

South Dakota Public Utilities Commission  
Docket GE20-002  
MidAmerican Energy Company  
First Data Requests

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For each response where it is necessary, separate amount between Natural Gas and Electric and describe any differences between Natural Gas and Electric. For responses where the Company's answer is the same for both Natural Gas and Electric, please indicate so.

- 1-2. Provide any accounting standards the utility must follow regarding deferred accounting treatment and likelihood of future cost recovery. Confirm the Company must determine cost recovery is probable and the Commission need not make a determination at this time regarding probable recovery, especially in light of the uncertainty regarding magnitude of the costs. Confirm that the Company acknowledges that the deferral accounting method and the resulting creation of a regulatory asset does not speak to the likelihood of any future cost recovery to be approved by the Commission.

**Response:**

MidAmerican believes the requirements for establishing either a Natural Gas or Electric regulatory asset are as shown below. While MidAmerican does not need explicit assurance from the Commission that the deferred costs will be recovered at some point in the future, MidAmerican does need to have a basis for believing they ultimately will. Therefore, by definition, establishing either a Natural Gas or Electric regulatory asset does "speak to the likelihood of any future cost recovery to be approved by the Commission."

ASC 980-340-25-1 states that the "rate action of a regulator can provide reasonable assurance of the existence of an asset." All or part of an incurred cost that would otherwise be charged to expense should be capitalized as a regulatory asset if:

- (a.) It is probable that future revenues in an amount approximately equal to the capitalized cost will result from inclusion of that cost in allowable costs for ratemaking purposes
- (b.) The regulator intends to provide for the recovery of that specific incurred cost rather than to provide for expected levels of similar future costs

Evidence to support future recovery and corroborate management's representation includes:

- Rate orders from the regulator specifically authorizing recovery of the costs in rates
- Previous rate orders from the regulator allowing recovery for substantially similar costs
- Written approval from the regulator approving future recovery in rates and
- Analysis of recoverability from internal or external legal counsel