

South Dakota Public Utilities Commission
Docket GE17-002
MidAmerican Energy Company
First Data Request

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1-9 South Dakota Data Request

Is the proposed weighted average cost of capital (WACC) of 7.13% the authorized rate approved by the SD PUC? If not, please explain why a different WACC should be used in the benefit-cost modeling for South Dakota's energy efficiency measures than the currently approved WACC by the SD PUC.

Response:

The 7.13% WACC used as the discount rate for the TRC test in the proposed South Dakota 2018-2022 energy efficiency plan is slightly higher than the 6.92% WACC resulting from MidAmerican's most recent gas and electric rate cases approved by the SDPUC. The 7.13% WACC is based on a 50/50 split between equity and debt, and assumes a 10% return on equity component for the equity piece and a 4.25% cost of debt for the debt piece.

The difference in the economics of the proposed plan is very small and improves slightly by decreasing the discount rate from 7.13% to 6.92%. MidAmerican can re-analyze the economics of the proposed Plan and resubmit with updated cost-effectiveness statistics if needed.