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October 10, 2014

Company Name: MidAmerican Energy Company
Subject: Application for Determination of Ratemaking Principles
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Address: 4299 NW Urbandale Drive
Urbandale, Iowa 50322
Initial Filing: Yes
Docket No. RPU-2014-**0002**

**FILED WITH
Executive Secretary
October 10, 2014
IOWA UTILITIES BOARD**

Ms. Judi K. Cooper
Executive Secretary
Iowa State Utilities Building
350 Maple Street
Des Moines, Iowa 50309

Dear Ms. Cooper:

Enclosed for filing with the Iowa Utilities Board (“Board”), please find the Application of MidAmerican Energy Company for Determination of Ratemaking Principles (“Ratemaking Principles Application” or “Application”) pertaining to MidAmerican Energy Company’s (“MidAmerican” or “Company”) proposed Wind IX Iowa Project (“Wind IX”). As more thoroughly explained in the enclosed supporting testimony, the Wind IX project would consist of up to 162 MW.

As MidAmerican witness Adam Wright testifies, the federal Production Tax Credit (“PTC”) has only been extended for wind projects on which significant work or significant payments¹ were completed by December 31, 2013, and on which there is continuous progress toward completion thereafter. As Mr. Wright further testifies, the IRS has issued guidance stating that wind projects meeting the “begin construction” requirement, and that are placed in service before January 1, 2016, will be deemed to have automatically satisfied the “continuous progress” requirement. MidAmerican has selected two (2) Wind IX sites that it believes will meet these requirements for automatic PTC qualification, and as Mr. Wright testifies MidAmerican believes it can complete Wind IX’s 162 MW, in addition to the 1,051 MW of Wind VIII assets, by December 31, 2015, if MidAmerican is able to obtain by January 15, 2015 the ratemaking principles proposed in this Ratemaking Principles Application.

MidAmerican is proceeding with negotiation of certain contractual agreements in order to be in a position to take advantage of the current economic opportunities and tax

¹ The significant payment requirement also includes a requirement of delivery as explained in the testimony of Adam Wright.

benefits. Along with these opportunities, however, there are significant payments required of MidAmerican relating to turbine supply and other long lead-time purchases. It is important to minimize such payments and costs for our customers, and for MidAmerican, by receiving definitive ratemaking principles by January 15, 2015. Receipt of a ratemaking principles decision by that date will permit MidAmerican to make an informed final decision prior to incurring certain further payments.

All of the eight (8) ratemaking principles being sought in this Application are substantially similar to ratemaking principles sought by MidAmerican in past ratemaking principles applications, with some variation in the specifics. These eight (8) ratemaking principles consist of:

- Iowa Jurisdictional Allocation
- Cost Cap
- Size Cap
- Depreciation
- Return on Equity
- Cancellation Cost Recovery
- Renewable Energy and CO₂ Credits, etc.
- Federal Production Tax Credit

The Cross Index, found at the front of Volume II of the Application, indicates the testimony and other evidence being offered in support of (i) the ratemaking principles, and (ii) MidAmerican's fulfillment of the prerequisites for obtaining a Board ruling on the requested ratemaking principles.

As with prior MidAmerican wind ratemaking principles applications, the Company's projections indicate that Wind IX can be constructed and operated at no net cost to our customers, by reason of the various revenue streams and avoided costs that Wind IX will generate (from the PTC, for example). (See the testimony of Mark Yocum.)

As with past ratemaking principles applications, this Application is organized around the rules that the Board had at one time proposed in Docket No. RMU-01-11.² The Application consists of the testimony and exhibits of eight (8) witnesses, and the information suggested by the referenced rules.

² The Board subsequently terminated that docket; but the Board has cited these rules as a valuable guide in making a ratemaking principles filing.

MidAmerican seeks to add more wind generation in order to meet the following customer needs:

- Environmental compliance needs: Increasing the supply of zero-emissions electricity to meet expected regulatory requirements limiting carbon and other emissions and effluents;
- Customer pricing needs: Providing revenue streams, and avoided costs, that are likely to offset the costs of Wind IX and provide a source of energy that can displace energy from carbon-based generation resources;
- Fuel diversity needs: Reducing dependence on fossil fuels and insulating customers from more volatile fuel-cost sources of energy and potential fuel transportation cost changes;
- Economic development needs: Promoting economic development in Iowa;
- Iowa energy policy needs: Supporting Iowa's role as a renewable energy leader; and
- Energy needs: Increasing the supply of low cost energy.

In addition, Wind IX potentially reduces projected capacity deficits as discussed by MidAmerican witness Neil Hammer.

MidAmerican's Ratemaking Principles Application demonstrates that the Company meets the two requirements, established in Iowa Code subsection 476.53(3), paragraph "c," for a determination of ratemaking principles by the Board: (1) MidAmerican has in effect a Board-approved energy efficiency plan as required under Iowa Code section 476.6, subsection 19; and (2) the Company has considered other sources for long-term electric supply and determined that Wind IX is reasonable when compared to the other feasible alternative sources of supply.

As a part of its Ratemaking Principles Application, MidAmerican is filing the following information for which it is seeking confidential treatment: (i) the unredacted version of pages 3 and 5 of Section 2.1 of the Ratemaking Principles Application; (ii) Tables 2.1-1(a-c) and Table 2.1-2, referenced in the said Section 2.1, which tables are only provided as confidential electronic documents (i.e., there are no redacted versions of these tables in the public part of the Ratemaking Principles Application); (iii) MidAmerican witness Peter Schuster's Exhibit __ (PJS-2), Schedule 2, the transmission study for which confidential treatment is sought—it is only provided as a confidential document, there is no redacted version in the public part of the filing. (Schedule 1 of the same Schuster exhibit was previously made public by the Midcontinent Independent System Operator, Inc.); and (iv) the unredacted version of pages 47 through 50 of Neil Hammer's testimony. These confidential materials have been filed pursuant to MidAmerican's accompanying Application for Confidential Treatment.

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Respectfully submitted,

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