated that the recent monthly billing statements for electric charges from MidAmerican included more line items and one of the new charges was a demand charge in the amount of $721.14. Lilly stated that she has never had a demand charge on any previous electric bill. When Lilly inquired about the new demand charge, MidAmerican told her that before the rate increase approved by the Board in Docket No. RPU-2013-0004 customers that had demand meters were only charged the demand charge if usage went above the cap of 200 kilowatts (kW) peak in a month and, since the usage at Montana Mike's was never over the 200 kW cap, no demand charge was included on the previous electric bills. Lilly was told by MidAmerican that along with the general rate increase the 200 kW cap was eliminated and every customer with a demand meter will be charged the demand charge base on the highest monthly peak kilowatt demand.

Lilly raised several concerns about the new charges for electric usage at Montana Mike's. Lilly stated that the September 2014 bill showed electric charges totaling $958.63, which were 31.88 percent higher than electric charges in the September 2013 bill. These charges were 32.20 percent higher than the August 2014 bill. Lilly stated that MidAmerican provided insufficient notice to customers with a demand meter that they would now have a demand charge on all bills and she questioned why MidAmerican excluded this restaurant from the mitigation plan. Lilly also suggested that the mitigation plan that used the initial comparison between the temporary/interim rates and the approved 2014 rates is flawed.

C-2014-0126 – Buena Vista Courthouse and C-2014-0127 – Buena Vista Law Enforcement Center: Steve Hammen filed two complaints on behalf of Buena Vista County Courthouse and the Buena Vista County Law Enforcement Center both in Storm Lake, Iowa. Hammen complained about the electric rate increase and alleged that there was insufficient customer notice about the impacts of the rate changes and the new demand charge. Hammen stated that the Buena Vista County Courthouse and the Buena Vista County Law Enforcement Center experienced a dramatic change in their electric bills due to the rate increase, the adjustment clauses, and riders. Hammen stated that the electric costs when compared with September 2013 are at least 45 percent higher for the Law Enforcement Center and 26 percent higher for the Courthouse. Hammen stated that both locations had lower electric usage in September 2014 than September 2013 and still had a large increase in their bill. Hammen stated that the only information they received on this rate increase was a pamphlet handed to them last fall suggesting that there might be a 3.6 percent rate increase. Hammen stated this rate increase is burdensome and the two facilities had budgeted for a 3.6 percent increase, not a 26 percent or 45 percent increase. Hammen stated the Board should have determined what impact the rates would have on each individual rate class when it approved the rate case. Hammen stated he feels the notification of this process by MidAmerican was insufficient.

C-2014-0128 – Avoca Super Foods: Doug Spitznagle filed a complaint on behalf of Avoca Super Foods in Avoca, Iowa. Spitznagle stated the September 2014 MidAmerican billing statement for his business showed an increase in the cost per day for electric usage from August 2013 to August 2014 of $60 per day and the monthly bill was $2,000 higher than the previous year's billing due to the change in rates. Spitznagle expressed concern about the future of the business since the business will not be able to absorb this kind of increase for an extended period of time.

C-2014-0129 – R&L Foods: Bob LeMonds filed a complaint on behalf of R&L Foods in Doon, Iowa. LeMonds stated that the MidAmerican monthly gas and electric billing statement for September 2014 had increased $400 for the electric charges over the September 2013 billing. LeMonds expressed concern about the future of the business because of the significant increase in electric rates.

C-2014-0130 – Loffredo Fresh Produce: Mark Zimmerman filed a complaint on behalf of Loffredo Fresh Produce in Des Moines, Iowa. Zimmerman indicated that there had been an increase in the electric rate and that the cost per day for the electric usage had gone up by 52.42 percent, from $545.07 per day in August 2013 to $830.79 per day in August 2014. Zimmerman further stated that there is no way to absorb this type of increase in rates.

C-2014-0131 – Mulholland Grocery: Tom Mulholland filed a complaint on behalf of Mulholland Grocery in Malvern, Iowa. Mulholland stated that not only was the September 2014 electric bill 29 percent higher than the previous year at the same time, but the business was being charged a demand charge in the amount of nearly $400. Mulholland stated that the business will be devastated by the increased costs.

C-2014-0132 – Scott's Foods: Scott Havens filed a complaint on behalf of Scott's Foods in Norwalk, Iowa. Havens stated that he was shocked when he received the September 20, 2014, MidAmerican electric bill for the business. Havens stated that in September 2014 the business used 5 percent more electricity when compared to September 2013 usage; however, the electric charges increased by 40 percent on the September 2014 billing. Havens stated that for the last two years the business averaged $5,200 per month for electric service and that the electric bill for September 2014 was $8,735. Havens

requested to have the Board review the electric charges for the business since an extra $3,000 per month is a hardship for his business.
C-2014-0141 – Storage & Design: Ron Patterson filed a complaint on behalf of Storage & Design in Des Moines, Iowa. Patterson stated that the most current monthly bill had a substantial electric service rate increase due to a demand charge and he wanted the Board to review the recent changes in the MidAmerican electric rates. Patterson stated that a demand charge appeared on his electric bill and after spending a large amount of money to save energy his bill increased by 42 percent.

C-2014-0142 – Capital City Fruit: Brendan Comito filed a complaint on behalf of Capital City Fruit in Norwalk, Iowa. Comito stated that the September 2013 MidAmerican electric monthly billing statement was $8,615 and the September 2014 bill was $16,272. Comito stated that electric usage at the business increased 45 percent; however, the electric bill increased 88 percent. Comito also stated that the business had expected to see an increase in the electric rates of around 3 to 5 percent based upon the information provided by MidAmerican.

Judy and Dave Lilly appeared on behalf of Montana Mike's at the hearing. The Lillys did not testify, but did cross-examine the MidAmerican witnesses.

II. Staff Analysis

Communications Plan

MidAmerican's rate communications plan in Docket No. RPU-2013-0004 had a goal to provide customers with information regarding the increases to their rates and to be able to suggest options customers might consider to mitigate higher utility bills. The communications plan stated this would involve a variety of MidAmerican venues, while ensuring that their employees had the proper tools and training to assist customers. The question is whether MidAmerican failed to provide their employees the tools necessary to properly respond to customer complaints received by the Board regarding the demand changes.

In the direct testimony witness Terry Ousley outlined MidAmerican's communications plan regarding rate mitigation. However, MidAmerican acknowledged that none of its communications explained the new demand charges for north and south system customers or the increase in the summer and winter rate differential. After customers began to call, MidAmerican said it realized it had an opportunity to better communicate with them and also recognized the combination of demand charges and higher summer and winter rate differentials resulted in significant summer increases for north and south system customers. MidAmerican said it did not have the issue in the east zone because those customers were used to a demand charge at the lower threshold.

Witness Ousley stated that no demand complaints have been received since the winter rates became effective.
MidAmerican customers meeting the rate mitigation eligibility in accordance with the parameters determined by the Board, received a packet that included a cover letter explaining the mitigation, an energy efficiency booklet of programs, a bill payment options brochure, a summary billing brochure, a budget billing plan brochure, and a brochure on the Business Advantage department. MidAmerican filed Late-Filed Exhibit 4, which contains a copy of the brochure mailed to commercial customers on the new rate, and Late-Filed Exhibit 5, which contains a copy of the on-line reference talking points and a copy of the electric demand rate training.

With respect to the communications plan, staff believes MidAmerican has recognized that it did not communicate well with its customers to understand the many changes from the rate case. MidAmerican stated it will continue to monitor customer calls and provide additional training with its staff, along with the development of new brochures for the coming year.

Compliance with Mitigation Plan

The question here is whether MidAmerican complied with the mitigation plan caps of 15 percent and $1,500 set by the Board in Docket No. RPU-2013-0004. In its December 15, 2014, filing MidAmerican provided Exhibit CBR-1, Schedule B which includes monthly bill amounts for each of the ten customers under interim and new rates based on 2013 usage. The schedule shows the total dollar and percentage difference for each month, and an annual dollar and percentage difference for year one. The table below shows the high and low monthly percentage changes, the total annual percentage change, and the annual dollar change for each customer.

Customer	High Monthly Percent Change	Low Monthly Percent Change	Annual Percent Change Year 1	Annual Dollar Change Year 1
[redacted]	31.22%	(12.58%)	6.29%	$1,446.51
[redacted]	38.23%	(7.13%)	12.42%	$3,980.26
[redacted]	34.68%	(13.88%)	5.00%	$986.96
[redacted]	42.53%	(5.95%)	12.75%	$4,306.29
[redacted]	33.41%	(24.75%)	2.41%	$280.98
[redacted]	(6.33%)	(10.11%)	(9.24%)	($13.43)
[redacted]	42.30%	(15.05%)	7.27%	$10,117.78
[redacted]	34.94%	(12.42%)	6.74%	$1,134.86
[redacted]	40.15%	(18.42%)	3.57%	$1,946.14
[redacted]	10.04%	(23.60%)	(9.99%)	($447.51)
[redacted]	40.74%	(17.82%)	3.20%	$2,873.25

Exhibit CBR-1, Schedule C shows the annual increases for years two through ten, none of which exceed the 15 percent threshold required for mitigation.

Based on the above information, it appears that the annual bill increases for these customers are within the limits the Board set for mitigation in the rate case. The bills in August and September included higher percentage increases compared to the customers' 2013 bills, but that was due (in part) to an increased summer and winter rate differential. These customers are seeing significantly higher bills in the summer, but they are also seeing less of an increase, and even some decreases, in the winter, so on an annual basis the percentage increases appear to be within the limits set by the Board.

The increased summer and winter pricing differentials were intended to reflect the higher cost of acquiring and producing generation during the summer. The four months from June through September are the summer billing months and the remaining eight months from October to May are the winter billing months. MidAmerican testified that there have been no demand-related complaints since winter rates went into effect.

In MidAmerican's original mitigation analysis, Montana Mike's was not included in the data set because its 2013 billing history was not representative due to a fire at the end of 2012. Because of the fire, Montana Mike's January 2013 bill was for 68 days. MidAmerican analyzed the data using prorated usage and prepared a mitigation analysis. The analysis shows that Montana Mike's did not meet either criterion required for mitigation.[1] Montana Mike's also stated that due to the fire, its usage was lower during January and February of 2013. MidAmerican stated that it does not believe that using more typical data for those months would produce a different result. This is because when comparing final rates to interim rates, customers on that rate generally experienced decreases from interim rates during the winter months.

At the hearing, MidAmerican testified that although it is only required to offer budget billing to residential customers, it has always offered it to commercial customers. Budget billing would likely help those commercial customers who find it difficult to manage the summer and winter rate differentials. At the hearing MidAmerican also testified that it encourages commercial customers with big fluctuations who use budget billing to take a true-up every three or six months rather than annually.

With respect to the issue of mitigation, staff believes MidAmerican has complied with the mitigation plan caps of 15 percent and $1,500 set by the Board in Docket No. RPU-2013-0004.

[1] At the hearing, it was discovered that because this analysis was filed as a confidential document, the owners of Montana Mike's had not received it. MidAmerican shared this document with the owners of Montana Mike's at the hearing and also filed the document as MidAmerican Exhibit 1.

III. Recommendation

Staff recommends that the Board find that MidAmerican properly billed these nine customers and that none qualified for the rate mitigation plan.

Staff recommends that the Board direct MidAmerican to contact each of the complainants in FCU-2014-0015 and present them with a customer-specific budget billing plan. Staff also recommends that going forward MidAmerican provide a customer-specific budget billing plan to all commercial customers with complaints based on the summer and winter rate differential.

Staff further recommends that MidAmerican customer service staff continue to meet quarterly with Board staff to provide an update to its communication plan from the rate case and review customer complaints resulting from the rate case. MidAmerican should also be directed to notify Board staff when MidAmerican plans to roll out the account-specific rate calculator to be made available to customers. MidAmerican should provide Board staff with an overview of how the rate calculator will work, if all customers will have access, and what kind of customer service support will be provided if a customer has questions.

RECOMMENDATION APPROVED

IOWA UTILITIES BOARD

/s/ Elizabeth S. Jacobs *3-11-15*
Date

/s/ Nick Wagner *3/9/15*
Date

/s/ Sheila K. Tipton *3/9/2015*
Date

/tgp