

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. TF-07-220 (SPU-04-1)
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**ORDER REJECTING SMALL VOLUME GAS TRANSPORTATION TARIFF
AND DIRECTING FILING OF REVISED TARIFF SHEETS**

(Issued June 24, 2008)

On November 5, 2007, the Utilities Board (Board) issued an order in Docket No. SPU-04-1, In re: Iowa Joint Utility Management Program, Inc., directing MidAmerican Energy Company (MidAmerican) to file a proposed permanent small volume gas transportation tariff to replace the existing Small Volume Transportation Pilot Project (Pilot Project) tariff. In the order, the Board required MidAmerican to make three changes to the Pilot Project tariff and described other modifications that MidAmerican could propose. On December 27, 2007, MidAmerican filed the proposed compliance tariff.

On January 7, 2008, Iowa Joint Utility Management Program, Inc. (IJUMP), filed comments regarding the proposed permanent small volume transportation tariff. On January 18, 2008, Cornerstone Energy LLC, d/b/a Constellation NewEnergy-Gas Division (Cornerstone), filed comments regarding the proposed permanent tariff. On January 25, 2008, the Board issued an order docketing the proposed tariff and directing that MidAmerican respond to a hypothetical described in the order.

On January 24, 2008, MidAmerican filed an interim report and comments concerning the progress of discussions with suppliers and a response to the comments filed by IJUMP and Cornerstone. On February 4, 2008, IJUMP filed a reply to the interim report and MidAmerican's comments. On February 8, 2008, MidAmerican filed its response to the hypothetical pricing scenario proposed in the January 25, 2008, order and an update to confidential schedules 4 and 5 filed in support of the proposed tariff.

On February 27, 2008, the Board issued an order scheduling a conference to allow the parties to discuss the unresolved issues concerning the proposed tariff and respond to Board questions. The conference was held as scheduled and there appeared to be agreement on most of the provisions in the proposed tariff, except for capacity assignment.

On April 14, 2008, MidAmerican filed revised tariff sheets that reflected the discussions with the parties. MidAmerican indicated that not all of the issues raised by the other parties had been resolved. The main issue where there was no agreement is MidAmerican's proposed interstate pipeline transportation capacity assignment proposal. MidAmerican has proposed significant changes from the existing Pilot Project provisions concerning capacity.

On April 16, 2008, the Board issued an order establishing a response date to the revised tariff sheets and a date for replies to the responses. On April 21, 2008, IJUMP and Cornerstone filed responses. On April 25, 2008, MidAmerican filed a

reply to the responses. On April 29, 2008, Cornerstone filed a response to MidAmerican's April 25, 2008, reply. On May 6, 2008, MidAmerican filed a reply to Cornerstone's April 29, 2008, response.

The Board has reviewed the proposed permanent small volume gas transportation tariff filed by MidAmerican, as revised on April 14, 2008, and addresses the separate elements of the proposed permanent tariff below.

I. Tariff Elements from November 5, 2007, Order

In the November 5, 2007, order, the Board directed that the proposed permanent tariff include specific elements and also set out optional elements that could be proposed at MidAmerican's discretion.

The three required provisions are:

- 1) The service must be offered to all small volume customers other than residential customers (not just schools and governmental entities), referencing usage limits in the definition of a small volume customer in 199 IAC 19.14(1);
- 2) The tariff could include a reasonable cap on the total number of customers allowed to take service under the permanent tariff;
- 3) Customers taking service under the tariff would pay the same energy efficiency cost recovery (EECR) factor they would pay as system customers and they would be allowed to participate in energy efficiency programs offered by MidAmerican.

The discretionary elements described in the November 5, 2007, order permitted the tariff to include proposed provisions to:

- 1) Establish a reconnection charge that is cost-based and that is higher in winter than summer.
- 2) Provide a cost-based bundled volumetric rate for nomination, dispatching, balancing, administration, and other costs.
- 3) Require customers to provide proof of firm interstate pipeline capacity, such as an affidavit.
- 4) Offer the service to all customers, not just heat-sensitive customers.
- 5) Address any other terms of service that the utility considers necessary to make the service workable.

II. Required Tariff Elements and Related Issues

A. Eligible Customers

In the initial proposed tariff, MidAmerican established the usage criteria for the permanent small volume transportation service based upon the November 5, 2007, order. In the revised tariff, in response to comments of Cornerstone, MidAmerican modified the customer usage levels to be eligible for the permanent service to 2,000 therms per day. The revised tariff provides that MidAmerican will review each customer's usage in April of each year to determine whether they remain eligible for the small volume transportation service. MidAmerican also proposed that this service

would be available to all non-residential small volume customers on MidAmerican's system, which is one of the discretionary elements described above.

The Board will approve these provisions in the permanent tariff. The usage level is similar to the usage level in the Pilot Project tariff and has been revised based upon discussions with suppliers. Even though the Board suggested that the permanent tariff reference the usage level in 199 IAC 19.14(1), the Board considers it reasonable for MidAmerican to adjust the level to accommodate the concerns of suppliers such as Cornerstone.

B. Customer Participant Cap

MidAmerican proposes to cap the number of customers who can take small volume transportation service at 5,000 and to phase in the number of customers by 850 customers per month from May 1, 2008, through November 1, 2008. This is approximately a nine-fold increase over the number of customers receiving service under the Pilot Project.

The cap of 5,000 customers is consistent with the information provided in Docket No. SPU-04-1 and the Board approved the phase-in of the cap proposed by MidAmerican in that docket. MidAmerican had indicated that it could provide small volume transportation service to a total of 5,000 customers before it would incur significant additional administrative costs.

However, the Board will not approve the cap of 5,000 customers at this time. The Board's decision on the cap is related to the discussion of interstate pipeline capacity, which is discussed below.

C. Energy Efficiency Factor

MidAmerican's proposed permanent tariff provides that small volume transportation customers will pay the EECR and will be authorized to participate in energy efficiency programs on the same basis as system customers.

The Board will approve this provision. Small volume customers will be able to participate in the energy efficiency programs offered by MidAmerican on the same basis as system customers.

III. Discretionary Tariff Elements and Related Issues

A. Reconnection Charge (Switching Fee)

High reconnection fees for customers who opt for transportation service, then switch back to system sales service, have long been considered a significant barrier to small volume transportation service. MidAmerican's standard transportation tariff includes a reconnection fee of \$250. MidAmerican waived this fee in the Pilot Project tariff. In the proposed permanent tariff, MidAmerican includes a "switching fee" provision rather than a reconnection charge. The proposed permanent tariff provides that at the end of a minimum term of 12 months, and with 30 days notice, a small volume transportation customer may switch back to sales service or to standard transportation service. Customers that switch will be charged a switching fee of \$21.

MidAmerican proposes to waive this fee for existing Pilot Program customers as they transition from the Pilot Project tariff to the permanent tariff. MidAmerican proposes to review and, if necessary, adjust this fee annually.

The Board will approve these provisions. The provisions remove the historic financial barrier to small volume transportation service. The minimum term of service and notice requirements will allow customers to switch suppliers or services on a reasonable basis and will protect MidAmerican and system customers from some of the costs of customers switching frequently. The minimum term and notice provisions should be especially beneficial as the new service is implemented. Once the service is firmly established, it may be appropriate to revisit these provisions.

B. Monthly Charges and Fees

1. Distribution Service Charges. MidAmerican proposes to charge the same distribution charge for small volume gas transportation customers as it charges its existing transportation customers.

The Board will approve this provision. It is reasonable for MidAmerican to charge the same distribution charge to small volume customers as it charges under its existing transportation tariff.

2. Clauses and Riders. MidAmerican proposes to apply the same riders as it applies to its current standard transportation tariff, with the exception of the addition of the EECR rider. These clauses are identical to the clauses applied in the Pilot Project tariff, with the addition of the EECR rider.

The Board will approve this provision. This is the same provision that is in the Pilot Project tariff.

3. Administrative and Scheduling Fee. The Pilot Project includes a volumetric Administrative Charge capped at \$.025/therm and trued-up annually. In the permanent service tariff, MidAmerican restructures this charge with a per-meter customer charge of \$15.52 and a pool operator scheduling charge of \$159 per pool. MidAmerican proposes to annually review and adjust, if necessary, both of these charges based upon actual costs. MidAmerican states that recovery of administrative costs through a combination of a per-meter fee and a per-pool scheduling fee is more reflective of cost causation than the volumetric charge included in the Pilot Project tariff.

IJUMP questioned the cost justifications in MidAmerican's proposed permanent tariff related to (1) the Administrative and Scheduling fees, (2) the Swing Service fees, and 3) the Weekend Service Rider. IJUMP states that the proposed fees are acceptable as long as the fees are subject to annual review by the Board and interested persons are allowed to address the fees in response to the annual filings.

The Board will approve these provisions. The structure of these fees is different than the fees in the Pilot Project tariff; however, they are consistent with the discretionary options described by the Board in the November 5, 2007, order. These

fees will be reviewed and adjusted annually, based upon MidAmerican's actual cost of administering the service.

4. Swing Service Fee. The swing service allows MidAmerican to manage daily volume variations due to inaccuracies in the forecasting model and differences between forecasted and actual weather. MidAmerican revised the fee from \$.0123/therm to \$.0115/therm in the April 14, 2008, filing. MidAmerican stated that the swing service fee in the permanent tariff is the same type of fee that is in the Pilot Project tariff and employs the same calculation method for the permanent tariff as employed in the Pilot Project tariff. The Pilot Project rate is \$.0111 per therm.

The Board will approve this provision. This fee is similar to the swing service fee in the Pilot Project tariff and it will also be reviewed and adjusted annually, if necessary.

C. Weekend Service Rider

MidAmerican proposes an optional weekend service rider. This service allows pool operators to nominate and deliver the forecasted requirement provided them by MidAmerican in advance of non-trading days, usually weekends. The charge is \$.025 per therm and is imposed on all therms of gas used, not just those used on weekends or holidays. This rider was proposed by MidAmerican in the Pilot Project tariff, although never implemented.

IJUMP stated that MidAmerican is the only utility that does not currently allow a customer to schedule weekend nominations on Friday. IJUMP also suggests that the proposed fee is high.

The Board will approve this provision since it is optional, even though the Board is not convinced that the service provides a benefit to customers and is cost justified. This provision will be reviewed in the annual review to be filed by MidAmerican and MidAmerican should include in the annual filing the number of customers who have opted to use the weekend service rider, the cost support for the charge, and a full explanation of the requirement for continuation of the provision.

D. Interstate Pipeline Capacity

MidAmerican's proposed tariff requires each customer to accept assignment of the interstate pipeline transportation capacity released by MidAmerican for the entire time the customer transports gas under the permanent tariff. MidAmerican proposes to determine the capacity volume for each customer, with a reduced volume level during the summer months. MidAmerican suggests this approach is consistent with the volume levels MidAmerican purchases from the interstate pipelines.

MidAmerican also proposes to determine the primary delivery point associated with each customer. If no capacity is available at the associated primary delivery point for a customer, that customer will not be able to take small volume transportation service under this tariff. The customer will pay maximum interstate pipeline rates (including surcharges and fuel charges) for the released capacity. No realignment of receipt or

delivery points associated with the released capacity will be permitted and MidAmerican reserves the right to recall the capacity if there is a change in the customer's status. During the summer months, the pool operator may release the capacity. All revenue MidAmerican receives from capacity release will be credited to the Purchased Gas Adjustment (PGA).

The proposed tariff provisions for assignment are significantly revised from the provisions in the Pilot Project. Under the Pilot Project, if a small volume customer gives MidAmerican 12 months' notice of its intent to transport, it is not required to accept assignment of capacity. If the customer does not provide the notice, it may be required to accept assigned capacity for up to one year. Pilot Project deliveries are allowed by zone rather than by specific delivery point, as proposed in the permanent tariff. The Pilot Project includes no provision comparable to the requirement that a customer cannot take the service if primary delivery point capacity is not available. Under the Pilot Project, MidAmerican prices capacity at MidAmerican's actual cost and not at maximum rates.

MidAmerican states that its interstate pipeline capacity retention proposal does not violate the November 5, 2007, order. MidAmerican argues that based upon the April 24, 2008, order approving the permanent small volume transportation tariff of Interstate Power and Light Company in Docket No. TF-07-221, MidAmerican had the option of modifying the Pilot Project tariff as long as the proposed permanent service tariff was made available to all small volume customers, included a cap on the

number of customers that could participate in the service, and small volume customers paid the EECR and could participate in energy efficiency programs.

1. Capacity Assignment Tariff Elements. There are several tariff elements proposed by MidAmerican with which IJUMP and Cornerstone disagree. The positions of the parties and the Board's analysis are set out below.

a. Assignment Period

IJUMP argued that the proposed permanent tariff provision requiring capacity assignment in perpetuity goes against the Board's November 5, 2007, order. IJUMP states that MidAmerican's Pilot Project tariff does not require small volume transportation customers to take MidAmerican capacity unless the customer gives notice of less than one year; then the small volume customer (like large volume customers) is only responsible to take MidAmerican capacity for up to one year to avoid any potential stranded capacity costs. IJUMP further points out that the November 5, 2007, order states that a customer participating in a pool is responsible for its share of any penalties caused by the pool operator's failure to deliver the forecasted daily requirement. IJUMP argues that this language in the Pilot Project tariff protects MidAmerican and MidAmerican has not presented any persuasive evidence supporting the proposed requirement that small volume customers take MidAmerican future capacity in perpetuity. IJUMP argues that MidAmerican's proposal for capacity assignment is an attempt to prevent small volume customers from taking the permanent service. Additionally, IJUMP argues that MidAmerican's

proposal will require Pilot Project customers that have taken service for years, some beginning in 1998, to again take MidAmerican capacity, but now in perpetuity.

b. Capacity Pricing

MidAmerican contends that 18 CFR § 284.8 of the Federal Energy Regulatory Commission's (FERC) pipeline regulations allows a shipper, here MidAmerican, to temporarily or permanently release capacity that it has contracted for on an interstate pipeline. According to MidAmerican, releases are required to be bid to other shippers, the shipper may arrange its own releases, or the shipper releases the capacity back to the interstate pipeline. The shipper may release the capacity for up to 31 days at a discounted rate, but cannot roll the capacity release over for another 31 days. The shipper may make longer capacity releases without bidding at maximum rates. Giving small volume customers an offset on other rates for paying maximum rates would circumvent the FERC capacity release regulations, be discriminatory, and would give preferential treatment to small volume customers. MidAmerican receives discounts on a portion of the capacity it purchases, many of which were negotiated years ago when there was excess capacity on the interstate pipelines. In the current environment, it pays maximum rates for capacity for new sales customers in northwest Iowa. MidAmerican further points out that small volume customers may re-release a portion of their summer pipeline capacity into the market.

Cornerstone argues that regardless of the reasons for MidAmerican's proposal for capacity release, by charging maximum tariff rates for the released capacity,

MidAmerican will clearly be charging more for the released capacity than it pays the interstate pipeline for the capacity. Cornerstone argues that MidAmerican negotiates discounts on pipeline capacity and does not pay maximum tariff rates.

IJUMP notes that the proposal will require small volume customers to pay the interstate pipeline company more than MidAmerican pays for the same capacity and MidAmerican has presented no evidence that MidAmerican's system is so different than other natural gas utilities in Iowa and adjacent states (none of which have similar assignment requirements) so as to necessitate permanent and perpetual assignment at rates higher than the utility pays.

c. Primary Delivery Point vs. Zone Delivery

MidAmerican states that the proposal to require firm capacity at primary pipeline delivery points, instead of zones, reflects the realities of the current capacity market. MidAmerican indicates that some branch lines in the interstate pipeline system are constrained and primary point capacity is not available. MidAmerican suggests that capacity may be unavailable at some points to meet its obligations to serve current and future customers, absent significant capital investment, should a small volume customer lose its supply or desire to return to sales service. The actions MidAmerican has taken to address the situation include purchasing capacity in line with specific customer needs, constructing distribution system additions, and increasing the capacity of its peak shaving equipment. MidAmerican states that it would not be right to offer this service to small volume transportation customers

without the appropriate capacity rights that could actually get their gas to them. MidAmerican further asserts the proposal is fair to all customers including other transporters and PGA customers. MidAmerican refers to the Board order providing that if zone delivery or reserve margin issues become a problem for MidAmerican, those issues could be addressed in the future. MidAmerican believes the zone delivery issue is a problem now and must be handled by providing an assured source of pipeline capacity.

MidAmerican states that in Wisconsin and Minnesota this past winter, the interstate pipeline was required to allocate deliveries at delivery points when temperatures got very cold. In the past two months, Northern Natural Gas Company (Northern) has been allocating capacity beyond its Oakland, Iowa, compressor station for those without firm primary delivery point capacity. MidAmerican suggests it is reasonable to expect that such delivery point allocations will be required in MidAmerican's service territory. MidAmerican points out that the Board stated in the November 5, 2007, order that the Board was open to arguments demonstrating that zone delivery is not working.

IJUMP argues that MidAmerican's proposal does not comply with the Board's November 5, 2007, order because it requires delivery-point specific pipeline capacity rather than zone deliveries as in the Pilot Program. IJUMP argues that MidAmerican has presented no evidence that primary firm capacity with zonal delivery is a systemwide problem for small volume customers but is not a problem for large

volume transportation customers or system sales customers, who are not subject to similar requirements. IJUMP states that none of the large volume transportation tariffs approved for Iowa natural gas utilities and none of the natural gas utilities in adjacent states operating on the same interstate pipelines require point deliveries. IJUMP states that it uses primary firm capacity and its marketers have never failed to deliver with zonal capacity. IJUMP states that it would be willing to provide an affidavit stating that it will use only primary firm capacity for small volume customers, as discussed in the Board's November 5, 2007, order.

d. Assignment Method

MidAmerican proposes to determine the capacity volume to be assigned for each customer. MidAmerican states that it intends to allocate the assigned capacity on the same basis as similarly-situated PGA customers. MidAmerican states that the proposal uses the same core assumptions to create the formula to assign units of capacity under the proposed permanent tariff as it uses to determine the number of units of capacity needed for each system customer.

Cornerstone states that the fairest way to assign units of capacity would be to assign the number of units, presently per dekatherm, in the applicable sales rate as opposed to the formula proposed by MidAmerican. Cornerstone argues if MidAmerican were required to assign capacity to suppliers based on the same units and discounted capacity costs assigned to sales customers, then transportation customers would be paying exactly the same costs they are putting on the system.

2. Board Analysis. The overall issue of capacity assignment has been the most contentious issue with this proposed tariff. MidAmerican's proposal to require suppliers or customers to retain released capacity beyond the first 12 months is a major change from the provisions related to capacity in the Pilot Project. The requirement that the customer take primary point delivery capacity is also a major change from the Pilot Project. These issues were raised by MidAmerican in Docket No. SPU-04-1 and the Board determined that they were not to be mandated for the permanent tariff. In the November 5, 2007, order, the Board stated that it was concerned that a capacity charge that included future capacity for the small volume customer could be a barrier to the small volume customer being able to take the permanent transportation service. In the order, the Board stated:

The Board agrees that reasonable limits will need to be placed on a small volume transportation customer's ability to return to system gas. However, the Board is concerned that a capacity charge that includes future capacity for the small volume customer may be a barrier to the small volume customer being able to take the service and will not establish this requirement as part of the permanent service.

In directing MidAmerican to file a proposed permanent small volume gas transportation tariff, the Board recognized that this service potentially could have unforeseen consequences on MidAmerican's operations. In order to limit the cost of the service and to protect MidAmerican operations, the Board allowed MidAmerican to place reasonable restrictions on the service. Those restrictions include a cap on the total number of customers that can take the service, provisions that limit when

and how the customer can switch from transportation service back to system service, and rates that reflect the actual cost of the service.

Based upon the capacity assignment provisions proposed by MidAmerican, it appears MidAmerican considers these restrictions to be inadequate. The overall design of the proposed permanent tariff appears to be more consistent with a total systemwide transportation program, rather than a limited small volume transportation service. The Board understands that MidAmerican would have preferred that the Board end the Pilot Project without requiring a permanent monthly-metered small volume transportation service. However, the Board decided that there was sufficient customer interest that it would be in the public interest for MidAmerican to offer a permanent service and now MidAmerican is required to provide that service on a reasonable basis.

The Board is not convinced that the proposed capacity assignment provisions are reasonable and considers them to be significant barriers to small volume customers that might otherwise take the service. Even the argument that the assignment of capacity under the permanent tariff violates FERC rules is not persuasive since MidAmerican has been releasing capacity for the Pilot Project for almost ten years. In requiring the establishment of a permanent small volume transportation tariff, the Board has attempted to balance the interests of MidAmerican, MidAmerican's system customers, and the small volume customers that see a benefit from the small volume service. The tariff provisions described in

the November 5, 2007, order in Docket No. SPU-04-1 appropriately balance these separate interests and the Board considers MidAmerican's proposal to be contrary to that balancing.

The Board will reject the provisions in the proposed permanent tariff related to interstate pipeline capacity. MidAmerican will be directed to file revised permanent tariff provisions that duplicate the capacity tariff provisions from its existing Pilot Project. MidAmerican has operated the Pilot Project under these provisions for many years and MidAmerican has not shown that the significant changes proposed by MidAmerican are required at this time. In addition, the Board will direct MidAmerican to offer small volume customers the option of taking zone delivery capacity with the understanding that if zone delivery capacity is not available in the area where the customer is taking service, the customer will have to return to system supply or take primary point delivery capacity.

These provisions will allow those Pilot Project customers that have been operating under the Pilot Project provisions to continue to take the service under similar provisions and will remove this barrier to new customers taking the service. Giving customers the option of taking primary point delivery if zone delivery is not available or returning to system supply will allow MidAmerican to manage its system capacity where constraints might occur without creating an unreasonable barrier to small volume customers where there are no constraints.

The Board understands that conditions on the interstate pipeline systems may change, making some of the provisions proposed by MidAmerican necessary in the future. The Board will direct MidAmerican to file with its annual review updated information concerning interstate pipeline capacity constraints and other information that is relevant to this problem.

Finally, the Board will reduce the cap of the total number of customers that may take the service in the first year to 2,500, rather than the 5,000 proposed by MidAmerican. This will further limit MidAmerican's potential risks from the capacity assignment decision made by the Board in this order. The 2,500 is still over three times the number of current Pilot Project customers and the history of the Pilot Project suggests that this cap will still allow most, if not all, customers who wish to take the small volume transportation service to do so. MidAmerican will have to adjust the phase-in to meet this lower cap.

E. Other Tariff Elements

1. Metering, Nominations, and Forecasting. As an alternative to requiring telemetering, MidAmerican will forecast the anticipated daily gas consumption for each customer. The forecasted consumption quantity will be used for nominations and for daily balancing purposes.

The Board will approve this provision. This is the same nominating and forecasting procedure that existed under the Pilot Project tariff.

2. Daily Balancing. The daily balancing charges included in the proposed tariff are the same as the daily balancing charges in MidAmerican's Pilot Project tariff. The daily balancing charges are applied to the volume difference between actual daily receipts and forecasted daily consumption, and the charges accumulate over the course of each month. Revenue generated from this service will continue to be credited to the PGA during the annual reconciliation process. The charges are:

- (1) \$0.50 per therm for over- and under-deliveries during normal periods;
- (2) \$1 per therm for over-deliveries during critical periods; and
- (3) the greater of \$3 per therm or three times the higher of two representative index prices as reported in Gas Daily for under-deliveries during critical periods.

The Board will approve this provision. This is the same provision that is in the Pilot Project tariff. Customers only incur charges if they do not deliver the quantity of gas MidAmerican has forecasted for them.

3. Monthly Cash-out. MidAmerican indicated in its initial filing that it was not modifying the cash-out provisions; however, MidAmerican stated that it was modifying the pricing determination. Prices will be generated based on the applicable index "Midpoint" gas price appearing in Gas Daily and posted on MidAmerican's electronic bulletin board. Cumulative daily negative imbalances

(customer consumed more than delivered) will be deemed to have been sold by MidAmerican to the customer and cumulative daily positive imbalances (customer consumed less than delivered) will be deemed purchased by MidAmerican. In both cases, the transactions will be priced at the applicable index price and applicable pipeline transportation charges and retention will be added.

The Board will approve this provision. This is the same procedure that MidAmerican uses in the Pilot Project tariff and the only change is a refinement to the index pricing. The pricing refinements proposed by MidAmerican for the permanent tariff are reasonable and will result in monthly financial cash-outs at or near market prices.

IV. Permanent Small Volume Gas Transportation Tariff

The proposed permanent tariff filed by MidAmerican, with the exception of the capacity assignment provisions, complies with the November 5, 2007, order in Docket No. SPU-04-1. The proposed permanent tariff with the revisions made by the Board in this order will result in the implementation of a reasonable permanent service small volume transportation program that balances the interests of MidAmerican, MidAmerican's system customers, customers taking the permanent service, and the natural gas marketers. The cap of 2,500 on the number of participants, the limitation on switching service, and the cost-based rates will provide sufficient protections and make permanent implementation a workable option. The

annual review process for several tariff provisions will serve as an appropriate opportunity to review the tariff provisions and address any issues that might arise.

MidAmerican will be directed to include in the first annual filing separate monthly data for customers remaining on the Pilot Project as well as customers taking the permanent service. The Board will also compare MidAmerican's capacity release information during the first year of the permanent tariff with its historical capacity release activity under the Pilot Project tariff. The annual filing shall also include the following information:

1. The total number of customers taking small volume transportation service, for both new permanent customers and Pilot Project customers;
2. The monthly volume of natural gas for the customer group, for both new permanent customers and Pilot Project customers;
3. The monthly quantity of capacity released by MidAmerican (if any) because of the small volume customers (including the period of the releases), for both new permanent customers and Pilot Project customers;
4. The monthly revenue received for the released capacity, for both new permanent customers and Pilot Project customers;
5. The price MidAmerican paid for the capacity to be released;
6. The reserve margin calculations applicable during the year; and

7. An update on specific capacity constraints that have required point delivery within MidAmerican's service territory.

V. Pilot Project

The Board in Docket No. SPU-04-1 has extended the Pilot Project tariff until April 30, 2009. The extension will allow current Pilot Project customers to transition to the permanent service as those customers make decisions about capacity for the 2009-2010 winter heating season. The Board would have preferred to end the Pilot Project and have all customers switch to the permanent service this year; however, the Board recognizes that MidAmerican has concerns about capacity constraints becoming an increasing problem in some locations on MidAmerican's system. By providing the overlap of the Pilot Project and the permanent tariff, the Board will be able to better address how significant the constraint problem is based upon MidAmerican's experience during the transition to the permanent service. The effective date of the permanent tariff will allow for current Pilot Project customers to transition to the new permanent service prior to April 30, 2009, or return to system gas before the 2009-2010 heating season.

VI. ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The permanent small volume gas transportation compliance tariff filed by MidAmerican Energy Company on December 27, 2007, as revised on April 14, 2008, is rejected.
2. MidAmerican Energy Company shall file revised tariff sheets consistent with this order on or before 30 days from the date of this order.
3. MidAmerican Energy Company shall include in the annual reconciliation filing the information regarding the Weekend Service Rider as described in this order.
4. MidAmerican Energy Company shall file the additional information described in this order in the first annual filing in addition to the annual review of the fees and charges.

UTILITIES BOARD

/s/ John R. Norris

/s/ Krista K. Tanner

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Darrell Hanson

Dated at Des Moines, Iowa, this 24th day of June, 2008.