



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

August 27, 2014

Filed via e-Tariff

Ms. Kimberly Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

RE: MidAmerican Energy Company
FERC Docket No. ER14-_____

Joint Ownership Agreement for Blackhawk-Hazleton 345 kV Project Between
MidAmerican Energy Company and the Municipal Electric Utility of the City of Cedar
Falls, Iowa

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act and Part 35 of the Commission's regulations, 18 CFR § 35.1 et seq., MidAmerican Energy Company (MidAmerican") hereby respectfully submits an executed Joint Ownership Agreement for Blackhawk-Hazleton 345 kV Project between MidAmerican and the Municipal Electric Utility of the City of Cedar Falls, Iowa ("Cedar Falls"), designated MidAmerican Rate Schedule No. 127.

I. OVERVIEW OF FILING

MidAmerican has determined the need to construct a new double-circuit 345/161 kV electric transmission line consisting of approximately twelve (12) miles of line extending from the existing MidAmerican Blackhawk Substation near Waterloo, Iowa to a change of ownership point near Dunkerton, Iowa, where the line will interconnect with a double-circuit 345/161 kV line to be constructed by ITC Midwest LLC ("ITC Midwest") continuing approximately twelve (12) miles from that point to ITC Midwest's existing Hazleton Substation ("Blackhawk-Hazleton 345 kV Project"). This project is part of Midcontinent Independent System Operator, Inc. ("MISO") Multi-Value Project No. 4.

Cedar Falls expressed interest in participating as a joint owner with MidAmerican in the Blackhawk-Dunkerton line section of the Blackhawk-Hazleton 345 kV Project. MidAmerican and Cedar Falls concurred regarding Cedar Falls' participation, creating the need for this

Agreement to set forth the joint ownership relationship, rights and responsibilities of MidAmerican and Cedar Falls with respect to the jointly owned facilities.

II. DESCRIPTION OF AGREEMENT

Article I – Definitions and Miscellaneous Provisions lists the definitions of certain terms used in the Agreement and provides that the Parties shall perform as reasonably necessary to effectuate the intent of the Agreement.

Article II – Design, Materials Acquisition, Project Management and Construction provides that MidAmerican is responsible for the design and construction of the Blackhawk-Hazleton 345 kV Project and shall use commercially reasonable efforts to meet the agreed-upon schedule. MidAmerican may employ contractors in fulfilling its responsibilities and such contractors shall perform in accordance with Good Utility practice.

Article III – Approvals and Cost Estimates provides that MidAmerican shall obtain all necessary approvals for the project and that Cedar Falls shall cooperate with MidAmerican in securing same. Also, acceptance by FERC of an amended interconnection agreement between MidAmerican, ITC Midwest and MISO is a necessary precondition to proceeding with the project.

Article IV – Facility Ownership and Operations provides that MidAmerican and Cedar Falls shall share ownership (as tenants in common) and capacity in the ratio 81.58%/18.42%, respectively. MidAmerican, as agent, is responsible for the operation, maintenance, replacement and renewal of the facilities in accordance with Good Utility Practice, and the associated costs will be shared by the parties according to their ownership interests. MidAmerican has the unilateral right to connect facilities to the subject line. MISO has functional control of the line and revenue entitlements will be per the MISO tariff. Any instruments of conveyance delivered shall be free of liens. An operating committee shall be formed to perform such duties as may be appropriate for the purposes of the Agreement. Interests may be transferred subject to certain restrictions.

Article V – Payment provides that actual and reasonable costs of construction will be shared between the parties in accordance with their ownership interests and provides an estimate of original construction costs. Cedar Falls will be billed monthly for its share of construction costs as incurred. Costs of operation, maintenance, renewal and replacement will be similarly shared between the parties.

Article VI – Notices sets forth the acceptable forms of official communications between the parties and the respective addresses to which such communications are to be directed for each party.

Article VII – Term of Agreement states that the Agreement shall be effective on the date accepted by FERC and continue in force for an initial period of 40 years, and thereafter from year to year until either party provides 2-year notice of intent to terminate. MidAmerican cannot terminate unless provision has been made for the continued ownership operation, maintenance, repair, replacement and ultimate retirement of the subject facilities. If Cedar Falls terminates, MidAmerican shall have right of first refusal to acquire Cedar Falls’ interest. MidAmerican shall retain powers necessary for disposition of property in the event of abandonment and any costs associated therewith will be shared in accordance with ownership interests.

Article VIII – Liability describes the respective responsibilities of the parties under the Agreement concerning liability and indemnification.

Article IX – Amendments provides that any amendment to the Agreement must be in writing and signed by both parties.

Article X – Representations, Warranties, and Covenants sets forth the representations, warranties and covenants of the parties with respect to Good Standing, Authority, No Conflict and Consent and Approval.

Article XI – Default and Termination provides the procedures to be followed in event of default by either party. No default shall exist where failure to discharge an obligation (except payment of money) result from a Force Majeure.

Article XII – Miscellaneous contains a several provisions, including notably, identification of governing law (State of Iowa or the United States, as applicable), definition of Force Majeure, and waiver of jury trial to the extent permitted by law.

III. DESCRIPTION OF SCHEDULES AND EXHIBITS

Schedule 1 to the Agreement sets forth the construction schedule milestones.

Exhibit A – Accounting Memorandum describes MidAmerican’s accounting procedures, including the elements of MidAmerican’s construction and operation and maintenance costs that may be billed under the agreement.

IV. DOCUMENTS SUBMITTED WITH THIS FILING

Documents submitted with this filing include this transmittal letter and a clean copy of the Joint Ownership Agreement for Blackhawk-Hazleton 345 kV Project.

V. PROPOSED EFFECTIVE DATE

MidAmerican requests an effective date of October 24, 2014 for the Joint Ownership Agreement for Blackhawk-Hazleton 345 kV Project Between MidAmerican Energy Company and the Municipal Electric Utility of the City of Cedar Falls, Iowa.

VI. COMMUNICATIONS

Correspondence, pleadings, and other materials regarding this filing should be addressed to the following persons:

Suzan M. Stewart
Managing Senior Attorney
MidAmerican Energy Company
401 Douglas Street
P. O. Box 778
Sioux City, Iowa 51102
712-277-7587 (voice)
712-252-7396 (facsimile)

Dehn Stevens
Director – Transmission Services
MidAmerican Energy Company
One RiverCenter Place
106 East Second Street
P. O. Box 4350
Davenport, Iowa 52808

VII. NOTICE AND SERVICE

MidAmerican notes that it has served a copy of this filing electronically, including attachments, upon Cedar Falls, the Iowa Utilities Board, the Illinois Commerce Commission and the South Dakota Public Utilities Commission.

VIII. CONCLUSION

For all the foregoing reasons, MidAmerican respectfully requests that the Commission accept for filing this Joint Ownership Agreement for Blackhawk-Hazleton 345 kV Project and grant the proposed effective date of October 21, 2014, and grant waiver of any Commission regulations not addressed herein that the Commission may deem applicable to this filing.

Respectively submitted,

/s/ Suzan M. Stewart

Suzan M. Stewart
Managing Senior Regulatory Attorney

Federal Energy Regulatory Commission

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August 27, 2014

c: Iowa Utilities Board
Illinois Commerce Commission
South Dakota Public Utilities Commission
Office of Consumer Advocate

Mr. Ken Kagy
Principal Engineer
Cedar Falls Utilities
Utility Parkway
612 East 12th Street
P.O. Box 769
Cedar Falls, IA 50613-0769

JOINT OWNERSHIP AGREEMENT

FOR

BLACKHAWK – HAZLETON 345 KV PROJECT

Between

MIDAMERICAN ENERGY COMPANY

and

**THE MUNICIPAL ELECTRIC UTILITY
OF THE CITY OF CEDAR FALLS, IOWA**

eTariff Information

Tariff Submitter: MidAmerican Energy Company

FERC Tariff Program Name: FERC FPA Electric Tariff

Tariff Title: Blackhawk-Hazleton Joint Ownership Agreement

Tariff Record Proposed Effective Date: October 24, 2014

Tariff Record Description: Rate Schedule No. 127

Option Code: A

This Joint Ownership Agreement for the Blackhawk – Hazleton 345 kV Project (“Agreement”) is made and entered into this 18th of August, 2014, by and between MidAmerican Energy Company (“MidAmerican”), a corporation organized under the laws of the State of Iowa and the Municipal Electric Utility of the City of Cedar Falls, Iowa, (“Cedar Falls”) referred to hereinafter individually as “Party”, and collectively as “Parties”.

RECITALS

WHEREAS, MidAmerican has determined the need to construct new double-circuit 345/161 kV electric transmission line consisting of approximately twelve (12) miles of line extending from the existing MidAmerican Blackhawk Substation near Waterloo, Iowa to a change of ownership point near Dunkerton, Iowa where the line will interconnect with a double-circuit 345/161 kV line to be constructed by ITC Midwest LLC (“ITC Midwest”) continuing approximately twelve (12) miles from that point to ITC Midwest’s existing Hazleton Substation; and

WHEREAS, the easterly twelve (12) miles of the new 345/161 kV electric transmission line will be owned, operated and maintained by ITC Midwest; and

WHEREAS, two interconnection points at the change of ownership point will be established identifying the change in ownership between ITC Midwest and MidAmerican (“Points of Interconnection”); and

WHEREAS, the westerly twelve (12) miles of the new 345/161 kV electric transmission line will be jointly owned by the Parties, as tenants in common, and operated and maintained by MidAmerican, as Agent, with such facilities to be referred to collectively hereinafter as the “Blackhawk-Hazleton 345 kV Project”; and

WHEREAS, MidAmerican, ITC Midwest and the Midcontinent Independent System Operator, Inc. (“MISO”) expect to enter into an amended transmission interconnection agreement addressing the new 345 kV interconnection near Dunkerton, Iowa; and

WHEREAS, the Parties have mutually agreed that the Blackhawk-Hazleton 345 kV Project is a project in which Cedar Falls will participate with MidAmerican through investment in and joint ownership as tenants in common with undivided ownership interests of the Blackhawk-Hazleton 345 kV Project; and

WHEREAS, the Parties wish to set forth their ownership rights and obligations with respect to the Blackhawk-Hazleton 345 kV Project;

THEREFORE, in consideration of and subject to the mutual covenants contained herein, the Parties agree as follows:

ARTICLE I – Definitions and Miscellaneous Provisions

1.1 When used in this Agreement, the following words and terms shall have the meanings indicated, unless clearly stated otherwise:

- a. “Affiliate” shall mean, with respect to a Party, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Party.
- b. “Agent” shall mean MidAmerican, or its successor, acting in its capacity as agent for the Parties, or either of them, with respect to the approvals, development, design, procurement, construction, interconnection, operation, maintenance, repair, replacement and retirement of the Blackhawk-Hazleton 345 kV Project defined herein.

Notwithstanding the foregoing, each Party shall own and control the same percentage of

the transmission capacity of the Blackhawk-Hazleton 345 kV Project as its percentage of undivided ownership interest in the Blackhawk-Hazleton 345 kV Project as specified in Section 5.1.

- c. “Applicable Laws and Regulations” shall mean all applicable federal, state and local laws, ordinances, rules and regulations, and all duly promulgated orders and other duly authorized action of any Governmental Authority having jurisdiction over the Parties and/or their respective facilities.
- d. “Approvals” shall mean permits, licenses, approvals, rights-of-way, easements, other real estate interests or similar authorizations conveyed, granted, issued and/or given by Governmental Authorities and/or private persons. MidAmerican’s petition to the Iowa Utilities Board for a franchise for the Blackhawk-Hazleton 345 kV Project shall be considered to be a request for an Approval.
- e. “Commercially Reasonable Efforts” shall mean, with respect to an action required to be attempted or taken by a Party under this Agreement, efforts that are timely and consistent with Good Utility Practice and are otherwise substantially equivalent to those Agent would use to protect its own commercial interests.
- f. “Contractor” shall mean one or more independent contractors, independent consultants and/or independent engineers retained by Agent to perform the obligations under this Agreement.
- g. “Effective Date” shall mean the first day of the calendar month following 75 days after the date first written above, subject to Section 7.1.
- h. “FERC” shall mean the Federal Energy Regulatory Commission and its predecessor and

successor agencies.

- i. “Force Majeure” shall mean any unforeseeable cause beyond Agent's reasonable control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy, acts of the government, including changes in applicable laws and regulations, acts of the other Party, fires, floods, tornados, lightning, earthquakes, explosions, failure of facilities not due to lack of proper care and maintenance, civil disturbance, sabotage, war, national emergency, act of the public enemy, act of terrorism, insurrection, riot, restraint by court or public authority, epidemics, quarantine restrictions, strikes, freight embargoes, unusually severe weather or delays of contractors or subcontractors due to such causes. Nothing contained in this Agreement shall be construed to require Agent to settle any strike or labor dispute. Mere economic hardship of Agent does not constitute Force Majeure.
- j. “Good Utility Practice” shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the term of this Agreement, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practices shall not be limited to the optimum practice, method or act to the exclusion of all others, but rather shall mean the acceptable practices, methods or acts generally accepted in the region which encompasses the Midwest Reliability Organization and its successors and assigns.

- k. “Governmental Authority” shall mean any federal, state, local or municipal governmental body; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power; or any court or governmental tribunal.
- l. “Blackhawk-Hazleton 345 kV Project” shall mean the approximately twelve (12) mile double-circuit 345/161 kV line to connect between MidAmerican’s existing Blackhawk Substation and the Points of Interconnection with ITC Midwest. The Blackhawk-Hazleton 345 kV project includes the steel poles, structures and foundations, as well as the 345 kV circuit including insulators, arms and conductors and the fiber optic shield wire located above the 345 kV circuit. The Blackhawk-Hazleton 345 kV Project shall not include the 161 kV circuit including insulators, arms and conductor as well as the shield wire located above the 161 kV circuit.
- m. “IUB” shall mean the Iowa Utilities Board or its successor agencies.
- n. “Points of Interconnection” shall mean the two interconnection points between the MidAmerican transmission system and the ITC Midwest transmission system located at the change of ownership point near Dunkerton, Iowa. These points are defined as 1) the point where the 345 kV line conductor joins the proposed ITC Midwest 345 kV line at an electrical connection point located in the Northwest Quarter of the Northeast Quarter of Section 27, Township 90 North, Range 11 West of the 5th P.M. in Black Hawk County, Iowa. and 2) the point where the 161 kV line conductor joins the existing ITC Midwest 161 kV line at an electrical connection point located in the Northwest Quarter

of the Northeast Quarter of Section 27, Township 90 North, Range 11 West of the 5th P.M. in Black Hawk County, Iowa.

o. “Transmission System” shall mean the facilities owned, controlled or operated by MidAmerican that are used to provide transmission service.

1.2 Each Party shall perform all such acts as reasonably may be necessary to fully effectuate each and all of the purposes and intent of this Agreement.

ARTICLE II – Design, Materials Acquisition, Project Management, and Construction

2.1 MidAmerican agrees to use Commercially Reasonable Efforts to meet the milestones detailed in the initial Facilities Construction Schedule in Schedule 1 of this Agreement. The initial Facilities Construction Schedule is hereby agreed to by the Parties. Changes to the Facilities Construction Schedule may be necessary from time to time due to such factors as Force Majeure, equipment delivery schedules, facility outage schedules, and/or delays in obtaining Approvals, and such changes shall not require amendment to this Agreement. Where practical, MidAmerican shall provide not less than thirty (30) days advance written notice to Cedar Falls of such schedule changes.

2.2 MidAmerican shall cause to be performed all of the design work, materials procurement, project management, construction and installation of the Blackhawk-Hazleton 345 kV Project as set forth herein.

2.3 MidAmerican may engage Contractors to prepare the engineering design, prepare specifications for materials, perform project and construction management, and to construct the facilities contemplated by this Agreement.

- 2.4 All Contractors retained by MidAmerican to perform its obligations under this Agreement shall be knowledgeable, experienced and competent with regard to matters of Good Utility Practice and shall be required to design, construct and install all facilities described in this Agreement in accordance with such practice.

ARTICLE III – Approvals and Cost Estimates

- 3.1 MidAmerican shall obtain all Approvals required to construct and operate the Blackhawk-Hazleton 345 kV Project. Cedar Falls shall cooperate with MidAmerican in order to secure Approvals required to construct and operate the Blackhawk-Hazleton 345 kV Project. Such cooperation may include, but will not be limited to, providing oral or written testimony regarding the Parties' need for the Blackhawk-Hazleton 345 kV Project.
- 3.2 Proceeding with the Blackhawk-Hazleton 345 kV Project shall be contingent upon securing acceptance for filing by the FERC of the amended transmission interconnection agreement entered into by MidAmerican, ITC Midwest and MISO, which provides for the new 345 kV interconnection between Blackhawk and Hazelton substations.

ARTICLE IV – Facility Ownership and Operations

- 4.1 MidAmerican and Cedar Falls shall be joint owners of the Blackhawk-Hazleton 345 kV Project as tenants in common with undivided ownership interests in the whole, and each and every item of the component and associated parts thereof. The joint ownership shall be calculated based on the ratio of each Party's investment in the Blackhawk-Hazleton 345 kV Project to the total investment in the Blackhawk-Hazleton 345 kV Project. The following contributions, ownership and other rights shall result:
- 4.1.1 Cedar Falls shall pay 18.42% towards the total cost of the Blackhawk-Hazleton 345

kV Project, and Cedar Falls' joint ownership interest in the Blackhawk-Hazleton 345 kV Project shall be 18.42%.

- 4.1.2 MidAmerican shall pay 81.58% of the costs of the Blackhawk-Hazleton 345 kV Project and shall hold an ownership interest in the Blackhawk-Hazleton 345 kV Project of 81.58%.
- 4.1.3 MidAmerican shall have the continuing unilateral right to connect any facilities to its 161 kV circuit for any purpose.
- 4.1.4 MidAmerican shall have the unilateral right to connect one or more 345 kV tap lines and substations to the Blackhawk-Hazleton Project.
- 4.1.5 If MidAmerican constructs or connects any of the facilities described in Subsections 4.1.3 through 4.1.4, MidAmerican shall be their operator and shall be solely responsible for all costs of their construction, operation and maintenance, renewal and replacement.
- 4.1.6 MidAmerican and Cedar Falls are both transmission-owning members of the MISO and have transferred functional control of their qualifying transmission facilities to MISO such that MISO uses the transmission capacity of their transmission facilities under terms of MISO tariffs and business practices.
- 4.1.7 During the period of time for which functional control is transferred to MISO as set forth in Section 4.1.6, the revenue entitlements and use of the Blackhawk-Hazleton 345 kV Project of MidAmerican and Cedar Falls shall be governed by the MISO tariffs and business practices with each Party being required to follow such tariffs and business practices in regard to receiving revenues under the MISO tariffs. Nothing in

this agreement provides for revenue entitlements as between MidAmerican and Cedar Falls.

- 4.1.8 The cost and ownership of the Blackhawk-Hazleton 345 kV Project will be shared in accordance with the Parties' respective share of ownership percentages as specified in Section 5.1, and each Party shall own and control a like percentage of the capacity of the Blackhawk-Hazleton 345 kV Project.
- 4.2 MidAmerican, as Agent, shall be responsible for the operation, maintenance, renewal and replacement of the Blackhawk-Hazleton 345 kV Project. Cedar Falls will reimburse MidAmerican, as Agent, for Cedar Falls' share of the costs of such operation, maintenance, renewal and replacement in accordance with Section 5.4.
- 4.3 MidAmerican and Cedar Falls agree that, during the term of this Agreement, the Blackhawk-Hazleton 345 kV Project shall be operated, maintained, renewed and replaced or retired in accordance with Good Utility Practice.
- 4.4 Either prior to, or shortly after delivery of any conveyance or related document or instrument provided for or required by this Agreement, the transferor shall obtain the release of the interests and easements to be conveyed from any liens created by, through or under the transferor (in such manner that the trustee under the transferor's first mortgage shall be bound by the transferor's covenants respecting such interests and easements as set forth in this Agreement); provided that if a release cannot be obtained, then the transferor shall obtain a non-disturbance agreement from any such lien or mortgage holder whereby the lien or mortgage holder shall agree not to disturb the interests and easements to be conveyed.

4.5 Transmission Operating Committee.

4.5.1 Establishment. A Transmission Operating Committee consisting of a representative of each of the Parties is hereby established. The MidAmerican representative shall be the Chair of the Transmission Operating Committee. If MidAmerican transfers a portion, but not the entirety, of its ownership to another party, the other party will have the right to designate a representative who will become a member of the Transmission Operating Committee. Each Party shall designate its regular representative and may designate an alternate who may at any time act as, and in lieu of, the regular representative at meetings of the Transmission Operating Committee and in other matters pertaining to duties of the Transmission Operating Committee as the same may arise from time to time.

4.5.2 Function. The Transmission Operating Committee members shall be the primary contact to receive notices and communications from Agent pursuant to this Agreement and consistent with the intent of the this Agreement, as may be necessary or appropriate to:

- (i) review accounting for operation, maintenance and repair; and
- (ii) perform such other duties as may be necessary or appropriate to carry out the purposes of this Agreement.

4.5.3 Meetings. The Transmission Operating Committee constituted hereunder shall hold its initial meeting no later than 90 days subsequent to the Effective Date hereof, unless the Parties mutually agree to a later date. Meetings of the Transmission Operating Committee thereafter shall be scheduled, as needed, but not less than

biennially, or within 30 days of a request by any Transmission Operating Committee member to the Chair. Agent shall record minutes of the meetings of the Transmission Operating Committee and shall distribute such minutes to the Parties within fifteen business days of any such meeting.

4.5.4 Notwithstanding any provision of this Agreement, the Operating Committee shall not have the authority to alter, amend, change, modify, add to, or subtract from any provision of this Agreement.

4.6 Transferability of Interests.

4.6.1 Policy. The relation of the Parties, as tenants in common with respect to the Blackhawk-Hazleton 345 kV Project as provided by this Agreement, and the provisions herein for the design, construction, interconnection, operation, maintenance, renewal and replacement thereof by MidAmerican, are each undertaken in mutual trust and confidence in the financial responsibility, engineering and operating competence, efficiency and common objectives of the Parties. Since the effect of a transfer of the interest of a Party upon the rights and interests of another Party over the term of this Agreement cannot be determined at this time, it must be presumed that such effects will be adverse. Therefore, each Party, for the protection of itself and the other Party, agrees that its interests in this Agreement, including its rights, duties, and obligations hereunder and its title to and interests in all of the Blackhawk-Hazleton 345 kV Project, shall at all times during the term of this Agreement be subject to the provisions of this Section 4.6. Nothing in this Agreement, including specifically this Section 4.6, shall be construed as subjecting

the interest of a Party to any lien or charge resulting directly or indirectly from the debt or obligation of the other Party.

4.6.2 Restrictions on Transfer - General. Each Party agrees that, during the term of this Agreement and except as specifically permitted under subsection 4.6.3 of this Section 4.6, neither Party's interest in this Agreement, including its rights, duties, and obligations hereunder, nor its interest in any of the Blackhawk-Hazleton 345 kV Project shall be assigned, transferred or otherwise disposed of, either in whole or in part, and each Party hereby waives and releases any right it may now have or hereafter acquire to permit or require partition of the Blackhawk-Hazleton 345 kV Project, so long as the Blackhawk-Hazleton 345 kV Project is used or useful for the transmission of electric power.

4.6.3 Restrictions on Transfer - Exceptions. The provisions of subsection 4.6.2 of this Section 4.6 shall not restrict: (i) dispositions and sales by MidAmerican incident to renewals or replacements or retirements of the Blackhawk-Hazleton 345 kV Project; (ii) the right of a Party to subject its own interest to the lien of any mortgage or similar security interest upon all or a portion of its physical electric utility property; (iii) the rights of the trustee under any such mortgage or similar security interest; (iv) the rights of any purchaser pursuant to foreclosure on any such mortgage who acquires any interest subject to any such mortgage or similar security interest; (v) the right of a Party to transfer voluntarily its interest as an incident to any sale, merger or other transfer of all or a substantial part of its electric transmission facilities as an operating entity, if the transferee assumes the obligations of the transferor under this

Agreement and has the ability and adequate financial responsibility to carry out such obligations as determined by a nationally recognized independent certified public accounting firm (CPA firm); (vi) transfers by Cedar Falls of all or a portion of its interest to the Iowa cities of Atlantic, Eldridge, Montezuma, Pella or Tipton or the Iowa Public Power Agency, and transfers by said cities or the Iowa Public Power Agency to Cedar Falls; (vii) the right of a Party to transfer its interest to the other Party under this Agreement; (viii) assignments or transfers by MidAmerican to any entity which is under common ownership and control if the transferee assumes the obligations of the transferor under this Agreement and has the ability and adequate financial responsibility to carry out such obligations as determined by a nationally recognized independent CPA firm; (ix) the right of Cedar Falls to transfer voluntarily its interest if approved by MidAmerican, with such approval not to be unreasonably withheld, so long as MidAmerican is offered the right of first refusal to purchase such interest in whole or in part on terms not less favorable than those offered to such outside purchaser; (x) the transfer of operational control by a Party to a FERC-approved regional transmission organization, independent system operator, independent transmission company, or the functional equivalent thereof; or (xi) the right of MidAmerican to assign or transfer its interest and responsibilities under this Agreement, including its interest as Owner and its responsibilities as Agent in whole or in part to any entity.

Notwithstanding the exceptions in the foregoing clauses (i) through (xi), no trustee, purchaser or anyone who forecloses on a mortgage, or other transferee of a Party's

interest in any of the Blackhawk-Hazleton 345 kV Project, shall have any right greater than specified in subsection 4.6.2 above, to partition or to require partitioning of the Blackhawk-Hazleton 345 kV Project, and shall agree to be bound by the terms hereof.

ARTICLE V – Payment

5.1 The Parties shall share the actual and reasonable costs to construct, in accordance with Good Utility Practice, the Blackhawk-Hazleton 345 kV Project. Each Party’s percentage ownership share and share of the estimated costs to construct the Blackhawk-Hazleton 345 kV Project shall be as follows:

Party	Ownership Share	Share of Estimated Original Construction Costs
MidAmerican	81.58%	\$20,068,680
Cedar Falls	18.42%	\$4,531,320
Total	100.00%	\$24,600,000

5.2 The costs shall include, but not be limited to, costs for permitting, materials procurement, construction, interconnection costs on affected systems, contractors (including time for field investigations), engineering, legal, obtaining of Approvals, informational and negotiating meetings, contract administration, calculation of relay settings, and final calibration and operational checks of the Blackhawk-Hazleton 345 kV Project.

5.3 Cedar Falls shall make monthly payments to MidAmerican as costs are incurred for the planning, construction and interconnection of the Blackhawk-Hazleton 345 kV Project. MidAmerican shall submit monthly invoices to Cedar Falls that shall reflect its respective

share of those costs unbilled to the date of such invoice in accordance with Cedar Falls' ownership percentage shown in Section 5.1. Cedar Falls shall render payment to MidAmerican within thirty (30) calendar days of the date of each invoice. Upon final completion of the Blackhawk-Hazleton 345 kV Project, MidAmerican shall submit a final invoice to Cedar Falls that shall reflect the total final amount owed in accordance with Cedar Falls' ownership percentage shown in Section 5.1. Cedar Falls shall render a lump sum payment for the total amount owed to MidAmerican within thirty (30) calendar days of the date of such final invoice.

- 5.4 The costs of operation, maintenance, renewal and replacement of the Blackhawk-Hazleton 345 kV Project shall be allocated among the Parties in proportion to each Party's joint ownership interest in the Blackhawk-Hazleton 345 kV Project as shown in Section 5.1 and in accordance with the Accounting Memorandum attached hereto as Exhibit A.

ARTICLE VI – Notices

- 6.1 Unless provided otherwise by this Agreement, any notice, request, demand, statement, payment or routine communication allowed or permitted by this Agreement, or any notice or communication which a Party may desire to give to the other Party, shall be in writing and shall be considered as delivered when received by the primary addressee of the receiving Party by certified United States mail at the addresses indicated below or by such other person and at such other address as either Party may designate for itself in a notice to the other Party.

If to MidAmerican:

Director Transmission Services
106 East Second Street
Davenport, Iowa 52801
(FAX) 319-333-8112

with a copy to:

Managing Senior Attorney
MidAmerican Company
401 Douglas Street
P. O. Box 778
Sioux City, Iowa 51102
(FAX) 712-252-7396

If to Cedar Falls:

Director of Operations
Cedar Falls Utilities
PO Box 769
Cedar Falls, Iowa 50613
(FAX) 319-266-8156

With a copy to:
General Counsel
Cedar Falls Utilities
PO Box 769
Cedar Falls, Iowa 50613
(FAX) 319-266-8158

6.2 In lieu of providing notice by certified mail, a written notice, request, demand, statement, payment or communication shall be considered as delivered when received at the address of the primary addressee of the receiving Party, at the address indicated in Section 6.1, by prepaid overnight delivery via the United States Postal Service, Federal Express, Airborne or United Parcel Service or by personal delivery.

ARTICLE VII – Term of Agreement

7.1 Effective Date. After execution, MidAmerican shall file this Agreement with FERC for acceptance pursuant to the Federal Power Act as soon as reasonably practicable. This Agreement shall become effective on the Effective Date authorized by order of FERC. If

FERC conditions approval or acceptance upon modification of this Agreement, the Parties will use their reasonable efforts to amend the Agreement to address the deficiencies or conditions imposed by FERC and the Agreement shall become effective on the Effective Date authorized by FERC of an agreed-upon modified Agreement. Neither Party shall be required to agree to an amendment that is contrary to its interests in order to secure acceptance or approval of the modified Agreement from the FERC.

7.2 Duration. This Agreement shall continue in full force and effect for an initial term of forty (40) years from the Effective Date. If no timely notice of termination is given under this Article VII during the initial term, the Agreement will renew for successive one year periods until a Party terminates its ownership under Article 7.3.

7.3 Upon expiration of the initial forty-year term, a Party may terminate its ownership upon December 31 next following the expiration of two (2) years written notice to the other Party, which may be provided anytime after completion of the thirty-eighth (38th) year under this Agreement. A Party may not terminate under this provision unless it has made arrangements acceptable to Agent for payment of the ongoing operation and maintenance expenses associated with its ownership interest. MidAmerican may not terminate under this provision unless reasonable arrangements are in place for the continued ownership, operation, maintenance, repair, replacement and ultimate retirement of the Blackhawk-Hazleton 345 kV Project. Notwithstanding anything herein to the contrary, no termination of this Agreement shall be effective so long as obligations payable in whole or in part from revenues derived from the operation of the Blackhawk-Hazleton 345 kV Project, and issued by Cedar Falls, are outstanding, unless prior consent is first granted by both Parties.

- 7.3.1 If Cedar Falls terminates participation under this provision, MidAmerican shall be offered the right of first refusal to purchase Cedar Falls' ownership interest in whole or in part on terms not less favorable than those offered to an outside purchaser. MidAmerican shall have right of first refusal, but shall not be obligated to acquire Cedar Falls' ownership interest.
- 7.4 In the event of an abandonment or determination of impracticability as set forth in this section, all unpaid expenditures incurred by MidAmerican in connection with the abandonment or retirement of the Blackhawk-Hazleton 345 kV Project (including but not limited to environmental clean-up liability) shall be paid by each Party in proportion with its ownership interest. MidAmerican shall retain such powers hereunder as shall be necessary for the disposition of all property constituting the Blackhawk-Hazleton 345 kV Project at the time of such abandonment and shall dispose of such property as promptly as practical and shall distribute the proceeds thereof to the Parties in accordance with the respective ownership.

ARTICLE VIII – Liability

- 8.1 Agent's Liability to the Parties as Owners. Notwithstanding any other provision of this Agreement, neither MidAmerican, nor its directors, officers, shareholders, employees, agents, consultants or contractors shall be liable, whether in contract (except for performance of this Agreement in its capacity as owner), tort, negligence, strict liability or otherwise, for any claim, loss, cost, liability, damage or expense incurred by Cedar Falls related to, arising out of or the result of any act or failure to act, whether negligent or otherwise, by MidAmerican (including its directors, officers, shareholders, employees, agents, consultants

or contractors), in its capacity as Agent under this Agreement, except for actions not taken in good faith which prejudice Cedar Falls.

8.2 Indemnification of Agent. Each Party agrees to indemnify and hold harmless, to the fullest extent permitted by law, MidAmerican and its directors, officers, shareholders, stakeholders, representatives, directors, agents and employees, consultants, contractors, invitees, assigns and Affiliates, from and against any claim, loss, liability, damage, cost or expense, including damage and liability for bodily injury to or death of persons (including employees), or damage to property of persons (including reasonable attorneys' fees and expenses, litigation costs, consultant fees, investigation fees, sums paid in settlements of claims, penalties or fines imposed under Applicable Laws and Regulations, and any such fees and expenses incurred in enforcing this indemnity or collecting any sums due hereunder) (collectively, "Loss") to the extent related to, arising out of, in connection with or resulting from MidAmerican's acts or failures to act in its capacity as Agent, including but not limited to its acts or failures to act in regard to the development, design, procurement, installation, construction, ownership, operation, repair, relocation, reconstruction, replacement, removal or maintenance of the Blackhawk-Hazleton 345 kV Project, regardless of whether caused wholly or partially by the negligence of MidAmerican, or its directors, officers, shareholders, employees or agents. Each Party's liability to indemnify MidAmerican as Agent shall be limited to its proportionate share of joint ownership of the Blackhawk-Hazleton 345 kV Project in relation to the total claim, loss, cost, liability, damage or expense (including judgments, costs and attorney's fees). This indemnity obligation shall include, but not be limited to: (i) any workers' compensation liability of Agent to its employees, (ii) liability to

any agents, contractors, subcontractors, or consultants, or (iii) liability to any third parties. This indemnity obligation shall not apply to any claim arising out of the gross negligence or willful misconduct of Agent, its agents, employees, invitees or assigns.

- 8.3 Promptly after receipt by MidAmerican of any claim or notice of the commencement of any action or administrative or legal proceeding or investigation to which the indemnity provided for in Section 8.2 may apply, MidAmerican shall notify Cedar Falls of such fact. Any failure of or delay in such notification shall not affect the indemnification obligation unless such failure or delay is materially prejudicial to Cedar Falls. Cedar Falls shall have the right to assume the defense thereof with counsel designated by MidAmerican. If the defendants in any such action include the Parties and if MidAmerican reasonably concludes that there may be legal defenses available to it which are different from or additional to those available to Cedar Falls, MidAmerican shall have the right to select separate counsel to assert such legal defenses at its expense and to otherwise participate in the defense of such action on its own behalf. In such instances, MidAmerican shall be entitled, at its expense, to participate in any action, suit or proceeding, the defense of which has been assumed by Cedar Falls. Notwithstanding the foregoing, Cedar Falls (i) shall not be entitled to assume and control the defense of any such action, suit or proceeding if and to the extent that, in the opinion of MidAmerican and its counsel, such action, suit or proceeding involves the potential imposition of criminal liability on MidAmerican, or there exists a conflict or adversity of interest between MidAmerican and Cedar Falls, in which event Cedar Falls shall pay its proportionate share of the reasonable expenses of MidAmerican associated with civil liability, and (ii) shall not settle or consent to the entry of any judgment in any action, suit or

proceeding without the consent of MidAmerican, which shall not be unreasonably withheld, conditioned or delayed.

- 8.4 Nothing in this Agreement shall be construed to create joint or several liability of a Party for the acts, omissions or obligations of the other Party.
- 8.5 Each Party shall be liable only for its own acts with regard to the Blackhawk-Hazleton 345 kV Project. Subject to the provisions of this Article 8, and to the provisions of Section 390.4, Code of Iowa (2013), as amended, the Parties shall have such rights of indemnity and contribution between themselves with respect to the subject of this Agreement as shall be permitted by law and consistent with the provisions of this Agreement. Nothing in this Agreement shall be construed to create joint or several liability for the benefit of any third party.
- 8.6 A Party shall not be liable to the other Party under any circumstances, for any special, indirect, exemplary, punitive, incidental or consequential loss or damage (including damages or claims in the nature of loss of revenue, income, profits or investment opportunities).
- 8.7 If MidAmerican is entitled to indemnification under this Article 8 as a result of a claim by a third party, and Cedar Falls fails, after notice and reasonable opportunity to proceed under this Section, to assume the defense of such claim, MidAmerican may, at the expense of the Parties contest, settle or consent to the entry of any judgment with respect to, or pay in full, such claim.
- 8.8 If Cedar Falls is obligated to indemnify and hold MidAmerican harmless under this Section, the amount owing to MidAmerican shall be the pro-rata portion of MidAmerican's actual Loss, net of any insurance or other recovery, based on Cedar Falls' proportionate ownership

share of the Blackhawk-Hazleton 345 kV Project.

8.9 During the period of construction of the Blackhawk-Hazleton 345 kV Project, Agent shall, to the extent it determines by exercise of its reasonable judgment made with Commercially Reasonable Efforts, cause to be carried, in the names of the Parties as their interests appear, builder's risk and/or installation floater insurance of the "all risks" type, including the risks of transit, loading and unloading at any point or place of shipment in the world, and continuously thereafter until delivered at job site, while awaiting further transportation, and during construction, installation and testing. Such insurance shall insure the interests of the Parties, the engineer, the contractors and all subcontractors, equipment suppliers and manufacturers. MidAmerican shall also require that all contractors, subcontractors, the engineer, and all equipment suppliers or manufacturers have adequate insurance and limits thereof, with carriers approved by MidAmerican, for workers' compensation, commercial general liability, contractual liability and such other hazards as MidAmerican shall deem appropriate with respect to the Blackhawk-Hazleton 345 kV Project. MidAmerican may provide for an insurance program in the nature of a "wrap-up" or owner-controlled insurance program ("OCIP") which may combine all or some hazards, and all of the Parties, contractors, subcontractors, engineers and equipment suppliers and manufacturers involved in the construction of the Blackhawk-Hazleton 345 kV Project being insured thereunder as their interests may appear.

8.10 During the construction and operation of the Blackhawk-Hazleton 345 kV Project, it is understood that nothing herein shall require or prohibit the carrying of liability insurance by MidAmerican or Cedar Falls. However, if either Party elects to carry liability insurance, such

insurance policies shall be written so that the insurers shall have no rights of reimbursement, subrogation or otherwise against MidAmerican or Cedar Falls which are greater than the rights and obligations that MidAmerican or Cedar Falls has to the other.

- 8.11 Except as may otherwise be agreed by the Parties, during operation of the Blackhawk-Hazleton 345 kV Project under this Agreement, MidAmerican shall procure and maintain, on a replacement cost basis, property insurance coverage on the Blackhawk-Hazleton 345 kV Project commensurate with that maintained by MidAmerican on its own transmission facilities and on other jointly owned transmission facilities operated by MidAmerican, and shall communicate annually to Cedar Falls the coverages, deductibles and (project-related) costs for all such insurances.

ARTICLE IX – Amendments

- 9.1 This Agreement shall not be changed or amended unless such change or amendment shall be in writing and signed by authorized representatives of all Parties.

ARTICLE X – Representations, Warranties and Covenants

- 10.1 Each Party makes the following representations, warranties and covenants:
- 10.1.1 Good Standing. Such Party is duly organized, validly existing and in good standing under the laws of the state in which it is organized, formed or incorporated, as applicable; and that it is qualified to do business and in good standing in the State of Iowa; and that it has the corporate power and authority to own its properties, to carry on its business as now being conducted and to enter into this Agreement and carry out the transactions contemplated hereby and perform and carry out all covenants and

obligations on its part to be performed under and pursuant to this Agreement.

10.1.2 Authority. Such Party has the right, power and authority to enter into this Agreement, to become a party hereto and to perform its obligations hereunder. This Agreement is a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms.

10.1.3 No Conflict. The execution, delivery and performance of this Agreement does not violate or conflict with the organizational or formation documents, or Municipal Charter, or bylaws or operating agreement, as applicable of such Party, or any judgment, license, permit, order, material agreement or instrument applicable to or binding upon such Party or any of its assets.

10.1.4 Consent and Approval. Such Party has sought or obtained, or, in accordance with this Agreement will seek or obtain, each consent, approval, authorization, order, or acceptance required from any Governmental Authority in connection with the execution, delivery and performance of this Agreement, and it will provide to any Governmental Authority notice of any actions under this Agreement that are required by Applicable Laws and Regulations.

10.2 The representations, warranties and covenants of the Parties contained in Article X of this Agreement are material provisions of this Agreement and the breach of any such representation, warranty or covenant shall be deemed a default under this Agreement.

ARTICLE XI – Default and Termination

11.1 General. No Default shall exist where such failure to discharge an obligation (other than the payment of money) is the result of a Force Majeure as defined in this Agreement or the result

of an act or omission of the other Party. Upon a Default, the non-defaulting Party shall give written notice of such Default to the defaulting Party. The defaulting Party shall have 30 calendar days from receipt of the Default notice within which to cure such Default; provided however, if such Default is not capable of cure within 30 calendar days, the defaulting Party shall commence such cure within 20 calendar days after notice and continuously and diligently complete such cure within six months from receipt of the Default notice; and, if cured within such time, the Default specified in such notice shall cease to exist.

- 11.2 Right to Terminate. If a Default is not cured as provided in this article, or if a Default is not capable of being cured within the period provided for herein, the non-defaulting Party shall have the right to terminate this Agreement by providing at least thirty (30) days' prior written notice until cure occurs, and be relieved of any further obligation hereunder and, whether or not this Agreement is terminated, to recover from the defaulting Party all amounts due hereunder, plus all other damages and remedies to which it is entitled at law or in equity. The provisions of this article will survive termination of this Agreement.

ARTICLE XII – Miscellaneous

- 12.1 This contract shall be governed by and construed in accordance with the laws of the State of Iowa or the laws of the United States, as applicable, without regard to the conflicts of law provisions and shall be construed to comply with the provisions of Chapter 390 Code of Iowa (2013), as amended (and as may be hereafter amended).
- 12.2 Force Majeure
- 12.2.1 Except for the obligation to make any payments under this Agreement, the Parties shall be excused from performing their respective obligations under this Agreement

and shall not be liable in damages or otherwise if and to the extent that they are unable to so perform or are prevented from performing by a Force Majeure, provided that:

- a. the non-performing Party, within a reasonable time after the occurrence of the cause relied upon gives the other Party written notice describing the particulars of the occurrence;
- b. the suspension of performance is of no greater scope and of no longer duration than is reasonably required by the Force Majeure;
- c. the non-performing Party uses all Commercially Reasonable Efforts to remedy its inability to perform; and
- d. as soon as the non-performing Party is able to resume performance of its obligation excused as a result of the occurrence, it gives written notification to the other Party.

12.2.2 A Party shall promptly notify the other Party when it becomes aware of its inability to comply with the provisions of this Agreement for a reason other than Force Majeure. The Parties agree to cooperate with each other and provide necessary information regarding such inability to comply, including, but not limited to, the date, duration and reason for the inability to comply, and corrective actions taken or planned to be taken with respect to such inability to comply.

12.3 This Agreement shall inure to the benefit of and shall be binding upon the Parties and their respective successors and assigns subject to the provisions of Section 4.6 hereof.

12.4 This Agreement may be executed in several counterparts, each of which shall be an original

and all of which shall constitute but one and the same instrument.

12.5 This Agreement shall supersede all other prior and contemporaneous understandings or agreements, both written and oral, between the Parties relating to the subject matter of this Agreement.

12.6 Each Party consents that any legal action or proceeding arising under or relating to this Agreement, or both, shall be brought in any court of the State of Iowa or any federal court of the United States of America located in the State of Iowa, except to the extent the IUB or FERC has primary or exclusive jurisdiction over the subject matter of the action or proceeding. In the event of any dispute arising under this Agreement, it is agreed between the parties that the law of the State of Iowa will govern the interpretation, validity and effect of this Agreement without regard to the place of execution or place of performance thereof. TO THE FULLEST EXTENT PERMITTED BY LAW, EACH OF THE PARTIES HERETO WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF LITIGATION ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY FURTHER WAIVES ANY RIGHT TO CONSOLIDATE ANY ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED, UNLESS APPLICABLE LAW OR RULES OF PROCEDURE REQUIRE CONSOLIDATION (OR BAR OR PRECLUDE AN ACTION IF NOT CONSOLIDATED).

12.7 No delay or omission in the exercise of any right under this Agreement shall impair any such right or shall be taken, construed or considered as a waiver or relinquishment thereof, but any

such right may be exercised from time to time and as often as may be deemed expedient. In the event that any provision of this Agreement shall be breached and thereafter waived, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach of this Agreement. The rights and remedies provided by this Agreement shall be in addition to those rights and remedies available to the Parties in both law and equity.

- 12.8 All exhibits and/or schedules referred to in this Agreement are hereby made a part of this Agreement by this reference. The headings contained in this Agreement are solely for convenience and do not constitute a part of the Agreement between the Parties, nor should such headings be used to aid in any manner in the construction of this Agreement.
- 12.9 This Agreement is intended solely for the benefit of the Parties hereto. Nothing in this Agreement shall be construed to create any duty to, or standard of care with reference to, or any liability to, or any benefit for, any person not a party to this Agreement.
- 12.10 This Agreement is not intended, and shall not be construed, to create any association, joint venture, agency relationship or partnership between the Parties or to impose any such obligation or liability upon a Party. No Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or act as or be an agent or representative of, or otherwise bind, the other Party, except as expressly provided for elsewhere in this Agreement for MidAmerican as Agent.
- 12.11 Upon the receipt of a written request from a Party, the other Party shall execute such additional documents, instruments and assurances and take such additional actions as are reasonably necessary and desirable to carry out the terms and intent of this Agreement. No

Party shall unreasonably withhold, condition or delay its compliance with any reasonable request made pursuant to this Section.

12.12 If this Agreement is terminated for any reason of Default of MidAmerican prior to the completion of the work required by this Agreement, MidAmerican agrees to use Commercially Reasonable Efforts to mitigate those costs and expenses that Cedar Falls is obligated to pay hereunder subsequent to the termination.

12.13 The obligations of a city or city utility under this Agreement and any bonds or obligations used to fund such obligations are payable solely out of future net revenues of the city utility, and are not a debt or charge against the city within the meaning of any constitutional or statutory debt limitation provision.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their authorized representatives as of the date first above written.

MidAmerican Company

By: /s/ Jeffery J. Gust

Name: Jeff Gust

Title: Vice President – Compliance and Standards

Date Signed: August 18, 2014

City of Cedar Falls, Iowa

By: /s/ Roger Kueter

Name: Roger Kueter

Title: Chair, Board of Trustees of Municipal Electric Utility of the City of Cedar Falls, Iowa

Date Signed: August 13, 2014

SCHEDULE 1

FACILITIES CONSTRUCTION SCHEDULE

<u>Action Required</u>	<u>Target Date</u>
MidAmerican Commences Blackhawk-Hazleton 345 kV Project ⁽¹⁾	January 1, 2012 (Completed)
MidAmerican Completes Blackhawk-Hazleton 345 kV Project ⁽¹⁾	December 31, 2015

(1) See definition – Section 1.1 of Joint Ownership Agreement

Exhibit A – Accounting Memorandum

For the Joint Ownership Agreement For Blackhawk-Hazleton 345 kV Project

I. Purpose

This Accounting Memorandum (“Memorandum”) is part of the Agreement among the Parties, relating to the development, design, procurement, construction, operation and maintenance, repair, replacement and retirement of the Blackhawk-Hazleton 345 kV Project. The terms used in this Memorandum shall have the same meaning as in the Agreement.

It is recognized this Memorandum may not include all the necessary accounting procedures. The Transmission Operating Committee shall meet from time to time to establish business practices for implementation of this memorandum, or to discuss accounting procedures and questions to attempt to reach mutually satisfactory amendments to this Memorandum. In the event any dispute arises out of or relating to this Memorandum, which cannot be resolved to the mutual satisfaction of all Parties, an independent expert, such as one of the five largest public accounting firms, may be retained to provide guidance to the Parties.

II. Books and Records

Books and records applicable to shared costs shall be kept by Agent at its principal office or its other storage facilities, and retained as required by Part 125 – “Preservation of Records of Public Utilities and Licensees” – of the FERC regulations or any other regulatory body having jurisdiction. Agent shall, during normal working hours, make available at its principal office all such original records and supporting documents to authorized representatives of the other Party. The records shall also be made available, on written request by the other Party, to independent auditors and representatives of any regulatory body or taxing authority having jurisdiction for inspection, copying, audit or other proper business requirements. Upon request by the other Party, Agent shall furnish copies of such records and shall be reimbursed for the expense of preparing such copies by the other Party.

III. Construction Costs

Construction costs shall be accounted for in accordance with the accounting procedures typically used by MidAmerican. All “shared” original construction costs shall be allocated to the Parties according to their Parties Interests as set forth in Section 5.1 of the Agreement.

1. **Shared costs** are those costs in which the Parties participate. These costs shall include but not necessarily be limited to the following:
 - (a) Costs of obtaining permits and certificates
 - (b) Environmental studies and evaluations
 - (c) Cost of studies required by applicable regional transmission authorities

- (d) Design, construction engineering and project management costs
 - (e) Contractors' costs
 - (f) Material and equipment costs
 - (g) Insurance costs
 - (h) Sales, use and local option sales taxes
 - (i) MidAmerican construction labor
 - (j) MidAmerican overheads applicable to construction
2. **Unshared costs** are those costs incurred by either of the Parties to be paid for, "owned" and recorded solely by such Party. These costs shall include but not necessarily be limited to the following:
- (a) Financing costs, including allowance for funds used during construction
 - (b) Income taxes
 - (c) Iowa Utility Replacement tax
 - (d) Depreciation and amortization

IV. Description of MidAmerican Construction Cost Elements

MidAmerican, as a part of its project management and coordination responsibilities, shall provide certain services for all of the Parties. Charges for these services are defined in the following sections:

1. **MidAmerican Payroll** – Direct labor cost and labor-related loadings, such as those described in 2. a. through e. below shall be charged to the Blackhawk-Hazleton 345 kV Project.
2. **MidAmerican Indirect Costs** – Indirect costs shall be charged to the Blackhawk-Hazleton 345 kV Project through loadings rates applied to the related MidAmerican direct costs charged to Blackhawk-Hazleton 345 kV Project. The loading rates shall be reviewed regularly and adjusted as necessary to provide for the proper loading of indirect costs.
 - (a) **Paid Absences** – The cost of paid absences such as vacation, holidays, sickness and other paid time off shall be charged to the Blackhawk-Hazleton 345 kV Project as percentages of direct construction payroll according to MidAmerican procedures. The loading rate applied to direct payroll shall be based on MidAmerican's system-wide experience for paid absences.
 - (b) **Payroll Taxes** – Payroll taxes such as federal and state unemployment taxes and FICA taxes shall be charged to the Blackhawk-Hazleton 345 kV Project as percentages of direct construction payroll according to MidAmerican procedures. The loading rate applied to direct payroll shall be based on MidAmerican's system-wide experience for payroll taxes.

- (c) **Pensions and Benefits** – The cost of pensions and benefits shall be charged to the Blackhawk-Hazleton 345 kV Project as percentages of direct construction payroll according to MidAmerican procedures. The loading rate applied to direct payroll shall be based on MidAmerican’s system-wide experience for pensions and benefits.
 - (d) **Performance Incentive Plan** – The cost of MidAmerican’s performance incentive plan shall be charged to the Blackhawk-Hazleton 345 kV Project as a percentage of direct construction payroll according to MidAmerican procedures.
 - (e) **Injuries and Damages** – A provision for injuries and damages shall be charged to the Blackhawk-Hazleton 345 kV Project as percentages of direct construction payroll according to MidAmerican procedures. The loading rate applied to direct payroll shall be based on MidAmerican’s system-wide experience for injuries and damages.
 - (f) **Stores Expense** – The cost of the Blackhawk-Hazleton 345 kV Project materials obtained from MidAmerican storerooms shall include a stores expense loading and shall be the same as used by MidAmerican to load similar stores issues to other work orders during the month.
3. **MidAmerican Vehicle and Equipment Expenses** – The cost of project-related usage of vehicles and equipment owned by MidAmerican shall be charged to the Blackhawk-Hazleton 345 kV Project according to MidAmerican’s procedures.
 4. **MidAmerican Administrative and General Expenses**
 - (a) **Legal, Accounting and Consulting Costs** – Retainer fees shall not be capitalized unless the firm has been retained specifically as a result of the Blackhawk-Hazleton 345 kV Project. Professional fees and out-of-pocket expenses in excess of normal retainers shall be charged directly to the Blackhawk-Hazleton 345 kV Project.
 - (b) **Other Expenses** – All other administrative and general expenses not covered above which are related to the construction of the Blackhawk-Hazleton 345 kV Project shall be identified and charged to the Blackhawk-Hazleton 345 kV Project.
 5. **Financing Costs or Allowance for Funds Used During Construction** – Each Party shall record its own financing costs, including allowance for funds used during construction, if applicable.
 6. **Construction Power** – Construction power shall be charged to the Blackhawk-Hazleton 345 kV Project until the date that the pertinent facilities are placed in service.
 7. **Other Costs** – Other costs not covered above which are related to the construction of the Blackhawk-Hazleton 345 kV Project shall be identified and charged to the Blackhawk-Hazleton 345 kV Project.

V. **Property Records and Reports**

MidAmerican shall furnish monthly invoices to Cedar Falls that will include a report showing the allocation of shared costs incurred. After the completion of construction,

MidAmerican shall unitize the Blackhawk-Hazleton 345 kV Project expenditures in accordance with the FERC Uniform System of Accounts using its own procedures and property units and shall inform Cedar Falls as to the total of shared costs for each property unit. Subsequent additions or retirements shall be reported to Cedar Falls by property units.

VI. Operating and Maintenance Expenses

All operating and maintenance expenses incurred by MidAmerican for the Blackhawk-Hazleton 345 kV Project shall be shared by the Parties in accordance with Sections 5.1 of the Agreement. Specific portions of these expenses shall be charged to the Parties in the following manner:

1. **Blackhawk-Hazleton 345 kV Project Operating and Maintenance Expenses** – As practicable, labor and other operating and maintenance expenses, which can be directly identified with the Blackhawk-Hazleton 345 kV Project, shall be charged directly to the Blackhawk-Hazleton 345 kV Project. Payroll expenses shall include loadings as described in Section IV. 2. a. through f. of this Memorandum. Expenses partially, but not wholly, applicable to the Blackhawk-Hazleton 345 kV Project shall be allocated to the Blackhawk-Hazleton 345 kV Project on an equitable basis approved by the Transmission Operating Committee.
2. **Administrative and General Expenses** – In order for MidAmerican to recover its indirect costs associated with the operation of the Blackhawk-Hazleton 345 kV Project, overhead loadings shall be added to the operations and maintenance expenses billed to Cedar Falls. The overhead loading amounts will be calculated by multiplying MidAmerican's estimated Transmission/HV Distribution G&A Loading Rate by the sum of the direct payroll and paid absence loading.
 - (a) The Transmission/HV Distribution G&A Loading Rate loading rate is calculated by dividing the total of Administrative and General Salaries, Office Supplies and Expenses, Rents, and Maintenance of General Plant by direct O&M payroll. The G&A loading rate is applied to the sum of direct Transmission O&M payroll as charged plus paid absence loading.
 - (b) The Paid Absence Loading Rate, by dividing Vacation, Sick Leave and Holiday costs by productive (non-paid absence) direct payroll. Throughout the year, the associated accruals are monitored against actual costs and the rate is adjusted as necessary so that the accruals match actual costs at yearend. The paid absence loading rate is applied to productive (non-paid absence) Transmission O&M direct payroll.
 - (c) Following the end of each year the actual overhead loading rate for that year shall be calculated and a true-up adjustment shall be made.
 - (d) All other administrative and general expenses allocable to the Blackhawk-Hazleton 345 kV Project shall be identified and charged directly to the Blackhawk-Hazleton 345 kV Project.

3. **Third Party Charges** – Any applicable charges allocated to Agent based on, or as a consequence of, the Blackhawk-Hazleton 345 kV Project, including but not limited to FERC fees, NERC or Regional Reliability Council allocations, charges allocated by a regional entity having authority over the Blackhawk-Hazleton 345 kV Project, or charges from any other entity having a legitimate basis to allocate charges to the Blackhawk-Hazleton 345 kV Project.

VII. Materials and Supplies

Materials and supplies shall be charged to the Blackhawk-Hazleton 345 kV Project at cost plus an appropriate loading charge, where applicable. The loading rate for Materials and Supplies is computed by dividing Stores labor and transportation expenses by the balance in Stores Inventory. The rate is monitored monthly and adjusted as necessary through the year. The Stores loading rate is applied to the value of stores issuances. Thus, any materials issued from a MidAmerican storeroom for use on a jointly owned transmission facility would be charged to a joint transmission O&M account and would include loading at this rate.

VIII. Vehicle and Equipment Charges

The cost of MidAmerican vehicles and equipment used in relation to the Blackhawk-Hazleton 345 kV Project shall be charged to the Blackhawk-Hazleton 345 kV Project. Vehicle usage rates are developed by assigning vehicle overheads (maintenance costs, license fees, lease payments) to pools of vehicles based on type and dividing the pool cost by the number of vehicles in the pool to derive a per-vehicle cost. The per-vehicle cost is then divided by 12 to obtain a monthly cost that is assigned to each pool vehicle. If a MidAmerican pool vehicle were to be used in service to Blackhawk-Hazleton 345 kV Project, the O&M charge to Blackhawk-Hazleton 345 kV Project would include an allocation of that overhead cost based on the hours that vehicle is used to serve the Blackhawk-Hazleton 345 kV Project.

IX. Calculation of Percentages

Percentages for any allocations required in this Memorandum shall be rounded to the nearest one-one hundredth of one percent.

X. Accounting Procedures

All the necessary accounting procedures provided for hereunder as well as the underlying costs shall be recorded consistently with Generally Accepted Accounting Principles and the Federal Energy Regulatory Commission's Uniform System of Accounts. Costs incurred and charged to Parties shall be just, reasonable and shall be generally consistent with regulatory requirements and practices.