

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

IN THE MATTER OF)
MIDAMERICAN ENERGY COMPANY’S)
APPLICATION FOR APPROVAL OF ITS)
2016 RECONCILIATION AND 2017) **DOCKET NO. EL_____**
TRANSMISSION COST RECOVERY)
FACTORS)

**APPLICATION FOR APPROVAL OF MIDAMERICAN ENERGY COMPANY’S 2016
RECONCILIATION AND 2017 TRANSMISSION COST RECOVERY FACTORS**

COMES NOW, MidAmerican Energy Company (“MidAmerican”), and respectfully requests the South Dakota Public Utilities Commission (“Commission”) approve MidAmerican’s 2017 Transmission Cost Recovery (“TCR”) Factors for its electric rates to be effective April 3, 2017, and approve MidAmerican’s 2016 TCR reconciled costs pursuant to S.D.C.L. §§ 49-34A-25.1 through 49-34A-25.4. In support of MidAmerican’s request, MidAmerican states as follows:

Introduction

1. MidAmerican is an electric and natural gas distribution utility operating in the states of South Dakota, Iowa, Illinois, and Nebraska and is a public utility pursuant to S.D.C.L. Ch. 49-34A.

2. In Docket No. EL14-072, the Commission approved a Settlement Stipulation allowing MidAmerican to implement a TCR. MidAmerican’s TCR became effective July 13, 2015, and includes certain transmission-related costs assessed to MidAmerican by the Midcontinent Independent System Operator, Inc. (“MISO”), including a portion of the costs associated with MidAmerican’s regionally-allocated electric transmission facilities as reflected in

MidAmerican's transmission rates approved by the Federal Energy Regulatory Commission ("FERC").

3. Specifically, the costs assessed by MISO include MISO administrative costs¹ as well as MISO regional transmission costs.² With respect to the portion of MidAmerican's regionally-allocated transmission facilities, MidAmerican's TCR clause utilizes the MidAmerican rate templates filed with FERC ("FERC Rate Template"). MidAmerican's TCR replaces the overall rate of return reflected in the FERC Rate Template with an overall rate of return based on the Company's actual capital structure, including actual debt costs as of the prior year and the rate of return on common equity approved by the Commission in Docket No. EL14-072.

4. In this Application, MidAmerican includes its TCR reconciliation for 2016 and the calculation of the 2017 TCR factors to be implemented. MidAmerican respectfully requests the Commission approve the 2016 TCR reconciliation and the new 2017 TCR factors to be effective with the first April 2017 bill groups through the final March 2018 bill groups.

Required Information

5. MidAmerican's Application includes copies of information to be provided to customers through bill notices and posting at the utility offices pursuant to ARSD 20:10:13:18 and 20:10:13:19.

6. MidAmerican submits the following reporting requirement information pursuant to S.D. Admin. R. 20:10:13:26:

(1) Name and address of the public utility

MidAmerican Energy Company
106 East Second Street
Davenport, Iowa 52801
563-333-8869

¹ Presently tariffed as MISO FERC Transmission Rate Schedules 10 and 10-FERC.

² Presently tariffed as MISO FERC Transmission Rate Schedules 26 and 26-A.

(2) Section and sheet number of tariff schedule

South Dakota Electric Tariff Schedule No. 2

Section No. 3 2nd Revised Sheet No. 73

Canceling 1st Revised Sheet No. 73

(3) Description of the change

Upon Commission approval, MidAmerican will update the current TCR factor of \$0.00173/kWh to the proposed 2017 TCR factor of \$0.00182/kWh for residential customers; \$0.00037 to \$0.00125 for small general service, energy customers; \$0.00175 to \$0.00154 for small general service, demand customers; \$0.00123 to \$0.00142 for large general service customers; \$0.00087 to \$0.00140 for water pumping customers; and \$0.00076 to \$0.00058 for lighting customers.

(4) Reason for the change

In Docket No. EL14-072, the Commission approved a Settlement Stipulation allowing MidAmerican to implement a TCR, which provides for annual rate changes to reflect changes in certain transmission costs. MidAmerican, as a load-serving member of MISO, is assessed costs related to regional transmission facilities that benefit customers throughout the Midwest. The change in the TCR factor is driven by increases in the regional transmission costs assessed to MidAmerican by MISO, which includes costs related to the continued implementation of MISO's Multi-Value Projects (MVP).

This Application includes the MISO costs consistent with the Settlement Stipulation and also includes the 2016 reconciliation of the 2016 TCR costs. Pursuant to the Settlement Stipulation, none of these costs are included in MidAmerican's base rates or any other recovery mechanism for 2017.

(5) Present rates

The current rates were implemented on April 4, 2016 and approved by the Commission in Docket No. EL16-004. The current rates reflect the following:

Residential	\$0.00173
Small General Service, Energy	\$0.00037
Small General Service, Demand	\$0.00175
Large General Service	\$0.00123
Water Pumping Service	\$0.00087
Lighting	\$0.00076

(6) Proposed rates

MidAmerican proposes the following rates with an effective date of April 3, 2017:

Residential	\$0.00182
Small General Service, Energy	\$0.00125
Small General Service, Demand	\$0.00154
Large General Service	\$0.00142
Water Pumping Service	\$0.00140
Lighting	\$0.00058

MidAmerican includes the calculation of the proposed 2017 factors in its 2016 TCR Reconciliation and 2017 New Factor Calculation, filed concurrently with this Application. Pursuant to the Stipulation and Settlement approved in Docket

No. EL14-072, the amounts were calculated using the cost of capital as approved by the Commission.

(7) Proposed effective date of modified rates

April 3, 2017

(8) Approximation of annual amount of increase or decrease in revenue

The proposed TCR factor changes will result in an annual increase of approximately \$37,227 for all revenue classes.

(9) Points affected

MidAmerican's proposed TCR factor changes would be applicable to electric customers in MidAmerican's electric service territory in Alcester, Dakota Dunes, Fairview, Hudson, Jefferson and North Sioux City, South Dakota.

(10) Estimation of the number of customers whose cost of service will be affected and annual amounts of either increases or decreases, or both, in cost of service to those customers; and

The TCR factor changes are proposed to be applied to all customer classes within MidAmerican's South Dakota electric service territory. MidAmerican currently serves approximately 4,920 customers in several communities in eastern South Dakota.

(11) Statement of facts, expert opinions, documents, and exhibits to support the proposed changes.

In addition to the information contained in this Application, MidAmerican also includes its "2016 TCR Reconciliation and 2017 New Factor Calculation" which identifies the mechanics of the proposed new TCR factors.

Additionally, to ensure the TCR costs are reasonable, MidAmerican participates in matters affecting MISO transmission costs and policy in two primary manners.

First, MidAmerican directly participates in MISO's many stakeholder forums and venues such as the Planning Advisory Committee, the Planning Subcommittee, the Market Subcommittee (including several working groups), and the Reliability Subcommittee (also including several working groups).

MidAmerican also participates as a member of the MISO Transmission Owners ("TOs") Committee ("TO Committee"). The TO Committee is made up of representatives of MISO transmission owners that have signed the Agreement of Transmission Facilities Owners to Organize the Midcontinent Independent Transmission System Operator, Inc. ("TO Agreement"), which is part of the MISO Tariff. The TO Committee includes more than 30 utilities, transmission companies, cooperatives, and municipal organizations. The TO Committee is the primary venue for the MISO TOs to work collaboratively on MISO-related issues affecting a broad spectrum of utilities. The MISO TO Committee reviews matters that affect MISO transmission service and participates in matters that impact the TOs. The committee meets in person approximately 5 times per year and telephonically as often as several times per week. Since it integrated its electric transmission system with MISO, MidAmerican has fully participated on the TO Committee and played an active role in ensuring that its efforts focus on cost-effective transmission service. MidAmerican has historically been influential at the MISO TO Committee as evidenced by the changes to the MISO Schedule 1 cost allocation in 2012.

MidAmerican's work with other MISO members and with the TO Committee, along with FERC oversight of the MISO tariffs, ensures that the lowest,

reasonable costs are included in rates. Furthermore, the FERC Rate Template is modified in MidAmerican's TCR to include an overall rate of return based on the Company's actual capital structure, including actual debt costs as of the prior year and the rate of return on common equity approved by the Commission in Docket No. EL14-072.

Conclusion

WHEREFORE, MidAmerican Energy Company respectfully requests the South Dakota Public Utilities Commission approve MidAmerican's Transmission Cost Recovery Factor increases and approve MidAmerican's proposed 2016 reconciliation of the Transmission Cost Recovery costs.

DATED this 15th day of February, 2017.

Respectfully submitted,

MIDAMERICAN ENERGY COMPANY

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