

**FILED WITH  
Executive Secretary**

**May 17, 2013**

**IOWA UTILITIES BOARD**

**STATE OF IOWA  
DEPARTMENT OF COMMERCE  
BEFORE THE IOWA UTILITIES BOARD**

**FILED WITH  
Executive Secretary**

**May 18, 2015**

**IN RE:**

**MIDAMERICAN ENERGY COMPANY )**

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**DOCKET NO. RPU-2013- 0004**

**IOWA UTILITIES BOARD**

**DIRECT TESTIMONY  
OF  
CHARLES B. REA**

1 **Q. Please state your name and business address.**

2 A. My name is Charles B. Rea. My business address is MidAmerican Energy  
3 Company (“MidAmerican”), 106 East Second Street, Davenport, Iowa 52801.

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

5 A. I am employed by MidAmerican as Manager, Regulatory Strategic Analysis.

6 **Q. Please describe your education and business experience.**

7 A. I received a B.A. in Computer Science from the University of Illinois at  
8 Springfield in 1986 and a M.A. in Statistics and Operations Research from  
9 Southern Illinois University at Edwardsville in 1990. I have been employed by  
10 MidAmerican and its predecessor companies since 1990 and have worked in  
11 electric system planning, forecasting, load research, marketing, rates, and  
12 energy efficiency.

13 **Q. Have you testified before Iowa Utilities Board (“Board”) or other**  
14 **regulatory bodies previously?**

739 segregated into an energy component and a capacity component, with all or part  
740 of the capacity component being assigned to demand charges in classes that  
741 have demand charges. In addition, because generation capacity costs are  
742 allocated more heavily toward the summer season under the A&E method than  
743 under the HCM model, rates developed under the A&E methodology are higher  
744 in the summer and lower in the winter than under the HCM model.

745 **Q. How are the various cost components of the class cost of service study used**  
746 **in the design of MidAmerican proposed rates?**

747 A. Exhibit\_\_(CBR-1) Schedule I shows the derivation of rates for each of  
748 MidAmerican's proposed rates under each cost of service option.  
749 Exhibit\_\_(CBR-1) Schedule I maps out for each rate how the different  
750 components of cost of service are used to build the rate.

751 **Q. Do you have a schedule that shows MidAmerican's proposed rates?**

752 A. Yes. Exhibit\_\_(CBR-1) Schedules J-1 through J-4 provide a complete set of  
753 proposed rates for each of the four different cost of service options that  
754 MidAmerican is providing in this filing. Exhibit\_\_(CBR-1) Confidential  
755 Schedules K-1 through K-4 provide a complete set of proposed rates for each of  
756 the four different cost of service models that MidAmerican is providing in this  
757 filing for the individual customer contract rates.

#### **Rate Equalization and Rate Case Phase-In Factors**

758 **Q. Please describe the purpose of MidAmerican's rate equalization plan.**

759 A. As described in MidAmerican witness Czachura's testimony, MidAmerican is  
760 proposing a 10-year rate equalization plan whose purpose is to ease the

761 transition for customers from the various myriad of rates they are currently  
762 taking service under the uniform and simplified final rates proposed in this  
763 case.

764 **Q. How does MidAmerican propose to implement rate equalization?**

765 A. MidAmerican proposes to implement rate equalization through a series of rate  
766 equalization adjustment clauses. The equalization adjustment clauses will be  
767 riders and will be calculated separately for different groups of existing rates.  
768 The factors in these clauses for any particular group of customers would either  
769 be credits or surcharges depending on whether that group of customers is  
770 currently paying rates that are below or above cost of service, and the factors  
771 would either be increased to zero or decreased to zero over a period of 10 years.

772 **Q. How will the factors interact with the proposed final rates in this case?**

773 A. All customers will take service under the proposed final rates in this case that  
774 they are being mapped to as described in Exhibit\_\_(CBR-1) Schedules J-1  
775 through J-4. These final rates will not change over time (absent any future rate  
776 case activity). In addition, all customers would pay an equalization adjustment  
777 amount that is customized to the rate they are currently taking service under.  
778 All equalization adjustment factors will change over time by 10% per year. For  
779 customers that are currently on rates that are below cost of service relative to  
780 their final rate, the factor will be negative, thus reducing the amount they pay in  
781 total relative to final rates, and will move up to zero in 10% increments. The  
782 opposite is true for customers that are currently on rates that are above cost of  
783 service relative to their final rate. For those customers, the factor will be