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

IN RE: **IN THE MATTER OF THE APPLICATION OF MIDAMERICAN ENERGY COMPANY FOR AUTHORITY TO INCREASE NATURAL GAS RATES**	**DOCKET NO. NG26-__**

DIRECT TESTIMONY
OF
AIMEE S. ROONEY

I. WITNESS INFORMATION

Q. Please state your name and business address.

A. My name is Aimee S. Rooney. My business address for MidAmerican Energy Company ("MidAmerican" or "Company") is 4299 NW Urbandale Drive, Urbandale, Iowa 50322.

Q. By whom are you employed and in what capacity?

A. I am employed by MidAmerican as a Director, Tax and Property Accounting.

Q. Please describe the responsibilities of your current position.

A. As Director, Tax and Property Accounting, I oversee the accounting for all property-related items for both gas and electric as well as the federal and state income tax function for MidAmerican.

Q. Please describe your educational and business experience.

A. I am a 1991 graduate of the University of Iowa where I received a Bachelor of Business Administration. I am a Certified Public Accountant, and I have been employed by MidAmerican since 1999. I have held my current title since 2018. I have over 30 years of experience in the tax and accounting field. Prior to MidAmerican, I was employed by Ernst & Young LLP for two years and a large insurance company for six years.

Q. Have you testified before the South Dakota Public Utilities Commission previously?

A. Yes, I testified before the South Dakota Public Utilities Commission in Docket NG22-005 and have also testified before the Iowa Utilities Commission and the Illinois Commerce Commission.

II. PURPOSE OF DIRECT TESTIMONY

Q. What is the purpose of your direct testimony?

A. The purpose of my testimony is to support plant balances, rate base adjustments, and plant-related pro forma adjustments. Additionally, my testimony addresses certain tax-related issues arising from recent private letter rulings ("PLRs") published by the Internal Revenue Service ("IRS"), specifically those concerning normalization violations as they relate to hypothetical net operating losses.

Q. In addition to your testimony, are you sponsoring any exhibits?

A. Yes, I am sponsoring Exhibit ASR 1.1, which includes the following schedules:

- Schedule 1: South Dakota Gas Rate Base with Pro Forma Adjustments
- Schedule 2: South Dakota Gas Rate Base Pro Forma Adjustments
- Schedule 3: Capital Projects In Service During Test Year
- Schedule 4: System Reliability
- Schedule 5: Integrity Management
- Schedule 6: Government Relocation
- Schedule 7: IT Modernization

III. RATE BASE COMPONENTS AND ADJUSTMENTS

Q. Please describe Exhibit ASR 1.1, Schedule 1.

A. Exhibit ASR 1.1, Schedule 1 depicts the South Dakota jurisdictional gas rate base of $198,457,000, including certain appropriate adjustments. It includes the following columns:

- Column (b) which presents 13-month average balances for the year ending December 31, 2025. These balances are based on the Company's books and records.
- Column (c) which shows the pro forma adjustments necessary to reflect the known and measurable changes to rate base for rate making purposes.
- Column (d) which shows the 13-month average rate base adjusted for pro forma adjustments.

Exhibit SPS 1.1 introduced through Witness Stephen P. Stratton supports the cash working capital and advanced tax collections portion of the South Dakota jurisdictional rate base.

Q. Please describe Exhibit ASR 1.1, Schedule 2.

A. Exhibit ASR 1.1, Schedule 2 summarizes MidAmerican's pro forma adjustments to the test year for South Dakota jurisdictional gas rate base.

Q. Please describe Exhibit ASR 1.1, Schedules 3 through 7.

A. Exhibit ASR 1.1, Schedules 3 through 7 show the individual pro forma adjustments to the 13-month average rate base.

Q. Please explain the pro forma adjustment found in Exhibit ASR 1.1, Schedule 3.

A. The pro forma adjustment found in Exhibit ASR 1.1, Schedule 3 annualizes plant in service, accumulated depreciation, and accumulated deferred income taxes ("ADIT") for certain projects placed in service during the test year.

Q. Please explain the pro forma adjustment found on Exhibit ASR 1.1, Schedule 4.

A. The adjustment found on Exhibit ASR 1.1, Schedule 4 reflects the known and measurable changes to plant in service, accumulated depreciation, and ADIT associated with the system reliability projects. This pro forma annualizes the changes related to system reliability projects to be completed during 2026 and 2027.

Q. Please explain the pro forma adjustment found on Exhibit ASR 1.1, Schedule 5.

A. The adjustment found on Exhibit ASR 1.1, Schedule 5 reflects the known and measurable changes to plant in service, accumulated depreciation, and ADIT associated with the integrity management projects. This pro forma annualizes the changes related to integrity management projects to be completed during 2026 and 2027.

Q. Please explain the pro forma adjustment found on Exhibit ASR 1.1, Schedule 6.

A. The adjustment found on Exhibit ASR 1.1, Schedule 6 reflects the known and measurable changes to plant in service, accumulated depreciation, and ADIT associated with the government relocation projects. This pro forma annualizes the changes related to government relocation projects to be completed during 2026 and 2027.

Q. Please explain the pro forma adjustment found on Exhibit ASR 1.1, Schedule 7.

A. The adjustment found on Exhibit ASR 1.1, Schedule 7 reflects the known and measurable changes to plant in service, accumulated depreciation, and ADIT associated with the IT modernization projects. This pro forma annualizes the changes related to IT modernization projects to be completed during 2026 and 2027.

Q. Where can the descriptions of the pro forma adjustments described in ASR Exhibit 1.1, 3 through 7 be found?

A. The descriptions of the pro forma adjustments in Schedules 3 through 7 are found above and in Witness Karrie A. Leza's testimony.

Q. Are you aware of recent PLRs published by the IRS concerning normalization violations as they relate to hypothetical net operating loss carryforward ("NOLC")?

A. Yes.

Q. Can you generally describe the issue contained in the PLRs?

A. The issue addressed in the PLRs involves whether a regulated utility's stand-alone net operating loss carryforward deferred tax asset ("NOLC DTA") must be reflected in accumulated deferred federal income taxes ("ADFIT") for ratemaking purposes, even when that net operating loss has been fully utilized by the consolidated tax group and eliminated on the utility's audited financial statements through tax-sharing payments from its parent company.

The utility requesting the PLR asserted that excluding the stand-alone NOLC DTA from rate base would violate the federal normalization rules, including the consistency requirements under Internal Revenue Code § 168(i)(9), and could jeopardize its ability to claim accelerated depreciation on public utility property.

Q. How did the IRS rule on the issue?

A. The IRS PLRs concluded the following:

1. Reducing or eliminating the stand-alone NOLC deferred tax asset in ADFIT due to tax-sharing payments under a consolidated tax allocation agreement constitutes a normalization violation.
2. Such a reduction improperly introduces factors unrelated to book-tax depreciation differences – specifically, affiliate profits and tax-sharing payments – into the deferred tax reserve calculation, contrary to the normalization rules.
3. Excluding the stand-alone NOLC DTA from ADFIT would also result in an impermissible flow-through of tax benefits to customers faster than allowed under the normalization requirements, including those applicable to excess deferred income taxes ("EDIT") under the Tax Cuts and Jobs Act.
4. If the reduction or elimination of the stand-alone NOLC deferred tax asset is required by regulators, this treatment could result in the loss of eligibility to use accelerated depreciation on public utility property.

Accordingly, the IRS ruled that failure to reinstate the stand-alone NOLC DTA for ratemaking purposes constitutes a normalization violation, even though the NOL has been utilized at the consolidated level and does not exist on the utility's audited financial statements.

Q. Can the PLRs issued to other companies be used as precedence by MidAmerican?

A. No, however, they do reflect the position of the IRS based on the facts presented in the ruling request.

Q. Has MidAmerican filed, or does it plan to file for a PLR to obtain a determination based on facts specific to the Company?

A. Yes. MidAmerican is in the process of filing for a PLR based on its own company-specific facts.

Q. When does MidAmerican expect to receive the ruling from the IRS?

A. Rulings on complex normalization violation requests typically take a significant amount of time. Based on IRS experience with these matters, it is common for the process to take 12 months or longer.

Q. Has MidAmerican included any pro forma adjustments based on the published PLRs?

A. No. MidAmerican has not included any pro forma adjustments, nor has it recorded any NOLC DTA for ratemaking purposes. However, MidAmerican reserves the right to introduce additional pro forma adjustments if an adverse ruling is received from the IRS indicating that the Company has a normalization violation.

Q. If the IRS determines MidAmerican has a normalization violation due to not reflecting an NOLC DTA in rate base, do you have an estimate of the potential impact on rate base?

A. No. The potential impact would depend on the specific facts and conclusions of the PLR, including, most importantly, whether any required adjustment could be made on a prospective basis.

IV. CONCLUSION

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.