

Docket Number: EL17-040
Subject Matter: Second Data Request
Request to: MidAmerican Energy Company
Request from: South Dakota Public Utilities Commission Staff
Date of Request: October 25, 2017
Responses Due: November 8, 2017

2-1. Refer to the second paragraph on page 2 of the filing. Confirm that the increase in wholesale revenues from the repowering process is embedded in the \$1.7 million number and South Dakota ratepayers will see the benefits of increased wholesale revenues.

MEC Response:

MidAmerican confirms that the \$1.7m in benefits includes increased wholesale revenues. These benefits will flow to customers through the Energy Cost Adjustment (“ECA”) as the repowered turbines are brought into service despite the fact that the costs of the turbines will not be included in customer base rates unless and until the South Dakota Public Utilities Commission approves a change in rates. The Commission retains the ability to review the costs and prudence of the repowering costs in the event there is a rate proceeding, which MidAmerican does not anticipate for several years. MidAmerican’s proposal means that benefits of the repowering project will flow immediately to customers with no increase in rates. At the same time, the investment in repowering would still be reviewed if the repowering costs are part of a future rate proceeding.

2-2. Refer to MidAmerican’s response to Staff DR 1-1. Provide, by year, the additional South Dakota electric gross revenue requirement attributable to the repowering process for 2018 through 2022 (without netting the PTC or energy benefits).

MEC Response:

South Dakota percentage (\$000)	2018	2019	2020	2021	2022
Revenue Requirement	\$ 533	\$ 929	\$ 1,363	\$ 1,284	\$ 1,413

2-3. Provide a comparison of the rate base included in the settlement in docket EL14-072 with MidAmerican’s current South Dakota electric rate base.

MEC Response:

(\$000s)	EL14-072	Unadjusted
	Settlement	Current
	Amount	Amount
Utility Plant in Service	108,494	131,974
(Less) Accum Prov Depreciation	36,972	45,440
(Plus) Working Capital Amount	1,849	2,045
(Less) Customer Advances - Constr	-	84
(Less) Accum Deferred Taxes	15,279	22,739
(Less) Customer Deposits	11	14
(Less) Accumulated Uncollectibles	32	38
(Less) Accum Prov for Pensions	37	-
Other	(105)	(155)
	<u>57,907</u>	<u>65,549</u>

These unadjusted numbers show MidAmerican’s additions in plant since the last South Dakota rate case. The chart provides a snapshot of one point in time, and does not include pro forma adjustments that would be necessary to normalize the results, as would be done in a rate case filing. The plant additions have primarily been wind generation, which enables MidAmerican’s delivery of low cost energy to customers and to secure production tax credits before the credits are phased-out.

The benefits of MidAmerican’s repowering project accrue to customers immediately through lower production costs despite the fact that the repowering costs will not be included in base rates. The benefit of the production tax credits to MidAmerican also has the effect of delaying any future rate case. Delaying a rate case also has the effect of lowering any revenue requirement associated with repowered facilities since they will have accrued more depreciation over time.

- 2-4. Provide an itemization of all significant increases in South Dakota electric operating expense since rates were increased in docket EL14-072.

MEC Response:

Only two items reflect significant changes in South Dakota electric operating expenses since the final decision in docket EL14-072 (MidAmerican’s last electric rate case). The line item for “other power generation maintenance” costs reflects a \$214,000 increase related to new wind additions and the line item for “income taxes” reflects a \$716,000 reduction due to additional production tax credits that result from the new wind additions.

The figures below show the unadjusted (without pro forma adjustments) comparison of operating expenses between 2016 and the rate case test year.

(\$000s)	Unadjusted 2013	Unadjusted 2016
Operating Expenses, Excl. Fuel:		
Other Power Generation Maintenance	321	535
Other O&M	3,121	3,105
Total O&M	3,442	3,640
Depreciation & Amortization	3,068	3,286
Other Taxes	433	455
Income Taxes	(534)	(1,250)
Total Operating Expenses	6,409	6,131

- 2-5. On a short-form basis, provide MidAmerican’s earned return in 2016 for its South Dakota electric jurisdiction based upon updated costs for changes to material rate case elements since docket EL14-072.

MEC Response:

The figures below show the unadjusted return on equity calculation for 2016. This chart provides a snapshot of one point in time, and does not include pro forma adjustments that would be necessary to normalize the results, as would be done in a rate case filing. Due to the

many factors like weather and sales volume changes, the calculation could produce different results in subsequent years. As noted in the response to 2-3 above, the current South Dakota electric rate base is approximately \$4.1m greater than the amount shown below for 2016.

	Unadjusted <u>2016</u>
Utility operating income (\$000s)	5,254
Rate base (\$000s)	<u>61,476</u>
Return on rate base	8.55%
Cost of LTD	<u>2.12%</u>
Available for common	6.43%
Equity %	<u>53.44%</u>
Return on equity	<u>12.03%</u>