
STAFF MEMORANDUM SUPPORTING SETTLEMENT STIPULATION

TO: COMMISSIONERS AND ADVISORS

FROM: PATRICK STEFFENSEN, ERIC PAULSON, AND KRISTEN EDWARDS

RE: DOCKET CE19-001 – IN THE MATTER OF THE COMPLAINT FILED BY THE CITY OF NORTH SIOUX CITY AND NORTH SIOUX CITY ECONOMIC DEVELOPMENT CORPORATION, NORTH SIOUX CITY, SOUTH DAKOTA, AGAINST MIDAMERICAN ENERGY COMPANY REGARDING COMMERCIAL DEVELOPMENT IN THE FLYNN BUSINESS PARK

DATE: JANUARY 24, 2020

Commission Staff (Staff) submits this Memorandum in support of the January 23, 2020 Settlement Stipulation (Stipulation), between Staff, The City of North Sioux City and North Sioux City Economic Development Corporation, North Sioux City, South Dakota (North Sioux City), and MidAmerican Energy Company (MidAmerican or Company), (jointly, the Parties) in the above-captioned matter.

BACKGROUND

On June 11, 2019, North Sioux City submitted an informal complaint with Staff to request assistance with MidAmerican’s electric tariff regarding an expansion of MidAmerican’s electric distribution system in the Flynn Business Park (Flynn II) in North Sioux City. The informal complaint alleged that MidAmerican informed North Sioux City that the electric extension into Flynn II would not be refundable unless transformers were placed on the lots to be developed, and that this was not the case with prior distribution system expansions, including the initial phase of the Flynn Business Park development (Flynn I).

In MidAmerican’s most recent electric rate case, Docket EL14-072, Staff supported, and the Commission approved, a tariff revision that changed MidAmerican’s electric distribution system expansion policy from having MidAmerican, and thus potentially other ratepayers, pay the entire cost of the expansions to a policy of using refundable advances, similar to the policies of other regulated electric utilities. However, it was unclear at the time of reviewing the tariff revisions in the rate case that MidAmerican would apply this particular tariff provision in a way that would limit refundability to only the distribution expansion that has the service line attachment. Thus, if it is the future business and owner of the lot that purchases and places the transformer, the line extending from the primary to the transformer would also be considered a distribution system expansion and be the only distribution system expansion eligible for a refund, since the service line attaches to the transformer placed by the business.

The Parties held several meetings in June through October 2019 to find a solution that addressed North Sioux City’s concerns while protecting MidAmerican’s other electric customers. During this time, Staff contacted the other five regulated electric utilities in the state to research refundability in similar instances. This analysis showed that MidAmerican was an outlier, in that while the other utilities give refund priority to the extension with the service line attachments, they will flow back any excess revenue to the original extension during the attachment period, which in MidAmerican’s case is ten years.

During discussion among the Parties, MidAmerican agreed it would provide for Commission approval revised tariff language¹ which would allow for refundability to the previous distribution system expansion once the distribution system expansion with the service line attachments is fully refunded. This change would make MidAmerican's distribution system expansion policy consistent with the other regulated utilities in the state, while continuing to protect its other electric customers.

On November 4, 2019, North Sioux City filed a Notice of Complaint, Deadline for Answer requesting relief similar to what was requested in the informal complaint. On November 25, 2019, MidAmerican filed its Answer and Motion to Dismiss, as the Company had already offered to provide the relief North Sioux City was requesting in its formal complaint.

The Parties once again held several discussions to ascertain North Sioux City's request and confirm that MidAmerican was still willing to provide the relief North Sioux City was requesting. Ultimately, the Parties reached a comprehensive settlement of North Sioux City's complaint against MidAmerican.

STAFF'S ANALYSIS OF THE STIPULATION

In this settlement, MidAmerican agrees to make the exact same tariff revisions to its electric distribution system expansion section that it offered during the informal complaint discussions. These revisions will afford first refund priority to the distribution system expansion with the service line attachments; however, any excess revenues remaining after this refund will be applied to the prior distribution system expansion. This resolution will provide North Sioux City its requested relief while continuing to protect MidAmerican's other electric customers. Exhibit II to MidAmerican's Answer and Motion to Dismiss contains the revised tariff language proposed by MidAmerican.

RECOMMENDATION

Staff recommends the Commission grant the Motion for Approval of Settlement Stipulation, adopt the Settlement Stipulation without modification, grant the withdrawal of the complaint, and close the docket.

¹ See MidAmerican's Answer and Motion to Dismiss Exhibit II