

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF STAFF’S REQUEST TO)	SETTLEMENT
INVESTIGATE THE EFFECTS OF THE TAX)	STIPULATION
CUTS AND JOBS ACT ON SOUTH DAKOTA)	
UTILITIES)	GE17-003
)	

It is hereby stipulated and agreed by and between MidAmerican Energy Company (“MidAmerican”) and the South Dakota Public Utilities Commission Staff (“Staff”), collectively (“Parties”), that the following Settlement Stipulation (“Stipulation”) may be adopted by the South Dakota Public Utilities Commission (“Commission”) in the above-captioned matter. The Parties offer no additional filings, conditioned upon the Commission accepting the following Stipulation without any material condition or modification.

I. INTRODUCTION

On December 21, 2017, Staff filed a motion with the Commission to investigate the impact of the Tax Cuts and Jobs Act (“TCJA”) on South Dakota Utilities. On December 29, 2017, the Commission issued an Order Requiring Comments; Order Requiring Rate in Effect January 1, 2018, Are Subject to Refund; Order Granting Intervention (“Order”). The Order, (1) granted MidAmerican’s request to intervene; (2) required MidAmerican to file comments no later than February 1, 2018; and (3) established that all rates impacted by the federal income tax, not limited to base rates, shall be adjusted effective January 1, 2018 and are subject to refund or any other ratemaking treatment which ensures ratepayers receive the benefits of the tax change as of January 1, 2018, pending a determination of the impact of the TCJA.

On February 1, 2018, MidAmerican filed with the Commission initial comments regarding the general effects of the TCJA on the cost of service and possible mechanisms for adjusting rates.

MidAmerican is committed to providing the benefits of the TCJA to its customers in a manner that ensures the best outcome for customers.

The Parties have been able to resolve all issues between them in this proceeding and have entered into this Stipulation, which, if accepted and ordered by the Commission, will capture the benefits of the TCJA for MidAmerican's customers through a refund to customers for accrued benefits and reduced rates for electric and natural gas service for future benefits. The changes are proposed to be effective June 1, 2019.

II. PURPOSE

This Stipulation has been prepared and executed by the Parties for the sole purpose of resolving Docket No. GE17-003 for MidAmerican only. The Parties acknowledge that they may have differing views that justify the end result, which they deem to be just and reasonable, and, in light of such differences, the Parties agree that the resolution of any single issue, whether express or implied by the Stipulation, should not be viewed as precedent setting. In consideration of the mutual promises hereinafter set forth, the Parties agree as follows:

1) Upon execution of the Stipulation, the Parties shall file this Stipulation with the Commission, together with a joint motion, requesting that the Commission issue an order approving this Stipulation in its entirety without condition or modification.

2) This Stipulation includes all terms of settlement and is submitted with the condition that in the event the Commission imposes any changes in or conditions to this Stipulation which are unacceptable to either Party, this Stipulation may, at the option of either Party, be withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding nor be used for any other purpose.

3) This Stipulation shall become binding upon execution by the Parties, provided however, that if this Stipulation does not become effective in accordance with Paragraph 2 above, it shall be null, void, and privileged. This Stipulation is intended to relate only to the specific matters referred to herein; neither Party waives any claim or right which it may otherwise have with respect to any matter not expressly provided for herein; neither Party shall be deemed to have approved, accepted, agreed, or consented to any ratemaking principle, or any method of cost of service determination, or any method of cost allocation underlying the provisions of this Stipulation, or be advantaged or prejudiced or bound thereby in any other current or future rate proceeding before the Commission. Neither Party nor a representative thereof shall directly or indirectly refer to this Stipulation or that part of any order of the Commission relating to this Stipulation as precedent in any other present or future rate proceeding or any other proceeding before the Commission.

4) The Parties to this proceeding stipulate that all filings be made a part of the record in this proceeding. The Parties understand that if this matter had not been settled, additional record evidence from each of the Parties would have been developed.

5) It is understood that Commission Staff enters into this Stipulation for the benefit of all of MidAmerican's South Dakota customers affected by this docket.

III. ELEMENTS OF THE SETTLEMENT STIPULATION

The Parties agree that the resolution of the instant proceeding is global in nature and that each and every element of the Stipulation is reliant on each and every other element of this Stipulation, unless otherwise specified herein.

1. Base Rates

The primary change made by the TCJA is the reduction of the corporate tax rate from 35% to 21%. The Parties agree the base rates authorized in EL14-072 and NG14-005 for electric service and natural gas service respectively, shall be reduced to reflect the corporate tax reduction, with a proposed effective date of June 1, 2019 or upon Commission approval, as described in Exhibits A and B. Revised electric rates and tariffs are shown in Exhibits E and F. Revised gas rates and tariffs are shown in Exhibits G and H.

2. Energy Cost Adjustment

Clause ECA - Energy Cost Adjustment (ECA) recovers costs related to the production of energy that are volatile over time, and was authorized in EL14-072. The costs recovered by the ECA are energy and purchased power, consumable chemical costs, and production tax credits (PTCs). PTCs generated by wind projects that are included in rate base – Wind I through Wind VIII – are included in the ECA as a benefit and offset other costs included in the ECA. PTCs are included in the ECA on a pre-tax level because PTCs are a direct reduction to income taxes paid. To reflect the pre-tax benefit, PTCs are grossed up based on the federal income tax rate. This gross up provides a reduction in revenue from the ECA by an amount that, when income tax rates are applied, would reduce income taxes by the amount of the PTCs. Because the federal income tax rate is decreasing from 35% to 21%, the PTC gross up must also decrease. The PTC gross up factor listed in the ECA tariff will be adjusted from 1.538 to 1.266.

3. Rate Refund

MidAmerican will refund agreed-upon benefits including 7% annual interest through a short-term refund mechanism as described in Exhibits C and D. The refund amount shall include

the benefit of the reduction of the corporate tax rate from 35% to 21% accrued from the effective date of TCJA, January 1, 2018, through the date the new rates go into effect, plus the effect of the PTC gross up factor change for the same time period, plus all of the unprotected property related excess accumulated deferred income taxes. The Parties agree not to refund the unprotected non-property related excess accumulated deferred income tax balance because it was not included in rate base in the most recent gas and electric rate case filings. The refund shall be accomplished through a new Clause Tax Expense Refund Mechanism (“TERM”) by applying a per kilowatt-hour or therm credit to customers’ billed monthly usage beginning with customers’ July 2019 bills through customers’ December 2019 bills. In order to facilitate a quicker and less costly refund process, the Parties agree the refund will not be determined based on individual customers’ historical usage. At the end of the refund period, MidAmerican shall reconcile expected refunds with actual refunds. If the reconciled difference is greater than the absolute value of \$5000 for all customer classes, separately for gas and electric, (e.g. \$5000 for all electric customers and \$5000 for all gas customers), MidAmerican shall extend the refund period until such time that the balance has been reduced below the \$5000 threshold. The reconciled difference shall be applied to customer classes that are outside of an acceptable tolerance, in a manner mutually agreed upon by MidAmerican and Staff. If the reconciled difference is less than the \$5000 threshold, the amount need not be recorded in a regulatory asset/liability account and shall be written off.

Electric Clause TERM rates and tariffs are shown in Exhibits E and F. Gas Clause TERM rates and tariffs are shown in Exhibits G and H.

This Stipulation is entered into effective this 2nd day of May, 2019.

MIDAMERICAN ENERGY COMPANY

SOUTH DAKOTA PUBLIC UTILITIES
COMMISSION STAFF

BY:



BY:



ITS:

VP & CFO

ITS:

Staff Attorney

Exhibits to Settlement Stipulation

- Exhibit A - SD Gas Tax Reform Proof of Revenue
- Exhibit B - SD Electric Tax Reform Proof of Revenue
- Exhibit C - SD Clause TERM Worksheet Gas
- Exhibit D - SD Clause TERM Worksheet Electric
- Exhibit E - SD Electric Redlined Tariff Sheets
- Exhibit F - SD Electric Revised Tariff Sheets
- Exhibit G – SD Gas Redlined Tariff Sheets
- Exhibit H – SD Gas Revised Tariff Sheets
- Exhibit I – SD Electric ECA Factor Worksheet