

IOWA UTILITIES BOARD
Energy Section

Docket No.: FCU-2014-0016
Utility: Arti, LLC v. MidAmerican
Energy Company
File Date: November 21, 2014 / N/A
Memo Date: January 13, 2016

TO: The Board
FROM: Barb Oswalt, Cameron Wright, Cecil Wright, Tara Ganpat-Puffett
SUBJECT: Decision Memorandum

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I. Background

On November 21, 2014, the Utilities Board issued an order opening a formal complaint proceeding, Docket No. FCU-2014-0016, to address a complaint filed by Arti, LLC (Arti), against MidAmerican Energy Company (MidAmerican). The complaint involves the rates charged by MidAmerican for electric service at Arti's facility. On April 13, 2015, the Board issued an order establishing a procedural schedule and setting a hearing for August 18, 2015. The hearing was held as scheduled on August 18, 2015; however, the hearing was continued to September 15, 2015, for the taking of further evidence.

The hearing was reconvened as scheduled on September 15, 2015. At the conclusion of the hearing the parties requested the Board establish a briefing schedule. On September 17, 2015, the Board issued an order establishing briefing schedule which also directed the parties to present the Board a list of exhibits entered into the record at the hearing and to inform the Board of any exhibits that were offered but not admitted into the record.

Initial briefs were filed by MidAmerican, Arti, and the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice. Reply briefs were filed by MidAmerican and Arti. OCA did not file a reply brief.

Staff has summarized the briefs below. A summary of the prefiled testimony and hearing testimony is also included as an attachment.

This memorandum is being prepared with confidential information. The Board stayed several orders granting Arti's request for confidential treatment in part and denying confidential treatment in part and allowed the hearing and testimony to be presented as if the requests by Arti for confidential treatment had been granted. Once the final order is issued regarding the Arti complaint, staff will provide a memorandum with a recommendation regarding the denial of the requests for confidential treatment stayed by the Board.

Arti owns and operates a [REDACTED] in [REDACTED], and is an affiliate of Pinnacle, LLC, (Pinnacle) which owns and operates a sister [REDACTED] in [REDACTED]. The two overall issues addressed in the complaint are:

- A. What PI and E factors (both of which were approved by the Board in Docket No. RPU-2014-0003) MidAmerican should charge Arti. (Clause PI is a phase-in adjustment that phases in the approved rate over a three-year period. Clause E is an equalization adjustment that equalizes the rate differences between MidAmerican's three historic rate zones over a ten-year period.)
- B. Whether electricity delivered to Arti through the Pony Creek and Southlands substations should be consolidated for billing purposes.

II. What PI and E Factors Should MidAmerican Charge Arti?

A. Arti Initial Brief

Arti states that it has disputed, and continues to dispute, the reasonableness and fairness of all bills from MidAmerican for electric service received on and after September 3, 2014, "rendered to its data center" located in "Council Bluffs, Iowa." Arti states that it has paid the undisputed portion of these bills during the pendency of this complaint and will continue to do so.

Arti explains the history of this complaint which originated when Arti filed an informal complaint with the Board. The complaint was then docketed as a formal complaint proceeding identified as Docket No. FCU-2014-0016. A procedural schedule was not initially established to allow Arti and MidAmerican to attempt to negotiate a settlement of the billing issues raised by Arti. Once it became evident that a settlement could not be reached, the Board established a procedural schedule and Arti filed the prepared testimony of Maurice Brubaker and Samuel Arons.

Arti then gives the history of its electric service from MidAmerican. Arti explains that it began service under Rate [REDACTED] in [REDACTED]. In [REDACTED], MidAmerican began billing Arti under Rate [REDACTED] and continued charging Arti under this rate until July 30, 2014, the effective date of the tariffs approved in MidAmerican's most recent general rate increase case, Docket No. RPU-2013-0004. On that date, MidAmerican began charging Arti for electric service under Rate [REDACTED], a newly created rate approved by the Board in that rate case. According to Arti, this newly created rate was applicable to MidAmerican's [REDACTED].

Arti states that it has a sister company that also received electric service from MidAmerican under Rate [REDACTED] and MidAmerican charges both Arti and its sister company, Pinnacle, LLC, the same base demand and energy rates. Arti asserts that the base demand rate charged both companies is a custom rate that MidAmerican determined for Pinnacle based on the cost of service for Pinnacle and Arti is charged the same rate.

In the final order in Docket No. RPU-2013-0004, the Board approved a phase-in adjustment factor (PI) which is applied to the rate for electric service for the purpose of phasing in MidAmerican's rate increase approved by the Board. The PI factor is billed on a dollar-per-kWh basis and is a function of a customer's former price schedule. In the final order, the Board also approved an equalization factor (E) which is applied to the rate for electric service for the purpose of moving all rates to the cost of service over a ten-year period. The E factor is billed on a dollar-per-kWh basis and, according to Arti, is a function of a customer's former price schedule.

When MidAmerican ceased billing Arti on the [REDACTED] rate on July 31, 2014, and began billing Arti under Rate [REDACTED], MidAmerican applied generic PI and E factors which had been developed based on the Rate [REDACTED] rate class. Arti contends that these rate factors are not the appropriate PI and E factors for Arti service since Arti was never a member of the Rate [REDACTED] class and these are not the same factors that MidAmerican applies to Pinnacle. Arti contends that the PI and E factors charged by MidAmerican are unjust and unreasonable and were developed for customers taking service under wholly different rates and with significantly different load and revenue characteristics than Arti or other customers in Arti's rate class. Arti argues that it is uniquely situated in a position that was not adequately addressed in the previous rate case (it qualified for Rate [REDACTED] after the end of the test year and prior to the effective date of the new rates), and thus contends that MidAmerican has disadvantaged it by applying generic PI and E factors that do not address its unique position.

When developing PI and E factors for Rate [REDACTED] customers, Arti states that three categories of customers should be considered:

1. Customers that were customers during the test year (2012) and met the qualifications for Rate [REDACTED] during the test year;
2. New customers that came on the system after the effective date of the final rates, July 31, 2014; and
3. Customers that became customers after the 2012 test year and qualified for Rate [REDACTED] before July 31, 2014, such as Arti.

Arti points out that MidAmerican addressed the first two categories but did not properly address the third category since it lumps the third category with the second category and applies the second category PI and E factors to customers in the third category.

To address the failure of MidAmerican to establish separate PI and E factors for the third category, Arti proposes that the most reasonable solution would be to apply the same PI and E factors that have been applied to Pinnacle. In the alternative Arti contends that if the Board does not find the evidence sufficient to apply the same PI and E factors to Arti that have been applied to Pinnacle, then custom PI and E factors applicable to Arti should be developed.

B. MidAmerican Initial Brief

MidAmerican provides an extensive history of the activity in Docket No. RPU-2013-0004, and notes that the final order approved a non-unanimous Settlement, with certain modifications. MidAmerican states that the final rates approved by the Board include the three-year revenue phase-in factors and equalization factors based on a ten-year equalization period. The ten-year period mitigates any rate shock. MidAmerican argues that the burden of proof in a proceeding before the Board falls on the complainant, and that the complainant must establish that the rate is unjust and unreasonable. MidAmerican contends

that Arti has failed to meet its burden of proof in this proceeding and therefore, the PI and E factors MidAmerican has chosen to apply to Arti should be upheld.

In support of its argument, MidAmerican states that the underlying principles that were at stake in the rate case were that the current rates and PI and E factors were developed and approved to address any rate shock that might occur because of the approved rate increases. MidAmerican states that the new rates were designed to represent the cost to serve customers, and that the PI and E factors were designed to gradually transition current customers to the new rates so that those would not experience significant rate shock. MidAmerican contends that applying PI and E factors other than those Board-approved Rate ■ factors would undermine the principle of cost based rates for all customers.

MidAmerican contends that applying Pinnacle PI and E factors to Arti is not a reasonable solution because Pinnacle's PI and E factors are based on rates that Pinnacle was paying during the test year, rates that Arti has never paid. Thus, because the PI and E factors are designed to gradually transition a customer from the old rates to the new cost based rates, it is unreasonable to apply factors designed for rates that Arti never paid. With regard to specific Arti-developed PI and E factors, MidAmerican argues that Arti's proposed annualized load information falls outside the test year (making it improper to consider in determining PI and E factors), and conflicts with the goals of the rate case by moving Arti's rates further away from its cost of service.

MidAmerican then contends that Arti has failed to show that it will be subject to rate shock, because Arti has provided no evidence to support its claim. Further, MidAmerican argues that Arti has failed to show how a rate mitigation analysis should be calculated for Arti, and that Arti does not meet the threshold requirements under the rate mitigation guidelines. Thus, MidAmerican concludes that no evidence was produced that would make a rate mitigation analysis appropriate under the circumstances.

C. OCA Initial Brief

OCA takes no position on the numerous factual disputes between the parties. However, OCA expresses its concern over MidAmerican's strict adherence to the test year as a base for testing the applicability of rate mitigation principles. OCA finds that although MidAmerican's methods of testing for mitigation (such as the PI and E factors in this case) were set forth in a filing, they were not explicitly accepted by the Board.

D. Arti Reply Brief

Arti states that MidAmerican's argument that Arti has the burden of proof to establish that the approved rate is unjust and unreasonable is not correct. Arti argues that the case cited by MidAmerican is the standard of proof for judicial review of Board decisions and not the standard applied to a formal complaint before an administrative agency. Arti contends that the Board is the expert with regard to utility regulation and MidAmerican is not entitled to any burden of proof presumption.

Arti also argues that the tariff is ambiguous and the tariff must therefore be strictly construed against MidAmerican. Arti argues that the justness and reasonableness of a tariffed rate is a legal question and not a question of fact.

Arti contends that MidAmerican has distorted the evidentiary record by impugning Arti's motives. Arti asserts that the complaint is to correct the arbitrary application of PI and E factors by MidAmerican and to establish correct PI and E factors consistent with MidAmerican's methodology. Arti asserts that the proposed PI and E factors will not reduce Arti's cost of service further than what was allowed under the approved Rate ■■■ PI and E factors and the PI and E factors are designed to phase in the rate increase approved by the Board. The phase in was evenly applied to all customers and the equalization factors do not change the cost of service or alter the ending rate value.

Arti asserts that the pro forma calculation made by Brubaker was to annualize Arti's load to obtain a representative value. This use of pro forma is not for the same purpose as pro forma adjustments in a rate case regarding revenue requirement issues. Arti explains that the annualization of the load is not tied to the test year in the rate case since Arti was not a customer during the test year. Arti suggests that its load is unique and it has ramped up its load significantly from the beginning, and it has continued to escalate. Using the earlier load would produce an extremely distorted result since the early load bears no resemblance to the load when it first began operations.

Arti states that it is not asking for permanently lower rates that could theoretically drive up costs for other customers in the future and, instead, is asking that it receive fair treatment specifically with respect to the PI and E factors, which is a temporary situation. Arti considers it appropriate for MidAmerican to charge it the same PI and E factors as Pinnacle since MidAmerican charges Arti the same base rates as Pinnacle. Arti states that, if the Board determines that it is unreasonable for MidAmerican to apply the Pinnacle factors to Arti, MidAmerican should be directed to apply Arti-specific factors as developed by Brubaker.

Arti argues that adopting either of its proposals for PI and E factors would not harm other customers since Arti was not a customer during the test year upon which other customers' rates were developed. Arti's load was not included for

establishing rates and the rates of other customers would not be redesigned as a result of this complaint.

E. MidAmerican Reply Brief

MidAmerican argues that the record supports use of the PI and E factors from Rate [REDACTED] for Arti. MidAmerican states that a customer's load characteristics are the defining factor in determining the PI and E factors, especially for determining or estimating test year revenues under Rate [REDACTED]. The exact size of a customer is a defining factor in the overall average price that a customer would pay under Rate [REDACTED]. MidAmerican points to MidAmerican Exhibit CBR-1 to show that Arti and Pinnacle did not have similar load characteristics in [REDACTED].

MidAmerican states that the evidence does not show that Rate [REDACTED] factors are higher than all the Rate [REDACTED] factors. The evidence shows that one customer has identical factors and two customers have similar factors. (Arti Cross Exhibit 1, at 2, 4, 5). MidAmerican points out that Exhibit CBR Reply at 11, I. 236 through 12, I. 244 show that Pinnacle's rate is expected to [REDACTED] through the end of the equalization period. This resulted in the expected result of the rate equalization process.

Arti's overall average rate [REDACTED] through the end of the equalization period. This evidence demonstrates that the Rate [REDACTED] PI and E factors are based on rates that are similar to the rate Arti actually paid during 2013 and 2014 and the PI and E factors charged Arti reasonably transition Arti from its old rate to the new rate.

MidAmerican states that the fact that Arti and Pinnacle pay the same energy and demand charge has no correlation to how the PI and E factors were developed and applied to customers. MidAmerican applied the same energy and demand rates to Arti and Pinnacle because the two facilities' electric load shapes are similar going forward. MidAmerican points out that Pinnacle paid an average rate of [REDACTED] cents per kWh during the 2012 test year which is a very low rate. This is the primary driver for the significant negative E factor applied to Pinnacle. Arti paid an overall average rate of [REDACTED] cents per kWh in 2013. Arti's load grew in 2014; the average rate paid by Arti was less. This demonstrates that rates paid by former Rate [REDACTED] customers varied by usage.

MidAmerican argues that use of Arti-specific factors is unreasonable since only test year data is allowed to develop rates. The evidence does not support Arti's position that its rates are not transitioning properly from its former rate to its cost of service based rate. Test year data shows that one former Rate [REDACTED] customer has an E factor identical to Rate [REDACTED] E factors. MidAmerican contends that this

evidence supports applying Rate [REDACTED] E factors to Arti and reflects a reasonable transition from previous industrial rates.

F. Staff Analysis

Arti claims that MidAmerican's application of generic Rate [REDACTED] PI and E factors to it is unjust, unreasonable, and discriminatory. To substantiate its claim Arti points out that the generic Rate [REDACTED] PI and E factors were developed for customers who have significantly lower load characteristics than Arti. MidAmerican contends that the Rate [REDACTED] PI and E factors were Board approved in its most recent electric general rate case, Docket No. RPU-2013-0004, and thus most closely represent the goals of that rate case, transitioning to cost of service based rates. MidAmerican also points out that Arti took service under former Rate [REDACTED] for two months after coming online. That rate is one that is included in the list of former rates that were used in determining the generic Rate [REDACTED] PI and E factors.

Arti pointed out that there are basically three classifications of customers that should have been considered when developing PI and E factors for Rate [REDACTED] customers:

1. Customers that were customers during the test year (2012) and met the qualifications for Rate [REDACTED] during the test year;
2. New customers that came on the system after the effective date of the final rates, July 31, 2014; and
3. Customers that became customers after the 2012 test year and qualified for Rate [REDACTED] before July 31, 2014, such as Arti.

Staff believes that Arti's circumstance was unique and that the order establishing the PI and E factors in Docket No. RPU-2013-0004 did not address Arti's unique situation. Below is a timeline of Arti's rate history applicable to Arti's complaint:

Mid-2008	Pinnacle began service with MidAmerican.
April 2013	Arti began service with MidAmerican under Rate [REDACTED].
June 2013	Arti transitioned to service under Rate [REDACTED] because of increased load.
July 31, 2014	Final rates became effective in Docket No. RPU-2013-0004. Pinnacle began service under MidAmerican's new Rate [REDACTED] with customer-specific PI and E factors.

Arti began service under MidAmerican's new Rate [REDACTED] with PI and E factors based on Rate [REDACTED].

Staff understands that the purpose of equalization is to transition customers from the rates they were paying immediately before final rates in Docket No. RPU-2013-0004 were implemented to the fully equalized rates. For most of MidAmerican's customers, this was straightforward. However, for the new Rate [REDACTED] service, MidAmerican performed an individual cost of service study for each of the customers transitioning to Rate [REDACTED] who received service during the test year. MidAmerican also developed customer-specific PI and E factors for these customers. Since no customer remained on Rate [REDACTED], no generic factors were derived for that rate. Since Arti was served on Rate [REDACTED] immediately prior to the implementation of final rates, staff believes that the appropriate PI and E factors for Arti would be generic rates associated with Rate [REDACTED].

Staff believes the testimony of MidAmerican witness Rea¹ from the hearing is also consistent with this interpretation; in particular the underlined text:

BOARD MEMBER JACOBS: Yes, I have a question.
Let's think about a customer that switched rates after the rate case was filed, but before final rates were implemented. Okay?

THE WITNESS: Okay.

BOARD MEMBER JACOBS: Would the equalization and phase-in factors charged to that customer be tied to the rate on the date final rates were implemented?

THE WITNESS: Yes.

BOARD MEMBER JACOBS: And why?

THE WITNESS: Because that's when we have authorization to charge those factors, and it's based on--as I understand it, in the billing system it's based on the rate code that the customer is taking service under at the time the factors are charged, not on the rate code that the customer may have been on a couple of years earlier. I don't know that we--well, I'm sure we track that, but not track it to the degree that you would be able to bill on that, so for you, for example, or anybody else in the room, you are on a particular rate code as of the date that Arti first took service under the New Rate. Whatever rate code you

¹ August 18, 2015, Hearing Transcript, pp. 125-126.

happen to be on, the factors associated with that just get applied to your bill. The rate that you would have been on or may have been on two years earlier is not a factor in that billing paradigm.

The confidential version of Arti Cross Exhibit 1 contains generic PI and E factors which MidAmerican developed based on Rate [REDACTED] customers. This exhibit was created in response to an Arti data request which is part of the evidence in this case. These generic PI and E factors appear to be more appropriate for Arti than either the factors applicable to Pinnacle or the generic Rate [REDACTED] factors. Staff understands that MidAmerican is unable to create customer-specific factors for Arti since Arti was not a customer during the test year. However, staff believes that by applying the generic factors based on Rate [REDACTED] (the rate Arti was taking service at the time final rates went into effect) to Arti, MidAmerican would be treating Arti the same as it treats its other customers. Staff considers application of these PI and E factors to Arti to be the most reasonable resolution of this complaint.

Additionally, staff does not consider the burden of proof argument made by MidAmerican to be applicable to this complaint. The burden is on Arti to present evidence to support its claim of unjust and unreasonable rates and then for MidAmerican to file evidence in response to Arti's evidence. The Board is then required to weigh the evidence presented to reach a decision on the proper rates to be charged to Arti. The PI and E rates are not the final rates that Arti will pay, but are the rates that Arti will pay going forward under the three-year phase-in of the rate increase approved for MidAmerican in Docket No. RPU-2013-0004 and the rates Arti will pay over the ten-year equalization of rates in MidAmerican's different zones.

The final rates to be charged to Arti are just and reasonable and will not be changed by the decision in this complaint. What will change is the PI and E factors that are applied to Arti during the transition to cost based and equalized rates.

III. Whether Electricity Delivered to Arti through the Pony Creek and Southlands Substations Should be Consolidated for Billing Purposes.

A. Arti Position

Arti contends that it is entitled to a single bill for electric services provided by MidAmerican to its facility. In support of its contention Arti points to MidAmerican's tariff that states the Rate [REDACTED] tariff is "[a]pplicable for firm use of the Company's electric service furnished to a single Premises." Arti claims that its facilities meet the criterion in the tariff to qualify as a single premises, and notes that with respect to determining eligibility for Rate [REDACTED] MidAmerican admits that Arti's facilities are considered a single premises. Because of its

qualification as a single premises, Arti concludes that it should receive a single bill.

Arti states that MidAmerican's justification for charging Arti two separate bills relies on the fact that the key in determining whether a customer with multiple points of attachment, such as Arti, will be billed as a single account or multiple accounts is if all of the customer's facilities are "electrically unified." MidAmerican defines electrically unified as meaning that the electric systems throughout the entire customer operation are integrated electrically. Arti claims that this criterion has replaced the one set forth in MidAmerican's tariff, the term "unified operation." Arti objects to the import of this new criterion, noting that the term "integrated" is never defined in MidAmerican's tariff, nor in the case at hand, and that there is no documentation that establishes the use of electrically unified as a key criterion in its determination or defines the term "electrically unified." Arti further alleges that it was never put on notice about this specific criterion by MidAmerican.

Further, Arti claims that MidAmerican continued to adapt its criterion used in determining whether to provide a customer with a single bill. Arti claims that in the course of this contested case MidAmerican introduced a requirement that in order to receive a single bill a customer's system must be electrically unified through the customer-owned distribution system. Arti contends that MidAmerican has created new definitions throughout this proceeding, making it difficult for Arti to plan its operations, possibly changing the configuration of its site in order to meet the new requirements.

Arti next contends that 15 MidAmerican Rate [REDACTED] customers have multiple points of attachment, like Arti, and each of those 15 are billed as a single account. Arti claims that it is sufficiently similar to those 15 customers to warrant a similar billing treatment. Arti argues that MidAmerican bills those other customers under a single account regardless of the use of one or multiple substations. Arti also claims that the electric service provided by MidAmerican is governed by a single Electric Service Agreement ("ESA") which requires MidAmerican to provide all electric service to Arti's premises, and thus it follows that Arti should be billed under one account.

In conclusion Arti shows the possible harm that will occur if MidAmerican is allowed to bill Arti separately for service provided by the two substations. Arti states that the demand charge for each bill would be based upon the coincident maximum demand measured simultaneously across the transformers in the respective substations, and in the case of a single bill the demand charge would be determined by the coincident maximum demand across the transformers in both substations. If billed separately, Arti claims that this treatment would have a financial impact of approximately [REDACTED] per year.

Arti further states that if load is ever moved between substations because of transformer outages, either forced or planned, the cost difference in the two

billing schemes would increase significantly. Arti claims that under this scenario, the load could appear under the monthly maximum demand for both substations, resulting in double counting. Arti claims this result could also occur as a result of normal data center operations and server maintenance. Arti claims that for each 10 MW of additional load moved between substations it would incur [REDACTED] of additional demand charges. In addition to the demand charges, the basic service charge of [REDACTED] per month would be charged to Arti twice if a separate billing system was allowed.

B. MidAmerican Position

MidAmerican contends that its current position that Arti should be billed separately for each substation is proper and based on freely negotiated facilities construction agreements ("FCA") which address how the meters at each substation will be billed. MidAmerican notes that its tariffs do not address under what conditions it will allow a customer's meters to be totalized, asserting that if the tariffs are silent on the issue then MidAmerican is free to negotiate with a customer regarding billing treatment as long as all customers are treated consistently. MidAmerican concludes that its proposed billing treatment is reasonable.

Further, MidAmerican states that standard practice is to bill each customer meter separately, allowing exceptions for large customers to receive totalized bills if their operations are electrically unified, essentially creating a single load. In order to be electrically unified the electric systems throughout the entire customer operation are integrated. MidAmerican states that 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.

MidAmerican states that Arti has two substations and the energy measured from either substation will not connect to a common unified electrical load. MidAmerican claims that the Arti-owned distribution does not tie or integrate its electrical load sources such that any single electrical load source can be served from either of the separately metered substations. Because not all of the load on Arti's premise can flow through either substation, MidAmerican concludes that it is unreasonable to aggregate the energy and demand at the two substations for billing purposes.

C. OCA Statement in Lieu of Brief

OCA does not take a position on this issue.

D. Staff Analysis

Arti contends that under MidAmerican tariffs there are two ways to qualify a premises and thus receive a single bill for electric service, even if the customer has more than one facility. Arti states that one way is as a contiguous tract of

land where all buildings and/or electricity-consuming devices are owned or occupied by a single customer. A second way, is a site at which electricity is utilized to supply one or more buildings and/or electrical loads that MidAmerican considers to be components of a unified operation.

Arti contends that it meets the first example since the Arti facility is on a contiguous tract of land that is not separated by more than a highway, street, alley, railroad right-of-way, or similar obstructions, and all of the buildings and electricity-consuming devices located on the site are owned or occupied by Arti. Arti contends it meets the second example since all electricity delivered to Arti is utilized to supply buildings that are components of a unified operation. The Arti facility consists of several buildings which carry out the functions of the operations and the buildings are inter-networked. According to Arti, it would not be possible to separate the functions of the facilities and the two substations serving the Arti facility are interconnected to function as a single unit. This means there is unified supply of electricity provided to a unified operation.

Arti contends that MidAmerican has changed the criterion for determining whether a facility meets the requirements for a single bill. Arti cites MidAmerican's response in MidAmerican Cross Exhibit 9, Attachment A, at 2 to support its position as follows:

On page 15 of Mr. Arons direct testimony, he describes the Arti Facility as having two substations connected to "each other by two transmission lines so the high-voltage power can flow between them and they can function as a single unit to service the Arti Facility on the Arti side." The difference between the Arti Facility and the typical customer configurations is that the customer configurations described below are electrically unified through the customer owned distribution system, which connect each building into one local electrical system through low voltage. In contrast, Arti testified that its facilities are electrically unified through MidAmerican's transmission system.

Arti contends that MidAmerican has changed the criterion for receiving one bill as being "electrically unified" or a "unified operation." The "unified operation" criterion appears in MidAmerican's tariff; however, Arti argues that the criterion in the above cited response, "electrically unified through the customer-owned distribution system" does not appear in MidAmerican's tariff. Arti argues that because of this changing explanation it cannot plan how to operate its facility.

Arti argues that MidAmerican is not treating Arti the same as similar Rate [REDACTED] customers. These similar customers have multiple points of attachment to the MidAmerican system but are billed through a single bill. Arti argues that MidAmerican rationale for single billing a customer with multiple meters at the same premises should also apply to Arti's facilities that receive service from two substations.

Staff does not consider the testimony of MidAmerican's witness Czachura regarding the criterion for being billed a single bill to be as inconsistent as argued by Arti. The criterion, regardless of how it is characterized, requires that the facilities be connected on the customer's side of the meter, or meters, through a distribution system that makes the facilities "electrically unified" or a "unified operation." Arti's evidence shows that the Arti buildings that are located on Arti's premises are not connected by an electric distribution system. Regardless of whether Arti is served by one or two substations, or whether one substation can supply the load required by the Arti facility, the buildings on the Arti premises are not connected by an electric distribution system and therefore do not qualify for a single bill.

Staff believes the other arguments and evidence are not relevant to the issue of whether Arti should be charged a single bill. To receive a single bill, Arti will need to connect its buildings with an electrical distribution system. Arti should not have any trouble understanding and meeting this criterion, if it desires to be billed a single bill for its facility.

IV. Recommendation

Staff believes this complaint presents the following two basic issues for the Board to decide:

1. What PI and E factors should the Board charge Arti:

Staff recommends that the Board direct MidAmerican to charge Arti the generic PI and E factors which MidAmerican prepared in response to Arti's data request number 27. The factors were filed as Arti Cross Exhibit 1 on September 11, 2015. Further, staff recommends that the Board direct MidAmerican to rebill Arti based on recalculated bills from July 31, 2014, forward using these generic PI and E factors.

2. Whether electricity delivered to Arti through the Pony Creek and Southlands substations should be consolidated for billing purposes.

Staff recommends that the Board make a determination that Arti does not qualify for a single bill because the distribution systems associated with the Pony Creek and Southlands substations are not interconnected.

RECOMMENDATION APPROVED

IOWA UTILITIES BOARD

/blo

/s/ Geri D. Huser 2-1-16

/s/ Elizabeth S. Jacobs 1-21-16

/s/ Nick Wagner 1-25-16

Attachment: Pre-Hearing Memo

Summary of Prefiled Testimony

Two witnesses filed testimony on behalf of Arti; Samuel Arons and Maurice Brubaker. Arons is an Energy Manager employed by the parent of Arti specializing in energy and infrastructure for Arti's operations. Brubaker is a consultant in the field of utility regulation hired by Arti to address the issues in this complaint.

On behalf of MidAmerican, two witnesses filed testimony in this docket; Naomi Czachura and Charles Rea. Czachura is Vice President Rates and Regulatory Strategy for MidAmerican and Rea is the Director, Regulatory Strategic Analysis, for MidAmerican.

A. PI & E Factors

Arti Direct

Arti became a MidAmerican customer after the 2012 test year in Docket No. RPU-2014-0003, but before final rates were implemented on July 31, 2014, and Pinnacle was a customer before and during the 2012 test year in Docket No. RPU-2014-0003.

Both Arti witnesses recommend that MidAmerican charge Arti the same PI and E factors as Pinnacle and that if the Board rejects this approach, Arti recommends that use of the Arti-specific factors based on the [REDACTED]² rate as has been done for the other [REDACTED] customers.

Arti Witness Arons

Arti and Pinnacle both receive electric service from MidAmerican, both are located in the same former MidAmerican rate zone (South Rate Zone), are both currently being billed under MidAmerican's new [REDACTED]³ rate, and were both billed under the same rate schedule prior to implementation of new rates in Docket No. RPU-2013-0004. In addition to [REDACTED] rates, Pinnacle and Arti are both billed other factors, including Phase-In (PI) and Equalization (E) factors. The PI and E factors were implemented in MidAmerican's recent rate case in Docket No. RPU-2013-0004. The PI factor phases in the rate increase and the E factor moves rates to the cost-of-service over a ten-year period. MidAmerican is billing Pinnacle customer-specific PI and E factors and billing Arti generic PI and E factors which are applicable to the [REDACTED] rate class.

² [REDACTED] South System.

³ MidAmerican's rate [REDACTED] was approved by the Board in Docket No. RPU-2013-0004 and became effective July 31, 2014.

Arti and Pinnacle were, and presently remain, virtually identical in terms of design, both having been designed by the parent of Arti and Pinnacle to perform similar functions. Both have high load factors [REDACTED] and demand of the same magnitude; with Pinnacle at [REDACTED] and Arti at [REDACTED].

On April 24, 2014, Arti asked MidAmerican why Pinnacle and Arti would have different phase-in and equalization factors even though they are paying the same [REDACTED] rate and were both previously served under the same rate [REDACTED] schedule. In its reply, MidAmerican indicated that the custom PI and E factors were only applicable to customers that would have qualified for rate [REDACTED] during the entirety of 2012. MidAmerican explained that customers that became [REDACTED] customers after 2012 are assigned PI and E factors based on the new rate they would take service under if they were not [REDACTED] customers; which for Arti is South [REDACTED] Base.

Arti provided MidAmerican with an estimate of its expected demand which included the magnitude and timing of the Arti load when Arti's facilities agreement was amended in [REDACTED]. Even though MidAmerican had Arti's specific load information, MidAmerican chose not to model the expected Arti usage and revenue as a known and measureable change in Docket No. RPU-2013-0004 and also chose to apply generic E and PI factors to Arti rather than customer-specific factors.

Like Arti, Pinnacle took service under rate [REDACTED] prior to implementation of rate [REDACTED]. Pinnacle is currently receiving service under rate [REDACTED] using customer-specific PI and E factors based on the fact that it took service under former rate [REDACTED] during the test year. Arti believes it should also be billed the same PI and E factors as Pinnacle based on the fact that Arti also took service under rate [REDACTED] prior to implementation of rate [REDACTED]. However, if the Board does not allow Arti to be billed the Pinnacle factors, then Arti believes it should be charged the customer-specific PI and E factors which Arti witness Brubaker calculated.

Below is a timeline of the relevant sequence of events related to Arti's complaint:

- Mid-2008 Pinnacle began service with MidAmerican.
- [REDACTED] Arti provided MidAmerican with an estimate of the expected magnitude and timing of the Arti load [REDACTED].
- [REDACTED] Arti began service with MidAmerican under [REDACTED].
- [REDACTED] Arti began service under rate [REDACTED].
- April 24, 2014 Arti asked MidAmerican why Pinnacle and Arti would have different phase-in and equalization factors even though they would be paying the same [REDACTED] rate and

were both previously served under the same rate [REDACTED] schedule.

July 31, 2014 Pinnacle began service under MidAmerican's new [REDACTED] rate with customer-specific PI and E factors.

Arti began service under MidAmerican's new [REDACTED] rate with PI and E factors based on rate [REDACTED].

September 26, 2014 Arti provided MidAmerican with a customer complaint disputing the accuracy of the bills and a proposed resolution of charging Arti the same E and PI factors as Pinnacle.

October 7, 2014 MidAmerican responded to Arti's complaint rejecting Arti's proposed resolution.

October 20, 2014 Arti lodged an informal complaint against MidAmerican with the Board.

November 21, 2014 The Board docketed the complaint as a formal complaint proceeding.

Arti Witness Brubaker

The tariff sheets applicable to clause PI and E list which factors are applicable to specific former rates and does not include rate [REDACTED]. This is likely because all former [REDACTED] customers who took service during 2012⁴ had met the eligibility criteria for rate [REDACTED] at the time of the rate case. Arti met the rate [REDACTED] requirements at a later date. Rather than develop Arti-specific rates, MidAmerican applied PI and E factors that are based on rates and load characteristics that are materially different from Arti's. The result of this approach is that Arti's rates are unreasonably and unfairly high.

Arti quotes MidAmerican's transmittal letter filed on [REDACTED]
[REDACTED]

[REDACTED]

⁴ The test year for Docket No. RPU-2012-0003.

The aggregate impact based on a comparison with the Pinnacle factors is approximately [REDACTED]⁷ and approximately [REDACTED]⁸ based on the factors calculated by Arti.

MidAmerican Rebuttal

MidAmerican Witness Rea

Rea was responsible for developing the methodology for calculating the PI and E factors in Docket No. RPU-2013-0004. PI factors are calculated by determining the difference between test year revenues⁹ and revenues calculated at the overall percentage increase for a particular class or customer and dividing that difference by total test year sales to get an overall phase-in factor. The Year 1 phase-in factor becomes two-thirds of the overall factor and the Year 2 factor becomes one-third of the overall factor. E factors are calculated by determining the difference between revenues calculated for the overall percentage increase (the end point figure from the phase-in calculation) and the approved overall revenue requirement for a particular class or customer and dividing that difference by total test year sales to get an overall rate equalization factor. The Year 1 rate equalization factor becomes 90 percent of the overall factor, the Year 2 factor becomes 80 percent of the overall factor, and so on until rate equalization factors become zero.

The PI and E methodologies were approved by the Board in Docket No. RPU-2013-0004. Brubaker's analysis effectively replicates the PI and E factors for Pinnacle but uses non test year usage data. Although, Brubaker's model does not replicate the results for any other [REDACTED] customer or Pinnacle when test year data is used. The failure of Brubaker's model to replicate correct values except for the one instance means his model is not reliable and does not calculate results consistent with those approved by the Board. The calculations for Arti should therefore be ignored. The results of Rea's analysis are shown in Confidential Schedule B.

In response to Arti's recommendations concerning the PI and E factors that should be applied to Arti, Rea testifies that his analyses conclusively show that for the limited purpose of determining pricing under former rate [REDACTED] (which is the only purpose that matters in regard to determining the appropriate PI and E factors) Arti has never been and likely never will be similar to Pinnacle from the perspective of load size and load factor. Arti should not be entitled to the same PI and E factors as Pinnacle, and the customer-specific factors calculated by Brubaker come from an inaccurate methodology.

⁷ See Confidential Exhibit MEB-6, page 3 of 3.

⁸ See Confidential Exhibit MEB-7, page 2 of 3.

⁹ Test year revenues do not reflect revenue related to interim rates. Implementation of interim rates constituted the first step of the overall 11.3 percent revenue increase.

Rea testifies that Brubaker, without explanation, did not use test year usage data for Pinnacle in his analysis. The data used is from some unspecified period. Rea substituted test year data for Pinnacle in Brubaker's model and found that the model does not replicate Pinnacle rate equalization factors. Rea substituted test year data for EAC and TCA values in Brubaker's model and the model does not replicate Pinnacle rate equalization factors.

Rea testifies that Pinnacle and Arti are both [REDACTED] that perform the same type of functions, use electricity the same way, are both located in the former South pricing zone, are both owned by the same parent company, receive electric service from MidAmerican, and are identical in terms of design. Rea testifies that over the long run, there is every reason to expect that the load shapes from these facilities would be identical. However, what is important for determining PI and E factors is load characteristics, particularly as they pertain to the determination or estimation of test year revenues under rate [REDACTED]. When viewed from this perspective, Rea testifies that Arti and Pinnacle have not been and likely never will be similar. The load characteristics for Arti and Pinnacle differ because Arti has never been consistently and likely never will be the same size as Pinnacle and Arti has never achieved a monthly load factor equal to or greater than Pinnacle's average monthly load factor in the 2012 test year. Confidential Exhibit C is a chart that shows Arti's and Pinnacle's peak demand are never approximately the same for any extended period of time.

It is not enough that both Arti and Pinnacle are large customers. The exact size of a customer is a defining factor in the overall average price that a customer would pay under rate [REDACTED]. Confidential Exhibit D provides a chart showing monthly load factor for Arti and Pinnacle from [REDACTED]. The chart shows that Arti never achieved a monthly load factor equivalent to the average monthly load factor for Pinnacle in the 2012 test year, and up until [REDACTED] [REDACTED] Arti's load factor was lower than Pinnacle in each and every month.

Rea testifies that without knowing that the charts were for Arti and Pinnacle, there is nothing on the charts in terms of data that would suggest that these customers are identical or at all similar. While it may be true that Arti and Pinnacle have operations in the same geographical area and are owned by the same parent, the quantitative data shows that from 2012 through the present there is no relationship between the two that would suggest the PI and E factors should be identical.

The reason for the magnitude of difference between the PI and E factors for Arti and Pinnacle is the level of test year revenues in Docket No. RPU-2013-0004. In the test year, the average rate for Pinnacle was [REDACTED] cents/kWh the [REDACTED] [REDACTED] in the case and easily the [REDACTED] [REDACTED] in the rate case taking service on a general purpose rate. This low rate is the primary driver for the significant PI and E factors applied to Pinnacle.

Arti did not pay the low rate. Confidential Schedule E provides a monthly list of billing amounts paid by Arti in 2013 and 2014, exclusive of EECR and taxes. The overall average rate paid by Arti in 2013 was [REDACTED] cents/kWh and [REDACTED] in 2014. If Arti had the type of loads for an entire 12 month period under rate [REDACTED] similar to the loads in 2014, Arti would have paid a lower rate. However, the purpose of rate equalization is not to transition customers from rates they never actually paid, or to transition customers from rates they might have paid if their loads were different than the loads actually were. The purpose of rate equalization 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. Since Arti never paid the lower rate, it is hard to justify why Arti should get rate equalization factors that pretend it did.

According to Rea, MidAmerican did not make a pro forma adjustment for Arti's projected load in the rate case because MidAmerican had no reliable information on what Arti's load would have been. Arti provided an estimate of the expected magnitude and timing of the Arti load and the estimate of Arti's maximum demand. The estimate stated that Arti did not expect its demand to be greater than [REDACTED] by [REDACTED]. Rea testifies that the non-binding projection of what Arti's load would be is not a known and measureable basis for estimating what Arti's projected load would be. It turned out that the load estimate was inaccurate since Arti's load is more than projected.

MidAmerican applies generic PI and E factors associated with the most appropriate rate for that customer in the pricing zone where the customer is located if the customer were not an [REDACTED] customer. Arti is treated as any other new large customer in that pricing zone. MidAmerican applies the generic PI and E factors because:

1. New large customers that bring significant amounts of load on to the system after the test year is over and final rates are approved should pay cost based rates for the load. The PI and E factors move customers from old rates to cost based rates over a period of time. The magnitude of the equalization factors in particular are a measure of how far the old rates were from cost-based rates.
2. MidAmerican felt it was inappropriate to completely wipe out the economic advantage that certain communities had in attracting large customers. Use of generic factors phases the advantages out over time.
3. It is not possible to go back in time and determine what a customer's test year revenue and revenue requirement would have been had the customer been taking service during the test year.

Confidential Schedule F shows that, notwithstanding future changes in EAC or TCA trackers, Pinnacle's rate is expected to [REDACTED] through the end of the [REDACTED]

equalization period. This result is exactly what the equalization process was intended to accomplish. Arti's overall average [REDACTED] through the end of the equalization period.

Rea testifies that Arti's complaint is not really about an undue rate increase that results from the application of the PI and E factors since Arti has already [REDACTED] Rea testifies that Arti's complaint is that it [REDACTED]

[REDACTED]. It is not appropriate to protect Arti from increases to rates Arti never actually paid in the first place, and it is not appropriate to [REDACTED] Arti's rates in the future just because that's the way it would have been if they had been on the system three or four years sooner like Pinnacle.

Arti Reply

Arti Witness Brubaker

Brubaker states that the fundamental, over-arching issue is how to establish the rate for E and PI factors for a customer that became qualified for rate [REDACTED] after the test year in Docket No. RPU-2013-0004, but before July 31, 2014, when final rates became effective.

Pinnacle and Arti were both served on rate [REDACTED] prior to implementation of new rates. Rate [REDACTED] had separate energy and demand charges, and the demand charges included declining blocks.¹⁰ As a result of that rate structure, the average cost per kWh decreases as demand and load factor increase. MidAmerican witness Rea argues that differences in size and load factor between Pinnacle and Arti produce a large enough difference in average revenue per kWh to justify significantly smaller PI and E credits for Arti.

Exhibit MEB-7 provides MidAmerican's response to a data request from Docket No. RPU-2013-0004. In that response, MidAmerican agrees with the concept that cost-based rates should be determined for customers who qualify for rate [REDACTED] after the rate case test year. MidAmerican did not perform a cost-of-service study for Arti; MidAmerican is applying the same customer, demand, and energy rates to Arti as it charges to Pinnacle.

MidAmerican witness Rea supports his position by providing information on size of demand, load factor, and average rate per kWh paid by Pinnacle and Arti.

¹⁰ Where prices decrease when load increases.

Load factor.¹¹ MidAmerican witness Rea provides Schedule D to demonstrate that Pinnacle's load factor is much higher than Arti's, and therefore the two facilities are not comparable. What is misleading about this analysis is that over the time period shown Pinnacle is operating at a steady state level, whereas Arti is aggressively ramping up its load, which produces lower monthly load factors. However, as of July 31, 2014, when the new rates went into effect, Arti's load factor is much closer to Pinnacle's load factor because the load ramp-up is tapering off. When looking at Arti's load on a pro forma basis using July 2014 demand and energy data, the calculated load factor is approximately [REDACTED] as compared to approximately [REDACTED] for Pinnacle. Looking at load in this way is consistent with MidAmerican's response to the data request shown in Exhibit MEB-7. From a load factor perspective, there would not be much difference in the average rate per kWh under rate [REDACTED].

Load size. MidAmerican witness Rea sets forth the monthly kW demand of both facilities on his Schedule C. It can be observed from the graph that in the [REDACTED] the demand of the two facilities was roughly equal. The [REDACTED] demand Brubaker used to calculate a pro forma load for Arti is very close to the [REDACTED] average monthly demand for Pinnacle in the rate case test year. These values are not particularly different, and should not contribute to a significant difference in average revenue per kWh.

Average rate per kWh. Arti agrees with MidAmerican that the average revenue per kWh for Pinnacle was [REDACTED]. Brubaker calculates Arti's test year average revenue per kWh based on pro forma usage of [REDACTED]. Brubaker further believes that based on Arti's currently much higher demand levels, Arti's average revenue under rate [REDACTED] would be the same as Pinnacle's. However, Brubaker did not use those consumption levels in calculating Arti-specific factors.

Rea's Schedule F shows that Arti's average annual revenue per kWh decreased from 2013 to 2014 before increasing in 2015. Arti's load ramped up substantially from 2013 to 2014 thereby reducing its average cost per kWh under the [REDACTED] tariff. Due to the new higher rates implemented at the end of July 2014, the average cost increased. Rea leaves the impression that Arti has seen a decrease in rates; however, the decrease in cost per kWh was the result of increased usage and not any rate break.

Overall, Brubaker believes that the two facilities are sufficiently similar in terms of load factor, size of demand, and average revenue per kWh that the same E and PI factors should be applied to both. MidAmerican applies PI and E rates to Arti that are applicable to the former [REDACTED] South rate schedule which have no connection to the [REDACTED] rates under which Arti actually took service. The [REDACTED] South Base rate schedule is applicable to

¹¹ Staff note: The load factor percentage is the average demand divided by the peak demand in a specified time period. A high load factor means power usage is relatively constant.

customers formerly served under rates [REDACTED].

The former [REDACTED] customer group is significantly different than the former [REDACTED] customer group as shown below.

Average Monthly Load Factor	Average Monthly Demand kW	Average Revenue Cents Per kWh	Average Rate Increase
[REDACTED]	[REDACTED]	[REDACTED]	14%
[REDACTED]	[REDACTED]	[REDACTED]	22%

MidAmerican has premised the application of rate LS PI and E factors on Arti because Arti is a new customer in terms of bringing load on the MidAmerican system after final rates were approved in Docket No. RPU-2013-0004, effective July 31, 2014. There is no basis to this approach for Arti, since Arti came on to the system prior to July 31, 2014, and has a load history under rate [REDACTED].

There are three categories of [REDACTED] customers to consider when addressing the purpose and application of PI and E factors. First, the customers that took service during the test year, 2012. Second, new customers who came on the system after the rates became effective in Docket No. RPU-2013-0004. Third, customers like Arti who were customers and took service, and qualified for Rate [REDACTED] after the conclusion of the test year, but before the effective date of the [REDACTED] tariff. MidAmerican's procedures address the first two categories but not the third. MidAmerican lumps the third category with the second category.

In response to MidAmerican's comments on the Arti-specific factors Brubaker calculated, Arti responds that it was necessary to use "reverse engineering" because Arti did not have complete rate details of the rate components. Arti conducted discovery and was able to develop alternative E and PI factors that should be applied to Arti. The factors are provided in Confidential Exhibit MEB-9 and shown below:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

MidAmerican should apply the same PI and E factors to Arti as those applied to Pinnacle since MidAmerican is applying the same rate [REDACTED] rates to the two facilities. If not the same PI and E factors as Pinnacle, the Arti-specific PI and E factors should be applied.

B. Consolidated Billing

Arti Direct

Arti Witness Brubaker

Arti will be served through two substations¹² that are supplied power from two separate [REDACTED] sources. Both of these substations are owned by Arti. As explained in more detail by Arti witness Arons, the Arti facility is a single premise, and a unified operation. Therefore, power delivered through the Pony Creek and Southlands substations should be consolidated for billing purposes.

MidAmerican's proposed separate billing treatment would require Arti to pay two separate customer charges and demand charges based on the disaggregated peak demands measured at each substation rather than on the combined peak demand.

¹² The Pony Creek and Southlands substations.

Arti Witness Arons

MidAmerican will provide service to the Arti facility through two substations to improve reliability and to provide additional power to the Arti facility. The substations can function together as a single unit to power Arti's facility.

Arti should be treated as a single "premises" under MidAmerican's tariff. The Electric Services Policies section of MidAmerican's tariff defines "premises" as "a contiguous tract of land that may be separated by nothing more than a highway, street, alley or railroad right-of-way, where all buildings and/or electricity-consuming devices located thereon are owned and occupied by a single Customer or applicant for electrical service, or where all electricity delivered thereto is utilized to supply one (1) or more buildings and /or electric loads which [MidAmerican] considers as components of a unified operation." Electric Tariff, Original Sheet No. 5. Arti believes its operations and facility meets the definition of "premises."

The Arti facility is a unified operation which consists of several buildings housing the

[REDACTED]. It would not be possible to subdivide the buildings into separate operations because they are inter-networked to function properly. The substations are connected so they function as a single unit to service the Arti facility.

Separate billing unreasonably and unfairly requires Arti to pay demand charges based on the disaggregated service peaks measured at each substation rather than a demand charge based on the aggregated peak for all electric service provided to Arti's facility. Arti would also be required to pay the basic service rate twice.

MidAmerican Rebuttal

MidAmerican Witness Czachura

MidAmerican considered the service from the two substations to be separate even before the facilities were constructed. The two facilities are subject to two separate service agreements and the revenue used in the determination of need for a customer contribution to finance construction of each facility has been, and continues to be, considered separately.

MidAmerican believes that the reasonable interpretation of the tariffs would lead to the conclusion that the facilities should be billed separately. All of MidAmerican's tariffs, with the exception of rate [REDACTED], specify that they are applicable for use of MidAmerican's electric service furnished to a single premises through one meter. For larger loads, it is sometimes necessary to set

multiple meters at the same premises because the load is too large for a single standard meter. In the latter case, the multiple meters are combined and billed as a single account since it serves one premises. Each point of attachment between the customer's and MidAmerican's facilities is a separate account, and should be billed separately.

Czachura explains that qualification for rate [REDACTED] was made less restrictive because of the size of the customer; however, the general concept still applies. [REDACTED] customers that have multiple points of attachment to MidAmerican facilities that are connected to a customer operation that is electrically unified are billed as a single account. Czachura states that MidAmerican considers that electrically unified means that the electric systems throughout the entire customer operation are integrated and MidAmerican does not believe that Arti meets this qualification. Arti has multiple buildings and MidAmerican has determined that it is appropriate to bill the service provided by each substation as a separate account.

Whether the customer's facilities are contained within a single premises is not the basis of the determination for one or more billing accounts. MidAmerican has a number of customers who are located at a single premises and have multiple billing accounts. The key, according to Czachura, is whether all of the customer's facilities are electrically unified.

Czachura states that Arons is not clear on what he means by "inter-networked." She explains that it is possible for the [REDACTED] to be electrically separated but be inter-networked and operate in a unified manner. Czachura points out that MidAmerican's [REDACTED] in all of its facilities across Iowa are "inter-networked," but are not electrically unified.

Even though both substations are [REDACTED] substations, fed from separate [REDACTED] sources, reliability considerations would naturally require them to be connected so that both would continue to function if one of the [REDACTED] sources was lost. The fact that the substations are connected does not address whether or not Arti's facilities function as a unified operation.

MidAmerican requests that the Board find that MidAmerican's interpretation of its tariffs related to Arti's operations is reasonable in that a customer's operations at a particular premise must be electrically unified in order for the customer to be billed under a single account.

Arti Reply

Arti Witness Brubaker

In response to MidAmerican witness Czachura's testimony that MidAmerican considered service from the two substations as separate before they were constructed and that there are two separate service agreements, Arti states that

given that the two substations were constructed at different times, it is hardly unusual or surprising that there would be separate construction agreements and revenue justifications used in determining the need for a customer contribution to financing of the facility. This is not a reason for separate billing, but rather is simply a fact of the timing difference that exists.

The Arti facility is on a contiguous tract of land and constitutes a unified operation. This makes Arti a "premises" under MidAmerican's tariff; therefore, qualifying the facility to receive single billing for electricity delivered through the Pony Creek and Southlands substations to the premises.

MidAmerican's arguments for Arti facilities not being a single premises is based on concepts and definitions that are not contained in MidAmerican's tariff and is inconsistent with MidAmerican's tariff. Whereas, billing Arti on a consolidated single bill basis is consistent with the practice that MidAmerican followed for most of the rate [REDACTED] customers that have multiple points of attachment to the MidAmerican system.

The Arti facilities qualify for single billing from the Pony Creek and Southlands substations rather than the two separate bills Arti now receives. The timing differences in construction do not support separate bills. Large loads often require more than one substation and Arti is similar to other facilities with multiple meters and should similarly be billed on a single account.

The fact the Pony Creek substation could not be expanded and the Southlands substation had to be constructed to meet Arti's energy needs does not justify separate bills.

The term "electrically unified" does not appear in MidAmerican's tariff. Rate [REDACTED] is applicable [REDACTED]

[REDACTED] Premises is defined in MidAmerican's tariff as a contiguous tract of land that may be separated by no more than a highway, street, alley or railroad right-of-way, where all buildings and/or electrically-consuming devices located thereon are owned or operated by as single customer for electrical service, or where all electricity delivered is utilized to supply one or more buildings and/or electric loads which the Company considers as components of a unified operation.

Arti owns the facilities on a contiguous tract of land and all buildings and electricity consuming devices are located on site. The Arti facilities are a unified operation. The usage by Arti represents a unified operation. Arti need only meet one of the qualifications as a premises; however, Arti meets both qualifications. Arti should be treated the same as other MidAmerican customers with multiple points of attachment.

Arti Witness Arons

Arons testifies that Czachura admits that for purposes of rate ■ all of Arti's facilities can be considered a part of a single premises. According to Czachura, the key in determining whether a customer with multiple points of attachment will be billed as a single account or multiple accounts is if all of the customer's facilities are electrically unified.

Arons points out that Czachura states "electrically unified" means that the electric systems throughout the entire customer operation are integrated. Czachura does not define "integrated" in her testimony and the term is not defined in MidAmerican's tariff. According to Arons, Czachura does not provide a source for the term "electrically unified." Czachura uses the term "electrically interconnected" in Data Request No. 45 response, Exhibit SMA-12. This term is not defined in MidAmerican's tariff.

Arons argues that Czachura is saying at the fundamental level Arti's facilities are not "electrically unified" and cannot receive a single bill because it has multiple buildings. Arons proposes if Arti were to connect the buildings into a single structure then Arti could receive a single bill. According to Arons, this is an absurd result and the definition of "premises" allows for more than one building if the buildings are part of a unified operation.

Arons does not agree with use of the standard "electrically unified." The key instead is whether the facilities are a single premises. Rate ■ makes the rate applicable to electric service furnished to a single premises. Arti qualifies as a single premises and should be billed as a single account. Whether Arti's facilities are "electrically unified" under MidAmerican's definition is irrelevant since the term is not defined in MidAmerican's tariff and does not appear in MidAmerican's tariff.

Czachura's assertion that the service from the two substations was considered separate even before construction of the facilities has no authority. The statement is not based on a specific application of the tariff language, but according to Czachura, is a more general statement that means when two separate sets of facilities are involved two separate customer accounts will be established. See Exhibit SMA-13.

In addition, the two facilities are not subject to two separate service agreements as suggested by Czachura. There is only one Electric Service Agreement (ESA) for all service provided by MidAmerican to Arti premises. The agreement makes no mention of two separate accounts. Czachura may be confusing the ESA with multiple Electric Facilities Construction and Reimbursement Agreements (FCAs). The FCAs do not determine how much electric service is provided; that subject is controlled by the ESA. Under the ESA, MidAmerican is required to provide all electric service to Arti's premises.