STATE OF IOWA

DEPARTMENT OF COMMERCE

UTILITIES BOARD

IN RE: MONTANA MIKE'S STEAKHOUSE; BUENA VISTA COUNTY COURTHOUSE; BUENA VISTA COUNTY LAW ENFORCEMENT CENTER; AVOCA SUPER FOODS; R&L FOODS; LOFFREDO FRESH PRODUCE; MULHOLLAND GROCERY; SCOTT'S FOODS, STORAGE & DESIGN; AND CAPITAL CITY FRUIT, Complainants, vs. MIDAMERICAN ENERGY COMPANY, Respondent.	DOCKET NO. FCU-2014-0015 (C-2014-0123, C- 2014-0126, C-2014-0127, C-2014-0128, C-2014-0129, C-2014-0130, C-2014-0131, C-2014-0132, C-2014-0141, C-2014-0142)

FINAL DECISION AND ORDER

(Issued March 18, 2015)

PROCEDURAL 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. The complaints were similar and were consolidated by the Board on November 21, 2014, for further investigation.

Pursuant to the Board's November 21, 2014, order, MidAmerican filed direct testimony on December 15, 2014. The complainants were given an opportunity to respond but each relied on the information submitted with their original complaints. A hearing was held on January 6, 2015, to receive testimony, for cross-examination of testimony, and for Board questions. Various post-hearing exhibits were subsequently filed.

SUMMARY OF COMPLAINTS

There were two primary issues raised in the various complaints. First, there were questions on whether MidAmerican adequately explained the bill impacts arising from Docket No. RPU-2013-0004 to these customers and provided them information on available programs to mitigate the rate increases. Second, there were questions whether MidAmerican complied with the Board's rate mitigation plan adopted in Docket No. RPU-2013-0004, 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. A summary of the individual complaints is as follows:

C-2014-0123: Judy Lilly filed the complaint on behalf of Montana Mike's Steakhouse 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 Steakhouse 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 based on the highest monthly peak kW demand.

Lilly raised several concerns about the new charges for electric usage at Montana Mike's Steakhouse. 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 and C-2014-0127: 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: 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: 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: 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: 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 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: 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: 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.

MIDAMERICAN RESPONSE

In its responses to the complaints and in prefiled testimony, MidAmerican addressed the various complaints. With regard to the complaints about the additional demand charge for the small commercial customers, MidAmerican stated that prior to the approval of its electric rate increase in Docket No. RPU-2013-0004 nonresidential customers the approximate size of these small commercial businesses, that are located in the north and south pricing zones of MidAmerican's territory, purchased service under a rate that had a demand charge listed in the tariff. However, that demand charge only applied if the peak kW usage was greater than 200 kWs and the kilowatt-hours of use per kW of demand (calculated by dividing the total kWh by the peak kW) was less than 250 kWh in that month. Most small businesses did not see a demand charge on their monthly bill under the previous rate because they did not meet the usage threshold.

MidAmerican stated it consolidated and simplified its rate structure in Docket No. RPU-2013-0004 to be consistent and equitable across all of MidAmerican's service territory. MidAmerican modeled the new demand rate for small commercial customers after the former demand rate for the East Pricing Zone, Rate 42, where the demand charge was billed every month with the minimum set at 10 kW.

MidAmerican stated that on March 17, 2014, the Board issued an order in Docket No. RPU-2013-0004 that ordered MidAmerican to develop a mitigation plan with the initial comparison between the temporary (interim) rates (effective August 15, 2013) and rates approved effective July 31, 2014. According to MidAmerican, the annual electric increase was capped at 15 percent and $1,500 for non-residential customers. In the mitigation plan MidAmerican filed with the Board, on March 27, 2014, MidAmerican committed to evaluate the bill impacts resulting from the rate proposal for customers of record on December 31, 2013, that had a full twelve-month standard billing history in 2013 and did not change rates during the year. MidAmerican proposed to use a customer's 2013 usage information to calculate the amount the customer would have paid under the interim rates for that full year to an estimated amount the customer was projected to pay each of the next ten years based on known base rates, equalization and phase-in factors, and forecasted amounts for the Energy Adjustment clause (EAC) and the Transmission Cost Adjustment (TCA) clause (excluding other clauses normally combined into the Energy Charge and taxes). MidAmerican stated that based upon the review required by the mitigation plan the rates charged to the complainants are the most economical rate class for these customers.

BOARD DISCUSSION

The Board will first address MidAmerican's compliance with the mitigation plan caps for nonresidential customers of 15 percent and $1,500 set by the Board in Docket No. RPU-2013-0004. Both thresholds have to be met; if a customer experiences a $5,000 annual increase but this is only a 5 percent increase, mitigation would not apply. It is also important to note that mitigation is determined on an annual basis, meaning that a customer's bills could exceed the mitigation amounts for several months, but the customer would not qualify for mitigation unless the annual increase exceeded the caps.

For the ten complaints at issue, annual dollar changes ranged from negative $447.51 to an increase of $10,117.78. While several exceeded the $1,500 annual cap, none of the complaints met the second qualifying threshold, a 15 percent annual increase. With respect to the ten complaints, the annual percentage changes ranged from negative 9.99 percent to positive 12.75 percent. Based on the evidence provided, none of the complainants qualified for the rate mitigation plan.

It is easy to understand, however, why the complaints were filed. The first bills under new rates appeared in August and September, which were higher when compared to these customers' 2013 bills. This was due, in part, to the increased summer and winter rate differential. These customers saw significantly higher bills in the summer, which triggered the complaints, but they also saw less of an increase and even some decreases in the winter, therefore, on an annual basis, the percentage increases are 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 a 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. 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. The Board will require MidAmerican to contact each of the complainants in Docket No. FCU-2014-0015 and offer them a customer-specific budget billing plan and that, on a going forward basis, all commercial customers with complaints based on the summer and winter rate differential must be offered a customer-specific budget billing plan.

The Board will now address MidAmerican's communications plan. MidAmerican said its 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.

MidAmerican witness 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. MidAmerican stated that no demand complaints have been received since the winter rates became effective.

MidAmerican said that its customers meeting the rate mitigation eligibility 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 Exhibits 4 and 5.

MidAmerican 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. The Board will require MidAmerican customer service staff to 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 will 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 is also to provide Board staff with an overview of how the rate calculator will work, whether all customers will have access, and what kind of customer service support will be provided if a customer has questions.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The complaints consolidated in Docket No. FCU-2014-0015 (C-2014-0123, C-2014-0126, C-2014-0127, C-2014-0128, C-2014-0129, C-2014-0130, C-2014-0131, C-2014-0132, C-2014-0141, and C-2014-0142) are denied and the complainants do not qualify for the rate mitigation plan adopted in Docket No. RPU-2013-0004.

2. MidAmerican Energy Company shall offer budget billing to customers as outlined in the body of this order.

3. MidAmerican Energy Company shall comply with the communications plan requirements contained in the body of this order.

UTILITIES BOARD

/s/ Elizabeth S. Jacobs

/s/ Nick Wagner

ATTEST:

/s/ Joan Conrad
Executive Secretary

/s/ Sheila K. Tipton

Dated at Des Moines, Iowa, this 18th day of March 2015.