
STAFF MEMORANDUM

TO: COMMISSIONERS AND ADVISORS

FROM: AMANDA REISS, JOSEPH REZAC, AND LORENA REICHERT

RE: EL18-005 – IN THE MATTER OF THE FILING BY MIDAMERICAN ENERGY COMPANY FOR APPROVAL OF TARIFF REVISIONS TO ITS TRANSMISSION COST RECOVERY 2017 RECONCILIATION AND 2018 NEW FACTOR CALCULATION

DATE: MARCH 13, 2018

BACKGROUND

On February 15, 2018, MidAmerican Energy Company (MidAmerican or Company) filed an Application for Approval of Transmission Cost Recovery (TCR) with the South Dakota Public Utilities Commission (Commission). The Company proposes their annual true-up of the actual amounts collected in the TCR, an estimated amount of revenues collected from January 2018 through March 2019, and the forecasted recovery of revenue requirements for April 2018 through March 2019. MidAmerican proposes TCR rates effective April 2, 2018.

SDCL § § 49-34A-25.1 through 25.4 authorize the Commission to approve a tariff mechanism for the automatic annual adjustment of charges for the jurisdictional costs of new or modified transmission facilities with a design capacity of 34.5 kV or more and which are more than five miles in length.

In Docket EL14-072, the Commission approved the establishment of the TCR, and the revenue requirement and rates associated with the first year of the TCR. MidAmerican's Transmission Cost Recovery adjustment clause includes costs assessed to MidAmerican by the Midcontinent Independent System Operator, Inc. (MISO), including a portion of the costs associated with its regionally-allocated electric transmission facilities as reflected in MidAmerican's transmission rates approved by the Federal Energy Regulatory Commission (FERC). The costs assessed by MISO include MISO administrative costs (MISO FERC Transmission Rate Schedule 10) as well as MISO regional transmission costs (MISO FERC Transmission Rate Schedules 26 and 26-A). MidAmerican's TCR clause utilizes the MidAmerican rate templates filed with the FERC. MidAmerican's TCR replaces the overall rate of return reflected in the FERC rate template with the overall rate of return based on the Company's actual capital structure, including short-term debt, actual long-term debt costs as of the prior year, 12-month average short-term debt costs for the prior year, and the ROE approved in the last rate case, EL14-072. This information is used to compute an adjustment applicable to that portion of the MidAmerican regionally allocated transmission costs to be recovered via the TCR clause. Staff and MidAmerican developed this methodology in EL14-072 in order to accomplish the intent of the "refined split method" used for other utilities in a manner that is more administratively efficient.

In docket EL17-007, the Commission approved cost recovery of \$342,240, MidAmerican used the methodology as approved by the commission in docket EL14-072 including using the ROE as approved in the previous rate case where applicable in this filing.

In this docket, MidAmerican proposes to recover a revenue requirement of \$358,241, consisting of the forecasted revenue requirements of \$356,260, plus the \$634 true-up of actual amounts under collected in the previous year of the TCR, plus a \$1,346 estimate of amounts that will be under recovered in the months of January 2018 through March 2018. MidAmerican used the methodology as approved by the commission in docket EL14-072 including using the ROE as approved in the previous rate case where applicable in this filing. MidAmerican also includes estimates of the effect of the corporate tax rate change for the costs recovered through the TCR.

The Company proposed to implement the following rates per kWh to the respective customer classes effective April 2, 2018:

Residential	\$0.00187
Small General Service Energy	\$0.00205
Small General Service Demand	\$0.00154
Large General Service	\$0.00140
Water Pumping Service	\$0.00339
Lighting	\$0.00105

STAFF'S ANALYSIS

Staff conducted a comprehensive review of MidAmerican's filing, assessed the filing's compliance with the statutes authorizing the transmission facilities tariff mechanism, obtained additional information through discovery, and ultimately came to a determination based on this analysis.

2017 TRUE-UP & APRIL 2018 – MARCH 2019 TCR REVENUE REQUIREMENT

Revenue Requirement

The revenue requirement with this TCR filing is \$358,241, subject to later true-up to actual costs and recoveries, based on the forecasted revenue requirements of \$356,260, plus the \$634 true-up of actual amounts under collected in the previous year of the TCR, plus a \$1,346 estimate of amounts that will be under collected in the months of January 2018 through March 2018.

Capital Structure, Cost of Debt, and ROE

The filing used a capital structure and cost of debt as of December 31, 2017, to calculate the April 2018 through March 2019 revenue requirements. MidAmerican used the ROE approved in its last general rate case, Docket EL14-072.

Filing Fee

The Parties agree the filing fee is an eligible expense for inclusion in the TCR, and the TCR revenue requirement includes an estimate of \$2,151 for the EL18-005 filing fee and a true-up for the over collection of \$1,849 in filing fees from EL17-007. The actual amount billed to the Company will be reflected in the next true-up filing.

APRIL 2018 – MARCH 2019 TCR RATES

The TCR rates are designed to be implemented effective April 2, 2018. The rates are based on forecasted sales from April 2018 through March 2019. The rates include the carrying charge, costs assessed by MISO, including a portion of the costs associated with its regionally-allocated electric transmission facilities as reflected in MidAmerican's transmission rates approved by the FERC, MISO administrative

costs (MISO FERC Transmission Rate Schedule 10), and MISO regional transmission costs (MISO FERC transmission Rate Schedules 26 and 26-A). The net MISO costs used to determine the revenue requirement are allocated to customer classes based on the 12-CP allocation factors noted on page 5 of the filing.

MidAmerican also includes estimates of the effect of the corporate tax rate change for the costs recovered through the TCR. MidAmerican modified draft MISO Attachments to reflect the updated federal corporate tax rate. The rate templates resulting from these modifications were provided in response to Staff Data Request 1-1. MidAmerican also plans to true up difference from the estimates with future year filings.

The TCR rates by customer class are as follows:

Residential	\$0.00187
Small General Service Energy	\$0.00205
Small General Service Demand	\$0.00154
Large General Service	\$0.00140
Water Pumping Service	\$0.00339
Lighting	\$0.00105

RECOMMENDATION

Staff believes the Company’s filing is consistent with the Settlement Stipulation approved in Docket EL14-072. The Company has responded to all data requests asked by Staff. Staff recommends the Commission approve the April 2018 through March 2019 TCR revenue requirement and above-mentioned April 2018 – March 2019 TCR rates as proposed with an effective date of April 2, 2018.