

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
IOWA STATE UTILITIES BOARD

**FILED WITH  
Executive Secretary  
June 26, 2013  
IOWA UTILITIES BOARD**

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**IN RE:** :  
: **DOCKET NO. RPU-2013-0003**  
**APPLICATION OF MIDAMERICAN** :  
**ENERGY COMPANY FOR A** :  
**DETERMINATION OF** :  
**RATEMAKING PRINCIPLES** :

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**STIPULATION AND AGREEMENT**

Dated June 26, 2013

**Article I – Introduction**

On May 10, 2013, MidAmerican Energy Company (“MidAmerican”) filed an application requesting the Iowa Utilities Board (“Board”) specify in advance the ratemaking principles that would apply to the proposed Wind VIII Iowa Project (“Wind VIII”). The Wind VIII project involves the installation of up to 1,050 MW of new wind generation.

**Article II – Purpose**

This Stipulation and Agreement has been prepared and executed by the signatories for the purpose of resolving all issues between the signatories regarding the Wind VIII Iowa Project. In consideration of the mutual agreements set forth herein, the signatories stipulate their belief that the Board should issue an order that allows the terms and provisions of this Stipulation and Agreement to be fully implemented.

**Article III – Ratemaking Principles**

The signatories to this Stipulation and Agreement agree to support the Wind VIII Iowa Project with the following ratemaking principles:

<b>Topic</b>	<b>Ratemaking Principle</b>
<b>Iowa Jurisdictional Allocation</b>	The Wind VIII Iowa Project will be allocated to Iowa in the same manner as the Greater Des Moines Energy Center, Walter Scott Jr. Energy Center Unit No. 4, and prior wind projects.

<b>Cost Cap</b>	<p>The cost cap for the Wind VIII Iowa Project (including AFUDC) is:</p> <ul style="list-style-type: none"> <li>• \$1.825m per MW (including AFUDC) for completed sites.</li> </ul> <p>In the event that actual capital costs of a given Wind VIII site are lower than the projected capital costs, rate base shall consist of actual costs. In the event actual capital costs exceed the cost cap, MidAmerican shall be required to establish the prudence and reasonableness of such excess before it can be included in rates.</p>
<b>Size Cap</b>	<p>The ratemaking principles shall be applicable to all new MidAmerican wind capacity, up to 1,050 MW, built as a part of the Wind VIII Iowa Project.</p>
<b>Depreciation</b>	<p>The depreciation life of the Wind VIII Iowa Project for ratemaking purposes shall be 30 years. MidAmerican shall be able to revise the depreciable life in the event an independent depreciation expert provides support for a different useful life.</p>
<b>Return on Equity</b>	<p>The allowed return on the common equity portion of the wind projects, constructed pursuant to this Ratemaking Principles Application, that is included in Iowa electric rate base shall be 11.625%. An AFUDC rate that recognizes a return on common equity rate of 10.0% shall be applied to construction work in progress for Wind VIII generation.</p>
<b>Cancellation Cost Recovery</b>	<p>In the event MidAmerican cancels any Wind VIII site for good cause, MidAmerican's prudently incurred costs shall be amortized over a period of ten years beginning no later than six months after the cancellation. The annual amortization shall be recorded above-the-line and included in MidAmerican's revenue sharing or revenue requirement calculations, but the unamortized balance shall not be included in rate base in any such calculations.</p>
<b>Renewable Energy and CO2 Credits and the Like</b>	<p>The Iowa jurisdictional portion of any revenues from the sale of renewable energy credits, carbon dioxide credits or other environmental related benefits associated with Wind VIII will be recorded above-the-line in FERC accounts 456, 411.8 and 411.9. However, the Iowa jurisdictional portion of any revenues from the sale of renewable energy credits, carbon credits or other environmentally related benefits associated with Wind VIII will be excluded from the Iowa Energy Adjustment Clause proposed in MidAmerican's 2013 Iowa electric rate filing. For subsequent rate proceedings, the Iowa jurisdictional portion of the investment and all other costs and benefits of the Wind VIII project shall be included in base rates, and the Iowa jurisdictional portion of any revenues from the sale of renewable energy credits, carbon credits or other environmentally related benefits associated with Wind VIII shall be included in an Iowa Energy Adjustment Clause.</p>
<b>Federal Production Tax Credit</b>	<p>The Iowa jurisdictional portion of any federal production tax credits associated with Wind VIII will be recorded above-the-line in FERC account 409.1. However, the Iowa jurisdictional portion of any federal production tax credits associated with Wind VIII will be excluded from the Iowa Energy Adjustment Clause proposed in MidAmerican's 2013 Iowa electric rate filing. For subsequent rate proceedings, the Iowa jurisdictional portion of the investment and all other costs and benefits of the Wind VIII project shall be included in base rates, and the Iowa jurisdictional portion of any federal production tax credits associated with Wind VIII shall be included in an Iowa Energy Adjustment Clause.</p>
<b>Customer Rate Relief</b>	<p>Until MidAmerican's first general Iowa electric rate case where Wind VIII assets are reflected in rates, customers shall benefit through a reduction in the Energy Adjustment Clause ("EAC"). The customer benefit shall be capped at a \$3.3 million reduction for the 2015 calendar year, \$6.6 million for the 2016 calendar year, and \$10.0 million for each calendar year thereafter, conditioned upon MidAmerican having completed at</p>

	<p>least 350 megawatts (“MW”) of Wind VIII. All other Wind VIII costs and benefits shall be included in base rates and an EAC at the time the Wind VIII assets are first included in a general rate case filed by the Company. In MidAmerican’s first general rate case that includes the Wind VIII assets, actual Wind VIII capital costs, depreciation expense and operations and maintenance expenses consistent with the other ratemaking principles shall be reflected in base rates, except for production tax credits, renewable energy credits, carbon dioxide credits and other environmental related benefits associated with Wind VIII which shall be included in an EAC.</p>
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**Article IV – Joint Motion**

The signatories shall jointly file with the Board this Stipulation and Agreement in the docket initiated by MidAmerican’s filing of a ratemaking principles application pursuant to Iowa Code Section 476.53 for the Wind VIII Iowa Project. The signatories shall also file with the Board a joint motion requesting that the Board accept this Stipulation and Agreement without condition or modification. In addition, signatories shall include in such joint motion a request that the Iowa Utilities Board suspend the remainder of the procedural schedule in this proceeding.

**Article V – Condition Precedent**

This Stipulation shall not become effective unless and until the Board accepts the same in its entirety without condition or modification.

**Article VI – Privilege and Limitation**

This Stipulation and Agreement is made pursuant to Iowa Code §17A.10 and 199 I.A.C. §7.2(11). This Stipulation and Agreement relates only to the specific matters referenced herein, and neither signatory waives any claim or right that it may otherwise have with respect to any matter not expressly provided for herein. Except as expressly provided in this Stipulation and Agreement, neither signatory shall be deemed to have approved, accepted, agreed or consented to any ratemaking principle, any method of cost of service determination, or any method of cost allocation underlying the provisions of this Stipulation and Agreement or be prejudiced or bound thereby in any other current or future proceeding before any agency. Except as necessary to

implement Article III, this Stipulation and Agreement shall not, directly or indirectly, be referred to as precedent in any other current or future proceeding before the Board except with the written consent of the signatories.

#### **Article VII – Execution**

To facilitate and expedite execution, this Stipulation and Agreement may be executed by the signatories in multiple conformed copies which, when the original signature pages are consolidated into a single document, shall constitute a fully-executed document binding upon all the signatories. The facsimile signatures of the signatories shall be deemed to constitute original signatures, and facsimile copies hereof shall be deemed to constitute duplicate originals.

#### **Article VIII – Modification and Amendment**

This Stipulation and Agreement shall not be amended or modified except by an instrument in writing signed by all signatories.

#### **Article IX – Term**

This Stipulation and Agreement shall remain in effect as long as the Wind VIII Iowa facilities covered by the Ratemaking Principles in Article III continue to provide regulated electric service to Iowa consumers.

#### **Article X – Binding Nature**

This Stipulation and Agreement shall be binding on the signatories. The signatories shall take no actions directly or indirectly to eliminate or otherwise limit or expand the scope or effect of this Stipulation and Agreement throughout its term.

#### **Article XI – Further Assurances**

The signatories agree to cooperate in order to effectuate the full and complete intent of the signatories as expressed in this Stipulation and Agreement.

**Article XII – Entire Agreement**

This Stipulation and Agreement contains the entire agreement between the signatories. There are no additional terms, whether consistent or inconsistent, oral or written, that have not been incorporated into this Stipulation and Agreement

MIDAMERICAN ENERGY COMPANY

OFFICE OF CONSUMER ADOCATE

\_\_\_\_\_/s/ William J. Fehrman\_\_\_\_\_  
(Signature)

\_\_\_\_\_/s/ Ronald C. Polle\_\_\_\_\_  
(Signature)

Name: William J. Fehrman  
Date: June 26, 2013

Name: Ronald C. Polle  
Date: June 26, 2013