

RPU-2014-0002

**FILED WITH
Executive Secretary**

November 14, 2014

IOWA UTILITIES BOARD

OFFICE OF CONSUMER ADVOCATE

DIRECT EXHIBIT

OF

BRIAN W. TURNER

IN RE: MIDAMERICAN ENERGY COMPANY

DOCKET NO. RPU-2014-0002

November 14, 2014

**Iowa Office of Consumer Advocate
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 MidAmerican Energy Company
 Docket No. RPU-2014-0002**

Index of Testimony and Exhibit of Brian W. Turner

Testimony

Turner-Direct Testimony.pdf

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**OFFICE OF CONSUMER ADVOCATE
DATA REQUEST**

DATE : October 21, 2014
DOCKET NO. : RPU-2014-0002
COMPANY : MidAmerican Energy Company
WITNESS : Mark Yocum
SUBJECT : AFUDC
REFERENCE :

- 2.
- A. Please provide the current calculation of the AFUDC rate applied to electric construction work-in-progress balances not subject to ratemaking principles. Include the electric ROE used in that calculation and explain the basis for using that rate.
 - B. Provide the current calculation of the AFUDC rate applied to Wind VIII construction work-in-progress balances.
 - C. Provide the current 3-year average electric ROE earned by MEC after revenue sharing. Show the calculation and include all pertinent data used in the calculation.
 - D. Provide MidAmerican Energy Company's proposed calculation of AFUDC to be applied to Wind IX construction work-in-progress balances including all capitalization rates and ratios.

Response:

- 2A See associated Excel document for the current calculation of the AFUDC rate applied to construction work-in-progress balances not subject to ratemaking principles. Consistent with FERC's Electric Plant Instructions, the electric ROE used in the AFUDC calculation applied to construction work-in-progress balances not subject to ratemaking principles is based on the common equity rate granted in the last rate proceeding before the ratemaking body having primary rate jurisdiction over the company. The Iowa Utilities Board ("IUB") has primary rate jurisdiction over MidAmerican Energy Company and the return on equity for non-ratemaking principles rate base approved by the IUB in the last rate proceeding was 10%.
- 2B See associated Excel document for the current calculation of the AFUDC rate applied to Wind VIII construction work-in-progress balances.
- 2C See associated Excel document for the current 3-year average electric ROE earned by MEC after revenue sharing.

NOTE: In the event the response to this data request contains confidential information, do not simply mark the entire response or attached document(s) confidential. Please highlight, or otherwise identify, the specific information that is claimed to be confidential.

2D See associated Excel document for MidAmerican Energy Company's proposed calculation of AFUDC to be applied to Wind IX construction work-in-progress. The calculation shown is per the model, the actual calculation will be based on the capital structure as of 12/31/2014, the weighted average cost of debt as of that date, and the 11.75% ROE, adjusted for any short-term debt that may be outstanding during 2015.

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DR 2A

MidAmerican Energy Company.
 Computation of AFUDC Rate - **Electric**.
 For the Year 2014.

The following AFUDC rate is applicable for the year **2014**.

2014 AFUDC RATE

	AMOUNT (1)	CAPITALI- ZATION RATIO (2)	COST RATES (3)	S/W (4)	WEIGHTED COST RATES FOR GROSS AFUDC RATE (5)	AFUDC RATE (6)	% OF TOTAL	MONTHLY RATES SPLIT
WEIGHTED AVERAGE SHORT-TERM DEBT BALANCE	<u>\$ 7,958,333</u>		<u>0.420%</u> x	0.0098	0.004%			
LONG-TERM DEBT BEG. OF YEAR	\$3,526,738,686	47.77%	4.511% x	0.9902	2.134%			
PREFERRED STOCK BEG. OF YEAR	\$ -	0.00%	0.000% x	0.9902	0.000%			
COMMON EQUITY BEG. OF YEAR	<u>\$3,855,687,172</u>	52.23%	<u>10.00%</u> x	<u>0.9902</u>	<u>5.171%</u>			
TOTAL CAPITALIZATION	<u>\$7,382,425,858</u>	<u>100.000%</u>						
AFUDC RATE						<u>SIMPLE INTEREST RATE 7.31%</u>	<u>100.00%</u>	
AVERAGE 13 MONTH CWIP BALANCES A/C 107	<u>\$ 808,213,253</u>							
								EFFECTIVE ANNUAL AFUDC RATE (SIMPLE INTEREST COMPOUNDED SEMI-ANNUALLY)
								(A) SIMPLE INTEREST RATE / 2 = 3.6550%
								(B) (1+A) x SIMPLE INTEREST RATE / 2 = <u>3.7886%</u>
								AFUDC RATE, EFFECTIVE ANNUAL <u>7.44359%</u>
								MONTHLY RATE <u>0.006001</u> <u>0.6001%</u>

DR 2B

MidAmerican Energy Company.
Computation of AFUDC Rate - **Wind 8**.
For the Year 2014.

The following AFUDC rate is applicable for the year 2014.

2014 AFUDC RATE

	AMOUNT (1)	CAPITALI- ZATION RATIO (2)	COST RATES (3)	S/W (4)	WEIGHTED COST RATES FOR GROSS AFUDC RATE (5)	AFUDC RATE (6)	% OF TOTAL	MONTHLY RATES SPLIT
WEIGHTED AVERAGE SHORT-TERM DEBT BALANCE	<u>\$ 7,958,333</u>		<u>0.420%</u>	x	0.0098	0.004%		
LONG-TERM DEBT BEG. OF YEAR	\$3,526,738,686	47.77%	4.511%	x	0.9902	2.134%		
PREFERRED STOCK BEG. OF YEAR	\$ -	0.00%	0.000%	x	0.9902	0.000%		
COMMON EQUITY BEG. OF YEAR	<u>\$3,855,687,172</u>	<u>52.23%</u>	<u>10.00%</u>	x	<u>0.9902</u>	<u>5.171%</u>		
TOTAL CAPITALIZATION	<u>\$7,382,425,858</u>	<u>100.000%</u>						
AFUDC RATE						<u>SIMPLE INTEREST RATE 7.31%</u>	<u>100.00%</u>	
AVERAGE 13 MONTH CWIP BALANCES A/C 107	<u>\$ 808,213,253</u>							
								EFFECTIVE ANNUAL AFUDC RATE (SIMPLE INTEREST COMPOUNDED SEMI-ANNUALLY)
								(A) SIMPLE INTEREST RATE / 2 =
								3.6550%
								(B) (1+A) x SIMPLE INTEREST RATE / 2 =
								<u>3.7886%</u>
								AFUDC RATE, EFFECTIVE ANNUAL
								<u>7.4436%</u>
								MONTHLY RATE
								<u>0.006001</u> <u>0.6001%</u>

DR 2C

MidAmerican Energy Company
 Iowa Electric ROE's
 Dollars in 000's

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Operating Income After Sharing Accruals	\$ 329,908	\$ 369,534	\$ 372,014
Rate Base	\$ 4,661,050	\$ 5,097,492	\$ 5,300,555
ROR	7.08%	7.25%	7.02%
Cost of Debt & Preferred	2.54%	2.18%	2.11%
Equity Percentage	50.49%	52.54%	51.38%
Imputed ROE After Sharing	8.99%	9.65%	9.55%
			9.40%

MidAmerican Energy Company.
 Computation of AFUDC Rate - **Wind IX**.
 For the Year 2015.

The following AFUDC rate is applicable for the year 2015.

2015 AFUDC RATE

	AMOUNT (1)	CAPITALI- ZATION RATIO (2)	COST RATES (3)		S/W (4)	WEIGHTED COST RATES FOR GROSS AFUDC RATE (5)		AFUDC RATE (6)	% OF TOTAL	MONTHLY RATES SPLIT
WEIGHTED AVERAGE SHORT-TERM DEBT BALANCE	<u>\$ -</u>		<u>0.000%</u>	x	0.0000	0.000%				
							ce 741			
							TOTAL DEBT COMPONENT (5A+5B)	2.50%	29.83%	0.20070%
LONG-TERM DEBT BEG. OF YEAR	\$ -	50.00%	5.000%	x	1.0000	2.500%				
PREFERRED STOCK BEG. OF YEAR	\$ -	0.00%	0.000%	x	1.0000	0.000%				
							ce 740			
							TOTAL EQUITY COMPONENT (5C+5D)	5.88%	70.17%	0.47220%
COMMON EQUITY BEG. OF YEAR	<u>\$ -</u>	<u>50.00%</u>	<u>11.75%</u>	x	<u>1.0000</u>	<u>5.875%</u>				
TOTAL CAPITALIZATION	<u>\$ -</u>	<u>100.000%</u>								
AFUDC RATE							SIMPLE INTEREST RATE	<u>8.38%</u>	<u>100.00%</u>	
AVERAGE 13 MONTH CWIP BALANCES A/C 107	<u>\$ -</u>									

MONTHLY RATE

0.006729 0.6729%

**OFFICE OF CONSUMER ADVOCATE
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DATE : October 21, 2014
DOCKET NO. : RPU-2014-0002
COMPANY : MidAmerican Energy Company
WITNESS : Mark Yocum
SUBJECT : AFUDC
REFERENCE :

1. What return on equity does MidAmerican Energy Company propose to include in the AFUDC rate to be applied to Wind IX investment before it is placed in-service?

Response:

MidAmerican Energy Company proposes to use an 11.75% return on equity in the AFUDC rate applied to Wind IX, consistent with the return on equity requested in the RPU-2014-0002 filing.

The 11.75% return on equity is required to be included in the AFUDC rate to ensure the Company recovers its overall cost of capital associated with the Wind IX investment.

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REFERENCE :

3. Between what dates does MidAmerican Energy Company expect to accrue AFUDC on Wind IX construction work-in-progress balances (i.e., when does MidAmerican Energy Company expect to begin and finish construction of Wind IX)?

Response:

The assumption included in the RPU-2014-0002 filing is that AFUDC is calculated between January 2015 and the middle of October 2015.

Actual AFUDC will be calculated beginning from the date of the first capital expenditure. On the date each turbine goes into service the associated capital value for the turbine will be placed into service resulting in a lower construction work in process (CWIP) balance and lower AFUDC being calculated from that date forward as the projects near completion. This process provides that AFUDC is calculated on CWIP only up to the date each turbine is placed into service.

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