

EL01-003

KC/KS

EL01-003

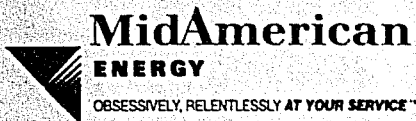
DOCKET NO. _____

In the Matter of — IN THE MATTER OF THE
APPLICATION OF MIDAMERICAN
ENERGY COMPANY FOR
DETERMINATIONS PURSUANT TO
SECTION 32(k)(2)(A) OF THE PUBLIC
UTILITY HOLDING COMPANY ACT _____

Public Utilities Commission of the State of South Dakota

DATE	MEMORANDA
2/8 01	Filed and Docketed;
2/15 01	Orally Filing;
3/14 01	Order Granting Amendment to the Purchase Power Agreement and
3/14 01	Docket Closed. <i>Public Utilities Commission Determination</i>

EL01-003



MidAmerican Energy
401 Douglas Street
Sioux City, Iowa 51101
712 277-7587 Telephone
smstewart@midamerican.com

712 252-7396 Fax
Suzan M. Stewart
Senior Managing Attorney

February 8, 2001

**By Telefax and Overnight
Delivery**

William Bullard, Jr.
Executive Secretary
South Dakota Public Utilities Commission
Capitol Building
500 East Capitol Avenue
Pierre, South Dakota 57501

Re: Docket No. EL01- _____
MidAmerican Energy Company
Application for Determinations

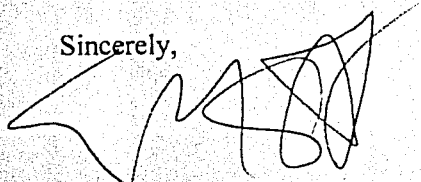
Dear Mr. Bullard:

Enclosed for filing with the Commission in the above-referenced matter are the following documents assembled in 13 sets (original and twelve copies, including one set for acknowledgment):

- This transmittal letter;
- Application;
- MidAmerican Exhibit 1.0 – Direct Testimony of Jeffery J. Gust;
- MidAmerican Exhibits 1.1 and 1.2;

Please acknowledge receipt of this filing on the enclosed 13th set and return in the preaddressed, postage paid envelope.

Sincerely,



cc: David Jacobsen

FAX Received FEB 08 2001

RECEIVED

FEB 09 2001

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

STATE OF SOUTH DAKOTA
BEFORE THE PUBLIC UTILITIES COMMISSION

MidAmerican Energy Company :
 : DOCKET NO. EL01-_____
Application for Determinations Pursuant :
to Section 32(k)(2)(A) of the Public Utility : APPLICATION FOR
Holding Company Act : DETERMINATIONS

MidAmerican Energy Company (MidAmerican) submits this Application for Determinations Pursuant to Section 32(k)(2)(A) of the Public Utility Holding Company Act (PUHCA).¹ In support of the Application, MidAmerican states:

I. Overview of Application

- A. MidAmerican is an Iowa corporation with its principal office located at 666 Grand Avenue, 2900 Ruan Center, Des Moines, Iowa 50309. As a public utility subject to the jurisdiction of the Commission, MidAmerican is engaged in the businesses of supplying electricity and natural gas to the public in South Dakota and other states. MidAmerican is a public utility subject to the jurisdiction of the South Dakota Public Utilities Commission ("SDPUC") Federal Energy Regulatory Commission ("FERC"), the Iowa Utilities Board and the Illinois Commerce Commission.
- B. MidAmerican is a direct wholly-owned subsidiary of MHC Inc. MHC Inc. is an exempt public utility holding company under PUHCA. MHC Inc. is an

¹ 15 U. S. C. § 79z-5a

FAX Received FEB 08 2001

RECEIVED
FEB 09 2001
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

indirect wholly-owned subsidiary of MidAmerican Energy Holdings Company ("MidAmerican Holdings").

- C. Cordova Energy Company LLC ("CEC") is a direct wholly-owned subsidiary of Quad Cities Energy Company ("QCEC"). QCEC is a direct wholly-owned subsidiary of MidAmerican Holdings.
- D. CEC is an affiliate of MidAmerican. Application Exhibit A, attached hereto, shows the relationships of the entities referred to in this Application and the affiliation of MidAmerican and CEC.
- E. CEC is constructing the Cordova Energy Center. FERC has determined that CEC is an Exempt Wholesale Generator ("EWG").²
- F. MidAmerican has entered into a Purchase Power Agreement ("PPA") with CEC. The FERC and all state public utility regulatory authorities with jurisdiction over MidAmerican's retail electric distribution operations issued orders making the specific determinations that are required by Section 32(k)(2)(A) of PUHCA concerning the PPA. The Commission issued an Order Reciting Commission Determinations in Docket No. EL00-006 on June 28, 2000.
- G. MidAmerican seeks to amend the PPA in order to purchase energy from the Project during its start-up and testing phase of construction. The start-up and testing phase is anticipated to begin in February 2001 and extend through the end of May 2001.

II. Overview of evidence offered

² *Cordova Energy Company LLC*, 87 FERC ¶ 62,157 (1999).

- A. In support of this Application, MidAmerican will offer the testimony and exhibits of Jeffery J. Gust. The testimony of Mr. Gust, MidAmerican's Vice President - Electric Trading, is attached to this Application as Exhibit MidAmerican 1.0 and will (i) describe the Amendment to the PPA and explain its prices, terms and conditions; (ii) discuss the Commission's regulatory authority with regard to MidAmerican and its affiliated interests; (iii) describe the customer benefits from the Amendment to the PPA; (iv) describe the rate and accounting treatment of the costs incurred in the purchase of energy pursuant to the terms of the Amendment to the PPA; (v) state that the books and records pertaining to the Amendment to the PPA will be available for Commission review and (vi) state his opinion that the Amendment to the PPA benefits consumers and is in the public interest.

III. Applicable law

- A. PUHCA Section 32(k)(1) prohibits an electric utility company from entering into a contract to purchase electric energy at wholesale from an EWG if the EWG is an affiliate or associated company of the electric utility company unless each of the state regulatory commissions having jurisdiction over the retail rates of the electric utility company have made the specific determinations as described in PUHCA Section 32(k)(2)(A).³

³ MidAmerican is also filing requests for PUHCA Section 32(k)(2)(A) determinations with the Illinois Commerce Commission and the Iowa Utilities Board.

B. In regard to the PPA and in accordance with the requirements of PUHCA Section 32(k)(2)(A), MidAmerican requests the Commission to issue an order that sets forth the following specific determinations:

1. the Commission has sufficient regulatory authority, resources and access to books and records of MidAmerican and CEC to exercise its duties under PUHCA Section 32(k)(2); and
2. the transaction (i) will benefit consumers, (ii) does not violate any South Dakota law (including, if applicable, least cost planning), (iii) would not provide CEC with any unfair competitive advantage by virtue of its affiliation or association with MidAmerican, and (iv) is in the public interest.

C. In regard to such determinations, MidAmerican states:

1. the Commission, the Iowa Utilities Board and the Illinois Commerce Commission have jurisdiction over the regulated bundled retail rates of MidAmerican;
2. the Commission has sufficient regulatory authority, resources and access to books and records of MidAmerican and CEC to exercise its duties under PUHCA Section 32(k)(2);
3. the execution and performance of the Amendment to the PPA by MidAmerican will benefit consumers;
4. the execution and performance of the Amendment to the PPA by MidAmerican will not violate any South Dakota law, including any applicable least cost planning requirements;

5. the execution and performance of the Amendment to the PPA by MidAmerican will not provide CEC any unfair competitive advantage by virtue of its affiliation or association with MidAmerican; and
6. the execution and performance of the Amendment to the PPA by MidAmerican is in the public interest.

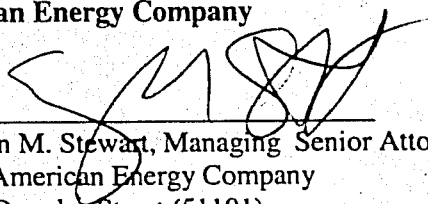
WHEREFORE, MidAmerican Energy Company respectfully requests the South Dakota Public Utilities Commission to issue an order setting forth the specific determinations required by PUHCA Section 32(k)(2)(A) with regard to the Amendment to the PPA.

Dated at Sioux City, Iowa this 27th day of February, 2001.

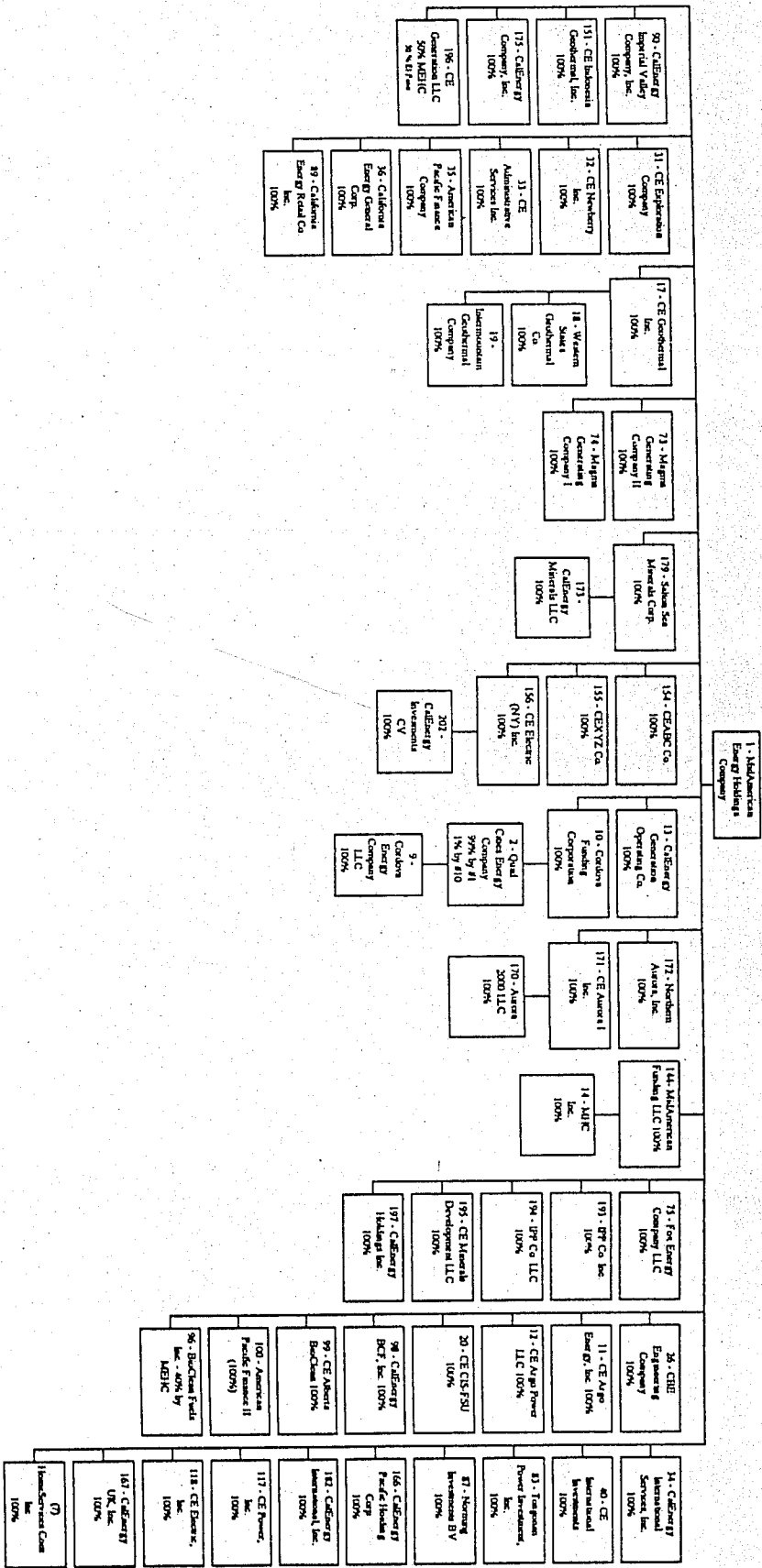
Respectfully submitted,

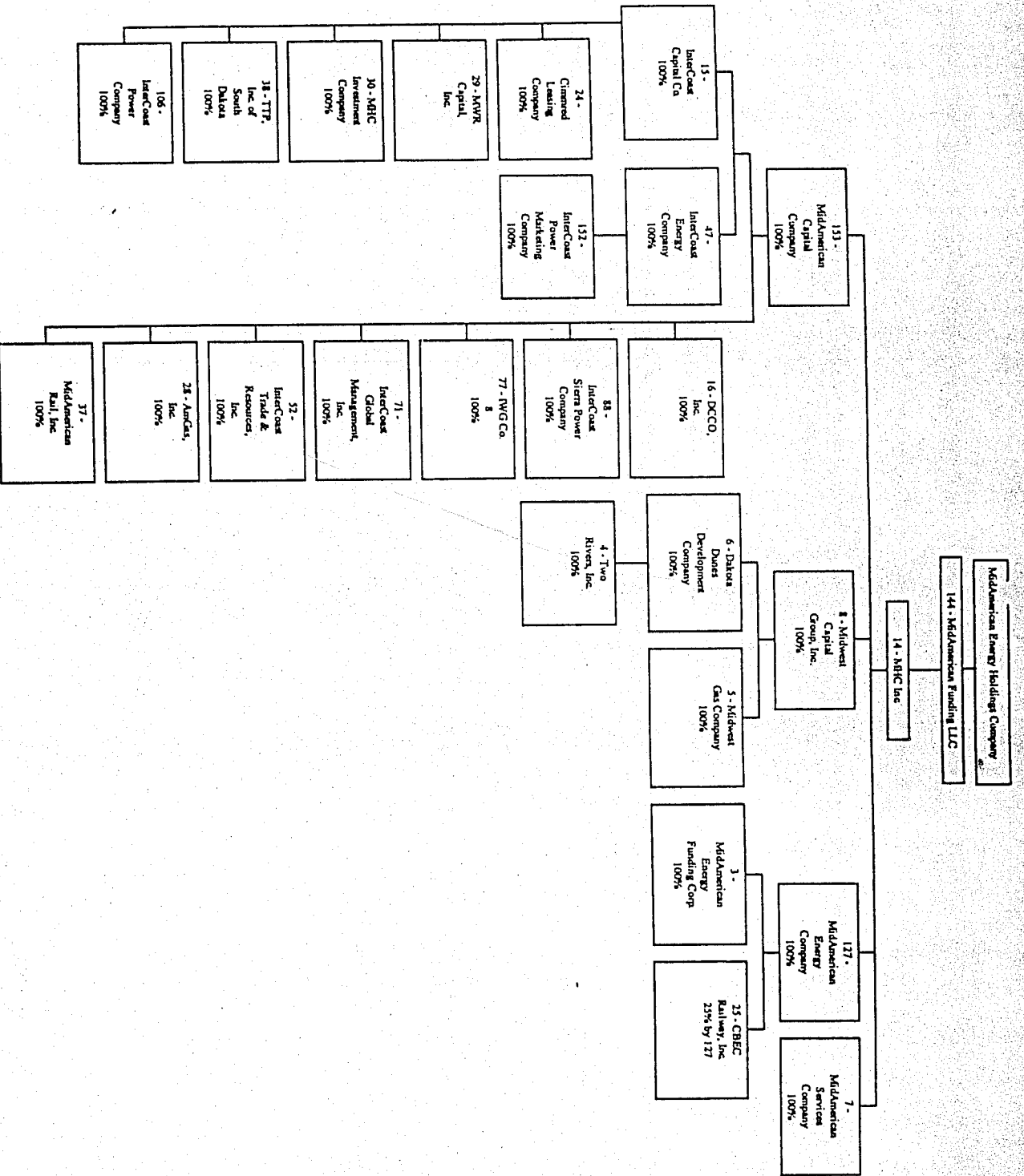
MidAmerican Energy Company

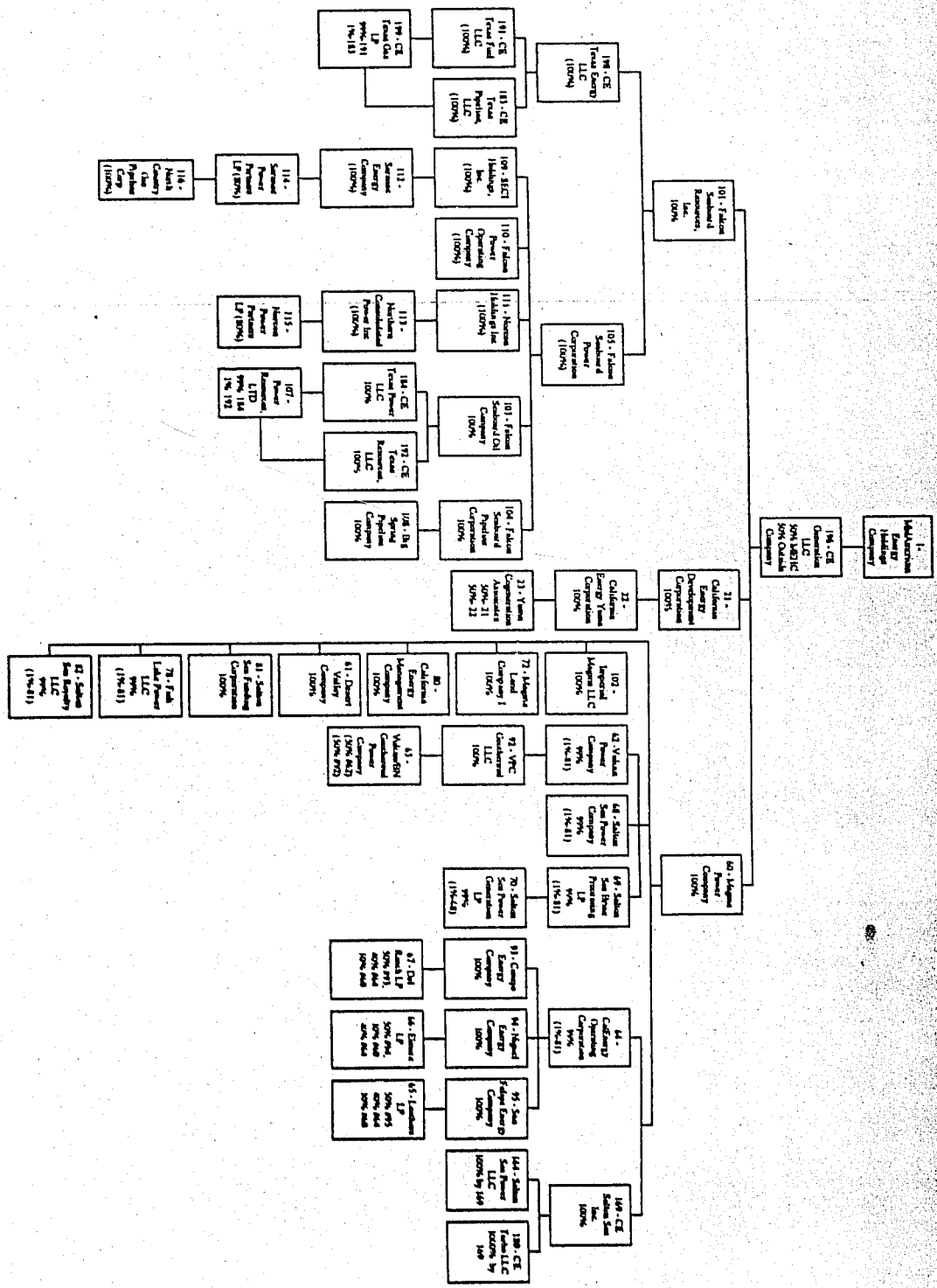
By _____

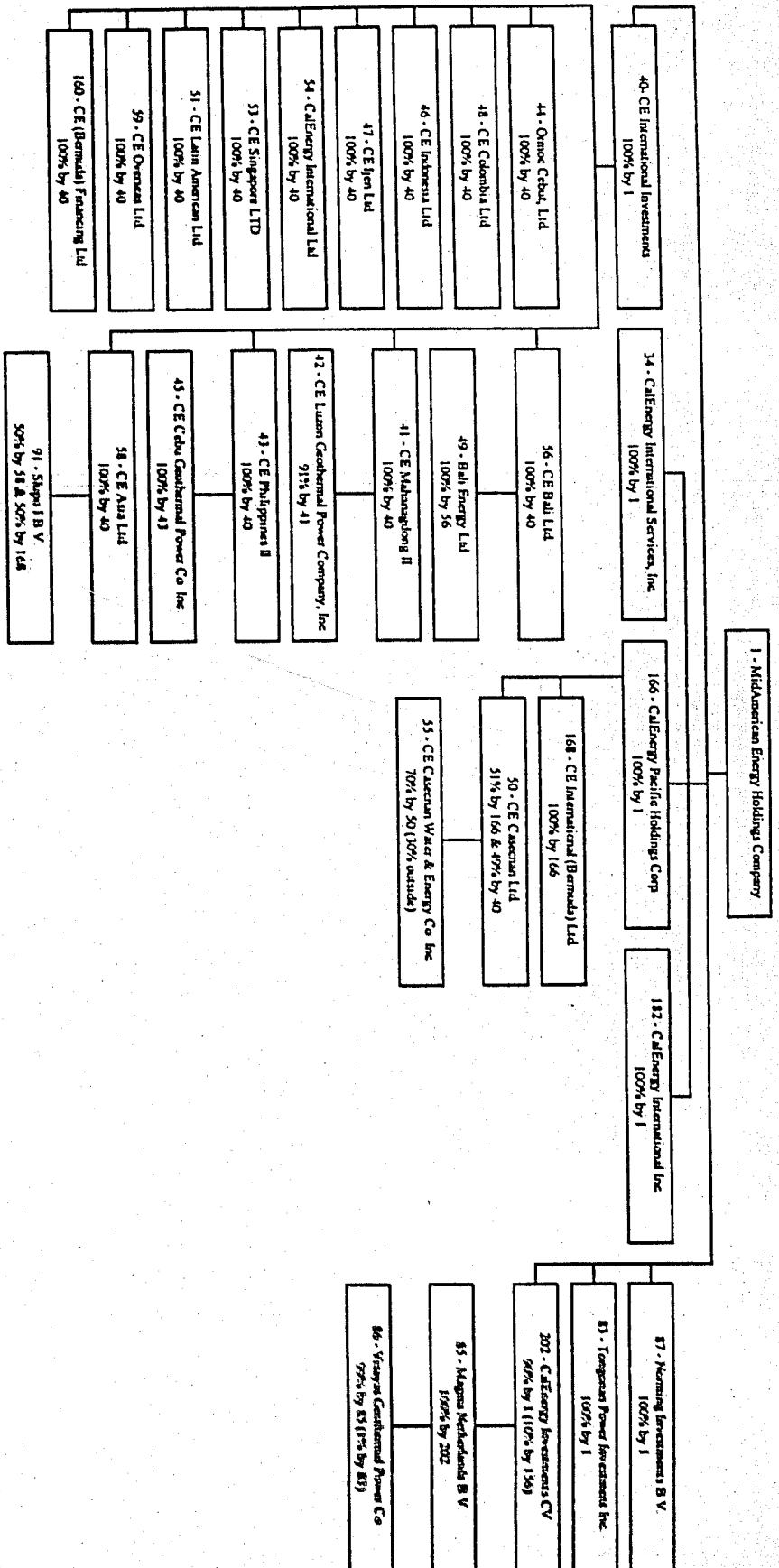

Suzan M. Stewart, Managing Senior Attorney
MidAmerican Energy Company
401 Douglas Street (51101)
P. O. Box 778
Sioux City, Iowa 51102
712-277-7587 (voice)
712-252-5396 (facsimile)
smstewart@midamerican.com

Attorney for MidAmerican Energy Company

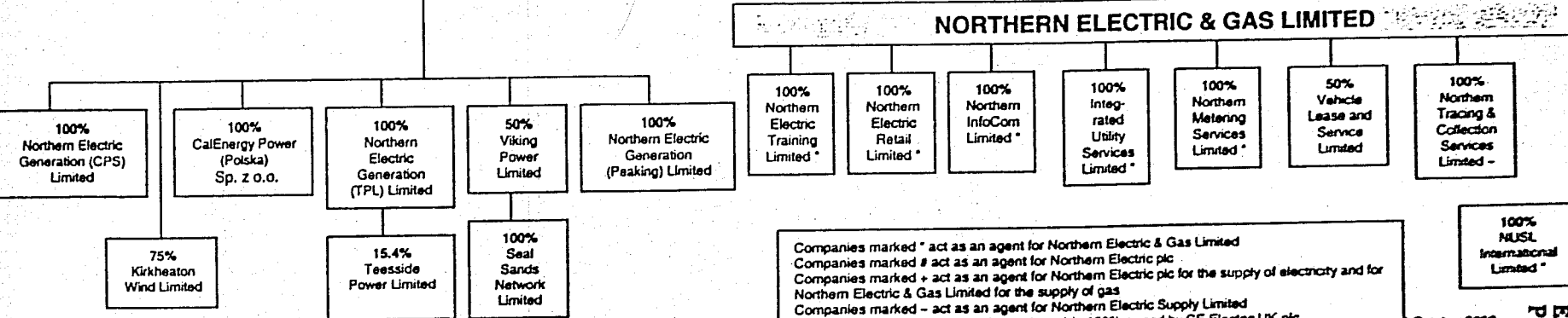
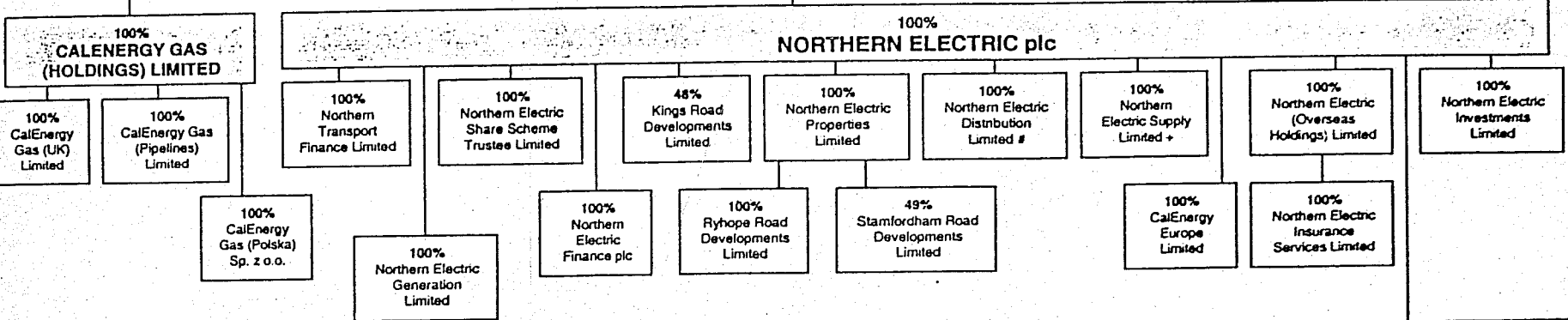
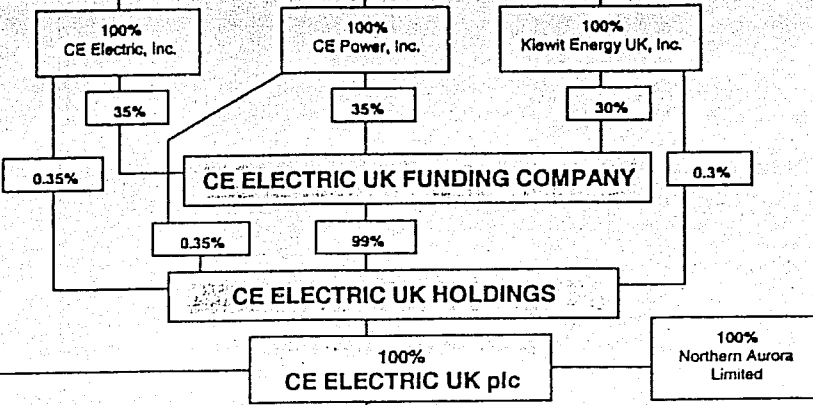








MIDAMERICAN ENERGY HOLDINGS COMPANY



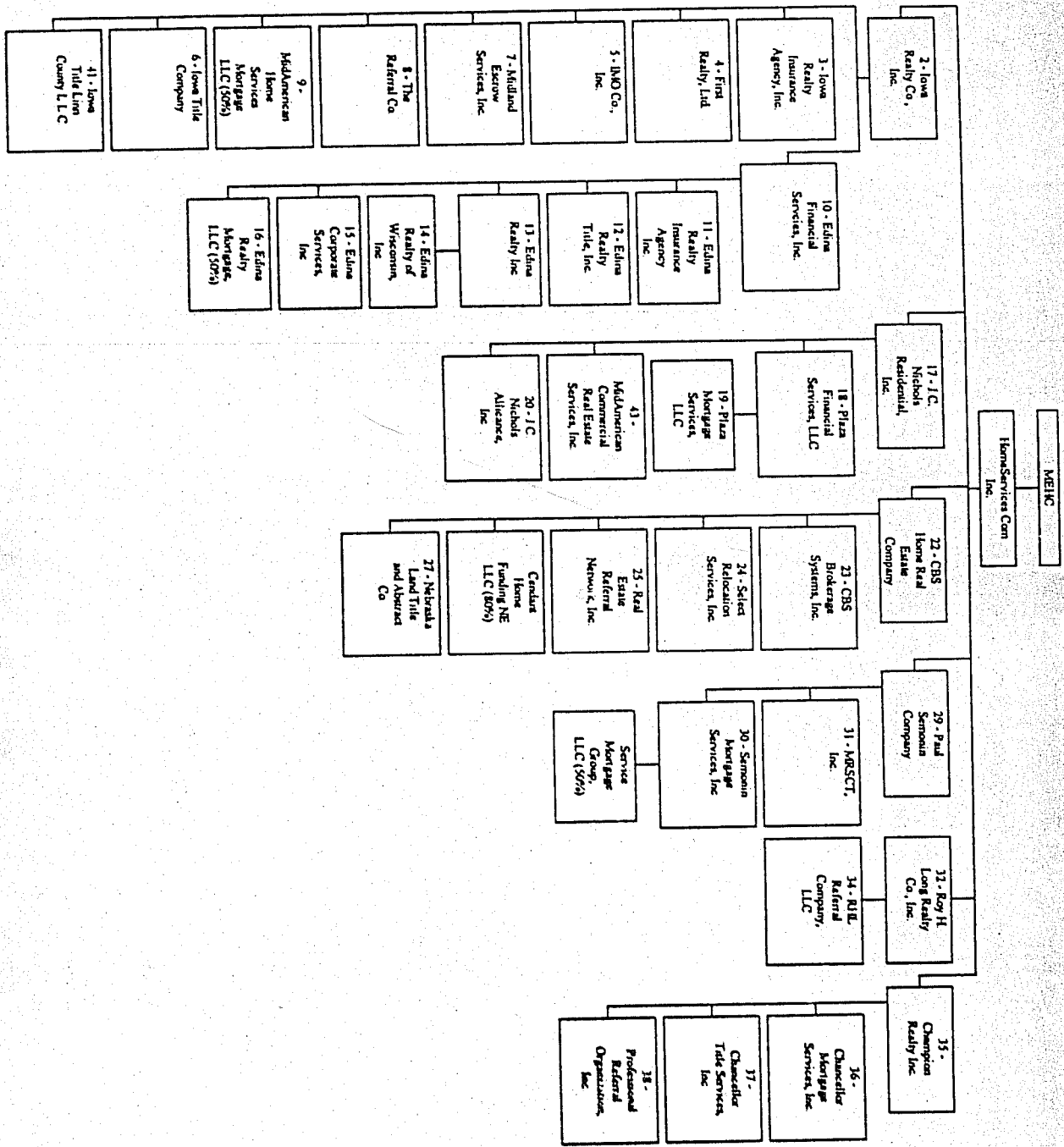
Companies marked * act as an agent for Northern Electric & Gas Limited
 Companies marked # act as an agent for Northern Electric plc
 Companies marked + act as an agent for Northern Electric plc for the supply of electricity and for Northern Electric & Gas Limited for the supply of gas
 Companies marked - act as an agent for Northern Electric Supply Limited
 Northern Electric Power Limited (not shown) is 100% owned by CE Electric UK plc

100% MUSL International Limited *

Pamela Allinson

October 2000

EX. A
Page 5of6



STATE OF SOUTH DAKOTA
BEFORE THE PUBLIC UTILITIES COMMISSION

IN RE:

MIDAMERICAN ENERGY COMPANY

Docket No. _____

PETITION FOR
DETERMINATIONS
PURSUANT TO SECTION
32(k)(2)(A) OF THE PUBLIC
UTILITY HOLDING COMPANY
ACT AND CONSENT TO AN
AMENDMENT TO A CONTRACT
WITH AN AFFILIATED INTEREST
PURSUANT SECTION 7-101(3) OF
THE PUBLIC UTILITIES ACT

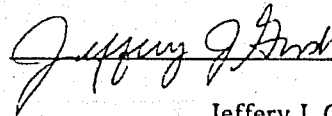
AFFIDAVIT OF
JEFFERY J. GUST

STATE OF IOWA)

) ss.

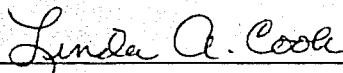
COUNTY OF POLK)

I, Jeffery J. Gust, being first duly sworn on oath, depose and state that I am the same Jeffery J. Gust identified in the following Direct Testimony; that I have caused the following Direct Testimony, including any Exhibits, to be prepared and am familiar with the contents thereof; and that the following Direct Testimony, including any Exhibits, are true and correct to the best of my knowledge and belief as of the date of the Affidavit.

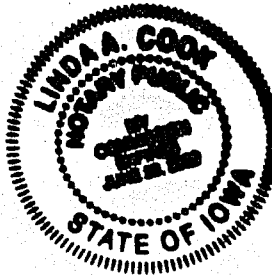


Jeffery J. Gust

Subscribed and sworn to before me,
a Notary Public in and for said County
and State, this 6th day of February, 2001.



Notary Public



**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

In Re: :
MidAmerican Energy Company :
 : **Docket No. EL 01-_____**
 : **Application for determinations**
 : **pursuant to Section 32(k)(2)(A) of**
 : **the Public Utility Holding Company**
 : **Act and Approval of an Affiliate**
 : **Transaction**

**DIRECT TESTIMONY
OF
JEFFERY J. GUST**

- 1 Q. Please state your name and business address.
- 2 A. Jeffery J. Gust. My business address is 4299 Northwest Urbandale Drive, Urbandale,
3 Iowa 50322-7298.
- 4 Q. By whom are you employed and in what capacity?
- 5 A. I am employed by MidAmerican Energy Company ("MidAmerican") as Vice
6 President – Electric Trading.
- 7 Q. What is your educational and employment experience?
- 8 A. I graduated from Iowa State University in 1985 with a Bachelor of Science Degree in
9 Engineering. After graduating from Iowa State University, I went to work for Iowa
10 Electric Light and Power Company for four years in the engineering department as a
11 mechanical engineer. In 1990, I joined Iowa Power Inc., a predecessor company to
12 MidAmerican, as a Production Analysis Engineer. In 1993, I began working in the
13 Interutility Marketing department as a Bulk Power Engineer. Following the merger
14 that formed MidAmerican, I was assigned the duties of a Senior Bulk Power Engineer

15 in the Bulk Power Services department. In January 1998, I was promoted to
16 Manager, Bulk Power Marketing for MidAmerican. Finally in April 1999, I was
17 promoted to my current position, Vice President - Electric Trading.

18 **Purpose of Direct Testimony**

19 Q. What is the purpose of your direct testimony in this proceeding?

20 A. In its "Order Reciting Commission Determinations" issued by the Commission in
21 Docket No. EL00-006, the South Dakota Public Utilities Commission granted
22 MidAmerican's request to enter into a purchase power contract for 250 MW from
23 Cordova Energy Company, LLC, an affiliate of MidAmerican ("PPA") and
24 additionally made determinations that the PPA was in the public interest. These
25 determinations were required under Section 32(k)(2)(A) of the Public Utility Holding
26 Company Act ("PUHCA") in order to authorize MidAmerican to execute the PPA
27 with its affiliated electric wholesale generator, the Cordova Energy Company, LLC
28 ("CEC"). In my direct testimony in this proceeding, I will provide an overview of an
29 Amendment to the PPA and state why the Amendment is in the public interest. I will
30 also ask the Commission to make the determinations that are required under Section
31 32(k)(2)(A) of PUHCA. This Amendment, which is effective upon regulatory
32 approvals, is intended to facilitate MidAmerican customers' receipt of the benefits of
33 the PPA, and, in fact, to increase the benefits customers will experience. The
34 Amendment will accomplish this by providing a buyer, MidAmerican, for the energy
35 produced during the start-up and testing phase of the Cordova Energy Center Project
36 ("Project"). MidAmerican will purchase the energy at a favorable price enabling it to
37 market the energy to the benefit of customers and itself.

38 Q. How much energy does MidAmerican project it will purchase under the Amendment
39 during the start-up and testing phase of the Project?

40 A. MidAmerican projects that purchases under the Amendment will constitute
41 approximately 1 to 2 percent of the total energy required to supply its native load
42 customers in all jurisdictions in 2001.

43 **Regulatory Authorizations Requested**

44 Q. Is CEC an affiliate of MidAmerican?

45 A. Yes. The affiliation of MidAmerican and CEC is described in the Application.

46 Q. Do you sponsor the Amendment to the PPA?

47 A. Yes, I do. It is attached as part of MidAmerican Schedule 1.1.

48 Q. Why was the Commission required to approve the PPA, and why is it necessary for
49 the Commission to approve the Amendment to the PPA?

50 A. PUHCA requires pre-approval from each state public utility commission that
51 regulates MidAmerican's rates before it can enter into a power purchase agreement
52 with an affiliated Exempt Wholesale Generator ("EWG"), such as CEC. The
53 Commission made the determinations required by PUHCA Section 32(k)(2)(A) in
54 Docket No. EL00-006. In that docket, the Commission found that it had sufficient
55 regulatory authority, resources and access to the books and records of MidAmerican
56 and CEC to determine that the PPA: (i) will be of benefit to MidAmerican's
57 customers, (ii) does not violate any Iowa law, (iii) will not provide CEC with any
58 unfair competitive advantage by virtue of its affiliation with MidAmerican, and (iv) is
59 in the public interest. MidAmerican is asking the Commission to make similar
60 determinations under PUHCA Section 32(k)(2)(A) concerning the Amendment.

61 Q. What other regulatory approvals will MidAmerican be seeking?

62 A. The Amendment is also being filed with the Illinois Commerce Commission, the
63 Iowa Utilities Board, and the Federal Energy Regulatory Commission. Each will be
64 asked to authorize MidAmerican's execution of the Amendment to the PPA.

65 Q. By what date does MidAmerican seek this authority?

66 A. MidAmerican is requesting that it be authorized to execute the Amendment in order
67 to facilitate the purchase of start-up and testing phase energy by April 1, 2001.

68 However, since the start-up and testing phases will begin before that date, approval
69 prior to that date would be appropriate as it would permit MidAmerican to take
70 advantage at an earlier date of what it believes will be beneficial marketing
71 opportunities for the energy acquired under the terms of the Amendment to the PPA.

72 The Amendment

73 Q. Are you sponsoring the Amendment to the PPA?

74 A. Yes. It is provided with this testimony as MidAmerican Exhibit 1.1.

75 Q. Is there a reason that the Amendment has not been signed by MidAmerican and CEC
76 at this time?

77 A. Yes. Section 32(k)(2) of PUHCA requires that MidAmerican seek state regulatory s
78 determinations under that section of PUHCA *in advance* of entering into the
79 Amendment. However, as was the case with the PPA, MidAmerican and CEC have
80 signed a Letter of Intent to enter into the Amendment subject to receiving all
81 regulatory approvals. The Letter of Intent is included as part of MidAmerican Exhibit
82 1.1.

83 Q. Is CEC an affiliated interest of MidAmerican?

84 A. Yes. The affiliation of MidAmerican and CEC is described in Exhibit A to the
85 Petition.

86 Q. Please describe the significant terms and conditions of the Amendment.

87 A. Price and Term. The Amendment would obligate CEC to sell, and MidAmerican to
88 buy, all energy produced beginning with execution of the Amendment and continuing
89 through the start of commercial operation of the Project, currently projected as June

90 1, 2001. If commercial operation is delayed beyond May 31, 2001, and CEC
91 reasonably determines on or after that date that it is necessary to make energy from
92 the Project available to third parties with power purchase agreements that predate the
93 Amendment, CEC may reduce MidAmerican's energy purchase, with one business
94 day's notice, to no less than 50 percent of the energy produced by the Project. The
95 sale of energy is on a non-firm basis, at a price determined as follows: (a) If
96 MidAmerican resells the energy from the Project to a third party on the spot market,
97 then the price MidAmerican pays to CEC shall be eighty percent of the billing price
98 of the third party sale, adjusted for transmission and ancillary services costs, or (b) If
99 MidAmerican cannot resell the energy to a third party, then the price MidAmerican
100 pays to CEC shall be eighty percent of the MidAmerican's incremental cost of energy
101 during hours when MidAmerican purchases energy from the Project. For purposes of
102 the Amendment, MidAmerican's incremental cost of displaced energy includes the
103 cost of fuel, variable O&M, and startup costs for energy produced from
104 MidAmerican's generation, and may include purchased energy costs and related
105 transmission and ancillary services costs. MidAmerican is to use good faith efforts to
106 act to optimize the price payable to CEC under the Amendment. MidAmerican
107 would pay no demand charges under the Amendment.

108 Transmission. The Amendment prescribes that the delivery point for the energy shall
109 be the Project's generation bus. MidAmerican is responsible for transmission service
110 beyond the delivery point, if any is required.

111 Gas. CEC is obligated to provide natural gas for the generation of energy sold under
112 the Amendment.

113 Scheduling. CEC is required to schedule energy deliveries with as much advance
114 notice to MidAmerican as possible, but with no less than 1-hour notice.

115 MidAmerican is obligated to accommodate all energy scheduling requests from CEC
116 that comply with these scheduling provisions. If no transmission service is available
117 from the delivery point (Project's generation bus), then MidAmerican has no
118 obligation to schedule energy. CEC is required to reimburse MidAmerican for any
119 imbalance charges incurred as a result of the CEC's failure to deliver energy as
120 scheduled. MidAmerican is required to reimburse CEC for any imbalance charges
121 incurred by CEC as a result of MidAmerican's failure to receive energy as scheduled.

122 **Commission's Regulatory Authority**

123 Q. One of the determinations that the Commission must make under Section 32(k)(2)(A)
124 of PUHCA with regard to the Amendment to the PPA is that the Commission has
125 sufficient regulatory authority, resources and access to books and records of
126 MidAmerican and any relevant associate, affiliate or subsidiary company. Please
127 describe the Commission's regulatory authority, resources and access to the books
128 and records of MidAmerican.

129 A. Although the Commission does not have specific statutory authority with respect to
130 MidAmerican's relationship with its affiliates, the Commission clearly has the
131 authority to disallow in the ratemaking process those expenses incurred with
132 affiliates, as well as with others, that it finds to be unreasonable. In addition, because
133 the Commission does not have the statutory authority to access the books and records
134 of CEC, I am sponsoring an affidavit of James Albert Flores, Vice President, Project
135 Finance, of CEC. The affidavit has been marked as MidAmerican Exhibit 1.2. The
136 affidavit states that CEC will provide the Commission with access to the books and
137 records of CEC to the full extent necessary to enable the Commission to exercise its
138 duties under PUHCA Section 32(k)(2)(A). Consequently, to the extent that
139 MidAmerican and CEC enter into the Amendment to the PPA, their contractual

140 relationship will be subject to these aspects of the Commission's ratemaking authority
141 and access to CEC's books and records.

142 Q. In your opinion, does the Commission have sufficient regulatory authority, resources
143 and access to the books and records of MidAmerican and CEC to determine that the
144 PPA (i) will benefit MidAmerican's customers, (ii) does not violate any South Dakota
145 law (including least cost planning, if applicable), (iii) will not provide CEC with any
146 unfair competitive advantage by virtue of its affiliation with MidAmerican, and (iv) is
147 in the public interest?

148 A. Yes. In my opinion, the Commission's ratemaking authority, combined with its
149 ability to access the books and records of CEC, as previously described, demonstrates
150 the Commission's authority to make the required determinations.

151 Accounting Treatment

152 Q. Will there be any common costs resulting from the Amendment to the PPA between
153 MidAmerican and CEC?

154 A. No. The Amendment to the PPA is strictly for the purchase of energy by
155 MidAmerican from the Project during the start-up and testing phase. The
156 Commission's ratemaking oversight will avoid cross-subsidies between
157 MidAmerican and CEC.

158 Q. What accounts will MidAmerican use to record its payments to CEC under the First
159 Amendment to PPA?

160 A. In compliance with the FERC Uniform System of Accounts, MidAmerican will
161 record the purchase within account 555 as a cost of purchased power and will record
162 the payable in a unique activity within account 234 for intercompany accounts
163 payable to CEC.

164 Q. Are there any demand charges associated with the Amendment?

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

In Re: :
MidAmerican Energy Company :
: **Docket No. EL 01-_____**
: **Application for determinations**
: **pursuant to Section 32(k)(2)(A) of**
: **the Public Utility Holding Company**
: **Act**

**DIRECT TESTIMONY
OF
JEFFERY J. GUST**

- 1 Q. Please state your name and business address.
- 2 A. Jeffery J. Gust. My business address is 4299 Northwest Urbandale Drive, Urbandale,
3 Iowa 50322-7298.
- 4 Q. By whom are you employed and in what capacity?
- 5 A. I am employed by MidAmerican Energy Company ("MidAmerican") as Vice
6 President – Electric Trading.
- 7 Q. What is your educational and employment experience?
- 8 A. I graduated from Iowa State University in 1985 with a Bachelor of Science Degree in
9 Engineering. After graduating from Iowa State University, I went to work for Iowa
10 Electric Light and Power Company for four years in the engineering department as a
11 mechanical engineer. In 1990, I joined Iowa Power Inc., a predecessor company to
12 MidAmerican, as a Production Analysis Engineer. In 1993, I began working in the
13 Interutility Marketing department as a Bulk Power Engineer. Following the merger
14 that formed MidAmerican, I was assigned the duties of a Senior Bulk Power Engineer
15 in the Bulk Power Services department. In January 1998, I was promoted to

16 Manager, Bulk Power Marketing for MidAmerican. Finally in April 1999, I was
17 promoted to my current position, Vice President - Electric Trading.

18 **Purpose of Direct Testimony**

19 Q. What is the purpose of your direct testimony in this proceeding?

20 A. In its "Order Reciting Commission Determinations" issued by the Commission in
21 Docket No. EL00-006, the South Dakota Public Utilities Commission granted
22 MidAmerican's request to enter into a purchase power contract for 250 MW from
23 Cordova Energy Company, LLC, an affiliate of MidAmerican ("PPA") and
24 additionally made determinations that the PPA was in the public interest. These
25 determinations were required under Section 32(k)(2)(A) of the Public Utility Holding
26 Company Act ("PUHCA") in order to authorize MidAmerican to execute the PPA
27 with its affiliated electric wholesale generator, the Cordova Energy Company, LLC
28 ("CEC"). In my direct testimony in this proceeding, I will provide an overview of an
29 Amendment to the PPA and state why the Amendment is in the public interest. I will
30 also ask the Commission to make the determinations that are required under Section
31 32(k)(2)(A) of PUHCA. This Amendment, which is effective upon regulatory
32 approvals, is intended to facilitate MidAmerican customers' receipt of the benefits of
33 the PPA, and, in fact, to increase the benefits customers will experience. The
34 Amendment will accomplish this by providing a buyer, MidAmerican, for the energy
35 produced during the start-up and testing phase of the Cordova Energy Center Project
36 ("Project"). MidAmerican will purchase the energy at a favorable price enabling it to
37 market the energy to the benefit of customers and itself.

38 Q. How much energy does MidAmerican project it will purchase under the Amendment
39 during the start-up and testing phase of the Project?

40 A. MidAmerican projects that purchases under the Amendment will constitute
41 approximately 1 to 2 percent of the total energy required to supply its native load
42 customers in all jurisdictions in 2001.

43 **Regulatory Authorizations Requested**

44 Q. Is CEC an affiliate of MidAmerican?

45 A. Yes. The affiliation of MidAmerican and CEC is described in the Application.

46 Q. Do you sponsor the Amendment to the PPA?

47 A. Yes, I do. It is attached as part of MidAmerican Schedule 1.1.

48 Q. Why was the Commission required to approve the PPA, and why is it necessary for
49 the Commission to approve the Amendment to the PPA?

50 A. PUHCA requires pre-approval from each state public utility commission that
51 regulates MidAmerican's rates before it can enter into a power purchase agreement
52 with an affiliated Exempt Wholesale Generator ("EWG"), such as CEC. The
53 Commission made the determinations required by PUHCA Section 32(k)(2)(A) in
54 Docket No. EL00-006. In that docket, the Commission found that it had sufficient
55 regulatory authority, resources and access to the books and records of MidAmerican
56 and CEC to determine that the PPA: (i) will be of benefit to MidAmerican's
57 customers, (ii) does not violate any Iowa law, (iii) will not provide CEC with any
58 unfair competitive advantage by virtue of its affiliation with MidAmerican, and (iv) is
59 in the public interest. MidAmerican is asking the Commission to make similar
60 determinations under PUHCA Section 32(k)(2)(A) concerning the Amendment.

61 Q. What other regulatory approvals will MidAmerican be seeking?

62 A. The Amendment is also being filed with the Illinois Commerce Commission, the
63 Iowa Utilities Board, and the Federal Energy Regulatory Commission. Each will be
64 asked to authorize MidAmerican's execution of the Amendment to the PPA.

65 Q. By what date does MidAmerican seek this authority?
66 A. MidAmerican is requesting that it be authorized to execute the Amendment in order
67 to facilitate the purchase of start-up and testing phase energy by April 1, 2001.
68 However, since the start-up and testing phases will begin before that date, approval
69 prior to that date would be appropriate as it would permit MidAmerican to take
70 advantage at an earlier date of what it believes will be beneficial marketing
71 opportunities for the energy acquired under the terms of the Amendment to the PPA.

72 The Amendment

73 Q. Are you sponsoring the Amendment to the PPA?
74 A. Yes. It is provided with this testimony as MidAmerican Exhibit 1.1.
75 Q. Is there a reason that the Amendment has not been signed by MidAmerican and CEC
76 at this time?
77 A. Yes. Section 32(k)(2) of PUHCA requires that MidAmerican seek state regulatory
78 determinations under that section of PUHCA *in advance* of entering into the
79 Amendment. However, as was the case with the PPA, MidAmerican and CEC have
80 signed a Letter of Intent to enter into the Amendment subject to receiving all
81 regulatory approvals. The Letter of Intent is included as part of MidAmerican Exhibit
82 1.1.
83 Q. Is CEC an affiliated interest of MidAmerican?
84 A. Yes. The affiliation of MidAmerican and CEC is described in Exhibit A to the
85 Petition.
86 Q. Please describe the significant terms and conditions of the Amendment.
87 A. Price and Term. The Amendment would obligate CEC to sell, and MidAmerican to
88 buy, all energy produced beginning with execution of the Amendment and continuing
89 through the start of commercial operation of the Project, currently projected as June

90 1, 2001. If commercial operation is delayed beyond May 31, 2001, and CEC
91 reasonably determines on or after that date that it is necessary to make energy from
92 the Project available to third parties with power purchase agreements that predate the
93 Amendment, CEC may reduce MidAmerican's energy purchase, with one business
94 day's notice, to no less than 50 percent of the energy produced by the Project. The
95 sale of energy is on a non-firm basis, at a price determined as follows: (a) If
96 MidAmerican resells the energy from the Project to a third party on the spot market,
97 then the price MidAmerican pays to CEC shall be eighty percent of the billing price
98 of the third party sale, adjusted for transmission and ancillary services costs, or (b) If
99 MidAmerican cannot resell the energy to a third party, then the price MidAmerican
100 pays to CEC shall be eighty percent of the MidAmerican's incremental cost of energy
101 during hours when MidAmerican purchases energy from the Project. For purposes of
102 the Amendment, MidAmerican's incremental cost of displaced energy includes the
103 cost of fuel, variable O&M, and startup costs for energy produced from
104 MidAmerican's generation, and may include purchased energy costs and related
105 transmission and ancillary services costs. MidAmerican is to use good faith efforts to
106 act to optimize the price payable to CEC under the Amendment. MidAmerican
107 would pay no demand charges under the Amendment.

108 Transmission. The Amendment prescribes that the delivery point for the energy shall
109 be the Project's generation bus. MidAmerican is responsible for transmission service
110 beyond the delivery point, if any is required.

111 Gas. CEC is obligated to provide natural gas for the generation of energy sold under
112 the Amendment.

113 Scheduling. CEC is required to schedule energy deliveries with as much advance
114 notice to MidAmerican as possible, but with no less than 1-hour notice.

115 MidAmerican is obligated to accommodate all energy scheduling requests from CEC
116 that comply with these scheduling provisions. If no transmission service is available
117 from the delivery point (Project's generation bus), then MidAmerican has no
118 obligation to schedule energy. CEC is required to reimburse MidAmerican for any
119 imbalance charges incurred as a result of the CEC's failure to deliver energy as
120 scheduled. MidAmerican is required to reimburse CEC for any imbalance charges
121 incurred by CEC as a result of MidAmerican's failure to receive energy as scheduled.

122 Commission's Regulatory Authority

- 123 Q. One of the determinations that the Commission must make under Section 32(k)(2)(A)
124 of PUHCA with regard to the Amendment to the PPA is that the Commission has
125 sufficient regulatory authority, resources and access to books and records of
126 MidAmerican and any relevant associate, affiliate or subsidiary company. Please
127 describe the Commission's regulatory authority, resources and access to the books
128 and records of MidAmerican.
- 129 A. Although the Commission does not have specific statutory authority with respect to
130 MidAmerican's relationship with its affiliates, the Commission clearly has the
131 authority to disallow in the ratemaking process those expenses incurred with
132 affiliates, as well as with others, that it finds to be unreasonable. In addition, because
133 the Commission does not have the express statutory authority to access the books and
134 records of CEC, I am sponsoring an affidavit of James Albert Flores, Vice President,
135 Project Finance, of CEC. The affidavit has been marked as MidAmerican Exhibit
136 1.2. The affidavit states that CEC will provide the Commission with access to the
137 books and records of CEC to the full extent necessary to enable the Commission to
138 exercise its duties under PUHCA Section 32(k)(2)(A). Consequently, to the extent
139 that MidAmerican and CEC enter into the Amendment to the PPA, their contractual

140 relationship will be subject to these aspects of the Commission's ratemaking authority
141 and access to CEC's books and records.

142 Q. In your opinion, does the Commission have sufficient regulatory authority, resources
143 and access to the books and records of MidAmerican and CEC to determine that the
144 PPA (i) will benefit MidAmerican's customers, (ii) does not violate any South Dakota
145 law (including least cost planning, if applicable), (iii) will not provide CEC with any
146 unfair competitive advantage by virtue of its affiliation with MidAmerican, and (iv) is
147 in the public interest?

148 A. Yes. In my opinion, the Commission's ratemaking authority, combined with its
149 ability to access the books and records of CEC, as previously described, demonstrates
150 the Commission's authority to make the required determinations.

151 Accounting and Rate Treatment

152 Q. Will there be any common costs resulting from the Amendment to the PPA between
153 MidAmerican and CEC?

154 A. No. The Amendment to the PPA is strictly for the purchase of energy by
155 MidAmerican from the Project during the start-up and testing phase.

156 Q. What accounts will MidAmerican use to record its payments to CEC under the First
157 Amendment to PPA?

158 A. In compliance with the FERC Uniform System of Accounts, MidAmerican will
159 record the purchase within account 555 as a cost of purchased power and will record
160 the payable in a unique activity within account 234 for intercompany accounts
161 payable to CEC.

162 Q. Are there any demand charges associated with the Amendment?

163 A. No.

164 Q. How will customers benefit from sales made pursuant to the Amendment to the PPA?

165 A. Under the terms of the Amendment, MidAmerican may either resell the energy that it
166 purchases or use it for native load purposes. In the case of a resale of energy, the price
167 that MidAmerican must pay CEC is 80% of the price at which the energy is resold. If
168 the energy is used for native load purposes, MidAmerican will pay 80% of the price
169 of its incremental cost of energy during hours when MidAmerican purchases energy
170 from the Project. Customers will benefit from this pricing scheme because
171 MidAmerican's fuel adjustment clause will be lower than they would otherwise be in
172 the absence of purchases under the terms of the Amendment to the PPA.

173 Q. In Docket No. EL00-006, the Commission ordered MidAmerican to provide
174 certain cost information relative to the PPA in its monthly FAC filing and with
175 testimony submitted in its annual FAC reconciliation filing. Will MidAmerican
176 provide similar information regarding transactions entered into pursuant to the
177 Amendment to the PPA?

178 A. Yes.

179 **South Dakota Regulatory Requirements**

180 Q. Is MidAmerican subject to any least-cost planning requirements in South Dakota?

181 A. MidAmerican has a statutory obligation in South Dakota to provide rate-regulated
182 services that are just, reasonable, non-discriminatory and consistent with the law.
183 However, there are no requirements that MidAmerican submit a least-cost plan to the
184 Commission.

185 Q. Realizing you are not an attorney and assuming that MidAmerican is authorized the
186 Commission to enter into the Amendment to the PPA, do you believe that the
187 Amendment, once entered into by MidAmerican and CEC, will violate any South
188 Dakota law, including rules and orders of this Commission?

189 A. Not to my knowledge. In Docket No. EL00-006, MidAmerican demonstrated a very

190 legitimate business need for the capacity and energy that will be provided by the
191 PPA. The Amendment to the PPA will simply permit MidAmerican to purchase
192 energy from the Project during the start-up and testing phases of construction.

193 Q. Has the Commission demonstrated that it has the resources to regulate
194 MidAmerican's contractual relationship with CEC?

195 A. Yes. Evidence of such resources is seen in the Commission's consideration and
196 approval of the PPA in Docket No. EL00-006.

197 Q. In your opinion, does the Commission have sufficient regulatory authority, resources
198 and access to the books and records of MidAmerican and CEC to determine that the
199 Amendment to the PPA (i) will benefit MidAmerican's customers, (ii) does not
200 violate any South Dakota law (including least-cost planning, if applicable), (iii) will
201 not provide CEC with any unfair competitive advantage by virtue of its affiliation
202 with MidAmerican, and (iv) is in the public interest?

203 A. Yes. In my opinion, the Commission's ratemaking authority, its authority to access
204 public utility records and the commitments made by Mr. Flores, the CEC official, in
205 both this docket and Docket No. EL00-006 to authorize the Commission to access to
206 the books and records of CEC to the full extent necessary in order for the
207 Commission to exercise its duties under Section 32(k)(2)(A) of PUHCA as previously
208 described demonstrate the Commission's authority to make the required
209 determinations.

210

Public Interest Determination

211 Q. In the Order in Docket No.SPU-00-4, the Commission determined that the PPA was
212 in the public interest. Why do you believe that the Amendment to the PPA is in the
213 public interest?

214 A. I believe that the Amendment to the PPA is in the public interest for two primary
215 reasons. First, delivery of energy to MidAmerican during the start-up and testing
216 phase will facilitate the successful completion of the Project and the beginning of its
217 commercial operation. This process will permit MidAmerican to timely receive the
218 benefits of the PPA. Second, MidAmerican has negotiated a favorable rate for the
219 purchase of energy produced during the start-up and testing phase.

220 In summary, the Amendment to the PPA helps ensure that MidAmerican's
221 customers will experience the benefits recognized by the Commission in Docket No.
222 EL00-006 on a timely basis and also increases the overall customer benefits received
223 from the PPA.

224 Summary

225 Q. What are you asking the Commission to do as a result of your filing?

226 A. MidAmerican is asking that the Commission to make the determinations required
227 under Section 32(k)(2)(A) of PUHCA in order to authorize it to execute the
228 Amendment. MidAmerican has already been authorized by the Commission to
229 execute the underlying PPA which secured for MidAmerican one-half the capacity
230 and energy of the Project for a three-year period, once commercial operation begins.
231 The Amendment simply adds terms and conditions to the PPA to address the sale of
232 energy produced during the start-up and testing phase of the Project, the completion
233 of which is currently expected by June 1, 2001. Thus, in requesting approval of the
234 Amendment, MidAmerican merely seeks to facilitate the completion of the start-up
235 and testing phase of the Project. The Amendment's pricing formula for energy sold

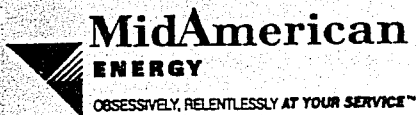
236 during the start-up and testing phase (i.e., 80% of the displaced energy or 80% of the
237 resale price) will lead to further benefit to MidAmerican and its customers, beyond
238 that offered by the PPA and recognized by the Commission in Docket No. EL00-006.

239 Q. Does the Amendment change the basis of the Commission's findings in Docket No.
240 EL00-006?

241 A. No. As demonstrated in that proceeding, the Amendment to the PPA (i) will be of
242 benefit to MidAmerican's customers, (ii) does not violate any South Dakota law, (iii)
243 will not provide CEC with any unfair competitive advantage by virtue of its
244 affiliation with MidAmerican, and (iv) is in the public interest. The Amendment's
245 only impact is to increase the benefits associated with the PPA to MidAmerican's
246 customers.

247 Q. Does this conclude your direct testimony at this time?

248 A. Yes.



January 25, 2001

Mr. Patrick J. Goodman
Senior Vice President and
Chief Financial Officer
Cordova Energy Company LLC
666 Grand Avenue, Suite 2900
Des Moines, IA 50309

RECEIVED
LAW DEPT.

JAN 29 2001

File: _____

CC: _____

Re: Letter of Intent Regarding Amendment to Power Purchase Agreement

Dear Mr. Goodman:

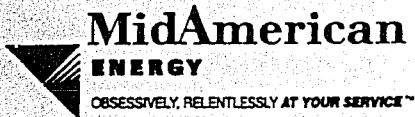
MidAmerican Energy Company ("MidAmerican"), an Iowa corporation, is a public utility providing electric service in the states of Iowa, Illinois and South Dakota. Cordova Energy Company LLC ("Cordova"), a Delaware limited liability company, is an exempt wholesale generator ("EWG") as that term is used in Section 32 of the Public Utility Holding Company Act of 1935 ("PUHCA"), 15 USC 79z-5a, and is also an affiliate of MidAmerican.

Pursuant to Section 32(k)(2) of PUHCA, 15 USC 79z-5a(k)(2), MidAmerican is not permitted to enter into a contract to purchase electric energy at wholesale from an EWG that is an affiliate unless every state commission that has jurisdiction over the retail rates of MidAmerican makes certain specific determinations in advance of MidAmerican entering such contract ("the PUHCA PUC Condition").

MidAmerican and Cordova executed the Power Purchase Agreement Between Cordova Energy Company LLC and MidAmerican Energy Company ("PPA"), on July 19, 2000, after MidAmerican met the PUHCA PUC Condition. Now MidAmerican and Cordova have negotiated the terms and conditions of an amendment to the PPA ("Amendment") that would, if approved by regulatory authorities, provide for the sale of energy from the Cordova Energy Center ("Project"), by Cordova to MidAmerican, during the start-up and testing phase of the Project. MidAmerican and Cordova intend to execute the Amendment, attached hereto, in accordance with the terms of this letter.

MidAmerican and Cordova each hereby agree that they will execute the Amendment provided the conditions precedent, listed below, are satisfied, unless the parties mutually agree in writing to terminate this letter of intent.

Conditions Precedent: The Amendment shall have been submitted to every state commission that has jurisdiction over the retail rates of MidAmerican and the PUHCA PUC Condition shall have been met. In addition, the Amendment shall



Mr. Patrick J. Goodman
January 25, 2001
Page Two

have been submitted to the Federal Energy Regulatory Commission for approval and shall have received that approval.

If you are in agreement with the foregoing, please sign and return one copy of this letter to me, which thereupon will constitute our agreement with respect to its subject matter.

Sincerely,

MIDAMERICAN ENERGY COMPANY

By: Jeffery J. Gust
Jeffery J. Gust
Vice President – Electric Trading

Agreed to and accepted this 26th day of January, 2001.

CORDOVA ENERGY COMPANY LLC

By: Patrick J. Goodman
Patrick J. Goodman
Senior Vice President and
Chief Financial Officer

Attachment: Amendment to PPA

MidAmerican Energy Company

Exhibit 1.1

Page 3 of 5

Exhibit K to the Power Purchase Agreement Between Cordova Energy Company LLC and MidAmerican Energy Company

February __, 2001

Mr. Patrick J. Goodman
Senior Vice President and
Chief Financial Officer
Cordova Energy Company LLC
666 Grand Avenue, Suite 2900
Des Moines, IA 50309

Re: Power Purchase Agreement Amendment

Dear Mr. Goodman:

This letter agreement ("Amendment") is intended to serve as an amendment to the Power Purchase Agreement Between Cordova Energy Company LLC and MidAmerican Energy Company, dated July 19, 2000 ("Agreement"). The Amendment supplies the terms and conditions under which Seller agrees to make available to Buyer the energy available from the Cordova Energy Center ("Project") during the start-up and testing phase of the Project. Unless explicitly provided otherwise herein, capitalized terms shall have the same meanings as specified in the Agreement.

Service: Non-firm energy from the Project during the term of this Amendment, as provided for below ("Energy").

Energy Amount: All energy generated by the Project during the term of this Amendment. However, if after May 31, 2001, Seller reasonably determines that it is necessary to make energy, from the Project, available to third parties whose power purchase agreements for Project energy pre-date this Amendment, then Seller shall have the right, with one (1) business day's notice, to reduce Buyer's energy amount to no less than 50% of the energy produced by the Project.

Term: The start date of this Amendment shall be the first weekday after the day that final regulatory approval of this Amendment is received. This Amendment shall terminate upon the commercial operation of the Project, unless the Parties mutually agree to terminate the Amendment earlier.

Demand Charge: There shall be no Guaranteed Payments or other demand or capacity charges during the term of this Amendment.

- Energy Price:** The Energy Price shall be calculated as follows:
- a. If Buyer resells the Energy from the Project to an unaffiliated third party on the spot market, then the Energy Price shall be eighty percent of the billing price of the third party sale adjusted for transmission and ancillary services costs.
 - b. If Buyer cannot resell the Energy to an unaffiliated third party, then the Energy Price shall be eighty percent of the Buyer's incremental cost of energy during hours when Buyer purchases Energy from the Project. For purposes of this Amendment, Buyer's incremental cost of displaced energy shall include the cost of fuel, variable O&M, and startup costs for energy produced from the Buyer's generation, and may include purchased energy costs and related transmission and ancillary services costs.
- Buyer shall use good faith efforts to act to optimize the price payable to Seller under this Amendment. Buyer shall provide a non-binding estimate of Energy Price each time Energy is scheduled, but the final Energy Price shall be determined by the Buyer on an after-the-fact basis, determined from actual recorded transactions and generation data.
- Natural Gas:** The Seller shall supply all Fuel required by Seller to generate Energy covered by this Amendment.
- Delivery Point:** The Delivery Point shall be as specified in the Agreement.
- Transmission Service:** The Buyer shall be responsible for, arrange for, and pay for transmission service beyond the Delivery Point (if required).
- Imbalances:** The Seller shall reimburse Buyer for any imbalance charges incurred by Buyer as a result of the Seller's failure to deliver Energy scheduled in accordance with the provisions of this Amendment. Buyer shall reimburse Seller for any imbalance charges incurred by Seller as a result of Buyer's failure to receive Energy as scheduled.
- Scheduling:** Seller shall schedule Energy deliveries with as much advance notice as reasonably practicable but with no less than 1-hour notice. Seller may revise a previously submitted schedule with no less than a 1-hour notice. Buyer shall accommodate all Energy scheduling requests from Seller that comply with the scheduling provisions, above. If no transmission service is available from the

Delivery Point, then Buyer shall have no obligation to schedule or receive Energy.

Curtailment: In the event that the Project is derated during the term of this Amendment, Energy deliveries may, for the duration of such deration, be curtailed by the amount of the derate.

Billing: Seller will invoice Buyer on a monthly basis for the Energy purchased each month. Seller will send the monthly bill no later than the 7th of a given month, and Buyer shall make payment thereon no later than the 28th of the same month.

Force Majeure: Performance of Seller and/or Buyer, under this Amendment, shall be excused in the event, and to the extent, of a Force Majeure event.

If you are in agreement with the provisions of this Amendment, please indicate so by executing this Amendment in the space provided below.

Sincerely,

Jeffery J. Gust
Vice President, Electric Trading

AGREED TO:

CORDOVA ENERGY COMPANY LLC

By: _____
Patrick J. Goodman
Senior Vice President and
Chief Financial Officer

Date: _____

MidAmerican Exhibit 1.2

STATE OF SOUTH DAKOTA
BEFORE THE PUBLIC UTILITIES COMMISSION

MIDAMERICAN ENERGY COMPANY : DOCKET NO. _____
 :
 Application for Determination :
 Pursuant to Section 32(k)(2)(A) : APPLICATION FOR
 Of the Public Utility Holding : DETERMINATIONS
 Company Act :
 -

AFFIDAVIT OF
JAMES ALBERT FLORES

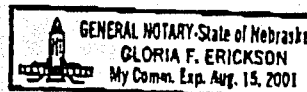
STATE OF NEBRASKA)
COUNTY OF DOUGLAS) ss.

I, James Albert Flores, being first duly sworn on oath, depose and state that I am Vice President, Project Finance, of Cordova Energy Company LLC, hereinafter referred to as CEC; I am authorized to make this affidavit on behalf CEC and CEC will be bound by the commitments made herein; and, in regard to the Amendment to Power Purchase Agreement proposed to be entered into by MidAmerican Energy Company with CEC as set forth in the Application and supporting testimony filed in the above captioned proceeding, CEC will provide the South Dakota Public Utilities Commission with access to the books and records of CEC to the full extent necessary to enable the South Dakota Public Utilities Commission to exercise its duties under Section 32(k)(2)(A) of the Public Utility Holding Company Act.

Subscribed and sworn to before me, a
Notary Public in and for said County
and State, this 8th day of February, 2001

James Albert Flores
James Albert Flores

Gloria F. Erickson
Notary Public



South Dakota Public Utilities Commission
WEEKLY FILINGS
For the Period of February 8, 2001 through February 14, 2001

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five business days of this filing. Phone: 605-773-3705 Fax: 605-773-3809

ELECTRIC

EL01-003

In the Matter of the Application of MidAmerican Energy Company for Determinations Pursuant to Section 32(k)(2)(A) of the Public Utility Holding Company Act.

Under Section 32(k)(1) of the Public Utility Holding Company Act, an electric utility may not enter into a contract to purchase electric energy at wholesale from an exempt wholesale generator if that exempt wholesale generator is an affiliate or associated company of the electric utility unless the South Dakota Public Utilities Commission makes certain determinations as required by the Act. On June 28, 2000, the Commission issued an Order approving a Purchase Power Agreement (PPA) between MidAmerican Energy Company (MidAmerican) and Cordova Energy Center (Cordova), an affiliate of MidAmerican. MidAmerican seeks to amend the PPA in order to purchase energy from Cordova during its start-up and testing phase of construction.

Staff Analyst: Keith Senger
Staff Attorney: Karen Cremer
Date Docketed: 02/08/01
Intervention Deadline: 03/02/01

You may receive this listing and other PUC publications via our website or via internet e-mail.
You may subscribe or unsubscribe to the PUC mailing lists at <http://www.state.sd.us/puc/>

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE APPLICATION OF)	ORDER GRANTING AN
MIDAMERICAN ENERGY COMPANY FOR)	AMENDMENT TO THE
DETERMINATIONS PURSUANT TO SECTION)	PURCHASE POWER
32(k)(2)(A) OF THE PUBLIC UTILITY HOLDING)	AGREEMENT AND
COMPANY ACT)	RECITING COMMISSION
)	DETERMINATIONS
)	EL01-003

On February 8, 2001, the South Dakota Public Utilities Commission (Commission) received an Application for Determinations Pursuant to Section 32(k)(2)(A) of the Public Utility Holding Company Act (PUHCA) from MidAmerican Energy Company (MidAmerican). MidAmerican seeks to amend the purchase power agreement in order to purchase energy from Cordova Energy Company LLC (CEC) during its start-up and testing phase of construction of the Cordova Energy Center (Cordova). In a previous docket, EL00-006, the Commission made various determinations pursuant to PUHCA relating to the original purchase power agreement between MidAmerican and CEC.

MidAmerican is a direct wholly-owned subsidiary of MHC Inc., an exempt public utility holding company under PUHCA, which in turn is an indirect wholly-owned subsidiary of MidAmerican Energy Holdings Company (MidAmerican Holdings). MidAmerican proposes to enter into an amended purchase power agreement with CEC which is a direct wholly-owned subsidiary of Quad Cities Energy Company which is a direct wholly-owned subsidiary of MidAmerican Holdings. CEC is an exempt wholesale generator and is an affiliate of MidAmerican.

MidAmerican in its filing provided pre-filed testimony and exhibits relative to the merits of its Application.

At its regularly scheduled meeting of March 6, 2001, the Commission considered this matter. MidAmerican appeared through its counsel, Suzan M. Stewart, and explained MidAmerican's Application. Commission Staff recommended that the Commission approve the Amendment to the Purchase Power Agreement (PPA), that the conditions placed on MidAmerican in Docket EL00-006 be continued in this matter, and that a cap be placed on the Cordova energy costs that are run through MidAmerican's South Dakota Energy Cost Adjustment (ECA). MidAmerican agreed to all of Commission Staff's recommendations.

Based upon the Application, the presentation of MidAmerican and the recommendations of Commission Staff, the Commission makes the following determinations:

(i) The Commission has sufficient regulatory authority, resources and access to books and records of MidAmerican and CEC to exercise its duties under 15 U.S.C. Section 79z-5a(k)(2)(A) pursuant to SDCL Chapter 49-34A, generally, and specifically SDCL 49-34A-41, 49-34A-6. Also available to the Commission for purposes of access to records are those processes found at or implemented under SDCL 1-26-19.1, 1-26-19.2 and 15-6-26(b).

(ii) The transaction will benefit customers because MidAmerican's ECA clause will be lower than it would otherwise be in the absence of purchases under the terms of the Amendment to the PPA.

(iii) The transaction does not violate state law. South Dakota law at SDCL 49-34A-19.2 acknowledges that affiliate transactions may occur and has provided a remedy to disallow the effects of these transactions in rate cases should they not be in the public interest.

(iv) The transaction would not provide CEC any unfair competitive advantage by virtue of its affiliation or association with MidAmerican. MidAmerican proposes to enter the transaction with CEC and pay for electric energy priced at a negotiated favorable rate.

(v) The transaction is in the public interest because the delivery of energy to MidAmerican during the start-up and testing phase will facilitate the successful completion of Cordova and the beginning of its commercial operation and because MidAmerican has negotiated a favorable rate for the purchase of energy produced during the start-up and testing phase. The public interest will be further served if the following conditions are imposed: (a) the approval of the transaction by the Commission does not guarantee recovery of MidAmerican's costs associated with the purchase power agreement in any rate proceeding; (b) approval of the purchase power agreement amendment is not a finding of prudence of the amounts paid by MidAmerican for the purchase of energy; and (c) MidAmerican shall submit cost information relative to the Amended PPA in its monthly ECA filing and with testimony submitted in its annual ECA reconciliation filing and such information shall be submitted substantially in the form of Schedule 1 pursuant to Docket EL00-006.

(vi) Under the Amendment to the Purchase Power Agreement, MidAmerican agrees the fuel clause treatment of Cordova energy purchases used to supply native load would be reflected in the South Dakota Energy Cost Adjustment in the same manner as any energy purchase. Individual Cordova energy purchases for off-system sales reflected in the South Dakota Energy Cost Adjustment during the Cordova start-up period would be reflected in the ECA at the lesser of actual energy purchase cost or the average cost of off-system purchases used in the same month's ECA calculation (excluding MidAmerican's purchase from Cooper Nuclear Station) had the Cordova energy purchase not taken place.

It is hereby ORDERED that the foregoing, including conditions imposed in them, shall constitute the determinations of the Commission in this docket.

Dated at Pierre, South Dakota, this 14th day of March, 2001.

CERTIFICATE OF SERVICE	
The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.	
By:	<u>Debra Kalbo</u>
Date:	<u>3/14/01</u>
(OFFICIAL SEAL)	

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner