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

**IN THE MATTER OF THE APPLICATION OF MIDAMERICAN ENERGY COMPANY
FOR AUTHORITY TO INCREASE ITS NATURAL GAS RATES**

**STAFF MEMORANDUM SUPPORTING
SETTLEMENT STIPULATION**

DOCKET NG22-005

Commission Staff (Staff) submits this Memorandum in support of the Settlement Stipulation (Settlement) of March 14, 2023, among Staff, MidAmerican Energy Company (MidAmerican or Company), and Steve Wegman, (jointly, the Parties) in the above-captioned matter.

BACKGROUND

MidAmerican's last Natural Gas Rate Increase docket was filed on August 4, 2014. On May 18, 2022, the Company filed an application with the South Dakota Public Utilities Commission (Commission) requesting approval to increase rates for natural gas service to its customers in its South Dakota retail service territory by approximately \$7.037 million annually or approximately 6.4%. A typical residential natural gas customer using 52 therms per month would see an increase of \$4.16 per month under MidAmerican's proposed rates.

MidAmerican states a primary driver of the increase is its capital investments necessary to serve rapidly growing areas in South Dakota which have increased rate base, depreciation expense, and property tax expense. MidAmerican states these system reliability improvements, necessary integrity management improvements, and government-mandated relocation projects do not generate corresponding revenue and have created a disparity between cost of service and revenue that has been exacerbated by significant increases in construction costs over time. Additionally, MidAmerican expects economic growth and increased cost of service influenced by inflation to continue in the future.

MidAmerican's proposed increase was based on operating results from a historical test year ended December 31, 2021, adjusted for what MidAmerican believed to be known and measurable changes, a 10.75% return on common equity, and a 7.604% overall rate of return on rate base.

The Commission officially noticed MidAmerican's filing on May 19, 2022, and set an intervention deadline of July 22, 2022. On June 10, 2022, the Commission issued an Order Assessing Filing Fee and Suspending Operation of Proposed Rates; Order Authorizing Executive Director to Enter Into Consulting Contracts. On June 10, 2022, Steven Wegman, of Sioux Falls, South Dakota, filed a Petition to Intervene on his own behalf. The Commission issued an Order Granting Intervention to Mr. Wegman on July 7, 2022. On October 6, 2022, MidAmerican filed a Notice of Intent to Implement Interim Natural Gas Rates effective on and after November 15, 2022.

Settlement discussions between the Parties commenced on November 2, 2022. Thereafter the Parties held several settlement discussions in an effort to arrive at a mutually acceptable resolution of the issues presented in MidAmerican's filing. Ultimately, the Parties reached a comprehensive agreement on MidAmerican's overall revenue deficiency and other issues presented in this case including, but not limited to, class revenue responsibilities, rate design, and tariff concerns.

OVERVIEW OF SETTLEMENT

Staff based its revenue requirement determination on its comprehensive analysis of MidAmerican's filing and information obtained during discovery. Staff accepted some Company adjustments, made corrections where necessary, modified other adjustments, and rejected those that do not qualify as known and reasonably measurable. Lastly, Staff introduced new adjustments not reflected in MidAmerican's filed case but nevertheless reflect appropriate adjustments to test year operating results.

Each party's positions were discussed thoroughly at the settlement conferences. As a result, some positions were modified, and others were accepted where consensus was found. Ultimately, the Parties agreed on a comprehensive resolution of all issues. Staff believes the settlement is based on sound regulatory principles and avoids additional costly and unnecessary litigation.

As noted below under the System Reliability, Integrity Management, and Gas ERT Project subsections of the "RATE BASE" section, the Parties have agreed to additional quarterly increases during 2023 to best balance the interests of the Parties. This approach ensures that ratepayers will not be paying for projects until they are in service and are used and useful, thus conforming to the matching principle and known and measurable standard and will alleviate the need for MidAmerican to file back-to-back rate cases.

These quarterly increases are accomplished with the Capital Investment Phase-in Adjustment Clause (CIPA). This CIPA is a volumetric credit that is provided on a per-therm basis and applicable to each customer's usage as detailed on sheets 74.20 and 74.21 in section 3 of MidAmerican's tariff. This credit is set at (\$0.01252) per therm initially and will decrease each quarter as projects go into service, and the final adjustment will decrease the credit to zero, subject to a materiality review of the difference between the actual and estimated capital expenditures reflected in the CIPA.

The Parties agree MidAmerican's initial revenue deficiency excluding projects not in-service by January 1, 2023, using the (\$0.01252) per therm CIPA, is approximately \$4,029,935, which results in an approximate 3.7% increase in retail revenue. Once all agreed-upon 2023 projects are in-service, the revenue requirement will be approximately \$5,946,541, which results in an approximate 5.4% increase in retail revenue. These revenue requirements and supporting calculations described in this Memorandum and attachments depict Staff's positions regarding all components of MidAmerican's South Dakota jurisdictional revenue requirement.

STAFF OVERVIEW OF SETTLEMENT

Staff believes the settlement provides MidAmerican with an annual level of revenues relative to its current service costs that is fair, just, and reasonable to both the Company and its customers. These settlement rates allow MidAmerican a reasonable opportunity to earn a return adequate for it to

continue the provision of safe, adequate, and reliable natural gas service to its South Dakota retail customers.

Staff's determination of MidAmerican's revenue requirement begins with the December 31, 2021, South Dakota retail test year costs. Staff then adjusted the December 31, 2021, test year results for known and measurable post-test year changes. Staff Exhibit ___(EJP-1), Schedule 3 illustrates Staff's determination of MidAmerican's pro-forma operating income under present rates. Staff Exhibit ___(EJP-2), Schedule 2 illustrates Staff's calculation of MidAmerican's South Dakota retail rate base, and Staff Exhibit ___(EJP-1), Schedule 2 and Staff Exhibit ___(EJP-2), Schedule 1 summarize the positions. Staff's calculation of MidAmerican's revenue deficiency and total revenue requirement are shown on Staff Exhibit ___(EJP-1), Schedule 1¹.

The base revenue (i.e., revenues excluding purchased gas costs) increase by rate schedule is shown on Staff Exhibit ___(JMR-2), Schedule 1. Staff Exhibit ___(JMR-2), Schedules 2-1 through 2-4 reflect the settlement base rates for each rate schedule. The comparison between present and settlement base rate bill components and resulting bill impacts for the Small Volume Firm-Sales (SVFSVS) rate schedule is shown on Exhibit ___(JMR-2), Schedule 3.

Below is a brief discussion of the issues that Staff identified in the case. Unless otherwise noted, all of the changes discussed below are changes from the Company's filed position.

RATE BASE

Average Rate Base – The Company proposed a test year average rate base based on an average of the 12 month-end account balances, January 31, 2021, through December 31, 2021. The settlement revises this to an average of the 13 month-end account balances, December 31, 2020, through December 31, 2021. This change had a net effect of decreasing rate base by approximately \$204,000.

Project In Service During Test Year – MidAmerican proposed to annualize changes to plant in service, accumulated depreciation, and ADIT associated with one project placed in service during the test year.

The settlement revises this adjustment to reflect 13-month average rate base in lieu of 12-month average rate base. The net effect of this change increases rate base by approximately \$15,000.

System Reliability – The Company proposed an adjustment to reflect changes to plant in service, accumulated depreciation, and ADIT associated with 22 System Reliability projects projected to be placed in service post-test year in 2022 and 2023.

The settlement revises this adjustment to: 1) Reflect actual costs through February 15, 2023, for projects in-service by January 1, 2023; and 2) Reflect 13-month average rate base in lieu of 12-month average rate base.

Several System Reliability projects proposed by MidAmerican were not in-service at the time interim rates went into effect and many will not be in-service at the time final rates will go into effect. These projects should not be included in base rates until they are used and useful and providing service to

¹ Please see Staff Exhibit ___(EJP-4), Schedule 1 for the corresponding summaries of the revenue requirement including the 2023 projects.

customers. However, excluding these costs significantly impacts the revenue requirement. In the interest of avoiding back-to-back rate cases in order to include these costs in rates, the Parties agreed to quarterly CIPA increases in 2023. Under this settlement, ratepayers will not pay for the costs associated with these projects until after they are placed in-service. Staff believes this phased-in approach for projects placed in-service after January 1, 2023, through December 31, 2023, is in the best interest of customers as it balances the need for the Company to recover the costs associated with the projects with Staff's concerns about the project being used and useful prior to being included in rates, while avoiding an additional rate case which would impose more costs on customers.

The net effect of these changes, when System Reliability projects not in-service by January 1, 2023, are excluded, reduces rate base by approximately \$14.592 million. When all the additional System Reliability projects are included in rate base for the final 2023 revenue requirement, this increases rate base by approximately \$14.198 million, resulting in a net reduction to rate base of approximately \$394,000.

Integrity Management – The Company proposed an adjustment to reflect changes to plant in service, accumulated depreciation, and ADIT associated with six Integrity Management projects projected to be placed in service post-test year in 2022 and 2023.

The settlement revises this adjustment to: 1) Reflect actual costs through February 15, 2023, for projects in-service by January 1, 2023; and 2) Reflect 13-month average rate base in lieu of 12-month average rate base.

Three Integrity Management projects proposed by MidAmerican were not in-service at the time interim rates went into effect and will not be in-service at the time final rates will go into effect. These projects should not be included in base rates until they are used and useful and providing service to customers. However, excluding these costs significantly impacts the revenue requirement. In the interest of avoiding back-to-back rate cases in order to include these costs in rates, the Parties agreed to quarterly CIPA increases in 2023. Under this settlement, ratepayers will not pay for the costs associated with these projects until after they are placed in-service. Staff believes this phased-in approach for projects placed in-service after January 1, 2023, through December 31, 2023, is in the best interest of customers as it balances the need for the Company to recover the costs associated with the projects with Staff's concerns about the project being used and useful prior to being included in rates, while avoiding an additional rate case which would impose more costs on customers.

The net effect of these changes, when Integrity Management projects not in-service by January 1, 2023, are excluded, reduces rate base by approximately \$1.224 million. When all the additional Integrity Management projects are included in rate base for the final 2023 revenue requirement, this increases rate base by approximately \$1.254 million, resulting in a net increase to rate base of approximately \$30,000.

Business Transformation – The Company proposed an adjustment to reflect changes to plant in service, accumulated depreciation, and ADIT associated with ten Business Transformation projects projected to be placed in service post-test year in 2022 and 2023.

The settlement revises this adjustment to: 1) Reflect actual costs through February 15, 2023, for projects in-service by January 1, 2023; and 2) Reflect 13-month average rate base in lieu of 12-month average rate base.

Eight Business Transformation projects proposed by MidAmerican were not in-service at the time interim rates went into effect and seven of those will not be in-service at the time final rates will go into effect. These projects should not be included in base rates until they are used and useful and providing service to customers. These eight projects are not included in the settlement agreement regarding the aforementioned CIPA quarterly 2023 updates.

The net effect of these changes, when Business Management projects not in-service by January 1, 2023, are excluded, reduces rate base by approximately \$1.808 million.

Depreciation Study Rates – The Company proposed an adjustment to reflect the effects of certain changes to its book depreciation rates. The settlement accepts the Company’s proposed depreciation rates and revises the rate base adjustment to reflect 13-month average rate base in lieu of 12-month average rate base. The net effect of this change increases rate base by approximately \$11,000.

Cash Working Capital – MidAmerican’s proposed rate base included an allowance for cash working capital based on their lead-lag analysis. A lead-lag analysis examines the timing of the Company’s receipt of service revenues from customers in relation to the Company’s payment of expenses to vendors and employees. This analysis also includes a rate base deduction for tax collections which the Company receives in advance of turning the related payments over to the taxing authorities. Staff carefully examined MidAmerican’s revenue lag and expense lead day determinations and used these calculations to make an adjustment to rate base with the following modifications:

1. Included a separate expense lead for vacation pay;
2. Included a separate expense lead for incentive compensation;
3. Revised the expense lead day for sales tax to remain consistent with past Staff practice and up to date on SD sales tax remittance rules; and
4. Revised expenses per day to incorporate into the lead-lag analysis the impacts of Staff’s recommended adjustments to *pro forma* operating expenses.

These modifications increase rate base by approximately \$295,000. When all 2023 projects are included in the revenue requirement, these modifications increase rate base by approximately \$285,000.

Other Working Capital – The settlement reflects a more recent 13-month average for materials and supplies, fuel stocks, prepayments, customer advances, customer deposits, accumulated provision for uncollectibles, and accumulated provision for injuries and damages. The net effect of these changes decreases rate base by approximately \$1,035,000.

Rate Case Expense—MidAmerican proposed to amortize projected rate case costs for NG22-005 of \$329,000 over 5 years and to not include any of the unamortized costs in rate base. The settlement reflects a 5-year amortization of \$138,144 in actual costs incurred. Half of the rate case costs, or \$69,072, is included in rate base, representing the average unamortized balance over the 5-year period. The Company proposed the 5-year amortization period and Staff accepted that period. Staff felt the five years helped to limit the impact the rate case expense would have on consumers’ bills while still allowing the Company to recoup its actual costs in a timely fashion. The net effect of these changes increases rate base by approximately \$69,000.

Land Sale – Staff proposed an adjustment to remove from test year rate base the land value associated with a post-test year land sale. The effect of this change reduces rate base by approximately \$21,000.

Retirements Associated with Post-Test Year Plant Additions – Staff proposed an adjustment to remove from test year rate base plant retirements associated with Staff-accepted post-test year plant additions. The effect of this change reduces rate base by approximately ~~\$1,000~~127,000 in the initial revenue requirement. As projects included in the CIPA go into service, associated retirements will be removed from rate base as well. The final rate base will be reduced by an additional ~~\$571,000~~445,000, for a net reduction to rate base of approximately \$572,000.

Gas ERT Project – During settlement discussions, the Company proposed an additional post-test year plant adjustment to reflect the costs associated with its gas meter encoder receiver transmitter (ERT) project. The ERT project, discussed in the testimony of Nick J. Nation, replaces automated meter reading devices on customers’ gas meters, allowing the meter to be read remotely from a vehicle. The current devices were placed in-service over a decade ago and are nearing the end of their lifespan. The initial revenue requirement includes actual ERT project expenses through December 2022. The effect of this initial adjustment increases rate base by approximately \$1.636 million. Subsequent expenses will be included in the CIPA quarterly updates, increasing the final rate base by an additional \$3.282 million, for a total impact of \$4.918 million.

OPERATING INCOME

Interest Synchronization – The settlement properly synchronizes the tax deduction for interest expense with the weighted cost of long-term debt and the historical test year rate base as adjusted for known and measurable changes. This adjustment increases the initial revenue requirement by approximately \$109,000. When all 2023 projects are included in the revenue requirement, the net impact to this adjustment is an increase of approximately \$21,000.

Payroll Adjustments – The Company proposed an adjustment to annualize 2021 test year payroll costs and to recognize 2022 increases for union employees, based on contracts in place. The Company also proposed to adjust test year non-union payroll for actual increases experienced on January 1, 2022. These adjustments are accompanied by adjustments to increase the corresponding costs of payroll taxes and the Company 401(k) match. The settlement accepts these adjustments with a partial disallowance of approximately \$4,000 in 401(k) and FICA expense associated with the Performance Incentive Plan and an approximate \$2,000 correction to reflect proper test year expense. These adjustments decrease payroll expense by approximately \$6,000.

Weather Normalization – Staff analyzed MidAmerican’s weather normalization adjustment and found MidAmerican’s adjustment to be consistent with the methodology used in the most recent MidAmerican rate case and has no issues with the methodology used. The settlement accepts the Company’s proposed adjustment.

Retirement Plan Costs – MidAmerican’s annual retirement-related costs, including pensions, SERP and OPEB, vary year-by-year and can be unpredictable. Much of the volatility in the annual expense is attributable to market forces, to changes in the actuarial assumption relied on to calculate the annual expense, and to changes in the value of plan assets. MidAmerican initially proposed to average the expense over a three-year period, 2020-2022. As a part of settlement discussions, MidAmerican proposed to update 2022 pension costs, because a large number of people retired in fourth quarter 2022. Those new retirees took lump sum payments, because the higher interest rate made it advantageous to do so. Further, given market condition forecasts, MidAmerican and their retirement

plan consultants, Willis Towers Watson, project these costs to continue to increase and be elevated for the foreseeable future. Thus, MidAmerican proposed to reflect actual 2022 retirement plan costs instead of a three-year average. Staff accepted MidAmerican's revised expense adjustment to reflect actual 2022 expense for its retirement related costs. This adjustment increases operating expense by \$289,000.

Depreciation Adjustments – MidAmerican proposed an increase to depreciation expense for the plant additions that were included in rate base. The settlement accepts the Company's proposed changes to book depreciation rates, however, Staff revised the remaining depreciation adjustments to reflect the changes proposed for the rate base adjustments. This reduces depreciation expense by approximately \$493,000 for the initial revenue requirement. When all 2023 projects are included in the revenue requirement, the net impact to depreciation expense is a reduction of approximately \$12,000.

Sales Growth – The Company proposed an adjustment to estimate the increased revenue that would result from the increase in year-end customers over average customers. The settlement rejects this adjustment, reducing operating revenue by approximately \$391,000.

Meter Reading Labor – In fall 2020, an accounting system change modified the structure of a bill center which is used to direct costs between the electric and gas segments of MidAmerican's business. That change required modifications to the default accounting system on certain work management tasks. On work management tasks relating to Meter Reading for Turn Off, Turn On, and Transfers, the bill center was incorrectly updated to an electric bill center on certain tasks. As a result of the improper coding, starting in fall 2020 and continuing through the 2021 test year, meter reading related costs were completely assigned to the South Dakota electric jurisdiction when those costs, in fact, were related to the gas jurisdiction. The settlement accepts MidAmerican's adjustment to correct this error and increase test year operating expense accordingly.

Rate Case Expense—MidAmerican proposed to amortize projected rate case costs for NG22-005 of ~~\$399,000~~\$329,000 over a 5-year period. The settlement reflects a 5-year amortization of \$138,144 in actual costs incurred. The company proposed the 5-year amortization period and staff accepted that amortization period. Staff felt the five years helped to limit the impact the rate case expense would have on consumers' bills while still allowing the Company to recoup its costs in a timely fashion. The net effect of these changes is a reduction in operating expenses by approximately \$38,000.

Late Payment Charges – This Company-proposed adjustment eliminates test year late payment revenue in lieu of using actual payment collection days in the cash working capital calculation, where, per statute, a 20-day period is used. The cash working capital adjustment does not account for late payments, only on time payments. Therefore, it is appropriate for MidAmerican to retain the late-payment fees collected in the test year and to not include them in the revenue requirement. This is consistent with past ratemaking treatment, and the settlement accepts this adjustment.

Long-term Incentive Partnership (LTIP) Costs – The Company's LTIP plan is intended to compensate selected participants for the Company achieving financial performance goals. Consistent with the Commission's prior treatment of incentive compensation plans that are driven by achieving financial performance goals, MidAmerican proposed an adjustment to eliminate its test year LTIP expense of \$179,429 for ratemaking purposes. The Commission Staff accepted this adjustment and made a further adjustment to account for the corresponding Medicare costs associated with this disallowance. This reduces operating expense by approximately \$3,000.

Tax Adjustments – MidAmerican proposed to decrease property tax expense for entries made during 2021 to true up 2020 expense following the payment of amounts to taxing authorities. Because these adjustments pertain to 2020 and not 2021, they are not appropriate to include in the test year for this case. Also, MidAmerican proposed to increase income tax expense to remove inadvertent allocations of state income tax credits made during 2021. This settlement accepts this adjustment.

PGA Costs and Revenues—MidAmerican proposed to remove PGA costs of approximately \$80,436,000 and revenues of approximately \$80,455,000 from the test year. Within this adjustment MidAmerican added back in approximately \$23,000 in costs for company consumption and removed approximately \$41,000 in Kansas Property Taxes. This settlement accepts this adjustment.

Economic Development—MidAmerican proposed to remove all economic development expenses over the \$50,000 recovery approved in its economic development plan. The Company did not propose any changes to its economic development plan from the plan currently in place, which is a 50/50 split of economic development costs up to \$100,000; therefore, MidAmerican is eligible for \$50,000 in recovery. The effect of this adjustment reduces operating income by approximately \$79,000. This settlement accepts this adjustment.

Revenue Reclass – MidAmerican proposed an adjustment to reclassify certain revenues from gas service revenues to other operating revenues. This adjustment does not affect total test year operating revenues. This settlement accepts this adjustment.

Association Dues—Staff proposed an adjustment to the association dues expense included in the test year. The settlement removes association dues costs which do not provide for the provision of safe, adequate, and reliable electric service for South Dakota ratepayers. The effect of this adjustment reduces operation expenses by approximately \$5,000.

Bad Debt Expense – MidAmerican proposed an adjustment to increase bad debt expenses based on 0.34% of the proposed revenue deficiency. The settlement adjusts bad debt expense based on a four-year uncollectible rate average applied to retail revenues. Years 2017-2019 and 2021 were used for the average. 2020 was determined to be an outlier and was removed from the average calculation. The net effect of this change initially decreases operating expense by approximately \$22,000. When all 2023 projects are included in the revenue requirement, the net impact to this adjustment is a decrease of approximately \$16,000.

Performance Incentive Plan (PIP) Adjustment – In addition to its LTIP, the Company offers the PIP, which is an incentive compensation program for non-union employees. MidAmerican’s claimed revenue requirement included \$425,379 for test year PIP expenses. The Commission Staff reduced for ratemaking purposes the test year PIP expense by 16.67 percent, or \$70,911, to exclude that portion of PIP payments made for achieving financial goals. Staff made further adjustments totaling \$10,483 to account for the corresponding 401k, Social Security, and Medicare costs associated with this disallowance for a total disallowance of approximately \$81,000. The settlement also requires MidAmerican fund the PIP throughout the moratorium period according to the plan’s provisions regardless of MidAmerican’s overall financial performance during those years.

Land Sale – Staff proposed an adjustment to remove from test year a gain on sale of associated with a post-test year land sale. The settlement reflects a 5-year amortization of the gain on the sale. The effect of this change reduces operating expenses by approximately \$8,000.

Retirements Associated with Post Test Year Plant Additions – Staff proposed to adjust depreciation expense for the plant retirements removed from test year rate base associated with Staff accepted post-test year plant additions. The effect of this change reduces depreciation expense by approximately \$17,000 for the initial revenue requirement. As projects included in the CIPA go into service, associated retirements will be removed as well. Depreciation expense included in the final revenue requirement will be reduced by an additional \$47,000, for a net reduction to depreciation expense of approximately \$64,000.

COST OF CAPITAL AND RATE OF RETURN

MidAmerican’s filing for a rate increase incorporated a requested overall rate of return (ROR) of 7.604 percent, based on a capital structure 46.674 percent long term debt and 53.326 percent common equity, with a claimed embedded debt cost of 4.01 percent and a requested return on equity (ROE) of 10.75 percent. Staff’s analysis initially challenged all three components of the overall rate of return: (1) embedded cost of debt, (2) the capital structure, and (3) the required return on equity.

[Begin Confidential] [End Confidential], the settlement overall rate of return is 6.747 percent.

RATE DESIGN ISSUES

The Parties agree in principle on all issues regarding rate design and the class revenue distribution. The settlement position reached between Staff and MidAmerican is discussed below.

Class Cost Allocation/Spread of the Increase – The Company’s class cost of service study, which Staff accepted for this proceeding, showed that the Small Volume (mainly Residential) class is subsidizing both the Medium and the Large volume classes. The adjustments that would be required to correct the imbalance would have an adverse impact on the Medium and Large rate classes if the imbalance were to be corrected in one fell swoop. To promote rate moderation and to avoid rate shock, Staff recommended that no class or subclass receive a revenue decrease and that no class or subclass receive an increase greater than 1.5 times the overall percentage increase for all classes. The Company offered a proposal reflecting these guidelines, which Staff accepted. As a result, revenue responsibility for the typical residential customer rate schedule (Small – SVS) increases by ~~18.6~~18.7 percent. Revenue responsibility for the large transportation rate schedule (Large – LVT) increases by ~~28.9~~30.3 percent. The ~~overall total base rate~~ increase reflected in the settlement is ~~20.0~~20.1 percent once all 2023 projects are included in the final revenue requirement. When purchased gas costs are included, the overall revenue increase is 5.4 percent.

Rate Design – As a part of the rate design, Staff and MidAmerican worked together to properly reflect an increase in the usage and fixed charges associated with the expired contract with deviations with the University of South Dakota. The mutual agreement also ensures that billing determinates reflect a full year of usage and billing associated with the University of South Dakota account.

OTHER ISSUES

Rate Moratorium – The Parties agree that MidAmerican will not file any rate application for an increase in base rates which would go into effect prior to November 1, 2025, absent occurrence of “extraordinary” events beyond MidAmerican’s control.

Implementation of Rates – The tariffs shown on Exhibit 1 attached to the Stipulation are proposed to be implemented for service rendered on or after April 1, 2023. Customer bills will be prorated so that usage prior to that date is billed at the previous rates and usage on and after that date is billed at the new rates.

Interim Rate Refund – Interim rates were implemented on November 15, 2022. Approval of the Settlement will authorize a rate increase less than the interim rate level. The Company agrees to refund customers the difference between interim rates and new rates established by the settlement for usage during the period November 15, 2022, through March 31, 2023. As part of the refund, MidAmerican will include interest, calculated by applying a 7% annual interest to the average refund balance for each month that interim revenues were collected. The Company will file a separate proposal for the interim rate refund.

RECOMMENDATION

Staff recommends the Commission approve the Settlement without modification for the reasons stated above.