

STATE OF IOWA
DEPARTMENT OF COMMERCE
BEFORE THE IOWA UTILITIES BOARD

FILED WITH
Executive Secretary
December 18, 2014
IOWA UTILITIES BOARD

IN RE:)
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MIDAMERICAN ENERGY COMPANY) DOCKET NO. EPB-2014-0156
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RESPONSE OF MIDAMERICAN ENERGY COMPANY

COMES NOW, MidAmerican Energy Company (MidAmerican), and responds to the seven questions or requirements to provide further information posed in the Order issued by the Iowa Utilities Board (Board) on December 3, 2014 regarding MidAmerican’s updated Emissions Plan and Budget filed pursuant to Iowa Code § 476.6(21) on April 1, 2014.

- 1. The columns in Exhibit 1 showing the “Total” and “MidAmerican Share” of the “ten-year” costs of projects included in the Plan Update are labeled “2010 – 2023.” Provide an updated spreadsheet with the 2014 – 2023 total and MidAmerican share of capital costs for each project and for the ten-year budget as a whole.**

MidAmerican Response:

Attached are confidential and public versions of a December 2014 Update to Exhibit 1 showing the “Total” and “MidAmerican Share” of the capital costs for each project for the ten year period of 2014-2023.

- 2. In the December 2014 update to Exhibit 1, the 2014 costs shown for the Activated Carbon Injection (ACI) systems planned at Neal Units 3 and 4 exceed the ten-year total shown for the projects. Correct or explain this inconsistency.**

MidAmerican Response:

The capital cost table in Exhibit 1 has been updated to reflect the current 2014 and 2015 cost estimates for ACI systems at Louisa, Walter Scott Unit 3, Neal Unit 3 and Neal Unit 4. The

amounts listed by year for the years shown in the table sum up to the amounts listed as the 2014-2023 period totals shown on the December 2014 version of Exhibit 1 for each unit.

- 3. A number of projects were slated to come online following the planned May 2014 outage at Neal 3. Provide status updates on the following:**
 - a. Scrubber and baghouse;**
 - b. Turbine efficiency project;**
 - c. Selective non-catalytic reduction or SNCR; and**
 - d. Activated carbon injection or ACI.**

MidAmerican Response:

The Neal 3 scrubber, baghouse and turbine efficiency projects reached commercial operation May 20, 2014. The Neal 3 SNCR reached commercial operation August 13, 2014.

ACI equipment at Neal 3 is projected to be in operation in March 2015, which is ahead of the date required for compliance with the Mercury and Air Toxics Standards (MATS) rule.

- 4. Court decisions affecting coal plant emissions were issued subsequent to MidAmerican's April 1, 2014, filing. The potential impact of the cooling water intake ruling was addressed by the IDNR in its testimony. Specify whether and how the following decisions impact MidAmerican's environmental plan and budget.**
 - a. The June 23, 2014, U.S. Supreme Court ruling partially invalidating the Tailoring Rule.**
 - b. The April 29, 2014, U.S. Supreme Court reversal of the D.C. Circuit Court's decision vacating the Cross State Air Pollution Rule (CSAPR) and the D.C. Circuit Court's October 23, 2014, decision that lifted the stay on CSAPR.**

MidAmerican Response:

4a) Tailoring Rule

At issue before the U.S. Supreme Court in the Tailoring Rule case was whether the U.S. Environmental Protection Agency (EPA) reasonably interpreted the Clean Air Act by requiring stationary sources to obtain permits that limit greenhouse gas (GHG) emissions. The Tailoring Rule increased the GHG permitting thresholds, relative to traditional pollutants, under which

sources would be considered major and thus need prevention of significant deterioration (PSD) permits and Title V permits. The Court ruled that the EPA's Tailoring Rule thresholds for GHG permit applicability were an impermissible interpretation of the Clean Air Act. Accordingly, a source cannot be subject to PSD or Title V permitting solely on the basis of its greenhouse gas emissions. However, the Court upheld the portion of the rule that applied to sources which are already subject to PSD and Title V permitting—so-called anyway sources—such as power plants. These sources must continue to take GHG emissions into account when obtaining or renewing permits.

The Court's decision on the Tailoring Rule does not impact MidAmerican's 2014 Update. The turbine upgrade projects at Neal Unit 3 and Unit 4 were completed in compliance with the Tailoring Rule and because these sources are subject to PSD and Title V permitting requirements for other pollutants in addition to greenhouse gases, the partial vacatur of the Tailoring Rule does not apply to these units.

4b) CSAPR

At issue before the U.S. Supreme Court in the CSAPR case was whether the D.C. Circuit Court of Appeals had accurately construed the limits the Clean Air Act places on the EPA's authority. The D.C. Circuit vacated the CSAPR in its entirety in August 2012, finding that the rule (1) requires some states to reduce emissions beyond their significant contribution to downwind nonattainment; and (2) did not afford states the opportunity to implement needed reductions through a State Implementation Plan (SIP) before being subject to a Federal Implementation Plan (FIP). The Supreme Court's decision reversed the D.C. Circuit's ruling, finding that (1) the EPA's allocation of emissions reductions in upwind states permissibly considered the cost-effectiveness of achieving downwind attainment and (2) the EPA has authority under the Clean Air Act to

impose FIPs immediately after disapproving SIPs.

Following the Supreme Court's ruling and remand to the D.C. Circuit for further proceedings, the EPA submitted a motion to the Circuit Court to lift its stay on the CSAPR. The motion to lift the stay was granted October 23, 2014, without further direction. EPA published an interim final rule December 3, 2014, implementing the court's action and tolling the Phase I and Phase II CSAPR dates to begin January 1, 2015, and January 1, 2017, respectively. The interim final rule took effect December 3, 2014, although EPA is accepting comments on the rule through February 2, 2015. The interim final rule did not adjust state allowance allocations or any other aspects of the CSAPR.

The Court's reinstatement of the CSAPR and subsequent developments do not impact MidAmerican's 2014 Update. MidAmerican is currently in full compliance with the Clean Air Interstate Rule (CAIR), which remains in effect through December 31, 2014. MidAmerican anticipates that it carries sufficient allowances to meet its CAIR obligations. Under CSAPR, MidAmerican also anticipates that allowance allocations and the ability to bank and carry allowances forward will allow the company to fully meet its sulfur dioxide and nitrogen oxides requirements under both implementation phases of the rule.

5. **Conflicting information appears to have been filed regarding the status of the ACI projects at Neal 3 and 4, Louisa, and WSEC 3. These statements are found in Exhibit 1 of MidAmerican's filing in Docket No. EPB-2012-0156 on February 13, 2014, at page 2, pages 5 through 7 and 13 through 17 of MidAmerican's current EPB filing, page 5 of Maystrick's direct testimony, and Exhibit 1. Please reconcile these statements and provide the following information:**
 - a. **Provide a timeline (both historical and projected) of each facility's ACI system regulatory approval, construction, and in-service date and update this Plan's exhibits accordingly.**
 - b. **Explain the basis for the budget numbers for the ACI equipment at these units.**

- c. Explain the variance in the costs of the ACI projects at Neal 3 and 4 between the 2012 and 2014 filing as well as the timing of the expenditures.

MidAmerican Response:

5a) Timeline of ACI equipment at each facility

Project	Regulatory Approval Date (permit issued)	Construction Permit Start Date	Commercial Operation Date
N4 ACI	May 16, 2011	July 1, 2012	October 30, 2014
N3 ACI	September 9, 2011	January 21, 2013	March 9, 2015 (Projected)
LGS ACI	June 3, 2014	August 13, 2014	April 16, 2015 (Projected)
WS3 ACI	September 26, 2014	September 29, 2014	April 16, 2015 (Projected)

Regulatory approvals for ACI equipment at Neal 3 and Neal 4 were under the general air permits for the scrubber/ baghouse and SNCR as shown in the table above.

While each site has a different regulatory permit date for operation of ACI equipment, it was determined in 2013 that likely cost benefits could be accomplished by competitively bidding all of the ACI equipment as a single package with the successful bidder for the package being the ACI equipment provider for each of the project sites. MEC hired an engineering consulting firm as owner’s engineer (OE) and had the OE develop ACI technical specifications that were sent out to three major suppliers in a request for proposal (RFP) for ACI equipment. The RFP was issued in November 2013. A single major equipment supplier was awarded the contract in January 2014 to furnish ACI equipment for Louisa, Walter Scott Unit 3, Neal Unit 3, and Neal Unit 4. The OE also developed bid packages for construction of the balance of plant scope using a construction schedule that results in the ACI systems being completed and fully operational by the commercial operation dates shown in table above.

5b) Explanation of budget numbers at each site

The original budget numbers for ACI equipment at all sites contained in the 2012 Plan and Budget were based on generic project site information for Neal Unit 4 and estimated ACI

equipment costs known in the general industry. These estimates were updated in early 2014 prior to balance of plant ACI design being completed. Based on bids received in late summer 2014 on ACI balance of plant design, all of the ACI projects are expected to be within or under the original budgets submitted in 2012. This is demonstrated in the attached December 2014 version of Exhibit 1.

5c) Explanation of Variance in Costs and timing of expenditures of Neal 3 and 4 ACI

As explained in the response to 5a) above, MidAmerican awarded a single bid package for ACI equipment at all sites rather than smaller bid packages at each individual site. Using this ACI economy of scale cost saving approach delayed some of the early expenditures originally planned for 2012 and 2013 to closer to the time of commercial operation in 2014 and 2015. Timing for installation of equipment and balance of plant construction was coordinated to ensure equipment would be ordered, delivered to site, installed, and commissioned without compromising the ability to meet each plant's respective operational permit deadline. The work was also coordinated to avoid interfering with scrubber/ baghouse construction at Neal Unit 3 and Neal Unit 4. Timing of expenditures is related to the times project activities occur, which were scheduled based on facility outage timing and operational permit deadlines that differ between the two plants. Neal Unit 4 expenditures were primarily made in 2014 since activities for that project were scheduled to meet the earlier operational date in the project's construction permit. Neal Unit 3 expenditures occur later, consistent with the later operational date in the project's construction permit.

6. What options are being considering for compliance with pending coal combustion by-product regulations?

MidAmerican Response:

The pending coal combustion residuals (CCR) regulation is expected to address CCR landfills as well as CCR surface impoundments, using one of two regulatory pathways to address

the management and disposal of CCR materials. Under either pathway, MidAmerican anticipates that each of its CCR landfills will comply with the rule and will not require significant modifications.

Both proposed regulatory pathways would require MidAmerican to close or retrofit its surface impoundments. EPA proposed two options for closure, either clean closure, which involves the complete removal of all CCR from the surface impoundment for disposal in an appropriate landfill; or closure-in-place, which allows the CCR to remain in place with a capping system installed to limit precipitation infiltration and erosion. Both closure options also require that all water be removed from impoundments and properly managed according to applicable wastewater requirements. In order to continue operating CCR surface impoundments, they must be retrofitted with a liner and leachate collection system.

MidAmerican will evaluate each compliance option included in the final rule to determine the most appropriate outcome and minimize costs for our customers.

7. Does MidAmerican plan to include in a future EPB update costs related to coal combustion by-product, cooling water intake, and effluent limitation regulations as these rules are finalized?

MidAmerican Response:

If the Board determines that compliance costs with these rules are valid expenses under Iowa Code § 476.6(21), then MidAmerican may include such costs in future updates.

WHEREFORE, MidAmerican respectfully submits its responses to the Board's Order Requiring Additional Information and requests the Board to expeditiously consider this information as it continues to review MidAmerican's 2014 Environmental Plan and Budget.

DATED this 18th day of December, 2014.

Respectfully submitted,

MIDAMERICAN ENERGY COMPANY

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