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September 9, 2012

Patricia Van Gerpen
Executive Director
SD Public Utilities Commission
500 E. Capitol Ave.
Pierre, SD 57501

Re: EL12-049 - In the Matter of the Filing by MidAmerican Energy Company for Approval of its Tariff Revisions

Dear Ms. Van Gerpen:

On August 7, 2012, the Commission received a filing from MidAmerican Energy Company ("MidAmerican" or "Company"). This filing requests approval of MidAmerican's revised tariff sheet to update Rider No. 54 - Qualifying Cogeneration and Small Power Production Purchases tariff for its current avoided costs for a 12-month period.

In accordance with Commission Order F-3365 regarding Section 210 of the Public Utilities Regulatory Policy Act of 1978, MidAmerican proposes changes to the energy and capacity payment rates for cogeneration and small power production facilities of 100kW or less. After discussing this docket with MidAmerican representatives and having received additional information on this matter, Commission Staff is satisfied the proposed changes comply with state law and Commission Order F-3365. As such, Staff recommends approval of the proposed tariff revisions with an effective date of September 15, 2012.

In its petition MidAmerican proposes a change to summer and winter avoided cost rates. The proposed summer on- and off-peak avoided cost rates increase, while the winter on- and off-peak rates will decrease. In response to Staff's inquiry, the Company provided additional supporting data outlining the significant price components that changed, the cause for these changes in price, and the effect each change has on rates, as follows:

> ***The all season cogeneration energy rates filed this year decreased approximately 5% from last year. However, the summer season rate increased 14% while the winter season rate decreased 17%. This difference in seasonal variance is attributable to the new wind projects MidAmerican put into service in December 2011 (593 MW nameplate capability) and expects to complete in the Fall of 2012 (405 MW nameplate capability). In addition, the seasonal capacity factors of the wind projects are projected to be 25.7% for the summer season and 41.3% for the winter season. These capacity factors are based on historical wind patterns of the MidAmerican wind projects in-***

service. The combination of new wind capacity and significantly more energy derived from the wind in the winter season decreases the winter season rate. The primary reasons for the increase in summer seasonal rates are higher coal and emission costs. The delivered cost of coal increased approximately 27%. A favorable coal freight contract with the Union Pacific expires December 2012 and the renewal is expected to account for most of the projected coal cost increase. In addition, proposed Cross-State Air Pollution Rules which effect SO2 and NOx emission regulations are expected to increase the coal-fired fleet costs by $2.00 per MWh on average. NOx seasonal emission regulations (May through September) costs are a significant portion of this emission increase and another contributing reason for the summer period increase.
Customer energy requirements increased 2.5% over levels in the 2011 filing period due to a continued recovery in the projected service territory economic indicators.
Comparing the primary sources of fuel generation between the 2012 filing period and the 2011 filing period; native load energy requirements increased 591,000 MWh and was sourced by an increase in wind production of 1,690,000 MWh. This increase in wind generation displaced higher cost coal and nuclear generation. Gas-fired generation accounts for less than 0.5% of the retail energy requirements.
At this time, MidAmerican has no customers on its Qualifying Cogeneration & Small Power Producer Purchases – Rider No. 54.

Sincerely,

/s/ Ryan Soye

Ryan Soye
Staff Attorney