

**October 26, 2015**

**IOWA UTILITIES BOARD**

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

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<b>ARTI, LLC,</b>	:	
	:	
<b>Complainant,</b>	:	
	:	
<b>v.</b>	:	<b>Docket No. FCU-2014-0016</b>
	:	
<b>MIDAMERICAN ENERGY COMPANY,</b>	:	
	:	
<b>Respondent</b>	:	
	:	

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**MIDAMERICAN ENERGY COMPANY'S INITIAL BRIEF**

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COMES NOW, MidAmerican Energy Company (“MidAmerican”), by and through counsel, and states as follows to the Iowa Utilities Board (“Board”), as the Company’s Initial Brief.

**I. PROCEDURAL HISTORY AND BACKGROUND**

**A. Complaint Procedural History.**

Arti, LLC (“Complainant”) filed an informal complaint on October 20, 2014, disputing the phase-in and equalization factors applied to Complainant’s bill with the Board. *See* Board File C-2014-0145 and Exhibit SMA Direct at 9. The phase-in and equalization factors were approved in Docket No. RPU-2013-0004, as discussed further below. MidAmerican provided a response to the Board and Complainant on November 10, 2014, and included rate impacts of the phase-in and equalization factors based on estimated usage. *See* MidAmerican Response in C-2014-0145 and associated Phase-in and Equalization Impact Information.

The Board docketed the complaint on November 21, 2014, and in its Order Opening Formal Complaint Proceeding and Setting Filing Date, the Board did not set a procedural schedule in order to allow the parties additional time for negotiations. The Board noted that if an agreement is not reached, then the Board will establish a procedural schedule and set the matter for hearing. *Id.* at 7.

Complainant and MidAmerican filed joint status reports on December 22, 2014, January 26 and February 23, 2015, indicating the parties were still negotiating, but were not able to reach an agreement at the time the status reports were filed. On March 16, 2015, Complainant filed a status report indicating that settlement negotiations had reached an impasse, and Complainant requested that the Board schedule a prehearing conference for the purpose of establishing a procedural schedule.

Complainant filed a motion requesting leave to amend its complaint on March 18, 2015. In its request, Complainant stated that MidAmerican intended to provide separate bills to Complainant's facility; one bill for the Pony Creek Substation and one bill for the Southland Substation. Complainant argued that this treatment was unjust and unreasonable, and requested that the Board amend the complaint to include these billing allegations to the original complaint.

On March 30, 2015, the Board issued an order scheduling a prehearing conference on April 8, 2015. At the prehearing conference, the parties agreed to a procedural schedule and the Board set the date for hearing. In its April 13, 2015, Order Granting Motion for Leave to Amend Complaint, Establishing Procedural Schedule, and Scheduling Hearing Date, the Board granted Complainant's Motion to Amend the Complaint filed on March 18, 2015, and the Board set a procedural schedule.

Pursuant to the procedural schedule, Complainant filed the direct testimony of Samuel M. Arons and Maurice Brubaker on May 18, 2015. MidAmerican filed the reply testimony of Charles B. Rea and Naomi G. Czachura on June 19, 2015. Complainant then filed reply testimony on July 24, 2015. Hearings were held on August 23, 2015, and September 15, 2015. The Board issued an Order Establishing a Briefing Schedule on September 17, 2015, wherein simultaneous initial briefs are due October 26, 2015, with simultaneous reply briefs due November 19, 2015.

**B. Procedural History of Docket No. RPU-2013-0004.**

The original complaint arises out of the rates established in Docket No. RPU-2013-0004. Pursuant to Iowa Code § 476.6 (2013), MidAmerican filed an Application for Rate Relief, including revised interim and final rate schedules, and a waiver request pursuant to Board rules 199 IAC 1.3 and 26.5(5) on May 17, 2013. MidAmerican proposed a temporary annual increase in its Iowa retail electric revenue of approximately \$45.2 million and a permanent annual increase in its Iowa retail electric revenue of approximately \$135.6 million to be phased in over three years, with the first \$45.2 million increase proposed to be effective on August 15, 2013. MidAmerican, in final rates, proposed a second year \$45.2 million increase to be effective on January 1, 2015, and a third year and final \$45.2 million increase to be effective on January 1, 2016. The Application also included a rate equalization proposal which brings rates to levels that reflect cost of service, regardless of geographic zone, over a ten-year period. MidAmerican also requested to reinstitute an energy adjustment clause for retail energy costs and adopt a new transmission cost adjustment.

To implement the three-year revenue phase-in and rate equalization proposal, the final rate schedules included a proposed Clause PI – Phase-in Adjustment (“Clause PI”) and Clause E

– Equalization Adjustment (“Clause E”), which were also included in RPU-2013-0004 Exhibit\_\_(NGC-1), Schedule A and Schedule B.<sup>1</sup> The proposed Clause PI stated that “the phase-in adjustment factors are applied to electric rates for the purpose of phasing in MidAmerican’s approved increase in revenue.” Clause E stated that the “equalization adjustment factors are applied to the rates for electric service for the purpose of moving all rates to cost of service over a ten-year period.”

The rate phase-in and equalization plan was supported by the pre-filed direct testimony of Naomi Czachura and Charles Rea. Mr. Rea also filed pre-filed rebuttal testimony addressing rate equalization and how the phase-in factors in Clause PI and how equalization factors in Clause E were developed. As Ms. Czachura explained in her direct testimony, MidAmerican’s rate equalization plan was filed in accordance with Board orders in Docket No. RPU-04-2 (TF-04-150, APP-96-1, RPU-96-1). RPU-2013-0004 Tr. at 525.<sup>2</sup> Ms. Czachura’s testimony provided a general history of Board orders related to MidAmerican’s filing of its revenue-neutral rate equalization plan in Docket RPU-2013-0004. RPU-2013-0004 Tr. at 525-528; Docket No. RPU-04-2 (TF-04-150, APP-96-1, RPU-96-1), Order Approving Settlement with Clarification, issued April 9, 2009, page 4.

Ms. Czachura also included the proposed Clause PI and Clause E to her direct testimony in RPU-2013-0004 Exhibit\_\_(NGC-1), Schedule A and Schedule B. Mr. Rea also included various schedules to his testimony, including RPU-2013-0004 Exhibit\_\_(CBR-1), Schedules J-1, J-2, J-3, J-4, K-1, K-2, K-3, and K-4 and RPU-2013-0004 Exhibit\_\_(CBR-2), Revised Schedule M. Each of Mr. Rea’s schedules calculated the equalization factors.

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<sup>1</sup> For purposes of this brief, references to testimony in Docket No. RPU-2013-0004 will be referred to as “RPU-2013-0004 Exhibit \_\_\_\_.” Exhibits in this proceeding will be referred to as “Exhibit \_\_\_\_.”

<sup>2</sup> For purposes of this brief, references the transcript in Docket No. RPU-2013-0004 will be referred to as “RPU-2013-0004 Tr.” and the transcript in this proceeding will be referred to as “Tr.”

Pursuant to 199 IAC 7.7(16), the Board scheduled eight consumer comment hearings in Docket No. RN-2013-0002; the dates, times, and locations were included in MidAmerican customer's notice of the proposed rate increase. Consistent with the Board rules, MidAmerican mailed its approved customer notice prior to its May 17, 2013 filing. Accordingly, the Board conducted eight consumer comment hearings on June 13, June 17, June 18, June 24, June 25, June 26, June 27 and July 2 in 2013.

The Office of Consumer Advocate (“OCA”) filed an objection to MidAmerican’s rate application and requested the Board docket the proceeding on June 4, 2013. The OCA argued that MidAmerican’s filing raised complex revenue requirement and rate design issues that require a thorough investigation and requested additional time to complete a thorough investigation.

The Board issued an Order Docketing Tariff, Establishing Procedural Schedule, and Requiring Additional information on June 7, 2013. The Board docketed MidAmerican’s request for a temporary rate increase as TF-2013-0094, and docketed the request for final rates as TF-2013-0095. In its June 7, 2013, Order, the Board determined that MidAmerican’s filing substantially complies with the Board’s filing requirements in 199 IAC 26.

Petitions to intervene were filed by the International Brotherhood of Electrical Workers, Locals 109 and 499 (“IBEW Locals”), Deere & Company (“Deere”), the Iowa Industrial Customers for Affordable Power (“IICAP”),<sup>3</sup> North Industrial Employers (“NIE”), Walmart

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<sup>3</sup> IICAP members included: ADM, Alcoa, Cargill, Frontier Ethanol (POET-Gowrie), Gerdau, Lafarge, Microsoft, Purina Pet Care, Siculus (Facebook) and US Gypsum. *See* IICAP Initial Brief at 1. NIE members included: Ag Processing Inc, Bertch Cabinet Mfg., CF Industries, Cloverleaf Cold Storage, Corn, LP, Gelita USA Inc., Gold-Eagle Cooperative, Kay-Flo Industries, Inc., Little Sioux Corn Processors L.P., Nor-Am Cold Storage, Plymouth Energy LLC, Tyson Foods, Inc., Valero Energy Corporation, and Wells Enterprises, Inc. NIE Initial Brief at 4. ICI members included: Kent Nutrition Group, Farmland Foods, John Morrell Food Group, Green Plains Shenandoah, LLC, and National Gypsum Company. *See* ICI Petition to Intervene, Exhibit A.

Stores, Inc. (“Walmart”), the Industrial, Commercial & Institutional Group (“ICI Group”), the Environmental Law and Policy Center (“ELPC”), and the Iowa Environmental Council (“IEC”), all of which were granted by the Board. Complainant did not file a petition to intervene, but Complainant admits it followed the rate case. Tr. 78, ll. 8-14.

On July 12, 2013, MidAmerican filed revised interim tariff and final sheets (Docket Nos. TF-2013-0094 and TF-2013-0095), correcting the interim and final tariff sheets filed on May 17, 2013.

On July 15, 2013, MidAmerican filed additional information required by the Board’s June 24, 2013 Order Requiring Additional Information.

On July 19, 2013, MidAmerican filed supplemental corrections and revisions, including the supplemental direct testimony of Debbie Kutsunis, revised page 18 of the direct testimony of Naomi Czachura, and revised RPU-2013-0004 Exhibit\_\_\_(CBR-1), Revised Schedule H.

On August 28, 2013, MidAmerican filed revised tariff sheets in compliance with the order setting temporary rates issued August 15, 2013. Pursuant to the Temporary Rate Order, MidAmerican implemented temporary rates on August 15, 2013, pursuant to the interim tariffs filed with the Board. The compliance tariffs were approved on September 23, 2013 (Docket No. TF-2013-0094).

As contemplated by the interim tariffs, the interim rates did not make any rate design changes so all customers in all classes and all zones received an “across the board” rate increase irrespective of the fact that they may be in a rate zone or rate class that was either paying below or above the cost to serve. Rate Principles, Interim Rate Application, May 17, 2013, at 18-19; RPU-2013-004 Tr. at 524, ll. 65-67. Consistent with the Board’s Temporary Rate Order,

Complainant was charged pursuant to the interim tariffs approved by the Board. Tr. at 40; 52; 67, ll. 23-25; 68, l.1.

On September 10, 2013, direct testimony was filed by OCA, ELPC and IEC, Deere, IICAP, ICI Group, Walmart, and NIE. On October 1, 2013, rebuttal testimony responding to OCA and other intervenors was filed by the OCA, IICAP, Deere, and NIE. On October 22, 2013 (and as revised on October 28, 2013), MidAmerican filed rebuttal testimony and revised tariff sheets which primarily clarified the tariffs or corrected errors.

On October 30, 2013, IICAP filed an Unopposed Motion for Extension of Time to File Intervenor Reply Testimony, which was granted by the Board on October 31, 2013. On November 4, 2013, surrebuttal testimony was filed by Deere, ICI Group, and NIE. Also on November 4, 2013, OCA and ELPC/IEC filed rebuttal testimony and IICAP filed reply testimony.

On November 5, 2013, a Joint Statement of Issues was filed by MidAmerican, OCA, IBEW Locals, Deere, IICAP, NIE, Walmart, ICI Group and ELPC/IEC, which was revised on December 6, 2013, to correct clerical errors.

On November 14, 2013, MidAmerican filed additional information in response to the Board's order of November 7, 2013.

On November 8, 2013, prehearing briefs were filed by MidAmerican, ICI Group, IICAP, Deere, NIE, and Walmart.

On November 20, 2013, MidAmerican, OCA, and ELPC filed a Non-Unanimous Settlement Agreement ("Settlement"). Other intervenors did not sign the Settlement and opposed parts of the proposed Settlement, including the rate equalization plan, and the ICI Group opposed the rate phase-in plan.

On November 27, 2013, MidAmerican, OCA, IICAP, and Deere each filed additional information in response to the Board's order of November 25, 2013. On December 2, 2013, the responses of NIE, IBEW Locals and ELPC/IEC were filed.

A hearing for the receipt of evidence and cross examination was held on December 2-4, 2013, at the Board's offices in Des Moines, Iowa. Following the hearing, MidAmerican filed Exhibits 1-14 (including a revised Exhibit 7), Deere filed Exhibits 301-305, IICAP filed Exhibits 201-228, and NIE filed late-filed Exhibit 601. Additionally, on December 10, 2013, MidAmerican filed additional detailed information supporting the waivers of energy adjustment clause rule 199 IAC 20.9 needed to create its retail energy adjustment clause.

The Board issued an Order Requiring Additional Information on December 23, 2013, after reviewing the information and determining that additional information was necessary. On December 27, 2013, MidAmerican filed a Motion for Clarification or Modification and Partial Extension of Time. As part of that request, MidAmerican requested it be granted additional time to file responses to questions 3 and 4 in the Board's December 23, 2013, Request for Additional Information. In response to the Board's initial request, MidAmerican filed its responses to questions 1 and 2 on December 30, 2013.

On January 17, 2014, MidAmerican filed its partial response to the Board's Clarification, Modification, and Order Granting Extension of Time issued December 31, 2013, and its Request for Additional Information issued December 23, 2013.

The Board issued its final decision and order ("Final Order") in Docket No. RPU-2013-0004 on March 17, 2014. In the Final Order, the Board approved the non-unanimous Settlement, with modifications. The Final Order found that the "ten-year equalization period provided in the Settlement balances the interests of the customers served by MidAmerican who need time to

adjust to the new rates determined in this proceeding, as well as to any rate design changes. The ten-year period mitigates any rate shock. Absent any unreasonable customer impacts, which will be addressed later, a ten-year equalization period is reasonable and will be approved.” Final Order at 88. On March 27, 2014, in compliance with the Board’s Final Order, MidAmerican filed its compliance filing, which included its revised final tariffs and updated rates, including updated phase-in factors, equalization factors and mitigation plan, based upon the Board’s Final Order.

Deere, IICAP and NIE filed applications for rehearing on April 7, 2014. MidAmerican, NIE, and the OCA filed responses to the applications for rehearing on April 21, 2014, and on April 25, 2014, the Board granted rehearing for purposes of reconsideration and set a briefing schedule. On April 23, 2014, Complainant’s parent company filed comments in support of the requests for rehearing. Complainant FCU-2015-0003 Brief at 14. Complainant’s parent company also filed additional comments on May 20, 2014, to support NIE’s and IICAP’s position that the Board gave the non-unanimous Settlement agreement inappropriate weight.

On July 10, 2014, the Board issued its Order on Rehearing (“Rehearing Order”). In the Rehearing Order, the Board denied the requests for rehearing, except to the extent discussed in the Rehearing Order and the Board affirmed its Final Order, as supplemented and modified by the Rehearing Order. MidAmerican filed updated final tariffs on July 14, 2014. The only change to Clause PI and Clause E from the March 27, 2014, compliance filing was the change in the effective date of the tariff. *See* TF-2014-0034. Pursuant to the Board’s July 25, 2014, Order Requiring Revisions and Additional Information, Denying the Motion for Stay, and Motion for

30-day review,<sup>4</sup> MidAmerican made an additional compliance filing. On July 31, 2014, the Board issued its Order Approving Tariff and Requiring Filings (“Approval Order”). MidAmerican implemented its new rates effective July 31, 2014, and made further filings as directed by the Board.

### C. Summary of the Complaint.

Complainant filed its complaint, as amended, pursuant to Iowa Code § 476.3(1), 199 IAC 6.2, and 199 IAC 7.9(3). Accordingly, Complainant bears the burden of proof to support its claims.<sup>5</sup> Complainant states it began taking service under the [New] ■■■ Rate (“[New] Rate ■■■”) on ■■■■■■■■■■, and Complainant alleges the Clause PI Factor and Clause E Factor applied to the Complainant’s bill are different from that of the Complainant’s sister company, Pinnacle, LLC (“Pinnacle”), which has a similar operation in the same former MidAmerican rate zone and that this billing results in unjust and unreasonable rates for the Complainant.

Complainant also argues it should receive one customer bill for the two substations that will serve its facilities. Complainant requests the Board order MidAmerican to: (i) apply the Pinnacle Clause PI and Clause E Factors to Complainant’s [New] ■■■ Rate; and (ii) require MidAmerican to treat electric service delivered to the Pony Creek and Southland Substations as a single customer and to bill Complainant a single, totalized bill for the Complainant’s facility. In the alternative, Complainant requests the Board adopt the alternative Phase-In and Equalization

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<sup>4</sup> On July 17, 2014, NIE asked for a 30-day time period to review MidAmerican’s Compliance tariffs, and then on July 18, 2014, NIE filed a request for stay regarding implementation of MidAmerican’s compliance tariffs and the rehearing order.

<sup>5</sup> See e.g. *Gaskey v. Iowa Dept. of Tranp., Motor Vehicle Division*, 537 N.W.2d 695, 697(1995);<sup>5</sup> *Tiffany v. Iowa Dept. of Tranp., Motor Vehicle Division*, WL 668796 (Iowa 199); noting the Iowa Supreme Court has repeatedly placed the burden of proof on the aggrieved person; *Office of Consumer Advocate v. Iowa State Commerce Com’n*, 428 N.W.2d 302, 305 (Iowa 1988); *Office of Consumer Advocate v. Iowa Utilities Board*, 454 N.W.2d 883, 886 (Iowa 1990).

Factors outlined in Confidential Exhibit MEB-8 of the reply testimony of Mr. Brubaker to apply to the Complainant's bill.

**D. Summary of the Argument.**

The Complainant contends the [Generic] Rate [REDACTED] Clause PI and Clause E Factors are unreasonable and as a result, the Complainant is subjected to significant rate shock. Complaint at 4; Exhibit SMA Direct at 17, ll. 5-11; Tr. at 87. The Complainant, however, did not produce any evidence that the application of the [Generic] Rate [REDACTED] Clause PI and Clause E Factors to Complainant's [New] [REDACTED] Rate produce unjust and unreasonable rates. Nonetheless, the Complainant requests the Board direct MidAmerican to apply the Pinnacle Clause PI and Clause E Factors to the Complainant's [New] [REDACTED] Rate.

Complainant has failed to meet its burden for three reasons: (i) application of the Rate [Generic] Rate [REDACTED] Clause PI and Clause E Factors to Complainant's bill provides a transition for Complainant to cost-based rates that is equitable when the interests of all customers are considered; (ii) the Complainant uses a flawed baseline to determine its desired Clause PI and Clause E Factors that creates a large discount well below the cost to serve Complainant and undermines the purpose of the clauses; and (iii) Complainant has not shown that application of the [Generic] Rate [REDACTED] Clause PI and Clause E Factors to its load is unjust and unreasonable.

The Complainant also argues that MidAmerican does not have any authority to separately bill service delivered to the Pony Creek Substation and service delivered to the Southland Substation and as a result, separate billing treatment unreasonably, unjustly, and unfairly requires Complainant to pay the basic service charge twice. Amended Complaint at 2. However, based on record evidence, Complainant entered into various agreements, two of which specifically [REDACTED] Tr. at 175, ll. 2-18; 176, ll. 6-20;

MidAmerican Cross Exhibits 5 and 6. Neither of [REDACTED]

[REDACTED]

[REDACTED]. *Id.* Furthermore, [REDACTED]

[REDACTED] MidAmerican's tariff policy exceptions relating to meter totalization as described by witness Czachura. Exhibit NGC-1 Reply at 3, ll. 39-57; Arti Cross Exhibit 3; Tr. at 216, l. 25 through 219, l. 20. Therefore, the Complainant has not provided any evidence that MidAmerican's billing treatment for the two substations is unjust and unreasonable. Accordingly, this complaint should be dismissed with prejudice on both counts.

## II. ARGUMENT

### A. Complainant Failed to Meet Its Burden of Proof in This Proceeding.

In a complaint proceeding before the Board, the party initiating the complaint bears the burden of proving a rate or billing treatment is unjust and unreasonable. *See e.g. Gaskey v. Iowa Dept. of Transp., Motor Vehicle Division*, 537 N.W.2d 695, 697(1995);<sup>6</sup> *Tiffany v. Iowa Dept. of Transp., Motor Vehicle Division*, WL 668796 (Iowa 199); *noting the Iowa Supreme Court has repeatedly placed the burden of proof on the aggrieved person.* Iowa Supreme Court precedent has placed the burden of proof on the aggrieved party to establish that the approved rate is unjust and unreasonable in its consequences. *Office of Consumer Advocate v. Iowa Utilities Board*, 454 N.W.2d 883, 886 (Iowa 1990). Moreover, the Iowa Supreme Court found, whether a rate is just

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<sup>6</sup> Citing *Peterson v. Iowa Dep't of Transp.*, 508 N.W.2d 689, 691 (Iowa 1993). This principle was established in *McCrea v. Iowa Department of Transportation*, 336 N.W.2d 427, 429 (Iowa 1983), and has been repeated by this court numerous times. *See, e.g., Furry*, 464 N.W.2d at 872; *Ferguson v. Iowa Dep't of Transp.*, 424 N.W.2d 464, 465 (Iowa 1988); *Downing v. Iowa Dep't of Transp.*, 415 N.W.2d 625, 627 (Iowa 1987); *Westendorf v. Iowa Dep't of Transp.*, 400 N.W.2d 553, 557 (Iowa 1987); *Mary v. Iowa Dep't of Transp.*, 382 N.W.2d 128, 132 (Iowa 1986); *Heidemann v. Sweitzer*, 375 N.W.2d 665, 670 (Iowa 1985).

and reasonable amounts to a question of fact. *Office of Consumer Advocate v. Iowa State Commerce Com'n*, 428 N.W.2d 302, 305 (Iowa 1988).

To evaluate whether Complainant's contention that the application of [Generic] Rate █ Clause PI and Clause E Factors is unreasonable and the complaint has merit, the place to begin that inquiry is by considering the Board's guiding legal framework when it determined MidAmerican's rates in Docket No. RPU-2013-0004. That framework and the Board's statutory obligation for reviewing a rate application is found in Iowa Code § 476.7 which states, "...the board shall determine just, reasonable, sufficient and nondiscriminatory rates, charges, schedules, service or regulations to be thereafter observed and enforced." Thus, the touchstone for assessing rates is the just and reasonable standard along with a requirement that the approved rates not be discriminatory.

As will be demonstrated below, Complainant failed to meet the burden of proving that the [Generic] Rate █ Clause PI and Clause E Factors applied to its electric bill produce unjust and unreasonable rates. Moreover, Complainant also did not establish that receiving two separate electric bills for two different substations is unjust and unreasonable.

**1. Complainant does not meet the burden of proving the Clause PI and Clause E Factors unreasonably and unjustly transition Complainant To The Cost To Serve.**

*a. Application of [Generic] Rate █ Clause PI and Clause E Factors is an Equitable Balancing of Customer Interests.*

The Complainant has highlighted its interests in this docket without recognizing the underlying rate principles established in Docket No. RPU-2013-0004. Tr. at 52, ll.10-25; 53, ll. 1-5. In Docket No. RPU-2013-0004, the Board recognized the need to balance all customer interests when it came to determining cost-based rates and determining whether to adopt the

revenue phase-in and rate equalization plan. Final Order at 86-88; Order on Rehearing Order 57. MidAmerican filed a significant amount of customer rate impact information along with a rate mitigation plan to further temper rate increases to customers as directed by the Board. *See e.g.*, MidAmerican's July 2013 Additional Information; December 2013 and January 2014 Additional Information; March 2014 and July 2014 Compliance Filings and July 2014 Additional Information filed in Docket No. RPU-2013-0004. The Board extensively examined every aspect of MidAmerican's rate design and customer impacts due to the rate increase. *See e.g.*, MidAmerican's July 2013 Additional Information; December 2013 and January 2014 Additional Information July 2014 Compliance Filings and July 2014 Additional Information filed in Docket No. RPU-2013-0004; Final Order at 78, 92-93, 96; Rehearing Order at 55, 57-58.

The rate case record contains voluminous information on the 2012 test year costs, allowed pro forma adjustments, and customer impacts related to the cost allocation methodology produced by the Hourly Costing Model, along with other cost of service proposals. As directed by the Board, MidAmerican filed various estimates of customer impacts related to the different cost of service proposals on a customer-by-customer basis for 10 years. *See* MidAmerican January 17, 2014, Partial Response to the Board's Request for Additional Information. In the Order on rehearing, the Board took note of MidAmerican's observation that its rate case had the most extensive testing of cost of service and rate design considerations in any electric rate case ever filed in Iowa, including Docket No. RPU-04-1, the Interstate Power and Light Company rate case and subsequent five-year rate rebalancing docket. Rehearing Order at 37, 54; *See e.g.*, MidAmerican's July 2013 Additional Information; December 2013 and January 2014 Additional Information, July 2014 Additional Information and compliance information (*providing*

*additional rate impact studies to supplement the rate impacts presented in testimony and additional cost of service rate designs.)*

In addition to the cost based elements of the final rates, the Board considered MidAmerican's proposed revenue phase-in and rate equalization plan. Final Order at 86-88. In its June 24, 2013 Order Requiring Additional Information,<sup>7</sup> the Board recognized "[t]he equalization proposal is revenue neutral to MidAmerican, however, impacts on individual customers will vary depending on their customer class and pricing zone." June 24, 2013, Order at 1.<sup>8</sup>

The ratemaking goal behind the rate equalization plan was to gradually transition customers closer to the cost to serve them. Final Order at 88; RPU-2013-0004 Tr. at 530; 1132, ll. 765-771; Docket No. RPU-04-2 (TF-04-150, APP-96-1, RPU-96-1), Order Approving Settlement with Clarification, issued April 9, 2009, and Settlement as extended by order on March 13, 2012. While some customers, like the Complainant, are gradually transitioning from rate levels below the cost of service to rate levels at cost of service, other customers are gradually transitioning from rate levels above the cost of service to rate levels at the cost of service. June 24, 2013 Order at 1.<sup>9</sup>

Mr. Rea explained how the Clause E factors would be applied to customers:

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<sup>7</sup> In response to the June 24, 2013 Board Order, MidAmerican provided the reasons as to why MidAmerican proposed to use equalization factors instead of phasing in the final rate design in its response to Board Question 1. Therefore, the Board also considered information on different rate equalization approaches and requested additional information from MidAmerican.

<sup>8</sup> In regards to Clause PI Factors, Mr. Rea testified the Clause PI Factors will not differ based on the cost of service study the Board approves because the Clause PI Factors "are dependent only on the amount of the total revenue increase approved in this case." RPU-2013-0004 Tr. at 1135, ll. 829-830.

<sup>9</sup> It should be noted that this transition was designed to not increase or decrease MidAmerican's approved revenue requirement. June 24, 2013 Order at 1.

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

RPU-2013-0004 Tr. at 1132, ll. 765-771, *emphasis added*.

Complainant recognizes that lower factors are beneficial because the Complainant would be paying even lower than the cost to serve.<sup>10</sup> Applying the more “beneficial” Pinnacle Clause PI and Clause E Factors to the Complainant’s [New] ■■■ rate, however, may harm other customers. The Complainant offered the following testimony indicating its proposed factors were developed to benefit the Complainant:

BOARD MEMBER WAGNER: Okay. So, then, why not use those two months as your representative versus something that's further down or backwards?

THE WITNESS: The reason is that it's because of the ramp-up in load. The Arti load by the time we got to July 2014, and even more so now, is many times the size of the load back in that time period, and so it would have been, in my view, unrepresentative to use that as a benchmark.

BOARD MEMBER WAGNER: Okay. So then does that, then, benefit Arti by using the load in the future date, like you said, or does it benefit them to use the first two months when they were on the old rates?

THE WITNESS: Using the more current load values is more beneficial to Arti.

Tr. at 52, ll.10-25; 53, ll. 1-5.

The goal of the Clause PI and Clause E Factors is not to benefit one customer to the detriment of other customers.

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<sup>10</sup> Mr. Brubaker noting that although MidAmerican did not perform a separate cost of service study for Complainant, it was reasonable to use the cost of service study developed for Pinnacle since the two loads were similar.

The consequences of having large industrial customers paying rates below the cost to serve were also examined in Docket No. RPU-2013-0004. In particular, MidAmerican presented testimony regarding the need to balance all customer interests when designing rates. Final Order at 88; RPU-2013-0004 Tr. at 50, ll. 298-306; 530; 1132, ll. 765-771; Docket No. RPU-04-2 (TF-04-150, APP-96-1, RPU-96-1), Order Approving Settlement with Clarification, issued April 9, 2009, and Settlement as extended by order on March 13, 2012. In rebuttal testimony discussing the proposed cost of service model and customer cost allocation, MidAmerican witness Fehrman testified:

Ideally, [MidAmerican wants] competitive industrial and commercial rates that reasonably incent companies to expand and locate in Iowa and residential rates that are among the lowest in the region. If industrial rates are too low, it can provide an incentive that is not economical for all of MidAmerican's customers. For example, if the rates are below the true cost of service for the industrial class, strong growth in the industrial class could drive the need for additional generation plant for which residential and commercial classes will disproportionately pay, but whose costs were caused by the industrial class. On the other hand, if the industrial rates are too high, business is lost and Iowa's economy suffers.

RPU-2013-0004 Tr. at 50, ll. 298-306.

This rebuttal testimony prompted questions from IICAP to Mr. Fehrman on cross examination:

Q. Now, [ . . . ] you seem to be saying that we wouldn't want too much growth among large businesses in Iowa.

Am I reading that right?

A. So this discusses the ultimate balance between having very, very low rates for particularly large energy users, which drives the required addition of significant investment in plant and power plants, in particular, which ultimately can drive up rates for all customers, versus the balance of having those types of customers come in and be very beneficial to the state.

We've had a number of discussions on this topic, particularly with regards to major energy users, such as [REDACTED] and others, on how those projects

can come in, how we can ultimately serve those customers and yet try and make sure that the result of bringing those types of large loads into the state does not negatively impact our entire customer base.

RPU-2013-0004 Tr. at 65.

Complainant's proposed remedy disrupts this balance by requesting Clause PI and Clause E Factors that reduce its cost to serve even further than what is allowed under the Board approved [Generic ]Rate █ Clause PI and Clause E Factors. *See e.g.* Phase-in and Equalization Impact Information provided in C-2014-0145; Exhibit CBR-1, Schedule F. The primary statutory objective is for the Board to approve just and reasonable rates, and the Complainant has failed to meet its burden that the Pinnacle Clause PI and Clause E Factors produce just and reasonable rates. Rather, Complainant has established that the Pinnacle Clause PI and Clause E Factors or its "custom" factors benefit Complainant. Complainant's proposed remedy does not produce just and reasonable rates since the remedy undermines the principle of cost-based rates.

***b. The Complainant's Baseline is Flawed and Creates a Large Discount to Cost of Service.***

The Complainant argues that the similarities between Complainant and Pinnacle warrant the application of the same Clause PI and Clause E Factors. Tr. at 44, ll. 4-14; 52, ll.10-25; 53, ll. 1-5; Exhibit SMA Direct at 3, ll. 17-22. The similarities Complainant identifies are the design of its facilities, the functions the facilities perform, their load factors, and location of the facilities in the same zone. Exhibit SMA Direct at 3, ll. 17-22. Because of these similarities, the Complainant uses Pinnacle's Clause PI and Clause E rate Factors as a base line to argue its rates are unjust and unreasonable. Exhibit SMA Direct at 17, ll. 5-11. The Complainant urges the Board to transition Complainant into the cost of service using Pinnacle's base line Clause PI and

Clause E Factors, which are based on a rate lower than the average rate Complainant paid in both 2013 and 2014. Complainant's logic, however, is flawed.

In Docket No. RPU-2013-0004, Clause PI and Clause E were ratemaking proposals developed by MidAmerican to phase-in the rate increase and transition customer rates to the cost to serve over a period of time. Final Order at 88; RPU-2013-0004 Tr. at 530; 1132, ll. 765-771; Docket No. RPU-04-2 (TF-04-150, APP-96-1, RPU-96-1), Order Approving Settlement with Clarification, issued April 9, 2009, and Settlement as extended by order on March 13, 2012. More specifically, the purpose of Clause PI is to phase in MidAmerican's approved increase in revenue.<sup>11</sup> Final Order at 86-88. The purpose of Clause E, particularly as it applies to [New Rate] ■■■ customers, is to transition customers from rates they were actually paying in the test year to the cost based rates they would take service under in the long term. Exhibit CBR Reply at 15, ll. 310-313. The clauses do this by applying factors to different customer classes developed using test year data supplied by MidAmerican in RPU-2013-0004. *See* RPU-2013-0004 Exhibit\_\_\_(CBR-1), Schedule K-1.

In order for a[] [New Rate] ■■■ customer to have a custom Clause PI or Clause E Factor applied, a[] [New Rate] ■■■ customer must have been previously taking service from MidAmerican as reflected in the test year<sup>12</sup> data provided to the Board in Docket No. RPU-2013-

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<sup>11</sup> Ms. Czachura testified Clause PI Factor would be applied as a negative adjustment to the rates approved by the Board at the conclusion of Docket No. RPU-2013-0004. RPU-2013-0004 Tr. at 524, ll. 72-80. Mr. Rea testified that the Clause PI Factors will be riders and will be calculated separately for different groups of existing rates and customers will pay a Clause PI Factor that is customized to the rate they are currently taking service under. RPU-2013-0004 Tr. at 1134, ll. 818-822.

<sup>12</sup> The test year is also addressed in Iowa Code § 476.33(4) which provides:

The board shall adopt rules that require the board, in rate regulatory proceedings under sections 476.3 and 476.6, to consider the use of the most current test period possible in determining reasonable and just rates, subject only to the availability of existing and verifiable data respecting costs and revenues, and in addition to consider verifiable data that exists as of the date of the commencement of the proceedings respecting known and measurable changes in costs not associated with a different level of revenue, and known and

0004. *See* Tr. at 251, ll. 6-25 through 253, ll. 1-15, 199 IAC 26.5(5). The ratemaking process looks at a utility's test year data in order to establish known and measurable costs to be used in establishing a utility's rates going forward. 199 IAC 26.5(5). Anything outside the test year, in order to be included in the ratemaking process, must be offered to and approved by the Board as a pro forma adjustment because it will be a measurable change going forward and known before the conclusion of the case. 199 IAC 26.11(2). The record in Docket No. RPU-2013-0004 does not reflect Complainant was a customer during the test year. *See* RPU-2013-0004 Exhibit\_\_(CBR-1), Schedule K-1; Exhibit SMA Direct at 3, ll. 13-14.

**(i). Pro Forma Ratemaking Principles.**

Complainant argues that the Board should apply the same Pinnacle Clause PI and Clause E Factors because MidAmerican had Arti-specific load information in [REDACTED]. Exhibit SMA Direct at 6, ll. 2-10. Complainant contends MidAmerican failed to model Complainant's expected usage and revenue as a known and measurable change pursuant to Board rules in Docket No. RPU-2013-0004. Exhibit SMA Direct at 6, ll. 2-10; Tr. at 69, ll. 8-25 through 76, l. 1. This is an inaccurate conclusion, however.

MidAmerican did not make a pro forma adjustment for any industrial load in RPU-2013-0004. RPU-2013-0004 Tr. at 404, ll. 197-199. As Mr. Rea explained in testimony, Complainant's projected load forecast did not provide any reliable information that would be

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measurable revenues not associated with a different level of costs, that are to occur at any time within twelve months after the date of commencement of the proceedings. For purposes of this subsection, a proceeding commences under section 476.6 upon the filing date of new or changed rates, charges, schedules or regulations. This subsection does not limit the authority of the board to consider other evidence in proceedings under sections 476.3 and 476.6.

considered known and measurable. Exhibit CBR Reply at 15, ll. 318-328. In fact, Complainant's non-binding projected load information turned out to be inaccurate. *Id.*

Moreover, Complainant's argument that MidAmerican should have included a known and measurable change to account for Complainant's usage was already ruled upon in Docket No. RPU-2013-0004. Final Order at 14. In that docket, MidAmerican witness Rick Tunning addressed several questions regarding why the revenue requirement in the Settlement did not have a pro forma adjustment for sales in the industrial class, which would have accounted for any additional industrial load that came on line after December 31, 2012, such as the Complainant's load. RPU-2013-0004 Tr. at 404, ll. 197-199; 432-437. Mr. Tunning explained the load for the industrial group is not harmonious in its usage patterns and as such it was not known and measurable and did not meet the requirements under the Board rules. *Id.* Mr. Tunning further expanded on this in response to a Board member question. RPU-2013-0004 Tr. at 437. Mr. Tunning explained that the industrial load was not known and measurable because:

. . .in the recession of '08, we saw our industrial sales volumes decrease from prior periods, and in my view, that's kind of evidence of the unpredictable nature of the customers in that class, hence my conclusion.

Docket No. RPU-2013-0004 Tr. at 437, ll. 8-10.

Additionally, the Complainant's contention that MidAmerican did not introduce evidence of any pro forma changes representing Complainant's projected load in Docket No. RPU-2013-0004 is incorrect. At the Board's request, MidAmerican presented evidence regarding whether these changes were known and measurable. RPU-2013-0004 Late Filed Ex. 12.<sup>13</sup> This response

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<sup>13</sup> Late Filed Exhibit 12 shows the sales growth adjustment which annualizes sales margins associated with new customers added through September 30, 2013. It includes the revenues, associated electric operating expenses, taxes, and growth of plant in service in MidAmerican's rate base. The inclusion of revenues with these costs is consistent with the matching principles so that the utility has reasonable rates. *Davenport Water Company v. Iowa State Commerce Comm'n*, 190 N.W. 2d 583, 605 (Iowa 1971).

calculated a pro forma adjustment to include any sales from the industrial class using the same analysis that was used for the residential and commercial classes. RPU-2013-0004 Tr. at 437, ll. 18-23. It included any revenue from industrial customers, such as the Complainant, up and until September 30, 2013. *Id.*; RPU-2013-0004 Late Filed Exhibit 12. It also included the plant investment to serve the load so that the costs and revenues were matched consistent with Board rules. *Id.*; 199 IAC 26.11(2); *see also Davenport Water Company v. Iowa State Commerce Comm'n*, 190 N.W. 2d 583, 605 (Iowa 1971). The Board determined that “the evidence presented does not persuade the Board that any additional adjustments are needed to the revenue requirement.” Final Board Order at 14. Thus, although the Board considered evidence for a pro forma adjustment for industrial sales and associated plant additions, the Board ultimately did not include the pro forma adjustment in MidAmerican’s approved revenue requirement in Docket No. RPU-2013-0004. *Id.*

**(ii). Complainant’s Use of 2014 Annualized Load Data is Unreasonable.**

Additionally, Complainant urges the Board to make a “pro forma adjustment” for the Complainant’s load to develop “special Arti” Clause PI and Clause E Factors. Exhibit MEB Direct at 11-14; Exhibit MEB Reply at 7, ll. 1-8; Exhibit MEB-8. Complainant offers the Board an alternative “pro forma adjustment” because Complainant asserts it is logical to develop specific Clause PI and Clause E Factors for Complainant, just like MidAmerican did for other [New Rate] ■■■ customers. *Id.* However, Complainant’s alternative Clause PI and Clause E Factors were not developed as pro forma adjustments in compliance with Board rules and ratemaking principles. Tr. at 34, ll. 2-13. Board rules require that pro forma adjustments must

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be verifiable data, existing as of the date of commencement of the proceedings. 199 IAC 26.11(2). Complainant offers the Board an alternative “pro forma adjustment” because Complainant asserts it is logical to develop specific Clause PI and Clause E Factors for Complainant, just like MidAmerican did for other [New Rate] ■ customers. Tr. at 34, ll. 2-13; Exhibit MEB Reply at 7, ll. 1-8.

To be clear, the “other” [New Rate] ■ customers were the largest MidAmerican customers from sales and revenue paid during the 2012 test year. Exhibit CBR Reply at 15, ll. 310-313. Since the Board did not find that an adjustment for additional revenue and associated plant investments from the industrial class was known and measurable in RPU-2013-0004, there is no new evidence for the Board to consider which would compel it to consider a pro forma adjustment creating specific Complainant Clause PI and Clause E Factors based on annualized load consumption from July 2014 in this docket. Final Order at 14. Complainant’s proposed annualized load information is well outside the 2012 test year window and was not known at the time the Board issued its Final Order on March 17, 2014.

Additionally, Complainant’s proposed alternative remedy also conflicts with the ratemaking goals in RPU-2013-0004. As described above, the goal of Clause PI and Clause E is to transition customers to the cost to serve them. Final Order at 88; RPU-2013-0004 Tr. at 530; 1132, ll. 765-771; Docket No. RPU-04-2 (TF-04-150, APP-96-1, RPU-96-1), Order Approving Settlement with Clarification, issued April 9, 2009, and Settlement as extended by order on March 13, 2012. If implemented as proposed, the alternative proposal would move Complainant further away from its cost to serve. Mr. Rea testified Pinnacle paid an average rate of ■ cents per kWh during the 2012 test year. Exhibit CBR Reply at 14, l. 289; Exhibit MEB Reply at 7, ll.

17-20. Mr. Rea highlighted that this was a very low rate and the rate is the primary driver for the significant negative Clause E Factors applied to Pinnacle. Exhibit CBR Reply at 14, ll. 289-290.

On the other hand, the Complainant paid an overall average rate in 2013 of ■■■ cents per kWh. Exhibit CBR Reply at 14, l. 297. As Complainant's load grew in 2014, the average rate Complainant paid in 2014 was ■■■ cents per kWh. *Id.* at 297-298. From this perspective, if Complainant receives the same Clause PI and Clause E Factors as Pinnacle, it will move Complainant's base rate further away from the cost of service instead of closer to the cost of service. *See* Exhibit CBR-1 Schedule F; Exhibit MEB-9. This result is clearly unreasonable and undermines the purpose of the Board approved Clause PI and Clause E factors. When viewed in a ratemaking principles context, the Complainant is requesting factors that are unjust and unreasonable for all the reasons outlined in Section 1, a. above.

**2. Complainant has failed to demonstrate "rate shock" or present a reasonable alternative.**

Complainant further urges the Board to adopt different Clause PI and Clause E Factors because the application of the [Generic] Rate ■■■ Clause PI and Clause E Factors subject Complainant to "significant rate shock in the form of a rate increase in excess of the mitigation threshold set by the Board in Docket No. RPU-2013-0004." SMA Direct at 17, ll. 6-8; Tr. at 87. Complainant, however, has not defined what would constitute rate shock and did not present a rate impact analysis to demonstrate the amount of the rate increase which may have led to rate shock. *See* Final Order at 88, *Board explaining ten-year equalization plan mitigates rate shock*. Absent any evidence, the Complainant has failed to prove its claim.

The Board, however, allowed Complainant the opportunity to explain how a rate mitigation analysis should be calculated for Complainant's load, but the Complainant failed to produce any direct evidence or explain how it could be mitigated.

For example, in response to counsel's questions regarding MidAmerican's data request response, Mr. Arons testified:

Q. Would you please read the request?

A. Yes. This is data request No. 4 dated April 24th, 2015. The request states, "Identify each and every term of MidAmerican's rate mitigation plan filed in Docket No. RPU-2013-0004 that disqualifies Arti or renders Arti ineligible for rate mitigation."

Q. And would you please read MidAmerican's response?

A. Yes. This response is from MidAmerican Witness Rea. The response says, "MidAmerican's filed mitigation plan states on page 2 of 4 that, 'MidAmerican will evaluate bill impacts resulting from its rate proposal for all customers of record on December 31st, 2013, that have a full 12-month standard billing history in 2013 and did not switch rates during the year.' Arti does not meet these criteria and therefore does not qualify for rate mitigation."

MR. STOFFREGEN: Thank you, Your Honor. That's all the questions that I have.

BOARD MEMBER WAGNER: I have a question now.

CHAIRPERSON HUSER: Mr. Wagner.

BOARD MEMBER WAGNER: Thank you. So you mentioned that you are not in agreement with that statement. What, in particular, is your disagreement?

THE WITNESS: Our disagreement centers on the point made about needing to have a full 12-month standard billing history in 2013 in order to receive a rate mitigation analysis.

**BOARD MEMBER WAGNER: And so what would your standard or requirement be to receive that analysis?**

**THE WITNESS: If we were on a rate prior to the New Rate coming into effect, then it would seem to me, anyway, to be logical that there would be a mitigation analysis to see what the effect would be of any rate, regardless of the specific number of months that you were on that prior rate before the New Rate came into effect.**

**BOARD MEMBER WAGNER:** Okay. So to do that analysis, do you have any--I mean can someone be on it for one month, two months? How would you propose that a comparison can be made to see what impact that rate really has or whether or not it's just a single month anomaly?

**THE WITNESS:** Well, this is really more, to me, of Witness Brubaker as an expert in the rate calculations, so he may have further thoughts on this, but I think some type of test should be developed, and I think exactly the concerns you're talking about would be important to incorporate so that you don't have anomalies affecting the outcome of the calculation, and exactly how to do that, I would defer to Mr. Brubaker.

Tr. at 93-95, emphasis added.

The Board gave Complainant an opportunity to present further testimony to explain why Complainant met the requirements under the Board's rate mitigation guidelines. *Id.* The Board also gave Complainant the opportunity to offer an alternative mitigation plan the Board should consider. *Id.* Complainant witness Mr. Brubaker was available to be recalled to the stand, but Complainant did not avail itself of the opportunity to add additional record evidence regarding specific rate impacts. In short, the Complainant failed to produce any evidence demonstrating rate shock or an alternative analysis indicating how further rate mitigation could be implemented.

The information provided by MidAmerican and the comparison shown on Exhibit CBR-1 Schedule F demonstrate Complainant is being reasonably and equitably transitioned into the cost based rate found just and reasonable by the Board. Complainant has the burden to demonstrate why [Generic] Rate █ Clause PI and E Factors produce an unjust rate, but Complainant failed to present in evidence in testimony and at hearing when presented the opportunity. Accordingly, the Board should dismiss this count with prejudice.

**B. Based on Binding Agreements, It Is Reasonable for MidAmerican to Provide Two Bills for the Complainant's premises.**

Complainant currently receives two bills from MidAmerican: one for service provided from the Pony Creek Substation, the other from the Southland Substation.<sup>14</sup> Complainant argues the energy and demand from each substation should be consolidated – or totalized – into one bill. Exhibit SMA Direct at 14, ll. 4-22 through 15, ll. 1-18; Exhibit MEB Direct at 15, ll. 1-13. Complainant argues totalization is reasonable because the facilities served by these substations are electrically unified. *Id.* Complainant’s argument is unreasonable for two reasons, however. First, Complainants [REDACTED] [REDACTED]. MidAmerican Cross Exhibits 5 and 6. Second, Complainant’s facilities are not electrically unified as Complainant suggests. Tr. at 165, ll. 19-25 through 166, ll. 1-7; 267, ll. 17-25; 269, ll. 21-25 through 270, ll. 1-8.

### **1. Binding Facilities Construction Agreements.**

MidAmerican is properly billing the Complainant for electric service in two separate bills, one for each substation located on the Complainant’s premise. There is no dispute MidAmerican and Complainant [REDACTED] facilities construction agreements (“FCA”) and [REDACTED] [REDACTED] Tr. at 175, ll. 2-18; 176, ll. 6-20; MidAmerican Cross Exhibits 5 and 6. Ms. Czachura testified MidAmerican considered the service from the two substations as being separate even before the substations were built. Exhibit NGC-1 Reply at 2, ll. 26-33. This is because MidAmerican explained the two substations are the subject of two separate FCAs. *Id.*; Tr. at 248, ll. 16-25 through 249, ll. 1-12; 250, ll. 4-12. MidAmerican negotiates FCAs, among other agreements, to determine how the construction of new facilities

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<sup>14</sup> Complainant began taking service from the Southland Substation in [REDACTED] and MidAmerican [REDACTED] Complainant x [REDACTED].

will be financed consistent with Board rules. Exhibit NGC-1 Reply at 2, ll. 26-33; 199 IAC 20.3(12). In this case, there are two separate FCAs for each phase and the revenue used to determine the need for a customer contribution to finance the construction of each facility has been, and continues to be, considered separately. *Id.*; Tr. at 248, ll. 16-25 through 249, ll. 1-12; 250, ll. 4-12.

[REDACTED]

[REDACTED] Tr. at 177, ll. 2-4; MidAmerican Cross Exhibits 5 and 6. [REDACTED]

[REDACTED]

[REDACTED] *Id.* [REDACTED]

[REDACTED] Tr. at

177, ll. 2-4; MidAmerican Cross Exhibits 5 and 6.

In reviewing the FCA, it is clear MidAmerican and Complainant [REDACTED]

[REDACTED]. MidAmerican Confidential

Cross Exhibit 5. The FCAs [REDACTED]

[REDACTED]. MidAmerican Confidential Cross Exhibits 5 and 6. [REDACTED]

[REDACTED]

[REDACTED]

MidAmerican Confidential Cross Exhibit 5.

[REDACTED]



MidAmerican Confidential Cross Exhibit 6.

As MidAmerican noted at hearing, MidAmerican’s tariffs do not address under what specific conditions it will allow a single customer’s meters to be totalized. Tr. at 221, ll. 1-12 through 222, ll. 1-123; 243. If MidAmerican’s tariffs are silent regarding under what circumstances meters will be totalized, MidAmerican may [REDACTED]. [REDACTED]. Tr. at 221, ll. 10-17; 242, ll. 23-25 through 243, ll. 1-3. In this case there are two specific agreements [REDACTED]. [REDACTED]. Tr. at 177, ll. 2-4. At no point prior to the hearing did Complainant explain its electrical configuration [REDACTED]. [REDACTED]. Tr. at 171, ll. 15-21; 177, ll. 2-4; 188-189; MidAmerican Cross Exhibit 7. In this case, the evidence is clear the [REDACTED]. [REDACTED]. Therefore, MidAmerican’s proposed billing treatment is reasonable.

**2. Customer Facilities with Unified Electrical Operations.**

In addition to the specific provisions in the two FCAs, MidAmerican also explained that although its tariff contemplates that each customer meter will be billed separately, standard practice is to allow certain large customers to receive totalized bills if their operations are

electrically unified, essentially creating a single load. Tr. at 222, ll. 4-7; MidAmerican Exhibit NGC Reply at 3, ll. 39-57. Complainant argues that its facilities are part of a single “premise” operating as components of a unified operation as defined in MidAmerican’s tariffs. Exhibit SMA Direct at 14, ll. 4-22; Exhibit SMA-8. Complainant witness Arons testified he interpreted a single “premise” to mean a customer should receive a single bill.<sup>15</sup> Tr. at 200, ll. 15-21. As such, Complainant concludes the Board should direct MidAmerican to aggregate the demand and energy of the two substations.

Complainant points out that electrically unified is not defined in MidAmerican’s tariffs. Exhibit SMA Reply at 3, ll. 1-10; Exhibit SMA-11; Exhibit MEB Reply at 19, ll. 25-26. Witness Czachura explained, however, that electrically unified “means that the electric systems throughout the **entire** customer operation are integrated.” Exhibit NGC-1 Reply at 3, ll. 53-54. For a customer operation to be integrated, the energy measured at any customer metering point must serve any load source on the customer owned distribution system. *Id.* Therefore, the metering configurations read a common load and it is reasonable to totalize the load.

Applying this standard to the Complainant’s operations, the Complainant [REDACTED] [REDACTED] [REDACTED]. Tr. at 164, ll. 2-4; MidAmerican Cross Exhibit 7; *confirming operations are unified through fiber optic lines; see also* Tr. at 165, ll. 19-25 through 166, ll. 1-7; 267, ll. 17-25; 269, ll.21-25 through 270, ll. 1-8. Because of this, there is no basis for MidAmerican to totalize Complainant’s bills. Accordingly, it is reasonable for MidAmerican to bill Complainant for usage at each substation in two separate bills, [REDACTED]

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<sup>15</sup> The Complainant also considers Pinnacle a single “premise” [REDACTED] [REDACTED] MidAmerican Cross Exhibit 9, Attachment A; Tr. at 212; ll. 4-19.

[REDACTED]

As discussed earlier, MidAmerican does totalize a customer's bills if the load is electrically unified. At the Board's request, MidAmerican provided an Attachment A that provided a brief description of the electrical configurations of the [REDACTED] [New Rate] customers and the billing arrangements for these customers. See MidAmerican Cross Exhibit 9, Attachment A. Some of these ICR customers have their load totalized and are billed through a single billing statement. *Id.* Complainant's electrical system is not electrically interconnected like any of the customer configurations outlined in Attachment A. *Id.*

Complainant offered testimony that the [REDACTED] [REDACTED].<sup>16</sup> Tr. at 258, ll. 10-15; Tr. 269, ll. 23-25 through 270, ll. 1-3. While the two [REDACTED] [REDACTED] [REDACTED]. Tr. at 269, ll. 21-25 through 270, ll. 1-8. The record, however, is clear that Complainant has [REDACTED] [REDACTED]. Tr. at 267, ll. 17-25; see also Tr. at 165, ll. 19-25 through 166, ll. 1-7; 267, ll. 17-25; 269, ll. 21-25 through 270, ll. 1-8. [REDACTED] [REDACTED] Complainant's premise [REDACTED], it is unreasonable to aggregate the energy and demand at the two substations for billing purposes. Accordingly, the Board should dismiss the complaint on this count with prejudice.

### III. CONCLUSION

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<sup>16</sup> [REDACTED]

The Complainants in this case had a burden to show the application of the [Generic] Rate █ Clause PI and E Factors to the Complainant's bill was unjust and unreasonable. The Complainant failed to establish that the Pinnacle Clause PI and Clause E Factors are a reasonable alternative to the [Generic] Rate █ Clause PI and E Factors. The Complainant also failed to establish the alternative "Arti" specific Clause PI and E Factors in Exhibit MEB-8 were reasonable alternatives to the [Generic] Rate █ Clause PI and E Factors. The record shows that neither of Complainant's alternatives are based on information consistent with the test year used to develop rates and that both alternatives would move the Complainant's rates further from cost of service than the current factors being applied. Consequently, it is unreasonable to use those alternative factors as a starting point for Complainant's Clause PI and Clause E Factors. Since the [Generic] Rate █ Clause PI and E Factors are more representative of the rates Complainant actually paid during █, these are a more appropriate starting point for Complainant's Clause PI and Clause E Factors and are therefore reasonable.

The Complainants also carried the burden to establish that it is reasonable to aggregate the energy and demand of both substations into a single bill. The Complainant has not provided any evidence that MidAmerican's billing treatment for the two substations is unreasonable. Based on record evidence, Complainant entered into various agreements, two of which specifically outline █ Tr. at 175, ll.2-18; 176, ll. 6-20; MidAmerican Cross Exhibits 5 and 6. The record also shows MidAmerican █ with the █ FCA in MidAmerican Cross Exhibit 5;<sup>17</sup> Tr. at 177, ll.6-11. Accordingly, this complaint should be dismissed with prejudice on both counts.

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<sup>17</sup> As noted above, MidAmerican █

**WHEREFORE**, MidAmerican Energy Company respectfully requests the Iowa Utilities Board dismiss the complaint filed by Arti, LLC and find MidAmerican Energy Company's Clause PI and E Factors as applied to Complainant's bill is just and reasonable and further find that MidAmerican Energy Company's billing treatment for Arti, LLC is [REDACTED]

DATED this 26<sup>th</sup> day of October, 2015.

Respectfully submitted,

MIDAMERICAN ENERGY COMPANY

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