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March 8, 2016

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

**Re: MidAmerican Energy Company, Docket No. ER16-\_\_\_\_-000**  
Informational Filing of Annual Formula Rate Update and True-Up

Dear Secretary Bose:

Pursuant to the Federal Energy Regulatory Commission's ("Commission") orders in Docket Nos. EL12-35<sup>1</sup> and ER13-2379<sup>2</sup> and the formula rate protocols set forth in Attachment O of the Midcontinent Independent System Operator, Inc.'s ("MISO") Open Access Transmission, Energy and Operating Reserve Markets Tariff ("Tariff"), MidAmerican Energy Company ("MidAmerican") submits for informational purposes this letter and supporting materials ("Informational Filing") reflecting MidAmerican's projected net revenue requirement effective January 1, 2016 and 2014 Annual True-Up under Attachment O of the MISO Tariff. The projected net revenue requirement is based on projected cost data for calendar year 2016 and the Annual True-Up is based on actual cost data for calendar year 2014 as reported in MidAmerican's 2014 FERC Form 1 pursuant to the Commission-approved formula rate contained in Attachment O of the MISO Tariff.

## **I. BACKGROUND**

In its May 2012 Order, the Commission initiated an investigation pursuant to section 206 of the Federal Power Act, 16 U.S.C. § 824e, to determine whether the formula rate protocols in MISO's Tariff are sufficient to ensure just and reasonable rates.<sup>3</sup>

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<sup>1</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 139 FERC ¶ 61,127 (2012) ("May 2012 Order"), *order on investigation*, 143 FERC ¶ 61,149 (2013) ("May 2013 Order").

<sup>2</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 146 FERC ¶ 61,212 (2014) ("March 2014 Order"), *reh'g denied*, 150 FERC ¶ 61,024 (2015).

<sup>3</sup> May 2012 Order at P 1.

After considering briefs filed by several parties, the Commission issued its May 2013 Order, finding that the formula rate protocols contained in MISO's Tariff are insufficient to ensure just and reasonable rates. The Commission directed MISO and the identified MISO transmission owners to file revised formula rate protocols to enhance the scope of participation by interested parties, increase transparency in the information provided to interested parties, adopt procedures by which interested parties can challenge a transmission owner's implementation of its formula rate, and establish a requirement that MISO and transmission owners make an annual informational filing with the Commission.<sup>4</sup>

With regard to the annual informational filing, the Commission required the submission of "annual informational filings of [each transmission owner's] formula rate updates . . . following the time period allowed for parties to review the updates and for transmission owners to respond to information and document requests."<sup>5</sup> The Commission stressed that these filings would "be just that, informational,"<sup>6</sup> that they "are not themselves rates and do not constitute changes in the underlying rate itself."<sup>7</sup>

In its March 2014 Order, the Commission "require[d] all MISO transmission owners to submit informational filings in separate docket numbers"<sup>8</sup> and stated that "formal challenges should be filed in the same docket as the informational filing."<sup>9</sup> The Commission also "direct[ed] MISO to provide notification of the filing through the email 'exploder' list to be maintained by MISO, and by posting the docket number assigned to each transmission owner's informational filing on the MISO website and [Open Access Same-Time Information System ("OASIS")] within five days of such filing."<sup>10</sup> The Commission further directed "that the informational filings contain information necessary

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<sup>4</sup> May 2013 Order at PP 1, 17-18.

<sup>5</sup> *Id.* at P 92.

<sup>6</sup> *Id.* at P 92 n.142.

<sup>7</sup> *Id.* at P 85.

<sup>8</sup> March 2014 Order at P 71.

<sup>9</sup> *Id.* at P 70; *see also id.* at P 113 ("We also direct the MISO Transmission Owners to propose Tariff revisions to clarify that formal challenges should be filed in the informational filing dockets.").

<sup>10</sup> *Id.* at P 71.

to review the reasonableness of projected costs for transmission owners with forward-looking rates.”<sup>11</sup>

## II. INFORMATIONAL FILING

Section VI of MidAmerican’s formula rate protocols set forth in Attachment O of the MISO Tariff provides that, by March 15 of each year, MidAmerican shall submit an annual informational filing to the Commission including information that is reasonably necessary to determine:

1. That input data under the formula rate are properly recorded in the underlying work papers;
2. That MidAmerican has properly applied the formula rate and the protocol procedures;
3. The accuracy of data and the consistency with the formula rate of the Transmission Revenue Requirement and rates under review;
4. The extent of accounting changes that affect the formula rate inputs; and
5. The reasonableness of projected costs.

The protocols also require that the informational filing must describe any corrections or adjustments made during the information exchange and informal challenge periods, and must describe all aspects of the formula rate or its inputs that are the subject of an ongoing dispute under the informal or formal challenge procedures. Section IV.F of MidAmerican’s formula rate protocols specifies that any changes or adjustments to the True-Up Adjustment or projected net revenue requirement resulting from the information exchange and informal challenge processes that are agreed to by MidAmerican on or before December 1 will be reflected in the projected net revenue requirement for the upcoming rate year, and that any changes agreed to by MidAmerican after December 1 will be reflected in the following year’s Annual True-Up.

In response to these requirements, MidAmerican provides the following:<sup>12</sup>

Attachment I: Populated formula rate template showing MidAmerican’s projected net revenue requirement effective January 1, 2016 using projected cost data for 2016 and MidAmerican’s Annual True-Up, which is derived from MidAmerican’s 2014 FERC Form 1.

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<sup>11</sup> *Id.* at P 62.

<sup>12</sup> MidAmerican is providing its populated formula rate templates and underlying work papers in their native format (e.g., Microsoft Excel), fully populated and with formulas intact.

- Attachment II: Supporting documentation and work papers for all inputs that are not otherwise available in MidAmerican's FERC Form 1, including other material to support the reasonableness of projected costs.
- Attachment III: List of accounting changes that affect the formula rate inputs.
- Attachment IV: Corrections or adjustments made during the information exchange or informal challenge process and identification of which changes were agreed to prior to December 1, 2015 that are included in the projected net revenue requirement and which changes were agreed to after December 1, 2015 that will be reflected in the subsequent year's True-Up.
- Attachment V: List of all aspects of the formula rate and its inputs that are subject to an ongoing dispute under the informal or formal challenge procedures.

MidAmerican's formula rate protocols require that MidAmerican's Annual True-Up be posted on MISO's website and OASIS by June 1 of each year (or the next business day if June 1 falls on a weekend or Commission holiday) and that MISO provide notice of such posting within ten days. The posting of the Annual True-Up triggers the commencement of the information exchange period and challenge period under MidAmerican's protocols. MidAmerican's protocols also require that MidAmerican provide its projected net revenue requirement for the following year to MISO on September 1, 2015, and that MISO provide notice of such posting within ten days. Interested Parties had until December 1, 2015 to submit information requests, and MidAmerican was required to make a good faith effort to respond to all requests within fifteen business days, but by no later than January 10, 2016. Interested Parties had until February 1, 2016 to submit informal challenges to MidAmerican, and MidAmerican was required to make a good faith effort to respond to all informal challenges within twenty business days, but by no later than February 28, 2016. Under MidAmerican's protocols, Interested Parties have until April 15, 2016 to file formal challenges with the Commission. MidAmerican has complied with all of these procedures and as of this date, MidAmerican has not received any challenges or information requests for this time period.

The following table summarizes MidAmerican's compliance with specific deadlines set forth in the protocols:

<b>Due Date</b>	<b>Activity</b>	<b>Date Activity Completed</b>
June 1, 2015	Calculate Annual True-Up, actual net revenue requirement, and True-Up Adjustment, and provide to MISO for posting/distribution	May 27, 2015
10 Days After Posting	MISO provides notice to exploder list	May 27, 2015
September 1, 2015	Hold annual open meeting on Annual True-Up	July 14, 2015
September 1, 2015	Calculate projected net revenue requirement and provide to MISO for posting/distribution	August 26, 2015
10 Days After Posting	MISO provides notice to exploder list	August 26, 2015
October 31, 2015	Hold annual open meeting on projected net revenue requirement	October 28, 2015
November 2, 2015 <sup>13</sup>	Hold joint informational meeting on regionally cost-shared projects	November 2, 2015

### **III. NOTICE**

In accordance with Section VI.A of MidAmerican's protocols, MidAmerican will notify MISO of this filing and provide the docket number for posting on the MISO website and OASIS and notification via MISO's email exploder list within five days.

### **IV. CONCLUSION**

The foregoing is MidAmerican's informational filing pursuant to the Commission Orders in Docket Nos. EL12-35 and ER13-2379. If there are any questions about this filing, please contact the undersigned.

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<sup>13</sup> Because November 1, 2015 fell on a Sunday, the deadline for holding an annual joint informational meeting for regionally cost-shared projects was Monday, November 2, 2015, pursuant to Section II.I of MidAmerican's protocols.

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Respectfully submitted,

*/s/ Dehn Stevens* \_\_\_\_\_

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Attachments

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**Attachment I**

MidAmerican 2016 Forward-Looking Attachment O Rate Template  
And  
MidAmerican's 2014 Annual True-Up

Please refer to included Excel work book

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## **Attachment II**

MidAmerican 2016 Forward-Looking Attachment O Supporting Work Papers

Please refer to included Excel work book



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### **Attachment III**

#### List of Accounting Changes That Affect MidAmerican Formula Rate Inputs

MidAmerican 2014 Depreciation Rates as provided in the template approved in  
Docket No. ER13-1187

Accumulated Deferred Income Taxes as provided in the rate template approved in  
Docket No. ER16-16

**MidAmerican Energy Company**  
**Depreciation Rates**  
**as of 12/31/14**

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
FERC Account	Plant Type	Estimated Life	Mortality Curve	Current Age	Remaining Life	Average Depreciation Rate	Average Gross Plant	2014 Depreciation Expense
<b>Transmission</b>								
350.1	Land Rights	70	R4	26.38	43.62	1.38%	43,647,008	603,965
352	Structures & Improvements	60	R3	15.44	44.56	1.59%	22,223,264	354,234
353	Station Equipment	55	R1.5	10.08	44.92	1.67%	426,476,660	7,135,392
354	Towers & Fixtures	70	S2.5	28.40	41.60	1.29%	39,532,477	511,726
355	Poles & Fixtures	52	R2.5	13.58	38.42	2.30%	288,693,230	6,640,267
356	Overhead Conductor & Devices	55	R3	15.58	39.42	2.13%	243,164,605	5,186,935
357	Underground Conduit	55	R4	22.87	32.13	1.89%	1,263,516	23,885
358	Underground Conductor & Devices	55	R4	25.79	29.21	1.93%	2,781,230	53,592
359	Roads & Trails	70	R4	7.74	62.26	1.39%	154,094	2,150
359.1	ARO Transmission Plant	NA	NA	NA	NA	7.37%	20,449	1,508
<b>General Plant</b>								
389.1	Land Rights	70	R4	14.81	55.19	1.50%	520,444	7,819
390	Structures & Improvements - Buildings	45	R0.5	10.10	34.90	2.05%	111,767,300	2,289,820
390.1	Structures & Improvements - Leasehold Improvements	NA	NA	NA	NA	3.44%	9,976,109	343,255
391	Office Furniture & Equipment	10	SQ	4.44	5.56	9.95%	7,084,294	704,953
391.1	Office Furniture & Equipment - Computer	5	SQ	2.07	2.93	17.81%	27,667,749	4,927,778
392	Transportation Equipment - Various	12	L3	3.70	8.30	5.08%	3,595,185	182,666
393	Stores Equipment	10	SQ	6.59	3.41	6.07%	1,052,225	63,907
394	Tools, Shop, & Garage Equipment	15	SQ	6.20	8.80	6.82%	18,129,845	1,236,680
395	Laboratory Equipment	10	SQ	5.80	4.20	8.56%	797,538	68,249
396	Power Operated Equipment	14	L0.5	4.28	9.72	2.93%	10,167,243	297,841
397	Communication Equipment	15	SQ	6.74	8.26	5.29%	37,553,283	1,985,871
397.1	Communication Equipment - Phones	10	SQ	4.06	5.94	10.08%	2,131,607	214,791
398	Miscellaneous Equipment	10	SQ	3.30	6.70	8.93%	2,578,663	230,214
<b>Intangible Plant</b>								
301	Organization Costs	25	NA	0.00	0.00	0.00%	101,985	0
302	Franchises & Consents	25	NA	20.88	4.12	2.09%	407,814	8,527
303	Miscellaneous Intangible Plant	5	NA	NA	3.98	3.71%	144,121,685	5,346,187

**Notes:**

- Columns (A), (B), (C), and (D) are fixed and cannot be changed absent Commission approval or acceptance.
- Column (E) is based on the Estimated Life in Column (C) less the Remaining Life in Column (F) for those accounts for which using a Mortality Curve is identified.
- Column (F) is the average remaining life of the assets in the account based on their vintage.
- Column (G) is the depreciation rate from the Mortality Curve specified based on the data in Columns (C) and (D).
- Column (H) is the average gross plant investment in the account or subaccount. Some FERC accounts may reflect excluded amounts as shown below.
- Column (I) is the annual depreciation expense for the year in the account or subaccount.
- Column (I) is Column (G) multiplied by Column (H) for those accounts that have an identified Mortality Curve.
- Column (I) for Accounts Nos. 301, 302, and 303 are calculated using individual asset depreciation and, therefore, are not derived values.
- Every 5 years, MidAmerican Energy Company will file with the commission a depreciation study supporting its existing Estimated Life and Mortality Curve for each account or subaccount.
- Account No. 359.1 (ARO Transmission Plant) is a retirement obligation for transmission substation transformers that contain PCB.
- Lease expense for each lease for which the cost is included in Account 390.1 is amortized over the life of the lease.
- These depreciation rates are applied to average gross plant to calculate the depreciation expense.
- Excluded Accounts, plant balances which are not depreciated or the depreciation is not included in transmission rates, are shown below.

FERC Account	Plant Type	Average Gross Plant
<b>Excluded Accounts</b>		
<b>Transmission</b>		
350	Land	8,381,626
<b>General Plant</b>		
389	Land	4,781,646
392	Transportation Equipment - Distribution	101,178,281
396	Power Operated Equipment - Distribution	5,111,901

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## **Attachment IV**

### **Corrections or Adjustments Made During the Information Exchange or Informal Challenge Process**

Changes due to finalization of the MidAmerican 2016 Budget (November 2015) from the preliminary MidAmerican 2016 Budget (August 2015):

1. Total Gross Plant decreased approximately \$58M.
2. Total Accumulated Depreciation decreased approximately \$4.8M.
3. CWIP for Certificate of Need Projects increased approximately \$46.4M.
4. Total Adjustments to Rate Base decreased approximately \$43.2M.
5. Total Working Capital decreased approximately \$3M.
6. Rate Base increased approximately \$33.4M
7. Total O&M Expense decreased approximately \$600K.
8. Total Depreciation Expense decreased approximately \$1.7M
9. Total Other Taxes decreased approximately \$311K
10. Total Income Taxes increased approximately \$2.7M
11. Return increased approximately \$4.2M
12. Attachment MM Adjustment decreased approximately \$634K.

These changes were included in the 2016 Projected Revenue Requirement.

There were no changes agreed to after December 1, 2015 to be included in a subsequent true-up.

MidAmerican Energy Company  
Midwest ISO Attachment O  
Comparison Final Forward Looking 2016 to Preliminary Forward Looking 2016

	(a) Final Rates Effective January 1, 2016	(b) Preliminary Rates Effective January 1, 2016	(c) Final vs Prelim 2016 Comparison (a) - (b)
1 Total Gross Plant	\$1,435,919,128	\$1,494,064,653	(\$58,145,525)
2 Total Accumulated Depreciation	\$477,432,784	\$482,272,351	(\$4,839,567)
3 Total Net Plant (Line 1 - Line 2)	\$958,486,344	\$1,011,792,302	(\$53,305,958)
4 CWIP for Certificate of Need Projects	\$256,416,354	\$210,047,528	\$46,368,826
5 Total Adjustments to Rate Base	(\$147,929,766)	(\$191,182,416)	\$43,252,650
6 Total Working Capital	\$11,611,268	\$14,561,702	(\$2,950,434)
7 Rate Base (Sum Lines 3-6)	\$1,078,584,200	\$1,045,219,116	\$33,365,084
8 Total O&M	\$20,913,803	\$21,513,189	(\$599,386)
9 Total Depreciation Expense	\$29,066,926	\$30,759,954	(\$1,693,028)
10 Total Other Taxes	\$9,224,370	\$9,535,454	(\$311,084)
11 Total Income Taxes	\$47,218,303	\$44,552,691	\$2,665,612
12 Return	\$93,914,877	\$89,677,463	\$4,237,414
13 Attachment GG Adjustment	(\$86,018)	(\$82,764)	(\$3,254)
14 Attachment MM Adjustment	(\$52,953,251)	(\$52,319,486)	(\$633,765)
15 Revenue Requirements (Sum Lines 8-14)	\$147,299,010	\$143,636,501	\$3,662,509
16 Revenue Credits	\$21,493,629	\$21,493,629	\$0
17 Prior Year ATRR True-up	(\$11,964,235)	(\$11,810,458)	(\$153,777)
18 Prior Year Divisor True-up	\$1,267,379	\$1,267,379	\$0
19 Interest on Prior Year True-up	(\$695,296)	(\$685,300)	(\$9,996)
20 Net Revenue Requirement (Line 15 - Line 16 + Line 17 +Line 18 + Line 19)	\$114,413,229	\$110,914,493	\$3,498,736
21 12CP Load (kW)	4,039,698	4,039,698	0
22 Network & PTP Rate (\$/kW-mo)	\$2.360	\$2.288	\$0.072

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## **Attachment V**

Aspects of the Formula Rate and Its Inputs That Are Subject to an  
Ongoing Dispute Under the Informal or Formal Challenge Procedures

1. None