

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

IN THE MATTER OF THE APPLICATION OF)	SETTLEMENT
MIDAMERICAN ENERGY COMPANY FOR)	STIPULATION
AUTHORITY TO INCREASE ITS NATURAL)	
GAS RATES)	NG22-005
)	

It is hereby stipulated and agreed by and between MidAmerican Energy Company (“Applicant” or “MidAmerican”), the South Dakota Public Utilities Commission Staff (“Staff”), and the Intervenor Steven Wegman (“Intervenor”), collectively “Parties”, that the following Settlement Stipulation (“Stipulation”) may be adopted by the South Dakota Public Utilities Commission (“Commission”) in the above-captioned matter. In support of its Application for Authority to Increase Its Gas Rates (“Application”), Applicant does hereby offer this Stipulation, the Application and all supporting materials. The Parties offer no answering testimony or exhibits, conditioned upon the Commission accepting the following Stipulation without condition or modification.

I. INTRODUCTION

On May 18, 2022, MidAmerican filed with the Commission the Application through which it requested authority to increase annual revenues by approximately \$7.0 million based on MidAmerican’s test year ending December 31, 2021. On June 10, 2022, the Commission issued an Order Assessing Filing Fee and Suspending Operation of Proposed Rates for 180 days. On November 15, 2022, MidAmerican implemented interim rates.

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 determine the rates to result from MidAmerican’s Application.

II. PURPOSE

This Stipulation has been prepared and executed by the Parties for the sole purpose of resolving the issues between them in Docket No. NG22-005. 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 expressed 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 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 any Party, this Stipulation may, at the option of any 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; no Party waives any claim or right which it may otherwise have with respect to any matter not expressly provided for herein; no 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. No Party nor a representative thereof shall directly or indirectly refer to this Stipulation or part of any order of the Commission relating to this Stipulation as precedent in any other proceeding before the Commission.

4) The Parties to this proceeding stipulate that all prefiled testimony, exhibits, and workpapers will be made a part of the record in this proceeding. The Parties understand that if this matter had not been settled an evidentiary hearing would have been conducted where the witnesses providing testimony would have been subject to cross-examination.

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

1. Revenue Requirement

The Parties agree that the total revenue deficiency, effective April 1, 2023, is \$4,029,935. The Parties agree that MidAmerican's tariffs will be designed to produce an initial increase in annual base rate levels of \$4,029,935, or approximately 3.7% annually for retail natural gas service revenues in South Dakota, based upon the test year ending December 31, 2021. The Parties agree certain post-test year capital projects will be phased-in via the proposed Capital Investment Phase-in Adjustment clause ("Clause CIPA"), as discussed in a subsequent section. The Parties agree that the total increase in base rate levels upon completion of the Clause CIPA is a maximum of \$5,946,541, subject to a materiality review, or approximately 5.4% annually for retail natural gas service revenues. The Parties agree to a 6.747% weighted average cost of capital applicable to rate base.

2. Tariffs

The Parties agree to the revised tariffs attached as Exhibit 1 for presentation to the Commission.

The Parties agree that the rate design set forth in the revised tariffs is just and reasonable and provides for the movement of each customer class toward its associated cost of service. The Parties agree that the increase in rates for gas service will be allocated to the affected rate classes resulting in increases as shown in Exhibit 2. The Parties agree that the rates reflected in the revised tariffs result in just and reasonable rates for all of MidAmerican's South Dakota customers.

The Parties agree that the rates in the revised tariffs shall be implemented for service rendered on and after April 1, 2023, pending Commission approval, with the bills prorated so that usage prior to April 1, 2023, is billed at the previous rates and usage on and after April 1, 2023, is billed at the new rates.

3. Capital Investment Phase-in Adjustment Clause

MidAmerican identified significant known and measurable changes in capital expenditures related to system reliability and integrity management infrastructure projects necessary for the continued provision of safe and reliable natural gas service to MidAmerican's South Dakota customers. Consistent with the record supporting MidAmerican's Application, while portions of these capital infrastructure projects were placed in service prior to the Parties entering into this Stipulation, a material remainder of these projects will continue to be placed in service through December 31, 2023. The Parties agree that the recognition and integration of these capital expenditures as part of this proceeding will benefit MidAmerican's South Dakota customers by mitigating the need for an immediate rate case to recover these costs absent such recognition in this proceeding. Accordingly, the Parties agree to phase in these post-test year capital projects into the revenue requirement via the proposed Clause CIPA.

The Parties agree that the initial Clause CIPA, effective April 1, 2023, will function to reduce the maximum increase in base rate levels of \$5,946,541 to \$4,029,935 via a volumetric credit that is provided on a per-therm basis and applicable to each of MidAmerican's South Dakota natural gas customer's usage. The Parties agree that Clause CIPA will adjust quarterly, operating as a four-step increase to reflect post-test year capital projects going in service during each quarter of 2023. The last adjustment will reduce Clause CIPA to zero (\$0.00000/therm), subject to a materiality review of the difference between the actual and estimated capital expenditures reflected in Clause CIPA. The Parties agree that no later than March 15, 2024, MidAmerican will submit a report detailing the actual costs and in-service dates for all projects included in Clause CIPA. Staff will conduct a final review of this report to verify that these projects were placed in service by the end of December 2023 and review any difference between actual costs and the projections used to calculate the tariffed rates approved in this proceeding for materiality. The Parties agree that the total revenue deficiency of \$5,946,541 is subject to a materiality review of the difference between the actual and estimated capital expenditures reflected in Clause CIPA.

The Parties agree that the terms of Clause CIPA, included as Sheet Nos. 74.20 and 74.21 of the tariffs in Exhibit 1 to this Stipulation, will terminate upon the conclusion of Staff's final review and comply with the conditions stated therein. The workpapers outlining the calculation of the initial Clause CIPA factor are attached as Exhibit 3. The Parties agree that MidAmerican will use the framework outlined in Exhibit 3 to calculate the subsequent quarterly Clause CIPA factors.

4. Interim Rate Refund

Interim rates were implemented on November 15, 2022. Approval of this Stipulation authorizes a rate increase less than the interim rate level in effect. MidAmerican agrees to refund customers a portion of the interim rates collected during the period November 15, 2022, through

the effective date of new rates, plus interest pursuant to ARSD 20:10:19:08. The interim rate refund will be based on the initial revenue increase amount of \$4,029,935. MidAmerican will separately file proposals for the Interim Rate Refund Plan and the Customer Notifications.

5. Rate Case Expense

The Parties agree that a total of \$138,144 in rate case expense associated with Docket No. NG22-005 is included in the rate case expense amortization and included in the revenue requirement. The Parties agree the rate case expense will amortize over five years. The Parties agree that the average unamortized balance of \$69,072 will be included as a component of other rate base.

6. Performance Incentive Plan

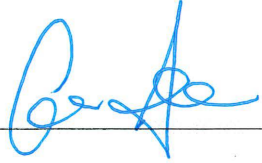
The Parties agree that 5/6th of the test-year performance incentive plan cost will be reflected in the revenue requirement providing that, during the moratorium period, the Company funds the Performance Incentive Plan payments according to the plan's provisions regardless of the Company's overall financial performance during those years.

7. Moratorium

The Company agrees to not file any rate application for an increase in base rates for which the proposed increase would go into effect prior to November 1, 2025. The Parties agree that this rate moratorium does not apply to any rider, clause or other adjustment mechanism. This moratorium does not prevent MidAmerican from filing for a base rate increase to take effect prior to November 1, 2025, if MidAmerican's cost of service is expected to increase materially due to changes in federal or state regulatory requirements, an act of God, or otherwise unpredictable extraordinary occurrences.

This Stipulation is entered into effective this 13th day of March 2023.

MIDAMERICAN ENERGY COMPANY

BY:  _____

ITS: Vice President, Regulation

SOUTH DAKOTA PUBLIC UTILITIES
COMMISSION STAFF

BY: Annika M. Reiss 3/13/2023

ITS: Staff Attorney

INTERVENOR

BY: _____
Steven Wegman
5209 South Sweetbriar Court
Sioux Falls, SD 57108
wind@pie.midco.net

Exhibits to Settlement Stipulation

- Exhibit 1 Tariffs
- Exhibit 2 Allocation of Rate Increase
- Exhibit 3 Clause CIPA Factor Calculation

MIDAMERICAN ENERGY COMPANY

SOUTH DAKOTA PUBLIC UTILITIES
COMMISSION STAFF

BY: _____

BY: _____

ITS: _____

ITS: _____

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