

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

---

**IN RE:** )  
 )  
**MIDAMERICAN ENERGY COMPANY ) DOCKET NO. RPU-2014-0002**  
 )

---

**REQUEST FOR CLARIFICATION**

MidAmerican Energy Company (“MidAmerican”) respectfully petitions the Iowa Utilities Board (“Board”) for clarification concerning application of the Board’s order establishing a \$2 million annual customer Energy Adjustment Clause (EAC) credit in the ratemaking principles case in Docket No. RPU-2014-0002 (hereinafter “Wind IX Docket”). In this petition, MidAmerican is not challenging the Board’s determination establishing the customer EAC credit. However, for the reasons set forth below, MidAmerican requests that the Board clarify its intent relating to the implementation date of the customer EAC credit. Specifically, there is reasoning in the Board’s orders in the Wind IX Docket that appears to indicate the Board’s intent to have the customer EAC credit be prorated in 2015 for the portion of the year when Wind IX facilities are operational.

**RELEVANT FACTS**

1. In the Board’s Order Approving Settlement with Modifications<sup>1</sup> (hereinafter “Wind IX Order”), the Board added an additional ratemaking principle that stated: “Upon 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

---

<sup>1</sup> MidAmerican Energy Company, Docket No. RPU-2014-0002, Order Approving Settlement with Modifications (January 20, 2015).

adjustment clause credits.”<sup>2</sup> On its face, and outside the context of the rest of the Wind IX Order, this additional ratemaking principle appears clear: upon completion of 50 MW, MidAmerican is to provide customers an annual revenue credit of \$2 million.

2. The Board’s Wind IX Order granted MidAmerican advanced ratemaking principles to construct up to 162 MW of wind which equates to sixty-seven (67) wind turbines. The first two (2) turbines went in service in late October of 2015. Based on the current Wind IX construction schedule, fifty-seven (57) more of the Wind IX turbines will be placed in service in late November and December of 2015. The final eight (8) turbines are scheduled to be in service in January of 2016. Assuming this schedule is maintained, the first 50 MW of this project will not be in operation until late November of 2015. Table 1 below details the current Wind IX construction schedule.

**Table 1: Current Wind IX In-Service Schedule**

Month	2015												2016		
	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3 -12
<b>Installed</b>	0	0	0	0	0	0	0	0	0	2	25	32	8	67	67
<b>Total Turbines</b>	0	0	0	0	0	0	0	0	0	2	27	59	67	67	67
<b>Total MW</b>	0	0	0	0	0	0	0	0	0	4.83	65.21	142.21	161.53	161.53	161.53

3. Because the full 50 MW is not likely to be in service until late November 2015, MidAmerican will only realize benefits (i.e. production tax credits) for a short period of time – less than two months for most turbines comprising the first 50 MW – in 2015. On its face, the \$2 million customer EAC credit is required on an annual basis, however. Thus, if MidAmerican provides the full \$2 million customer EAC credit in 2015, it will not reciprocally realize a full year of benefits associated with Wind IX.

---

<sup>2</sup> Id. at 15.

4. Table 2 below estimates the customer and company benefits based off of the current Wind IX schedule. As the Table indicates, at no net cost to customers and without the additional \$2 million, the benefits to the customer and company are reasonably balanced.

**Table 2: Company/Customer Benefits**

	<b>Company Benefit</b>	<b>Customer Benefit</b>
<b>PTC Benefit</b>	\$834,000	
<b>EAC Benefit</b>		\$622,000

5. In fact, in the Wind IX Order, the Board reasoned that the added ratemaking principle was necessary because it “more appropriately balances the risks and rewards between MidAmerican and its customers.”<sup>3</sup> The Board concluded that, “Without such a principle, the proposed Settlement Agreement does not appropriately balance the risks and rewards of Wind IX, placing too much of the risk on MidAmerican’s customers.”<sup>4</sup>
6. When adopting the customer EAC credit in Wind IX, the Board cited its prior approval of the customer EAC credit in the ratemaking principles case in Docket No. RPU-2013-003, Order Approving Settlement and Requiring Reports (hereinafter “Wind VIII Order”).<sup>5</sup> In the Wind IX Order, the Board recognized the customer EAC credit process adopted in the Wind VIII Order as the standard upon which this more recent customer EAC credit was modeled. Specifically, the Board stated: “The additional \$2 million in payments, like the payments in Wind VIII, provide a reasonable balance of risks and rewards between MidAmerican and its ratepayers.”<sup>6</sup> The Board further reaffirmed this in its Order on Rehearing<sup>7</sup> in the Wind IX Docket (hereinafter “Wind IX Order on Rehearing”) when it stated “The Board’s inclusion of

<sup>3</sup> Id.

<sup>4</sup> Id. at 15. See also “[T]he Board’s finding that there must be an appropriate balance of risk and reward for a facility [...]” Id. at 10-11; “[T]he risks and rewards must be more evenly balanced between MidAmerican and its ratepayers.” Id. at 13; and, “The Board’s addition of the EAC credit provides a more appropriate balance of risks and rewards between customers and MidAmerican [...]” Id. at 14.

<sup>5</sup> MidAmerican Energy Company, Docket No. RPU-2013-0003, Order Approving Settlement and Requiring Reports (August 9, 2013).

<sup>6</sup> Wind IX Order at 15-16.

<sup>7</sup> MidAmerican Energy Company, Docket No. RPU-2014-002, Order on Rehearing (February 6, 2015).

the \$2 million EAC credit made the principles awarded in the two proceedings almost identical, based on the projects respective sizes.”<sup>8</sup>

7. In the Wind VIII Order, the Board provided specific direction about the timing of the customer EAC credit. There, the Board stated: “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 least 350 megawatts (“MW”) of Wind VIII.”<sup>9</sup> Notably, the Wind VIII Order was issued on August 9, 2013. Thus, the first customer EAC credit payment related to the Wind VIII project would not commence for at least a full sixteen (16) months after the Wind VIII Order was issued.
8. In Wind IX, the Board used the Wind VIII model to strike a balance between the customer and company. Thus, as the model for Wind IX, Wind VIII also provides guidance on the timing of the customer EAC credit to be applied in Wind IX.

#### **REQUEST FOR CLARIFICATION**

9. The Board’s customer EAC credit ratemaking principle in the Wind IX Order was designed to mirror the same ratemaking principle in the Wind VIII Order. In particular, the Board sought to strike “a more appropriate balance of risks and rewards between customers and MidAmerican, like the Settlement Agreement agreed to by MidAmerican and approved by the Board in Wind VIII.”<sup>10</sup> Unlike the Wind VIII Order, however, the Wind IX Order and Wind IX Order on Rehearing are not as specific about the timing of the customer EAC credit’s implementation.
10. As noted in paragraph 6 above, the Board’s Wind VIII Order conditioned the customer EAC credit on MidAmerican having completed at least 350 MW of the 1,050 MW project total,

---

<sup>8</sup> Id. at 10.

<sup>9</sup> Wind VIII Order at 15.

<sup>10</sup> Wind IX Order at 14-15.

but did not require commencement or even a partial payment of the customer EAC credit until the year following such completion. In doing so, the Board recognized that a proper balancing of customer and company risks and rewards required a period of time between MidAmerican's construction of the Wind VIII facilities (and realization of some benefits from those facilities), on the one hand, and beginning to pay the customer EAC credit, on the other hand.

11. MidAmerican respectfully submits that, to fulfill the intended balancing of company and customer interests, the timing of the customer EAC credit in Wind IX should reflect when 50 MW of wind turbines actually go into service and begin generating project benefits. A more balanced outcome, and one that produces a more consistent balance of interests in 2015 as compared to other years, could be achieved by pro-rating the amount of the \$2 million credit to be applied in 2015. It is possible this was the Board's intent when it stated in the Wind IX Order on Rehearing that "The \$2 million EAC principle **begins** when 50 MW of Wind IX is complete [...]." <sup>11</sup> (Emphasis added).
12. Under this interpretation of the Wind IX Order, MidAmerican would commence paying a 1/12<sup>th</sup> portion of the customer EAC credit each month after 50 MW of the project is in service, as opposed to payment of the full \$2 million. This more properly aligns the customer EAC credit with the actual in-service date of the project, rather than applying the customer EAC credit as if the 50 MW had gone into service in January of 2015. This approach is more consistent with the Wind VIII Order and better balances the reward to customers and company because nearly all of the benefits MidAmerican will realize from the Wind IX project will not begin until 2016.

---

<sup>11</sup> Wind IX Order on Rehearing at 9.

## CONCLUSION

WHEREFORE, MidAmerican respectfully requests the Board to issue an order: (i) clarifying its intent with respect to the timing of the \$2 million customer EAC credit payment and, based upon the facts as stated in MidAmerican's petition, (ii) allow MidAmerican to prorate the payment for 2015.

Respectfully submitted,

*/s/ Rob Berntsen*

Robert B. Berntsen  
Charles R. Montgomery  
MidAmerican Energy Company  
666 Grand Ave., Suite 2900  
Des Moines, IA 50309  
Phone: (515) 242-4042  
Email: [rberntsen@midamerican.com](mailto:rberntsen@midamerican.com)