MidAmerican Energy Company
Response to South Dakota Public Utilities Commission Data Request
Docket No. EL24-022

1-2. Identify and explain the main drivers causing the increase in the avoided energy and capacity costs and resulting credits.

Response:

The main driver of the avoided capacity cost increase is MISO's cost of a new simple cycle combustion turbine (CT) in Local Resource Zone 3, which increased from $718.5/kW in docket ER22-50-000 to $914.5/kW in docket ER24-37-000. In years 2024 and 2025, MidAmerican's filed avoided capacity cost increase is due to MISO's Cost of New Entry (CONE) increase. The change in MISO CT costs is also the main driver of the avoided capacity cost increase in 2028 and 2029, where the CT cost is utilized to determine MidAmerican's economic carrying charge of a new simple cycle combustion turbine.

The main drivers of the increase in avoided energy costs were the higher forecasted cost of net market purchases and the higher forecasted cost of coal. The following amounts refer to the annual all hours rate for the 0 megawatt level of purchases in 2025 from both filings for comparison and are representative of all purchase levels and years common between the two filings. The weighted average cost of net market purchases increased 64% from $17.87 per MWh in the 2022 filing period to $29.32 in the 2024 filing period. MISO net market purchases accounted for 12% of the generation mix in the proposed 2024 filing versus 33% in the 2022 filing. The weighted average cost of coal was relatively flat from $23.20 per MWh in the 2022 filing period to $22.00 in the 2024 filing period but coal production increased accounting for 37.0% of the generation mix in the proposed 2024 filing versus 13% in the 2022 filing. MidAmerican operates its generating units in the most economical position possible given the MISO market conditions and the unit's operating characteristics. Electric market prices in the region generally increased compared to the previous year due to higher fuel prices and other inflationary pressures.