

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

**EPB-2014-0156
FILED WITH
Executive Secretary
January 08, 2015**

IOWA UTILITIES BOARD

IN RE:)	
)	
MIDAMERICAN ENERGY COMPANY)	
)	DOCKET NO. EPB-2014-156
ENVIRONMENTAL PLAN)	
AND BUDGET - 2014 UPDATE)	

JOINT MOTION AND PARTIAL SETTLEMENT AGREEMENT

The Office of Consumer Advocate (“OCA”), the Environmental Law & Policy Center and the Iowa Environmental Council (the two jointly the “Environmental Intervenors”), and MidAmerican Energy Company (“MidAmerican”), collectively referred to as the “Parties”, for their Joint Motion and Partial Settlement Agreement state:

On this 19th day of December, 2014, the Parties agree to the terms and conditions of this Partial Settlement Agreement and jointly move the Iowa Utilities Board (“Board”) for its approval.

Article I

Introduction

On April 1, 2014 MidAmerican filed Emissions Plan and Budget Updates generally covering the period 2014 through 2016 (“2014 Update”) with the Board. The 2014 Update supersedes MidAmerican’s 2012 Emissions Plan and Budget Updates, which were approved by the Board on December 19, 2012. On August 7, 2014, the Iowa Department of Natural Resources (“IDNR”) filed testimony with the Board stating its position that the 2014 Update, in conjunction with continued compliance with all

permitting requirements and permit conditions, meets applicable state requirements for regulated emissions.

Subsequent to filing the 2014 Update, MidAmerican has held discussions with the OCA and the Environmental Intervenors, which have each conducted discovery concerning the reasonableness and prudence of the measures proposed therein. In consideration of the 2014 Update which is herein incorporated by reference, the Parties have negotiated this Partial Settlement Agreement.

Article II

Purpose

The Parties have entered into this Partial Settlement Agreement to resolve all outstanding issues as a fair and reasonable resolution of the matters and issues raised, without resolving specific issues of law or fact other than those set out explicitly in this agreement.

Article III

Joint Motion

The Parties jointly move the Board to immediately issue an order approving this Partial Settlement Agreement in its entirety without condition or modification.

Article IV

Emissions Plan and Budget

The Parties agree and stipulate that the 2014 Update complies with Iowa Code § 476.6(21) (2013). The role of the IDNR is discussed in Article VII.

Article V

Substantial Compliance Commitments; Periodic Reports and Meeting

The Parties have agreed upon a series of actions that are intended to ensure that they have effective interaction regarding MidAmerican's ongoing and future management of regulated coal-fueled emissions.

Prudency of Construction of 2014 Update: In order that MidAmerican takes appropriate action in implementing the 2014 Update and continues to follow the equipment procurement practices set forth in OCA Data Request No. 2 lodged in the prior proceeding Docket No. EPB-04-156, MidAmerican agrees to file Periodic Reports every twelve months with the Board and to provide copies to the Parties. Such Reports will summarize the actions taken by MidAmerican to implement the 2014 Update. The format for and timing of the annual reports are set forth in Exhibit 1. All reasonableness and prudence issues were resolved in this 2014 Update proceeding. MidAmerican is still required to substantially comply with the commitments it made to the Board in this proceeding as well as the commitments it made to OCA in MidAmerican Response to OCA Data Request No. 2 from Docket No. EPB-04-156, attached as Exhibit 2. The Parties may investigate MidAmerican's substantial compliance with these commitments and the OCA may investigate MidAmerican's substantial compliance with commitments made in prior EPB proceedings, and MidAmerican agrees to cooperate with any such investigations undertaken. See e.g., Exhibit 3 (Data Request Nos. 27 and 31 from Docket No. EPB-06-156).

Ongoing Activities: The Parties recognize that while each annual Periodic Report is required to include information on expected actions contemplated during the

next calendar year, an annual report cannot provide complete information given that expected actions are subject to changes in environmental regulations, the decisions of permitting authorities and MidAmerican's internal evaluations. Among other actions that can affect MidAmerican's Environmental Plan and Budget, the Parties recognize the important implications of the rule proposed by the U.S. Environmental Protection Agency ("EPA") on June 18, 2014, regarding Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units pursuant to Section 111(d) of the Clean Air Act. The Parties agree to meet at least twice a year to exchange information on potential changes in state and federal environmental regulations, including the EPA's proposed and finalized 111(d) rules, relevant regulatory processes, and proposed and potential emissions control measures. The discussion of EPA's proposed and finalized 111(d) rules will include but is not limited to analysis that MidAmerican may have conducted regarding strategies for control of carbon dioxide and compliance options that may be considered for inclusion in Plan and Budget Updates. In addition, MidAmerican agrees to use its reasonable efforts to inform the Parties of regulatory changes, should they arise during the time between semi-annual meetings, which MidAmerican reasonably anticipates would have a material effect on MidAmerican's strategy for controlling emissions, including measures related to carbon dioxide and other regulated greenhouse gasses. The Parties agree that routine O&M expenses unrelated to emissions control, including O&M expenses related to turbine upgrades, shall not be eligible for inclusion in any Emission Plan and Budget or any Update thereto. The Parties recognize that MidAmerican is entitled under § 476.6(21) (2013) to file a Plan and Budget Update at any time and that the topics discussed at any

meetings conducted between the Parties and the information exchanged pursuant to this provision are for the purposes of information only and are not to be considered determinative in any way of improvements that MidAmerican may choose to make as part of its Emissions Plan and Budget Updates. The Environmental Parties may make reasonable requests for information related to emissions control of coal plants in service in 2001 to be discussed at the periodic meetings.

Article VI

Term

The term of this Settlement Agreement commences from the date of its approval by the Board through and including December 31, 2016. The Parties agree that certain major expenditures approved as a part of this Update are for emissions projects which will not be completed until on or after December 31, 2016.

Article VII

IDNR

Nothing contained in this Partial Settlement Agreement is intended in any manner or to any extent to interfere with the IDNR carrying out its responsibilities under Iowa Code § 476.6(21) (2013) in this proceeding. In addition to the prepared direct testimony filed August 7, 2014 in this proceeding, IDNR is free to file testimony exhibits, conduct cross examination and fully participate in all aspects of this proceeding as IDNR deems appropriate.

Article VIII

Condition Precedent

This Partial Settlement Agreement shall not become effective for purposes of resolving all issues between the Parties unless and until the Board approves the same in its entirety, without condition or modification.

Article IX

Scope and Binding Effect

This Partial Settlement Agreement is made pursuant to Iowa Code § 17A.10 (2013) and 199 IAC 7.18. This Partial Settlement Agreement shall become binding upon the Parties upon its execution; provided, however, that if this Partial Settlement Agreement does not become effective in accordance with Article VIII above, it shall be null and void. This Partial Settlement Agreement is intended to relate only to the specific matters referred to herein; the Parties do not waive any claims or rights which they may otherwise have with respect to any matter not expressly provided for herein.

Article X

Entire Agreement and Signatures

This Settlement Agreement contains the entire agreement between the Parties. There are no additional terms, whether consistent or inconsistent, oral or written, which have not been incorporated into this Settlement Agreement.

MIDAMERICAN ENERGY COMPANY

OFFICE OF CONSUMER ADVOCATE

/s/ Suzan Stewart

/s/ Jennifer C. Easler

(Signature)

(Signature)

Name: Suzan Stewart

Name: Jennifer C. Easler

Date: 1/8/2015

Date: 1/8/2015

ENVIRONMENTAL LAW & POLICY
CENTER

IOWA ENVIRONMENTAL COUNCIL

/s/ Joshua T. Mandelbaum

/s/ Joshua T. Mandelbaum

(Signature)

(Signature)

Name: Joshua T. Mandelbaum

Name: Joshua T. Mandelbaum

Date: 1/8/2015

Date: 1/8/2015

EXHIBIT 1

For each project outlined in MidAmerican's Emission Plan and Budget the following information shall be provided on an annual basis.

- A. Project Implementation To-Date: A narrative description shall be provided that outlines the actions and progress of each project undertaken during the prior calendar year. Actual capital and O&M expenditures shall also be provided for each project during the subject period.

- B. Actions Taken to Minimize Costs: Information shall be supplied that addresses how MidAmerican used the competitive bidding process to minimize costs for key components and services purchased from outside vendors as outlined in its response to OCA Data Request No. 2. Reconciliations of actual expenditures versus budget shall also be provided.

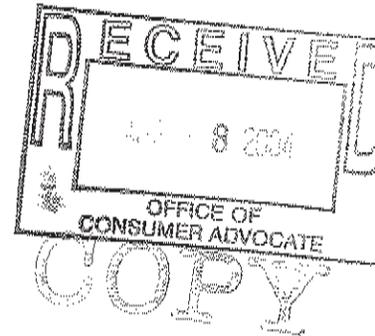
- C. Expected Actions Contemplated During the Next Calendar Year: A narrative description shall be provided that outlines the expected actions to be undertaken during the next calendar year period. This information shall include forecasted expenditures versus budget.

The annual filing shall be submitted no later than February 15th of each year following the year that the Emission Plan and Budget was filed with the Iowa Utilities Board calendar years 2006, 2007, 2008 and 2009.

EXHIBIT 2

OFFICE OF CONSUMER ADVOCATE DATA REQUEST

DATE : March 30, 2004
DOCKET No. : EPB-04-156
COMPANY : MidAmerican Energy Company



2. Please provide a complete narrative explanation of MidAmerican's equipment procurement practices for its April 1, 2004 through December 31, 2006 updated plan. Such an explanation should include how MidAmerican maximizes utilization of competitive bidding to achieve least cost procurement. Such an explanation should include how least cost procurement is achieved where competitive bidding is not feasible.

RESPONSE:

MidAmerican's procurement policy remains essentially the same as that provided by MidAmerican in Docket No. RPU-02-10. This Procurement Policy is provided as Attachment 2-1.

MidAmerican will use competitive bidding for procurement of materials and services seeking bids from at least three qualified suppliers for significant purchases in accordance with Company policies. Bids are evaluated on a fully allocated cost basis giving appropriate consideration to purchase cost, operating and maintenance cost, schedule, reliability and quality. Similar items may be aggregated into one bid package to obtain volume discounts, such as was done for the neural networks, low NO_x burners and overfire air bids.

In those rare instances where purchases must be made from a limited field of suppliers (cases where only one or two suppliers are available) then bids are still obtained and evaluated against alternative design, internal estimates or other reasonable criteria to ensure appropriate value is obtained. Negotiations will also be conducted to secure additional value where possible.

COPY

**OFFICE OF CONSUMER ADVOCATE
DATA REQUEST**

DATE : June 13, 2006

DOCKET No. : EPB-06-156

COMPANY : MidAmerican Energy Company

REFERENCE : MEC's Response to OCA Data Request No. 26; EPC Contract

27. Please state if Kiewit Industrial Company is in whole or in part owned directly or indirectly by Walter Scott, or any member of his family, who are owners of MidAmerican Energy Holdings Company (MEHC), or by any other direct or indirect owner of MEHC or any affiliate.

If so, please provide a complete narrative explanation, and a copy of all documentation, concerning how MidAmerican Energy Company prevented any direct or indirect favoritism in any manner with respect to Kiewit Industrial Company obtaining the EPC.

Response: Mr. Scott owns a small interest in Peter Kiewit Sons', Inc., which is the ultimate corporate parent of Kiewit Industrial Co. and Kiewit Energy Company (the latter is the company that entered into the contract that was furnished as part of the response to Data Request 26). MidAmerican Energy Company does not consider this interest to be a direct or indirect controlling interest as required by various definitions of "affiliate" contained in utility laws regulating affiliated interest transactions. Typically, these provisions require a person to have voting control, directly or indirectly, of a public utility. Control is usually measured in one of two ways. First, it may be measured if an individual holds a director or officer position with both a public utility and another entity. Mr. Scott is not a director or officer of MidAmerican Energy Company. Second, control can be measured by voting stock ownership on the order of a 5 or 10 percent ownership interest. Mr. Scott does not have that level of direct or indirect voting control of Peter Kiewit Sons', Inc. According to the May 1, 2006 proxy statement issued by Peter Kiewit Sons', Inc. (the ultimate corporate parent of Kiewit Industrial Company), Walter Scott holds 6,200 shares of stock out of 18,303,575 shares of common stock of Peter Kiewit Sons', Inc. The stock of Kiewit Sons', Inc. is not publicly traded. It is an employee owned corporation. To the best of MidAmerican's knowledge, no other family members

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of Mr. Scott, nor any other MidAmerican Energy Holdings Company owners own stock in Peter Kiewit Sons', Inc.

Both Kiewit Energy Company and Kiewit Industrial Co. are subsidiaries of Kiewit Energy Ltd., which is owed 99% by KES Inc. and 1% by Kiewit Energy Group Inc. Both KES Inc. and Kiewit Energy Group are subsidiaries of Kiewit Corporation. Kiewit Corporation is a subsidiary of Peter Kiewit Sons', Inc

Even though Kiewit Energy Company is not an affiliated interest, MidAmerican will respond to the second part of the question posed in this data request. In his supplemental direct testimony filed in Docket No. EPB-05-156 on November 18, 2005, at lines 17-68, witness Kevin Dodson described the thorough bid evaluation process undertaken by MidAmerican in order to secure a cost-effective bid for the Louisa scrubber and baghouse. MidAmerican's response to Data Request 28 furnished on the same date as this response also provided information on MidAmerican's evaluation of the competitive bids. In addition, the bidding and evaluation processes were conducted in compliance with MidAmerican's Procurement Policy, which is a requirement of the Settlement Agreements entered into between OCA and MidAmerican Energy Company in Docket Nos. EPB-04-156 and EPB-05-156 and approved by the Board.

As a further update to the supplemental direct testimony filed on November 18, 2005, MidAmerican offers the following information.

Follow-up meetings were held with LEPP and B&W to discuss options to lower the project's capital cost without sacrificing performance or plant reliability. The revised bids based on these discussions and revised scope, were as follows:

LEPP - \$132.6 million, a reduction of \$22.7 million from initial bid and scope
B&W - \$141.9 million, a reduction of \$14.8 million from initial bid and scope

After reflecting the significant reduction in capital costs from the initial bids, the proposals had attractive IRR values and positive net present values from shareholder and customer perspectives compared to purchasing emission allowances. A summary of the results is outlined below.

	<u>IRR</u>	<u>NPV</u>	<u>PV Customer</u>
LEPP	18.1%	\$48.0 million	\$199.9 million
B&W	17.5%	\$44.4 million	\$190.9 million

In addition to LEPP's price advantage noted above, LEPP's technical offer provided the most attractive economics, and their starting commercial terms were also superior to those from B&W. As a result, EPC contract negotiations were conducted with LEPP and the agreement was executed on December 30, 2005. A copy of the LEPP contract was submitted in response to OCA Data Request No. 26.

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Prepared by: Dean Crist & Suzan Stewart

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OFFICE OF CONSUMER ADVOCATE
DATA REQUEST

DATE : June 22, 2006
DOCKET No. : EPB-06-156
COMPANY : MidAmerican Energy Company
REFERENCE : MEC's Response to OCA Data Request No. 27

31. It is stated on page 1 in part:

Typically, these provisions require a person to have voting control, directly or indirectly, of a public utility. Control is usually measured in one of two ways. First, it may be measured if an individual holds a director or officer position with both a public utility and another entity. Mr. Scott is not a director or officer of MidAmerican Energy Company. Second, control can be measured by voting stock ownership on the order of a 5 or 10 percent ownership interest. Mr. Scott does not have that level of direct or indirect voting control of Peter Kiewit Son's, Inc.

- A. Please state whether MidAmerican Energy Company is a wholly owned subsidiary of MidAmerican Energy Holdings Company.
- B. Please state the total number of shares of common stock owned by Mr. Scott or his relatives of MidAmerican Energy Holding Company, the total number of shares of common stock outstanding of MidAmerican Energy Holdings Company, and the percentage ownership interest by Mr. Scott or his relatives of MidAmerican Energy Holdings Company.
- C. Please state if Mr. Scott or his relatives are a director or officer of MidAmerican Energy Holdings Company or any affiliate.

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OFFICE OF CONSUMER ADVOCATE

DATA REQUEST

No. 31 Continued

- D. Please state if Mr. Scott or his relatives have the right or are entitled by custom or practice to select one or more directors or officers of MidAmerican Energy Holdings Company or any affiliate.
- E. Please state if Mr. Scott or his relatives are a director or officer of Peter Kiewit Son's, Inc. or any affiliate.
- F. Please state if Mr. Scott or his relatives have the right or are entitled by custom or practice to select one or more directors or officers of Kiewit Son's, Inc. or any affiliate.

Response:

- A. MidAmerican Energy Company is an indirect wholly-owned subsidiary of MidAmerican Energy Holdings Company.
- B. All of the shares of common equity of MidAmerican Energy Holdings Company are privately held by a limited group of investors. As of May 1, 2006, 74,164,001 shares of common stock were outstanding. Mr. Scott and/or his relatives own 8,172,000 shares which percentage of ownership is approximately 11.02%.
- C. Mr. Scott is a director of MidAmerican Energy Holdings Company. Mr. Scott is also a director of MidAmerican Energy Holdings Company affiliate Berkshire Hathaway Inc. MidAmerican Energy Holdings Company has no knowledge that any person or persons related to Mr. Scott hold positions as officers or directors of MidAmerican Energy Holdings Company or its direct or indirect wholly-owned or partially-owned subsidiaries.
- D. Mr. Scott or his relatives have no right to select directors or officers of MEHC or any affiliate.
- E. Mr. Scott is a director of Peter Kiewit and Son's, Inc. MidAmerican Energy Company does not know whether Mr. Scott serves as a director or officer of any affiliate of Peter Kiewit and Son's, Inc. Regarding Mr. Scott's officer and director positions, the Peter Kiewit and Son's proxy states: "Mr. Scott has been the Chairman of the Board of Level 3 Communications, Inc. for more than the last five years. Mr. Scott has been a director and Chairman Emeritus of the Company

since August 1997. Mr. Scott is currently also a director of Berkshire Hathaway Inc., Burlington Resources Inc., MidAmerican Energy Holdings Company, Commonwealth Telephone Enterprises, Inc., Valmont Industries, Inc. and Level 3 Communications, Inc.”

- F. MidAmerican Energy Company does not have any knowledge of the customs and practices of Peter Kiewit and Son's, Inc.