

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. RPU-2014-0002
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ORDER ADDRESSING REQUEST FOR CLARIFICATION

(Issued February 8, 2016)

On October 10, 2014, MidAmerican Energy Company (MidAmerican) filed with the Utilities Board (Board) a request for advance ratemaking principles that would apply to up to 162 MW of new wind generation. MidAmerican called the project Wind IX. On January 20, 2015, the Board issued an order granting MidAmerican ratemaking principles for Wind IX (Final Order). Among other things, the order provided that upon completion of 50 MW of Wind IX and until MidAmerican's next rate adjustment in a rate case proceeding, MidAmerican is to flow \$2 million per year in energy adjustment clause (EAC) benefits to customers.

On January 22, 2015, MidAmerican filed a petition for limited reconsideration. MidAmerican only challenged the portion of the order that provided that upon completion of 50 MW of Wind IX and until MidAmerican's next rate adjustment in a rate proceeding to include Wind IX in rate base, MidAmerican is to flow to its customers an additional \$2 million per year in EAC benefits. MidAmerican asked that the Board reject this ratemaking principle, or, in the alternative, approve a modified principle that would allow MidAmerican to incorporate the \$2 million EAC credit into

the revenue sharing mechanism approved in Docket No. RPU-2013-0004. On February 6, 2015, the Board issued an order affirming its January 20, 2015, order.

On November 18, 2015, MidAmerican filed a request for clarification regarding the implementation date of the \$2 million EAC credit. MidAmerican asked whether the Board intended that the \$2 million credit be prorated for the portion of 2015 in which Wind IX was operational. MidAmerican said that there is reasoning in the Board's orders that would appear to indicate the Board's intent to have the customer EAC credit be prorated in 2015 for the portion of the year in which Wind IX facilities are operational.

MidAmerican said that the ratemaking principle at issue in the Final Order provided that "[u]pon completion of at least 50 MW of the Wind IX project and in addition to all other benefits that will flow to customers, prior to a future rate case customers will receive \$2 million per year in energy adjustment clause benefits." In support of its request for clarification, MidAmerican stated that the Board instituted the \$2 million payment to balance company and customer interests and that the timing of the customer EAC credit should reflect when the 50 MW of wind actually goes into service. MidAmerican said that paying 1/12th of the \$2 million every month beginning in the month that 50 MW goes into service better balances the reward to customers and MidAmerican because most of the benefits MidAmerican will realize from the Wind IX project will not begin until 2016. MidAmerican also noted that this

approach is more consistent with the Wind VIII Order, which had a similar payment requirement.

MidAmerican provided information on the benefits it said will accrue to customers and MidAmerican from Wind IX in 2015, absent the \$2 million credit. MidAmerican's benefit is listed as \$834,000 while the customers' benefit is \$622,000.

In MidAmerican's petition for limited reconsideration of the Board's Final Order filed on January 22, 2015, MidAmerican filed Appendix A, which showed the projected impact of the \$2 million credit on MidAmerican's annual return on equity. Appendix A presented the information in a manner that assumed the full \$2 million credit would be paid in calendar year 2015, the year Wind IX was expected to become operational. Therefore, the Board's decision on reconsideration was based on the assumption that the full \$2 million payment would be made in 2015, even though it was known Wind IX would only be operational for a portion of the year.

In addition, MidAmerican's definition of benefits in the request for clarification differs from the definition used in Appendix A. The Appendix A analysis included all Wind IX project impacts on both customer bills and MidAmerican's net earnings on the investment; this analysis showed that after payment of the full \$2 million credit for 2015 MidAmerican's benefits were expected to be approximately twice as large as customers' benefits.

The phrase "upon completion" in the Final Order means that a \$2 million payment is required in the calendar year that at least 50 MW of Wind IX is completed.

At least 50 MW of Wind IX was completed (i.e., began operation) in 2015, so a \$2 million credit is due to customers in 2015 and in each calendar year thereafter until MidAmerican's next rate case. Since MidAmerican's EAC is set in advance for a one-year period and trued-up annually, MidAmerican should show the \$2 million as an EAC credit accruing to customers in 2015 that would be included in the over/under calculation and flowed through the EAC in the next one-year period.

IT IS THEREFORE ORDERED:

The Final Order of the Utilities Board issued on January 20, 2015, is clarified so that a \$2 million EAC credit is due for 2015, to be flowed to customers as discussed in the body of this order.

UTILITIES BOARD

/s/ Geri D. Huser

/s/ Elizabeth S. Jacobs

ATTEST:

/s/ Trisha M. Quijano
Executive Secretary, Designee

/s/ Nick Wagner

Dated at Des Moines, Iowa, this 8th day of February 2016.