

**June 26, 2015**

**IOWA UTILITIES BOARD**

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
IOWA STATE UTILITIES BOARD

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<b>IN RE:</b>	:	
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<b>APPLICATION OF MIDAMERICAN</b>	:	<b>DOCKET NO. RPU-2015-0002</b>
<b>ENERGY COMPANY FOR A</b>	:	
<b>DETERMINATION OF</b>	:	
<b>RATEMAKING PRINCIPLES</b>	:	

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**MOTION TO APPROVE STIPULATION AND AGREEMENT AND SUSPEND  
PROCEDURAL SCHEDULE**

COMES NOW, MidAmerican Energy Company (“MidAmerican”) and requests that the Iowa Utilities Board (“Board”) approve the Stipulation and Agreement filed concurrently by the parties in this proceeding and suspend the procedural schedule set forth in its May 8, 2015, “Order Docketing Case, Setting Procedural Schedule and Intervention Deadline, and Shortening Data Request Response Time” (“Procedural Order”). In support thereof MidAmerican states the following:

1. On April 30, 2015, MidAmerican filed an Application for Ratemaking Principles in conjunction with MidAmerican’s proposal to add up to 552 MW of additional wind facilities in Iowa (“Wind X”). That filing was accompanied by testimony and exhibits in support of the application.
2. On May 6, 2015, the Office of Consumer Advocate (“OCA”) filed an appearance in this proceeding.
3. On May 8, 2015, the Board issued the Procedural Order in this proceeding.

4. On May 13, 2015, the Environmental Law & Policy Center and the Iowa Environmental Council (“Environmental Intervenors”) filed a Petition to Intervene, which was granted by the Board in an Order dated May 15, 2015.
5. On May 21, 2015, the Board issued an Order Requiring Additional Information from MidAmerican asking thirty-three (33) questions. Most of the required additional information was filed with the Board on May 28, 2015, and the remainder was submitted on June 10, 2015 (pursuant to the Board’s permission granted in a May 28, 2015 order).
6. Prior to filing their direct testimony, the OCA and Environmental Intervenors served a substantial number of data requests on MidAmerican. MidAmerican also spent a significant amount of time in meetings (either in-person or via teleconference) with the OCA and Environmental Intervenors answering questions regarding MidAmerican’s Wind X Application and the responses to the additional information requested by the Board.
7. On June 8, 2015, the OCA filed its direct testimony, as did the Environmental Intervenors. The OCA proposed changes to the return on equity ratemaking principle and the discount rate, and proposed changing the depreciation ratemaking principle to permit OCA, as well as MidAmerican, to seek a change in the depreciation rate in future years. The Environmental Intervenors, in their testimony, endorsed the Wind X project and requested that the Board provide timely approval of the project.
8. On June 15, 2015, MidAmerican filed the rebuttal testimony of MidAmerican witnesses Thomas B. Specketer and Dr. James H. Vander Weide.

9. On June 19, 2005 the Board issued an Order Requiring Additional Information from MidAmerican asking an additional ten (10) questions. The required additional information was filed with the Board on June 23, 2015.
10. MidAmerican notes that the most significant change in Wind X compared to previous wind ratemaking filings is the introduction of the Customer Revenue Credit. MidAmerican introduced this new credit mechanism in response to the Board's challenge to the Company in a previous wind ratemaking principle case to more fairly allocate benefits between customers in the early and later years of the project. MidAmerican appreciates the Board's encouragement to analyze customer benefits differently and submits that the Customer Revenue Credit creates a more balanced outcome for current and future customers as well as MidAmerican.
11. Concurrent with the filing of this Motion, MidAmerican and the OCA are filing a Stipulation and Agreement to resolve all issues in this proceeding. MidAmerican notes that the Iowa Administrative Procedures Act encourages settlement of controversies. See Iowa Code §17A.10(1). In the past the Board has favorably cited to this section of the Code, in its approval of a proposed settlement agreement in a contested rate proceeding. See In Re: U.S. West Communications, Inc., Docket No. RPU-96-2, *Order Approving Settlement* (I.U.B., April 16, 1999).<sup>1</sup>
12. The Environmental Intervenors have authorized MidAmerican to state that they have no position on the settlement terms related to the ratemaking principles but generally support Wind X and therefore have no objection to the Motion to Suspend.

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<sup>1</sup> 1999 WL 35233300 (Iowa U.B.)

13. Because MidAmerican has (i) provided support for the Ratemaking Principles Application in its direct and rebuttal testimony, (ii) supplemented the record with its responses to forty-three (43) questions from the Board, and (iii) in combination with OCA, has compromised on all of the issues identified in the Joint Issues Statement (return on equity, cost cap, discount rate) filed on June 19, 2015, and the settlement on all such issues reflect what is presented in the testimony and exhibits of MidAmerican and OCA in this proceeding, an evidentiary hearing and the submission of post-hearing briefs, would not materially enhance the evidence nor materially supplement the existing record in this proceeding.
14. Board Rule 199—7.18(17A,476), I.A.C states that “The board [ . . . ] will not approve settlements, [ . . . ] unless the settlement is reasonable in light of the whole record, consistent with the law, and in the public interest.” In light of all of the information provided as referenced above, MidAmerican submits that a comprehensive record by which to evaluate Wind X has been established. MidAmerican further submits that, based on this record, the settlement agreement is reasonable, consistent with the law and is in the public interest.
15. Should the Board agree this settlement is reasonable, consistent with the law and is in the public interest, consistent with the Stipulation and Agreement, MidAmerican Energy Company, the Environmental Intervenors, and the OCA by separate motion respectfully

request that the July 6, 2015 hearing in this proceeding be cancelled, and that the Iowa Utilities Board issue a final order.<sup>2</sup>

WHEREFORE, for the foregoing reasons, MidAmerican Energy Company respectfully requests the Iowa Utilities Board suspend the procedural schedule, and enter an order approving the ratemaking principles set forth in the Stipulation and Agreement.

MIDAMERICAN ENERGY COMPANY

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DATED: June 26, 2015

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<sup>2</sup> MidAmerican respectfully notes that in seven (7) out of eleven (11) dockets involving ratemaking principles for MidAmerican generation projects, the Board has previously determined that MidAmerican and various other parties have been able to establish a sufficient record and present settlement agreements that were reasonable, consistent with the law, and in the public interest and subsequently cancelled the hearing. See MidAmerican Energy Company, Docket No. RPU-02-10, *Order Cancelling Hearing* (April 28, 2003) (CBEC #4); MidAmerican Energy Company, Docket No. RPU-03-1, *Order Suspending Hearing and Requiring Additional Information* (Aug. 28, 2003) and *Order Approving Stipulation and Agreement* (Oct. 17, 2003) (Wind I); MidAmerican Energy Company, Docket No. RPU-04-3, *Order Cancelling Hearing* (Jan. 24, 2005) and *Order Approving Stipulation and Agreement* (Jan. 31, 2005) (Wind II); MidAmerican Energy Company, Docket No. RPU-05-4, *Order Cancelling Hearing* (Mar. 31, 2006) and *Order Approving Stipulation and Agreement* (April 18, 2006) (Wind III); MidAmerican Energy Company, Docket No. RPU-07-2, *Order Approving Stipulation and Agreement* (July 27, 2007) (Wind IV) – there was a technical conference in this case; MidAmerican Energy Company, Docket No. RPU-08-2, *Order Approving Stipulation and Agreement* (June 16, 2008) (Wind V); MidAmerican Energy Company, Docket No. RPU-08-4, *Order Approving Stipulation and Agreement* (Aug. 27, 2008) (Wind VI).

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<b>IN RE:</b>	:	
	:	
<b>APPLICATION OF MIDAMERICAN ENERGY COMPANY FOR A DETERMINATION OF RATEMAKING PRINCIPLES</b>	:	<b>DOCKET NO. RPU-2015-0002</b>
	:	
	:	

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**STIPULATION AND AGREEMENT**

Dated June 26, 2015

**Article I – Introduction**

On April 30, 2015, MidAmerican Energy Company (“MidAmerican”) filed an application requesting the Iowa Utilities Board (“Board”) specify in advance the ratemaking principles that would apply to the proposed Wind X Iowa Project (“Wind X”). Wind X involves the installation of up to 552 MW of new wind generation.

**Article II – Purpose**

This Stipulation and Agreement has been prepared and executed by the signatories for the purpose of resolving all issues between the signatories regarding Wind X. In consideration of the mutual agreements set forth herein, the signatories stipulate their belief that the Board should issue an order that allows the terms and provisions of this Stipulation and Agreement to be fully implemented.

**Article III – Ratemaking Principles**

The signatories to this Stipulation and Agreement agree to support the Wind X Iowa Project with the following ratemaking principles:

<b>Topic</b>	<b>Ratemaking Principle</b>
<b>Iowa Jurisdictional Allocation</b>	The Wind X Iowa Project will be allocated to Iowa in the same manner as the Greater Des Moines Energy Center, Walter Scott Jr. Energy Center Unit No. 4, and prior wind projects.

<b>Cost Cap</b>	The cost cap for the Wind X Iowa Project (including AFUDC) is \$1.638 million per MW (including AFUDC) on a project-wide basis. In the event that actual capital costs of Wind X are lower than the cost cap, rate base shall consist of actual costs. In the event actual capital costs exceed the cost cap, MidAmerican shall be required to establish the prudence and reasonableness of such excess before it can be included in rates.
<b>Size Cap</b>	The ratemaking principles shall be applicable to all new MidAmerican wind capacity, up to 552 MW, built as a part of the Wind X Iowa Project.
<b>Customer Revenue Credit</b>	The following ratemaking treatment for Wind X shall remain in effect until the assets are reflected in rates in MidAmerican's next Iowa electric rate case. Each month 100% of the Iowa retail energy benefits from Wind X production shall be excluded from the Iowa energy adjustment clause and be used to accelerate depreciation on Walter Scott Energy Center Unit 4 ("WSEC 4") (i.e. rate base reduction) through revenue sharing without regard to whether MidAmerican otherwise would have exceeded the revenue sharing threshold. Such accelerated depreciation on WSEC 4 (both the depreciation expense and rate base reduction) shall be included in the calculation of any additional revenue sharing for the year. Any additional revenue sharing in excess of the undepreciated cost of WSEC 4 would be used to reduce rate base in the following order: (1) Ottumwa Generating Station, (2) Louisa Generating Station, (3) Neal Energy Center 4; (4) Neal Energy Center 3, and (5) Walter Scott Energy Center 3.
<b>Depreciation</b>	The depreciation life of the Wind X Iowa Project for ratemaking purposes shall be 30 years. MidAmerican or the Office of Consumer Advocate shall be able to propose a revision to the depreciable life in the event an independent depreciation expert provides support for a different useful life.
<b>Return on Equity</b>	The allowed return on the common equity portion of the wind project Wind X, constructed pursuant to this Ratemaking Principles Application, that is included in Iowa electric rate base, shall be 11.35%. An AFUDC rate that recognizes a return on common equity rate of 10.0% shall be applied to construction work in progress for Wind X generation.
<b>Cancellation Cost Recovery</b>	In the event MidAmerican cancels any Wind X site for good cause, MidAmerican's prudently incurred and unreimbursed costs shall be amortized over a period of ten years beginning no later than six months after the cancellation. The annual amortization shall be recorded above-the-line and included in MidAmerican's revenue sharing or revenue requirement calculations, but the unamortized balance shall not be included in rate base in any such calculations.
<b>Renewable Energy and CO2 Credits and the Like</b>	The Iowa portion of any revenues from the sale of renewable energy credits, carbon credits or other environmental related benefits associated with Wind X will be recorded above-the-line in FERC accounts 456, 411.8 and 411.9, or any successor accounts for the recording of such revenues. However, the Iowa jurisdictional portion of any revenues from the sale of renewable energy credits, carbon credits or other environmentally related benefits associated with Wind X will be excluded from the Iowa Energy Adjustment Clause until included in the Energy Adjustment Clause in a subsequent MidAmerican Iowa electric general rate case. For subsequent general rate cases, the Iowa jurisdictional portion of the investment and all other costs and benefits of the Wind X project shall be included in base rates, and the Iowa jurisdictional portion of any revenues from the sale of renewable energy credits, carbon credits or other environmentally related benefits associated with Wind X shall be included in the Iowa Energy Adjustment Clause.
<b>Federal Production Tax Credit</b>	The Iowa jurisdictional portion of any federal production tax credits associated with Wind X will be recorded above-the-line in FERC account 409.1, or any successor account for recording such credits. However, the Iowa jurisdictional portion of any

	federal production tax credits associated with Wind X will be excluded from the Iowa Energy Adjustment Clause approved in MidAmerican’s 2013 Iowa electric general rate case. For subsequent rate proceedings, the Iowa jurisdictional portion of the investment and all other costs and benefits of the Wind X project shall be included in base rates, and the Iowa jurisdictional portion of any federal production tax credits associated with Wind X shall be included in an Iowa Energy Adjustment Clause.
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**Article IV – Motions**

The signatories shall jointly file with the Board this Stipulation and Agreement in the docket initiated by MidAmerican’s filing of a ratemaking principles application pursuant to Iowa Code Section 476.53 for the Wind X Iowa Project. The signatories shall also file with the Board motions requesting that the Board accept this Stipulation and Agreement without condition or modification. In addition, signatories shall include in their motions a request that the Iowa Utilities Board suspend the remainder of the procedural schedule in this proceeding.

**Article V – Condition Precedent**

This Stipulation shall not become effective unless and until the Board accepts the same in its entirety without condition or modification.

**Article VI – Privilege and Limitation**

This Stipulation and Agreement is made pursuant to Iowa Code §17A.10 and 199 I.A.C. §7.18. This Stipulation and Agreement relates only to the specific matters referenced herein, and neither signatory waives any claim or right that it may otherwise have with respect to any matter not expressly provided for herein. Except as expressly provided in this Stipulation and Agreement, neither signatory shall be deemed to have approved, accepted, agreed or consented to any ratemaking principle, any method of cost of service determination, or any method of cost allocation underlying the provisions of this Stipulation and Agreement or be prejudiced or bound thereby in any other current or future proceeding before any agency. Except as necessary to



implement Article III, this Stipulation and Agreement shall not, directly or indirectly, be referred to as precedent in any other current or future proceeding before the Board except with the written consent of the signatories.

#### **Article VII – Execution**

To facilitate and expedite execution, this Stipulation and Agreement may be executed by the signatories in multiple conformed copies which, when the original signature pages are consolidated into a single document, shall constitute a fully-executed document binding upon all the signatories. The facsimile signatures of the signatories shall be deemed to constitute original signatures, and facsimile copies hereof shall be deemed to constitute duplicate originals.

#### **Article VIII – Modification and Amendment**

This Stipulation and Agreement shall not be amended or modified except by an instrument in writing signed by all signatories.

#### **Article IX – Term**

This Stipulation and Agreement shall remain in effect as long as the Wind X Iowa Project facilities covered by the Ratemaking Principles in Article III continue to provide regulated electric service to Iowa consumers.

#### **Article X – Binding Nature**

This Stipulation and Agreement shall be binding on the signatories. The signatories shall take no actions directly or indirectly to eliminate or otherwise limit or expand the scope or effect of this Stipulation and Agreement throughout its term.

#### **Article XI – Further Assurances**

The signatories agree to cooperate in order to effectuate the full and complete intent of the signatories as expressed in this Stipulation and Agreement.

**Article XII – Entire Agreement**

This Stipulation and Agreement contains the entire agreement between the signatories. There are no additional terms, whether consistent or inconsistent, oral or written, that have not been incorporated into this Stipulation and Agreement.

MIDAMERICAN ENERGY COMPANY

OFFICE OF CONSUMER ADOCATE

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(Signature)

/s/ Ronald C. Polle  
(Signature)

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Date: June 26, 2015

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