



MidAmerican Energy Company
4299 NW Urbandale Drive
Urbandale, Iowa 50322
Telephone: 515.242.4099
E-mail: PJLeighton@MidAmerican.com

PAUL J. LEIGHTON
Vice President and Senior Trading Attorney

March 3, 2016

Via electronic tariff filing

The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: MidAmerican Energy Company "Services Tariff"

Schedule 2 (Reactive Supply and Voltage Control
from Generation or Other Sources Service)

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act¹ and Paragraph 35.13(a)(2)(iii) of the Rules of the Federal Energy Regulatory Commission ("Commission"),² MidAmerican Energy Company ("MidAmerican") respectfully submits for filing this revision to Schedule 2 (Reactive Supply and Voltage Control from Generation or Other Sources Service) of its Services Tariff to reflect the retirement of four MidAmerican generating units. MidAmerican requests waiver of the Commission's 60-day notice provision to permit an effective date of April 1, 2016.

I. Description of MidAmerican

MidAmerican is an indirect subsidiary of Berkshire Hathaway Energy Company which, in turn, is a subsidiary of Berkshire Hathaway Inc., a diversified, publicly-traded company (NYSE: BRK-A, BRK-B).

MidAmerican is an Iowa corporation with its principal place of business in Des Moines, Iowa, and is a combination gas and electric company and a public utility under the Federal Power Act. MidAmerican provides regulated retail electric service in Iowa,

¹ 16 U.S.C. § 824d.

² 18 C.F.R. § 35.13(a)(2)(iii).

Hon. Kimberly D. Bose, Secretary
March 3, 2016
Page 2

Illinois and South Dakota, and regulated retail natural gas service and transportation in Iowa, Illinois, Nebraska and South Dakota. MidAmerican's retail electric service is regulated by the Iowa Utilities Board ("IUB"), the Illinois Commerce Commission ("ICC") and the South Dakota Public Utilities Commission ("SDPUC"). MidAmerican's retail gas service is regulated by the IUB, the ICC, the SDPUC and various Nebraska municipalities.

MidAmerican has been granted market-based rate authority and actively markets wholesale power in various regions.³

MidAmerican is a transmission-owning member of the Midcontinent Independent System Operator, Inc. ("MISO"). MidAmerican owns an extensive transmission system over which MISO provides transmission service pursuant to MISO's Open Access Transmission, Energy and Operating Reserve Markets Tariff. Although MISO has functional control of MidAmerican's transmission system, MidAmerican has on file with the Commission a Services Tariff pursuant to which MidAmerican provides, among other things, Reactive Supply and Voltage Control Service.⁴

II. Overview of filing

This filing revises the rate for MidAmerican's Reactive Supply and Voltage Control Service under Schedule 2 of its Services Tariff in conjunction with the anticipated retirement of certain MidAmerican resources.

A. MidAmerican's currently-effective rate for Reactive Supply and Voltage Control Service

Prior to the issuance of Order No. 888,⁵ MidAmerican established tariff provisions for open access transmission service. MidAmerican's August 11, 1995 filing

³ The Commission granted market-based rate authority in Docket No. ER96-719 (accepted in *MidAmerican*, 74 FERC ¶ 61,211 (February 27, 1996)). MidAmerican's electronic market-based rate tariff was submitted in Docket No. ER11-2044 (accepted via an unpublished March 7, 2011 letter order).

⁴ The Services Tariff, which replaced MidAmerican's Open Access Transmission Tariff, was initially submitted in Docket No. ER10-2111 (accepted via an unpublished letter order dated October 13, 2010). The electronic version of the Services Tariff was submitted in Docket No. ER10-3294 (accepted via unpublished March 10, 2011 letter order).

⁵ *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, FERC Stats. & Regs. ¶ 31,036 (1996), *order on reh'g*, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048, *order on reh'g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff'd in relevant part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff'd sub nom. New York v. FERC*, 535 U.S. 1 (2002).

in Docket No. ER95-1542 (“August 11, 1995 Filing”) contained cost support for a reactive power charge that was ultimately accepted by the Commission, subject to the outcome of the then-ongoing proceeding that led to Order No. 888.⁶

MidAmerican’s Open Access Transmission Tariff in compliance with Order No. 888 was submitted July 9, 1996 in Docket No. OA96-42.⁷ Schedule 2 of that filing established the current rate of \$0.18/MWh for Reactive Supply and Voltage Control Service, relying largely on the cost support from the August 11, 1995 Filing.

MidAmerican’s Open Access Transmission Tariff was revised significantly upon MidAmerican’s integration into the MISO region.⁸ MidAmerican altered certain provisions of its Schedule 2 to accommodate its MISO participation, but the \$0.18/MWh charge for Reactive Supply and Voltage Control Service did not change.

MidAmerican further revised its Open Access Transmission Tariff in Docket No. ER10-2111 by eliminating various transitional services that had been provided by MidAmerican for a period of time after its MISO integration. MidAmerican established its current “Services Tariff” in place of its prior Open Access Transmission Tariff. The Services Tariff provides for limited functions, including Wholesale Distribution Service and, as relevant here, Reactive Supply and Voltage Control Service, again retaining the \$0.18/MWh charge that was established previously.

The electronic version of the Services Tariff was submitted in Docket No. ER10-3294),⁹ again with no change to the rate for Reactive Supply and Voltage Control Service.

B. Commission precedent

The Commission has previously expressed concern when an owner continues to receive payments for the reactive power capability of a resource after that resource has been deactivated.¹⁰

⁶ *MidAmerican*, 73 FERC ¶ 61,027 (October 4, 1995).

⁷ MidAmerican’s Open Access Transmission Tariff was accepted in *Atlantic City Electric Company et al.*, 77 FERC ¶ 61,144 (November 13, 1996) as to non-rate terms and conditions, and in *Allegheny Power System, Inc.*, 80 FERC ¶ 61,143 (July 31, 1997) as to rates.

⁸ See Docket No. ER09-1260, wherein MidAmerican eliminated a number of functions formerly provided by MidAmerican but now provided by MISO.

⁹ The electronic version of MidAmerican’s Services Tariff was accepted in an unpublished March 10, 2011 letter order in Docket No. ER10-3294.

¹⁰ For example, *PJM Interconnection, L.L.C.*, 149 FERC ¶ 61,132 (November 20, 2014) at P 1, ordering PJM, among other things, either to provide that a resource owner will no longer receive reactive power

In adjusting rates for reactive supply to account for retirements, the Commission has previously accepted a “reasonable and logical allocation approach” rather than requiring an owner to “expend resources on developing a revised new revenue requirement for the joint service.”¹¹ The Commission has also permitted *pro rata* reductions to the revenue requirements contained in reactive power tariffs.¹²

In addition, the Commission has noted that additions of resources not currently reflected in rates for reactive power may offset the effect of retirements. The Commission has therefore permitted reactive power suppliers the opportunity to identify all new reactive power capability in an informational filing showing that the additions offset the capability lost from a unit retirement, such that “the underlying basis for the applicable reactive power revenue requirement continues to exist.”¹³

C. Retirement of Walter Scott, Jr. Energy Center Unit Nos. 1 and 2

As noted *supra*, the Commission has permitted owners of retiring resources to submit logical allocations, including *pro rata* reductions to the revenue requirements contained in reactive power tariffs, rather than mandating the development of a new revenue requirement.

MidAmerican retired its Walter Scott, Jr. Energy Center Unit Nos. 1 and 2 (“WSEC 1 and 2”) (formerly known as Council Bluffs Energy Center Unit Nos. 1 and 2) effective as of April 1, 2015. As demonstrated in Attachment C to this submission, a *pro rata* reduction in MidAmerican’s revenue requirement to reflect the retirement of these generators did not affect MidAmerican’s current rate for Reactive Supply and Voltage Control Service. MidAmerican therefore did not submit a tariff revision at the time of those retirements.

Thus, with respect to WSEC 1 and 2, MidAmerican has not continued to receive compensation for the reactive power capability of resources that have been retired; rather,

capability payments after it has deactivated its resource or show cause why it should not be required to do so.

¹¹ *Duke Energy Conesville, LLC et al.*, 150 FERC ¶ 61,229 (March 27, 2015) at P 7.

¹² *PJM Interconnection, L.L.C.*, 151 FERC ¶ 61,224 (June 18, 2015) at P 24. *See also AEP Generation Resources, Inc.*, 152 ¶ FERC 61,119 (August 11, 2015) at P 8; *Calpine New Jersey Generation, LLC*, 152 FERC ¶ 61,125 (August 14, 2015) at P 8; *Calpine New Jersey Generation, LLC*, 153 FERC ¶ 61,071 (October 19, 2015) at P 6; each accepting a *pro rata* reduction in revenue requirements associated with unit deactivations.

¹³ *Id.* at P 25.

the reduction in compensation associated with such units was within the round-off range of MidAmerican's tariffed rate and was simply too small to reflect in a tariff filing.

D. Retirement of Neal Energy Center Unit Nos. 1 and 2

MidAmerican will retire its Neal Energy Center Unit Nos. 1 and 2 ("Neal 1 and 2") effective as of April 16, 2016. A *pro rata* reduction in MidAmerican's revenue requirement to reflect the retirement of these units, when coupled with the previous retirements of WSEC 1 and 2, will result in a change in MidAmerican's rate for Reactive Supply and Voltage Control Service. Attachment C to this submission shows that retirement of these four resources will result in a reduction in that rate from the current \$0.18/MWh to a revised rate of \$0.16/MWh.

MidAmerican has included revised clean and red-lined tariff sheets in Attachments A and B, respectively, to accomplish this change.

The Commission has provided for informational filings demonstrating that newly-installed resources offset the effect of retired resources, thereby proving that "the underlying basis for the applicable reactive power revenue requirement continues to exist," albeit from different resources than those upon which the rate was initially based. Although the instant filing proposes to reduce MidAmerican's rate to reflect resource retirements without seeking an offset for resource additions, MidAmerican notes that such additions have nonetheless occurred. The four retired resources have a combined reactive power capability of approximately 250 MVAR. Since MidAmerican developed its currently-effective rate, it has installed the Greater Des Moines Energy Center (a combined cycle resource with a reactive capability of approximately 350 MVAR) and Walter Scott, Jr. Energy Center Unit No. 4 (a coal-fired resource, MidAmerican's share of whose reactive capability is approximately 250 MVAR). Each of these resources was added prior to any of the four retirements at issue here. Further, MidAmerican has added various wind-powered resources that are also capable of delivering reactive power. Thus, while MidAmerican proposes to reduce its rate for reactive supply, the reactive capability that is being retired is more than offset by the reactive capability of resources that have been installed since MidAmerican initially established its rate for reactive power.

E. Miscellaneous revision

In addition to the reduction in MidAmerican's rate for Reactive Supply and Voltage Control Service, MidAmerican also proposes to correct a typographical error in the Table of Contents of the Services Tariff, changing the word "of" to "or."

III. Information required by Section 35.13(b)¹⁴

To the extent necessary, MidAmerican requests a waiver of any portion of the Commission's rules that require the submission of Cost of Service Statements in connection with the requested tariff changes. MidAmerican submits these revisions pursuant to Paragraph 35.13(a)(2)(iii) since the revisions do not involve a rate increase. Pursuant to that Paragraph, this submission is subject to limited filing requirements. Good cause exists for such waiver in any event, since the description provided above and attached work papers provide ample support for the proposed rate change.

A. Documents submitted with this filing, § 35.13(b)(1)

This filing consists of the following:

1. This letter of transmittal;
2. Attachment A, a clean version of the Services Tariff;
3. Attachment B, a red-lined version of the Services Tariff;
4. Attachment C, work papers demonstrating that the retirement of WSEC 1 and 2 did not require a revision to MidAmerican's currently effective rate for Reactive Supply and Voltage Control Service; and further demonstrating that the additional retirement of Neal 1 and 2 will require a reduction in MidAmerican's rate for Reactive Supply and Voltage Control Service.

B. Effective date and request for waiver, § 35.13(b)(2)

MidAmerican respectfully asks the Commission to waive its sixty (60) day notice requirement pursuant to Section 35.3(a) of the Commission's regulations,¹⁵ and make the proposed amendment to the Services Tariff effective as of April 1, 2016. Although MidAmerican's anticipated Neal 1 and 2 retirements will not be effective until April 16, 2016, MISO issues bills for reactive service on a calendar-month basis. Placing the proposed tariff into effect at the beginning of a calendar month will facilitate the related change in billing.

¹⁴ 18 U.S.C. § 35.13(b).

¹⁵ 18 C.F.R. § 35.3(a).

Section 35.11 of the Commission's regulations¹⁶ permits waiver of the Commission's notice requirements for good cause shown upon application showing (a) how and the extent to which the filing public utility and purchaser(s) under such rate schedule or tariff, or part thereof, would be affected if the notice requirement is not waived, and (b) the effects of the waiver, if granted, upon purchasers under other rate schedules. Waiver is justified in this instance because MidAmerican is proposing a rate reduction. The Commission has stated previously that it will generally grant waiver of the 60-day prior notice requirement for a filing that reduces rates and charges.¹⁷ As to the effect upon MidAmerican and purchasers *under Schedule 2*, failure to grant the waiver would permit MidAmerican to impose, and would require purchasers to pay, certain costs for generating units that are no longer capable of providing the service for which the rate is charged. As to the effect upon purchasers *under other rate schedules*, the waiver would have no impact upon such purchasers.

C. Notice and service, § 35.13(b)(3)

MidAmerican has delivered a copy of this filing to the IUB, the ICC, the SDPUC, the Iowa Office of Consumer Advocate and MISO.

D. Description of the rate change and a statement of the reasons for the rate change, §§ 35.13(b)(4) and (5)

Please see Section II of this transmittal letter.

E. Agreement to the rate change, § 35.13(b)(6)

MidAmerican has the unilateral right to submit this filing.

F. Statement as to expenses or costs, § 35.13(b)(7)

No expenses or costs related to this filing have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory employment practices.

¹⁶ 18 C.F.R. § 35.11.

¹⁷ *Central Hudson Gas & Elec. Corp.*, 60 FERC ¶ 61,106, at 61,338, *order on reh'g*, 61 FERC ¶ 61,089 (1992).

Hon. Kimberly D. Bose, Secretary
March 3, 2016
Page 8

IV. Communications

All communications regarding this filing should be directed to:

Paul J. Leighton
Vice President and Senior Trading Attorney
MidAmerican Energy Company
4299 NW Urbandale Drive
Urbandale, IA 50322
515-242-4099
PJLeighton@MidAmerican.com

Dehn A. Stevens
Director, System Planning and Services
MidAmerican Energy Company
106 East Second Street
P. O. Box 4350
Davenport, Iowa 52808
563-333-8138
DAStevens@MidAmerican.com

V. Conclusion

For all of the foregoing reasons, MidAmerican respectfully requests that the Commission accept for filing this revised Services Tariff, grant the proposed effective date of April 1, 2016, and grant waiver of any Commission regulations that the Commission may deem applicable to this filing.

Respectfully submitted,

MidAmerican Energy Company

By /s/ Paul J. Leighton

Paul J. Leighton

Attorney for MidAmerican Energy Company

Attachments

cc: Iowa Utilities Board
Illinois Commerce Commission
South Dakota Public Utilities Commission
Midcontinent Independent System Operator, Inc.
Iowa Office of Consumer Advocate

ATTACHMENT A

MidAmerican Energy Company

Services Tariff

Clean tariff sheets

MIDAMERICAN ENERGY COMPANY
SERVICES TARIFF

Communications concerning this tariff may be sent to:

Dehn Stevens
Director-System Planning and Services
MidAmerican Energy Company
106 East Second Street
P.O. Box 4350
Davenport, Iowa 52808
563-333-8138 (voice)
dastevens@midamerican.com

TABLE OF CONTENTS

1	Definitions	3
1.1	Ancillary Services	3
1.2	Designated Agent	3
1.3	Eligible Customer.....	3
1.4	Service Agreement	4
1.5	Tariff.....	4
1.6	Transmission Customer	4
1.7	Transmission Owner	4
1.8	Transmission Provider	4
1.9	Transmission Service.....	4
1.10	Wholesale Distribution Service	4
2.	Wholesale Distribution Service	5
3.	Ancillary Services.....	5
3.1	Reactive Supply and Voltage Control from Generation or Other Sources Service.....	5
4.	Regulatory Filings	6
SCHEDULE 2	7
	Reactive Supply and Voltage Control from Generation or Other Sources Service	7

1 Definitions

- 1.1 Ancillary Services:** Those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the Transmission Provider's Transmission System in accordance with Good Utility Practice.
- 1.2 Designated Agent:** Any entity that performs actions or functions on behalf of the Transmission Provider, an Eligible Customer, the Transmission Customer or the Transmission Owner required under the Tariff.
- 1.3 Eligible Customer:** (i) Any electric utility (including the Transmission Owner and any power marketer), Federal power marketing agency, or any person generating electric energy for sale for resale is an Eligible Customer under the Tariff. Electric energy sold or produced by such entity may be electric energy produced in the United States, Canada or Mexico. However, with respect to transmission service that the Commission is prohibited from ordering by Section 212(h) of the Federal Power Act, such entity is eligible only if the service is provided pursuant to a state requirement that the Transmission Provider offer the unbundled transmission service, or pursuant to a voluntary offer of such service by the Transmission Provider. (ii) Any retail customer taking, or eligible to take, unbundled Transmission Service pursuant to a state requirement that the Transmission Provider offer the

transmission service, or pursuant to a voluntary offer of such service by the Transmission Provider, is an Eligible Customer under the Tariff.

- 1.4 Service Agreement:** The initial agreement and any amendments or supplements thereto entered into by the Transmission Customer and the Transmission Provider for service under the Tariff.
- 1.5 Tariff:** The open access transmission tariff of the Transmission Provider
- 1.6 Transmission Customer:** Any Eligible Customer (or its Designated Agent) that (i) executes a Service Agreement, or (ii) requests in writing that the Transmission Provider file with the Commission, a proposed unexecuted Service Agreement to receive transmission service under Module B of the Tariff. This term is used in the Module A Common Service Provisions to include customers receiving Transmission Service under Module B of the Tariff.
- 1.7 Transmission Owner:** MidAmerican Energy Company.
- 1.8 Transmission Provider:** The Midwest Independent Transmission System Operator, Inc. (MISO), or its successor organization.
- 1.9 Transmission Service:** Point-To-Point Transmission Service provided under Module B of the Tariff on a firm and non-firm basis and Network Integration Transmission Service under Module B of the Tariff.
- 1.10 Wholesale Distribution Service:** The transmission of electric energy in interstate commerce over Transmission Owner's Distribution Facilities pursuant to a Commission accepted Open Access Transmission Tariff.

2 Wholesale Distribution Service

A Transmission Customer currently paying for Wholesale Distribution Service through an existing Service Agreement or Wholesale Distribution Service Agreement will continue paying the existing rate for Wholesale Distribution Service until such time as its Service Agreement and/or Wholesale Distribution Service Agreement either terminates or is amended.

3 Ancillary Services

Ancillary Services are needed with transmission service to maintain reliability within and among the control areas affected by the transmission service. The Transmission Provider is required to provide (or offer to arrange with the local control area operator as discussed below), and the Transmission Customer is required to purchase, the following Ancillary Services (i) scheduling, system control and dispatch, and (ii) reactive supply and voltage control from generation or other sources.

The Transmission Provider shall specify the rate treatment and all related terms and conditions in the event of an unauthorized use of Ancillary Services by the Transmission Customer.

The specific Ancillary Services, prices and/or compensation methods are described on the Schedules that are attached to and made a part of the Tariff.

3.1 Reactive Supply and Voltage Control from Generation or Other Sources

Service: The rates and/or methodology are described in Schedule 2.

4 Regulatory Filings

Nothing contained in the Tariff shall be construed as affecting in any way the right of the Transmission Owner to unilaterally make application to the Commission for a change in the rates, terms and conditions set forth in this Services Tariff under Section 205 of the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder.

Nothing contained in the Tariff or any Service Agreement shall be construed as affecting in any way the ability of any Eligible Customer receiving service under the Tariff to exercise its rights under the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder.

SCHEDULE 2

Reactive Supply and Voltage Control from Generation or Other Sources Service

In order to maintain transmission voltages on the Transmission Provider's transmission facilities within acceptable limits, generation facilities and non-generation resources capable of providing this service that are under the control of the control area operator are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation or Other Sources Service must be provided for each transaction on the Transmission Provider's transmission facilities. The amount of Reactive Supply and Voltage Control from Generation or Other Sources Service that must be supplied with respect to the Transmission Customer's transaction will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the Transmission Provider.

Reactive Supply and Voltage Control from Generation or Other Sources Service is to be provided directly by the Transmission Provider (if the Transmission Provider is the control area operator) or indirectly by the Transmission Provider making arrangements with the control area operator that performs this service for the Transmission Provider's transmission system. The Transmission Customer must purchase this service from the Transmission Provider or the control area operator. The charges for such service will be based on the rates set forth below. To the extent the control area operator performs this service for the Transmission Provider,

charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by the control area operator.

The charge for this service shall be \$0.16/MWh.

ATTACHMENT B

MidAmerican Energy Company

Services Tariff

Red-lined tariff sheets

MIDAMERICAN ENERGY COMPANY
SERVICES TARIFF

Communications concerning this tariff may be sent to:

Dehn Stevens

~~Manager – Transmission~~

~~Services~~ Director-System Planning and Services

MidAmerican Energy Company

106 East Second Street

P.O. Box 4350

Davenport, Iowa 52808

563-333-8138 (voice)

~~563-333-8244 (fax)~~

dastevens@midamerican.com

Effective on: ~~September 30, 2010~~ April 1, 2016

TABLE OF CONTENTS

1	Definitions	3
1.1	Ancillary Services	3
1.2	Designated Agent	3
1.3	Eligible Customer.....	3
1.4	Service Agreement	4
1.5	Tariff.....	4
1.6	Transmission Customer	4
1.7	Transmission Owner	4
1.8	Transmission Provider	4
1.9	Transmission Service.....	4
1.10	Wholesale Distribution Service	4
2.	Wholesale Distribution Service	5
3.	Ancillary Services	5
3.1	Reactive Supply and Voltage Control from Generation or Other Sources Service.....	5
4.	Regulatory Filings	6
SCHEDULE 2	7
	Reactive Supply and Voltage Control from Generation of<u>or</u> Other Sources Service	7

1 Definitions

- 1.1 Ancillary Services:** Those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the Transmission Provider's Transmission System in accordance with Good Utility Practice.
- 1.2 Designated Agent:** Any entity that performs actions or functions on behalf of the Transmission Provider, an Eligible Customer, the Transmission Customer or the Transmission Owner required under the Tariff.
- 1.3 Eligible Customer:** (i) Any electric utility (including the Transmission Owner and any power marketer), Federal power marketing agency, or any person generating electric energy for sale for resale is an Eligible Customer under the Tariff. Electric energy sold or produced by such entity may be electric energy produced in the United States, Canada or Mexico. However, with respect to transmission service that the Commission is prohibited from ordering by Section 212(h) of the Federal Power Act, such entity is eligible only if the service is provided pursuant to a state requirement that the Transmission Provider offer the unbundled transmission service, or pursuant to a voluntary offer of such service by the Transmission Provider. (ii) Any retail customer taking, or eligible to take, unbundled Transmission Service pursuant to a state requirement that the Transmission Provider offer the transmission service, or pursuant to a voluntary offer of such service by the Transmission Provider, is an Eligible Customer under the Tariff.

- 1.4 Service Agreement:** The initial agreement and any amendments or supplements thereto entered into by the Transmission Customer and the Transmission Provider for service under the Tariff.
- 1.5 Tariff:** The open access transmission tariff of the Transmission Provider
- 1.6 Transmission Customer:** Any Eligible Customer (or its Designated Agent) that (i) executes a Service Agreement, or (ii) requests in writing that the Transmission Provider file with the Commission, a proposed unexecuted Service Agreement to receive transmission service under Module B of the Tariff. This term is used in the Module A Common Service Provisions to include customers receiving Transmission Service under Module B of the Tariff.
- 1.7 Transmission Owner:** MidAmerican Energy Company.
- 1.8 Transmission Provider:** The Midwest Independent Transmission System Operator, Inc. (MISO), or its successor organization.
- 1.9 Transmission Service:** Point-To-Point Transmission Service provided under Module B of the Tariff on a firm and non-firm basis and Network Integration Transmission Service under Module B of the Tariff.
- 1.10 Wholesale Distribution Service:** The transmission of electric energy in interstate commerce over Transmission Owner's Distribution Facilities pursuant to a Commission accepted Open Access Transmission Tariff.

2 Wholesale Distribution Service

A Transmission Customer currently paying for Wholesale Distribution Service through an existing Service Agreement or Wholesale Distribution Service Agreement will continue paying the existing rate for Wholesale Distribution Service until such time as its Service Agreement and/or Wholesale Distribution Service Agreement either terminates or is amended.

3 Ancillary Services

Ancillary Services are needed with transmission service to maintain reliability within and among the control areas affected by the transmission service. The Transmission Provider is required to provide (or offer to arrange with the local control area operator as discussed below), and the Transmission Customer is required to purchase, the following Ancillary Services (i) scheduling, system control and dispatch, and (ii) reactive supply and voltage control from generation or other sources.

The Transmission Provider shall specify the rate treatment and all related terms and conditions in the event of an unauthorized use of Ancillary Services by the Transmission Customer.

The specific Ancillary Services, prices and/or compensation methods are described on the Schedules that are attached to and made a part of the Tariff.

3.1 Reactive Supply and Voltage Control from Generation or Other Sources

Service: The rates and/or methodology are described in Schedule 2.

4 Regulatory Filings

Nothing contained in the Tariff shall be construed as affecting in any way the right of the Transmission Owner to unilaterally make application to the Commission for a change in the rates, terms and conditions set forth in this Services Tariff under Section 205 of the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder.

Nothing contained in the Tariff or any Service Agreement shall be construed as affecting in any way the ability of any Eligible Customer receiving service under the Tariff to exercise its rights under the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder.

SCHEDULE 2

Reactive Supply and Voltage Control from Generation or Other Sources Service

In order to maintain transmission voltages on the Transmission Provider's transmission facilities within acceptable limits, generation facilities and non-generation resources capable of providing this service that are under the control of the control area operator are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation or Other Sources Service must be provided for each transaction on the Transmission Provider's transmission facilities. The amount of Reactive Supply and Voltage Control from Generation or Other Sources Service that must be supplied with respect to the Transmission Customer's transaction will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the Transmission Provider.

Reactive Supply and Voltage Control from Generation or Other Sources Service is to be provided directly by the Transmission Provider (if the Transmission Provider is the control area operator) or indirectly by the Transmission Provider making arrangements with the control area operator that performs this service for the Transmission Provider's transmission system. The Transmission Customer must purchase this service from the Transmission Provider or the control area operator. The charges for such service will be based on the rates set forth below. To the extent the control area operator performs this service for the Transmission Provider,

charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by the control area operator.

The charge for this service shall be \$0.~~48~~16/MWh.

ATTACHMENT C

Work papers

Work papers demonstrating that:

- the retirement of MidAmerican's Walter Scott, Jr. Energy Center Unit Nos. 1 and 2 ("WSEC 1 and 2") did not require a revision to MidAmerican's currently-effective rate for Reactive Supply and Voltage Control Service; (See Column F, computing a rate of \$0.1776/MWh, which rounds to MidAmerican's currently-effective rate of \$0.18/MWh.)
- the retirement of MidAmerican's Neal Energy Center Unit Nos. 1 and 2 ("Neal 1 and 2") will require a reduction in MidAmerican's rate for Reactive Supply and Voltage Control Service to \$0.16/MWh. (See Column G.)

These work papers consist of:

- a one-page spreadsheet showing MidAmerican's currently-effective rate (Column E), its justified rate following the retirements of WSEC 1 and 2 (Column F), and the proposed rate following the combined retirements of WSEC 1 and 2 and Neal 1 and 2 (Column G); and
- Exhibit 2 from MidAmerican's July 9, 1995 filing in Docket No. OA95-42, which is referenced in the spreadsheet above.

Attachment C
MidAmerican Services Tariff, Schedule 2
Reactive Supply and Voltage Control from Generation or Other Sources Service

<u>Unit</u>	A	B	C	D	E	F	G
	<u>MidAmerican ownership share</u>	<u>Total unit (MVAR)</u>	<u>MidAmerican ownership (MVAR)</u>	<u>Fraction of MEC reactive capability</u>	<u>Pro rata contribution to Revenue Requirement</u>	<u>Remaining Revenue Requirement after retirements After retiring WSEC 1&2</u>	<u>After retiring WSEC 1&2, Neal 1&2</u>
Coralville	1.00000	39.94	39.94	0.02359	68,459	68,459	68,459
Electrifarm, Parr	1.00000	157.33	157.33	0.09291	269,672	269,672	269,672
Louisa	0.88000	255.00	224.40	0.13252	384,634	384,634	384,634
Moline	1.00000	44.03	44.03	0.02600	75,473	75,473	75,473
Neal 1	1.00000	71.70	71.70	0.04234	122,898	122,898	0
Neal 2	1.00000	120.00	120.00	0.07086	205,687	205,687	0
Neal 3	0.72000	206.00	148.32	0.08759	254,229	254,229	254,229
Neal 4	0.40570	220.00	89.25	0.05271	152,986	152,986	152,986
Ottumwa	0.52000	200.00	104.00	0.06142	178,262	178,262	178,262
Pleasant Hill	1.00000	87.00	87.00	0.05138	149,123	149,123	149,123
Quad 1 & 2	0.25000	672.00	168.00	0.09921	287,961	287,961	287,961
River Hills	1.00000	88.78	88.78	0.05243	152,174	152,174	152,174
Riverside	1.00000	27.40	27.40	0.01618	46,965	46,965	46,965
Sycamore	1.00000	57.50	57.50	0.03396	98,558	98,558	98,558
WSEC 1 (fka Council Bluffs 1)	1.00000	32.00	32.00	0.01890	54,850	0	0
WSEC 2 (fka Council Bluffs 2)	1.00000	32.00	32.00	0.01890	54,850	0	0
WSEC 3 (fka Council Bluffs 3)	0.79100	255.00	201.71	0.11912	345,733	345,733	345,733
Total		2,565.68	1,693.36	1.0000	2,902,513	2,792,814	2,464,229
Rate divisor					15,728,766	15,728,766	15,728,766
Schedule 2 rate					0.1845	0.1776	0.1567

Sources

Column C	Column A x Column B
Column D	Ratio of individual reactive capability to total MidAmerican reactive capability (ratio of amount in Column C to total of Column C)
Column E	Column D x reactive revenue requirement (\$2,902,513) from Docket No. OA96-42, July 9, 1996 filing, Exhibit 2, line 4, column A Rate divisor (15,728,766 MWh) from Docket No. OA96-42, July 9, 1996 filing, Exhibit 2, line 6 Schedule 2 rate = Reactive Revenue Requirement / Rate Divisor; see Docket No. OA96-42, July 9, 1996 filing, Exhibit 2, line 4, column B
Column F	Amount from Column E after retiring WSEC 1 & 2
Column G	Amount from Column E after retiring WSEC 1 & 2 and Neal 1 & 2

Exhibit 2
MidAmerican Energy Company
Open Access Transmission Tariff
(Order No. 888 Compliance Filing)
Schedules 2, 3, 5, & 6 Cost Summaries

	(A)	(B)**
	Annual costs of Control Area Services	\$ / MWh
<u>Itemized Ancillary Services</u>		
1. Regulation and Frequency Response Services (Filed as Load Following, Line 1, of *)	\$ 6,137,576	\$ 0.39
2. Operating Reserve - Spinning Reserve Service (Filed as Operating Reserves - Spin, Line 2, of *)	\$ 6,532,332	\$ 0.42
3. Operating Reserve - Supplemental (Filed as Operating Reserves - NonSpin, Line 3, of *)	\$ 1,405,177	\$ 0.09
4. Reactive Supply and Voltage Control from Generation Sources Services (Filed as Var Support, Line 4, of *)	\$ 2,902,513	\$ 0.18
5. Ancillary Services Annual Control Area Cost, (Line 5, of *)	<u>\$ 16,977,598</u>	<u>\$ 1.08 / MWh</u>
6. MidAmerican Control Area Load as filed, (Line 8, of *)	15,728,766 / MWh	
7. Ancillary Services Cost support as filed - Docket No. ER95-1542 *	\$ 1.08 / MWh	
8. Ancillary Services Packaged Charge as accepted for filing in Docket No. ER95-1542.	\$ 1.00 / MWh	

* MidAmerican Energy Company, Docket No. ER95-1542, Ancillary Services, Attach 5, Page 1 of 1.

** ("B" = "A" divided by line 6)