



MidAmerican Energy Company
401 Douglas Street
P.O. Box 778
Sioux City, Iowa 51102
(712) 277-7587 Telephone
(712) 252-7396 Fax
E-mail: smstewart@midamerican.com

Suzan M. Stewart
Managing Senior Attorney

July 19, 2012

FILED ELECTRONICALLY

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Re: 18 CFR 292.302 – Avoided Cost Compliance Filing

Dear Ms. Van Gerpen:

On June 28, 2012, MidAmerican Energy Company filed its compliance filing regarding avoided costs. MidAmerican Energy Company is filing a substitute report to reflect greater detail for the explanation of required by 18 CFR 292.302(b)(2).

This report includes MidAmerican Energy Company's estimated electric avoided cost information as filed biannually with state regulatory authorities.

Sincerely,

/s/ Suzan M. Stewart

Suzan M. Stewart
Managing Senior Attorney

Encl.

Revised July 18, 2012

**MidAmerican Energy Company
Informational Compliance Filing
With the South Dakota Public Utilities Board as required by
18 CFR 292.302**

July 18, 2012

18 CFR 292.302 (b) (1) The estimated avoided cost on the electric utility's system, solely with respect to the energy component, for various levels of purchases from qualifying facilities. Such levels of purchases shall be stated in blocks of not more than 100 megawatts for systems with peak demands of 1,000 megawatts or more. The avoided costs shall be stated on a cents per kilowatt-hour basis, during daily and seasonal peak and off-peak periods, by year, for the current calendar year and each of the next five years.

Avoided energy costs for various levels of purchase from qualifying facilities based on MidAmerican's generating costs were estimated using a chronological Monte Carlo simulation production costing model, PROMOD IV. Tables of the resulting avoided energy costs by block for the 0 megawatt level through the 200 megawatt level for 2012 through 2017 are shown on Exhibit A, attached hereto and made a part hereof.

Five levels of purchases were evaluated: 1 megawatt represents the zero MW block, 50 megawatts, 100 megawatts, 150 megawatts and 200 megawatts. Avoided energy costs for other levels of purchases were calculated using linear interpolation between those values.

MidAmerican's costs were based on current and committed generating units and forecasts of fuel and variable operation and maintenance costs through 2017. Avoided energy costs were calculated as the difference in energy costs between the specified level of purchase and no purchase.

The avoided energy cost calculations were made for the summer and winter seasons for each year. The summer season is June through September, with all other months in each year in the winter season. The on-peak periods are weekdays from hour ending 7:00 A.M. to 10:00 P.M. All other hours are off-peak.

The forecast firm peak demand and system net requirements for regulated native load customers used in the calculation of avoided energy costs are shown in the following table.

Year	Firm Summer Peak (MW)	Firm Winter Peak (MW)	System Net Requirements (MWh)
2012	4,350	3,540	23,420,000
2013	4,411	3,587	23,815,000
2014	4,482	3,641	24,184,000
2015	4,558	3,700	24,551,000
2016	4,614	3,743	24,863,000
2017	4,657	3,776	25,142,000

Purchases of firm capacity and energy during the six-year period from 2012 through 2017 are a result of a power purchase contract from the output of a 112.5 MW wind farm and are as follows:

Year	July Accredited (MW)	Annual Energy (MWh)
2012	6	267,400
2013	6	263,800
2014	6	261,200
2015	6	256,500
2016	6	257,500
2017	6	252,900

MidAmerican has 405 MW of nameplate wind capacity under construction with an in-service date scheduled in the fourth quarter of 2012. In addition, MidAmerican expects to retire 126 MW of coal generating capability in December 2014. These additions and retirements were included in the 2012-2017 avoided energy cost forecast.

18 CFR 292.302 (b)(2) The electric utility's plan for the addition of capacity by amount and type, for purchases of firm energy and capacity, and for capacity retirements for each year during the succeeding 10 years.

Year	Coal Unit Capacity Additions (MW)	Nuclear Unit Capacity Additions (MW)	Natural Gas Fired Unit Capacity Additions (MW)	Wind Project Capacity Additions (MW)	Coal Unit Capacity Retirements (MW)
2012	-	-	-	79.3	-
2013	-	5.0	-	53.8	-
2014	8.2	-	-	-	-
2015	10.3	-	12.5	-	126.0
2016	-	-	-	-	-
2017	-	-	24.5	-	-
2018	-	-	-	-	-
2019	-	-	-	-	-
2020	-	-	-	-	-
2021	-	-	-	-	-

- MW Capacity Ratings are MISO ICAP Ratings. Capacity is reflected in the calendar year of the first summer after the change occurs.
- Projection 2012-2021 MEC Financial Plan Approved November 2011.
- There are no new units planned other than the Wind Projects in 2012 and 2013
- 2012 Represents 595.7 MW of Nameplate Wind Capacity – MISO Applied Capacity Rating is 13.3%
- 2013 Represents 404.8 MW of Nameplate Wind Capacity – MISO Applied Capacity Rating is 13.3%
- The additions shown in 2013-2017 represent turbine upgrades to existing generating units, net of environmental compliance excluding the new wind facilities
- The 2015 Retirements include 4.0 MW of Generating Unit Capability used for an industrial customer's steam usage.

18 CFR 292.302 (b)(3) The estimated capacity costs at completion of the planned capacity additions and planning capacity from purchases, on the basis of dollars per kilowatt, and the associated energy costs of each unit, expressed in cents per kilowatt-hour. These costs shall be expressed in terms of individual generating units and of individual planned firm purchases.

MidAmerican continually reviews its capacity needs. This review includes the projecting of forecast load growth, forecast demand side management programs, renewable capacity availability, new regional capacity additions and FERC orders relative to RTO

formation, transmission ownership and economic costs.

MidAmerican has used the economic carrying charges on a new combustion turbine to calculate its long-term avoidable capacity cost. Using this methodology, the annual cost in 2012 is \$92.04/kW. The installed cost of this unit is estimated to be \$704/kW (based on summer capacity rating) in 2011 dollars. The installed 160 MW combustion cost assumed by the Midwest Independent Transmission System Operator in its generic cost of new entry calculation file August 1, 2011 for the period commencing June 1, 2012 is the basis for the avoided cost calculation.

The following parameters were used to calculate the economic carrying charges and annual revenue requirements for a new 160 MW combustion turbine (summer rating): a weighted-average capital cost of 9.60%; after tax discount rate of 8.10%; 15 year tax life; tax-depreciation basis of 100%; book life of 25 years; and fixed operation and maintenance cost of \$12.72/kW/year in 2011 escalating at 2.5% per year. The present value of revenue requirements for the new combustion turbine is estimated to be \$1,273/kW installed.

The Midwest ISO operates a voluntary short-term capacity auction that is currently trading at minimal price levels approaching zero, \$50.00/MW-month (\$0.05/kW-month) for July 2012 and \$10/MW-month (\$0.01/kW-month) for August 2012. MidAmerican, however, has assigned an average market value of capacity, based on the Independent Market Monitor offer cap of \$10.00/kW in 2012, which is lower than the equivalent cost of a new combustion turbine. This was done to reflect a commitment that exceeds the short-term duration of the Midwest ISO capacity auction prices, yet reflects a market where sufficient reserves are expected to exist through 2014. However, the price is assumed to double for each succeeding year before reaching the long-term cost of a combustion turbine in 2015 when environmental regulations are expected to take effect.

The avoidable new generation capacity costs are as follows.

Year	Avoidable New Generating Capacity Costs (\$/kW/yr.)
2012	\$ 10.00
2013	\$ 20.00
2014	\$ 40.00
2015	\$ 99.11
2016	\$ 101.59
2017	\$ 104.13

MidAmerican Energy Company
Avoided Energy Costs for Various Levels of Purchase from Qualifying Facilities
Dollars Per MWH

Year	2012					
	Summer			Winter		
MW	Peak	Off-Peak	Season	Peak	Off-Peak	Season
0	\$ 31.69	\$ 24.47	\$ 27.86	\$ 23.58	\$ 21.50	\$ 22.49
10	31.79	24.52	27.94	23.66	21.76	22.67
20	31.90	24.58	28.02	23.75	22.03	22.85
30	32.01	24.64	28.10	23.84	22.30	23.03
40	32.12	24.70	28.19	23.92	22.56	23.21
50	32.23	24.76	28.27	24.01	22.83	23.39
100	32.61	24.74	28.44	23.86	22.06	22.92
150	32.86	24.69	28.53	23.94	22.05	22.95
200	32.93	24.78	28.61	23.98	21.74	22.81

Year	2013					
	Summer			Winter		
MW	Peak	Off-Peak	Season	Peak	Off-Peak	Season
0	\$ 39.79	\$ 31.17	\$ 35.24	\$ 30.52	\$ 27.83	\$ 29.12
10	39.88	31.27	35.33	30.62	28.21	29.37
20	39.96	31.36	35.41	30.73	28.59	29.62
30	40.05	31.46	35.50	30.83	28.97	29.86
40	40.13	31.55	35.59	30.94	29.35	30.11
50	40.22	31.65	35.68	31.04	29.73	30.36
100	40.39	31.68	35.78	30.99	28.08	29.48
150	40.34	32.06	35.95	31.08	28.15	29.56
200	40.43	31.97	35.94	31.11	28.23	29.61

MidAmerican Energy Company
Avoided Energy Costs for Various Levels of Purchase from Qualifying Facilities
Dollars Per MWH

Year	2014			2014			
	MW	Summer Peak	Off-Peak	Season	Winter Peak	Off-Peak	Season
	0	\$ 39.92	\$ 31.87	\$ 35.70	\$ 33.93	\$ 29.42	\$ 31.57
	10	40.05	31.92	35.79	33.98	29.68	31.73
	20	40.18	31.98	35.88	34.03	29.94	31.89
	30	40.31	32.03	35.97	34.08	30.20	32.05
	40	40.44	32.09	36.06	34.13	30.47	32.21
	50	40.57	32.14	36.15	34.18	30.73	32.38
	100	40.86	32.27	36.35	34.26	29.76	31.91
	150	41.15	32.66	36.69	34.29	29.92	32.01
	200	41.50	32.77	36.92	34.32	29.97	32.05

Year	2015			2015			
	MW	Summer Peak	Off-Peak	Season	Winter Peak	Off-Peak	Season
	0	\$ 57.55	\$ 39.00	\$ 47.92	\$ 45.86	\$ 38.58	\$ 42.04
	10	57.71	39.09	48.04	46.00	38.93	42.28
	20	57.87	39.19	48.17	46.13	39.28	42.53
	30	58.03	39.29	48.30	46.27	39.63	42.78
	40	58.19	39.39	48.43	46.40	39.98	43.03
	50	58.35	39.49	48.56	46.53	40.33	43.27
	100	58.55	39.81	48.82	46.78	39.64	43.03
	150	58.08	39.87	48.63	47.00	40.17	43.41
	200	57.94	40.16	48.71	47.23	40.55	43.72

MidAmerican Energy Company
Avoided Energy Costs for Various Levels of Purchase from Qualifying Facilities
Dollars Per MWH

Year	2016			2016			
	MW	Summer Peak	Summer Off-Peak	Summer Season	Winter Peak	Winter Off-Peak	Winter Season
	0	\$ 56.44	\$ 37.31	\$ 46.51	\$ 48.90	\$ 39.53	\$ 43.96
	10	56.59	37.46	46.66	49.04	39.80	44.17
	20	56.75	37.62	46.82	49.19	40.08	44.38
	30	56.90	37.77	46.97	49.33	40.35	44.60
	40	57.06	37.93	47.13	49.48	40.62	44.81
	50	57.21	38.08	47.28	49.63	40.90	45.02
	100	56.99	38.28	47.28	49.48	40.00	44.48
	150	57.72	38.51	47.75	49.83	40.49	44.90
	200	57.64	38.65	47.78	49.96	40.73	45.09

Year	2017			2017			
	MW	Summer Peak	Summer Off-Peak	Summer Season	Winter Peak	Winter Off-Peak	Winter Season
	0	\$ 61.99	\$ 39.67	\$ 50.29	\$ 45.64	\$ 38.38	\$ 41.83
	10	62.06	39.76	50.36	45.74	38.55	41.97
	20	62.14	39.85	50.44	45.85	38.72	42.10
	30	62.21	39.93	50.52	45.95	38.89	42.24
	40	62.28	40.02	50.60	46.05	39.06	42.38
	50	62.35	40.11	50.68	46.15	39.23	42.52
	100	62.57	40.42	50.95	46.31	38.88	42.40
	150	62.65	40.79	51.18	46.47	39.00	42.55
	200	63.06	40.87	51.42	46.80	39.27	42.85