

South Dakota Public Utilities Commission
Docket EL18-030
MidAmerican Energy Company
Data Request No. 1-2

Responder Name: Neil Hammer
Job Title: Director, Market Assessment
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1-2) Regarding the capacity credit:

- a) Explain the factors impacting the decrease in capacity credit from current \$26.87/kW/year to \$9.00/kW/year.
- b) What was the MISO auction clearing price for the 2017/18 planning year?
- c) Does MidAmerican expect to see continued decreases in the capacity credit or fluctuations every two years?

Response:

- a) MidAmerican utilized the capacity auction clearing price, but with a floor based upon the Independent Market Monitor's ("IMM") conduct threshold for Local Resource Zone 3. The IMM determines the conduct threshold as 10% of the Cost of New Entry filed annually by MISO with FERC.

The MISO 2018/19 capacity auction clearing price was \$10/MW/day, or \$3.65/kW/year for Local Resource Zone 3, so the capacity credit was set to \$8.89/kW/year, which is the IMM's conduct threshold for the 2018/19 Planning Year. The \$8.89/kW/year value was escalated for one (1) year at 2.25% to determine the avoided cost rate of \$9.09/kW/year.¹ The prior filing utilized the capacity auction clearing price of \$72/MW/day, or \$26.28/kW/year (and escalated at 2.25% to yield \$26.87/kW/year), which exceeded the IMM's conduct threshold for that year.

- b) MISO cleared at \$1.50/MW/day, or \$0.55/kW/year in Local Resource Zone 3 for the 2017/18 Planning Year.
- c) Utilization of the offer cap as a floor for the avoided capacity cost provides reasonable price stability. The price can go higher should the clearing price rise above the floor.

¹ Note that the 9.09/kW/year rate would be for the June 2019 through May 2020 Planning Year, while the filed \$9.00/kW/year rate uses \$8.89/kW/year for the first five (5) months of 2019, followed by the \$9.09/kW/year rate for the remaining seven (7) months.