

April 14, 2016

IOWA UTILITIES BOARD

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

IN RE:

**APPLICATION OF MIDAMERICAN
ENERGY COMPANY FOR A
DETERMINATION OF
RATEMAKING PRINCIPLES**

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DOCKET NO. RPU-2016- 0001

REQUEST FOR APPROVAL OF RATEMAKING PRINCIPLES

COMES NOW MidAmerican Energy Company (“MidAmerican” or “Company”) and, pursuant to Iowa Code §476.53 (2015), files this Application for a Determination of Ratemaking Principles (“Ratemaking Principles Application”) to request that the Iowa Utilities Board (“Board”) specify in advance the ratemaking principles that will apply to MidAmerican’s proposed Wind XI Project (“Wind XI” or “Project”). MidAmerican requests that the Board approve ratemaking principles for up to 2,000 MW of additional wind generation to add to MidAmerican’s current fleet of wind generation. This Project will be a critical step in achieving MidAmerican’s vision of serving 100% of its customers’ annual energy needs with renewable energy. With prompt approval of these ratemaking principles, MidAmerican will be able to take advantage of the full federal production tax credit (“PTC”), which will phase out from the 100% level at the end of this year. Capturing the full PTC, along with other ratemaking principles proposed here, will enable the development of this \$3.58 billion Project without the need to request a price increase.

As is further set forth below and in the accompanying testimony of six MidAmerican witnesses, Wind XI fulfills the statutory requirements of Iowa Code §476.53 (2015), is consistent

with the proposed Chapter 41 of the Board's rules¹, and will advance Iowa's economic development and solidify the state as a renewable energy leader.

MidAmerican's Vision. This Wind XI Ratemaking Principles Application is part of MidAmerican's vision to serve 100% of our customers' annual energy needs with renewable generation. Since 2004, MidAmerican developed (or is in the process of constructing) over 4,000 MW of wind generation in Iowa. By the end of 2017, MidAmerican expects to serve approximately 58% of its customers' annual energy needs with this renewable generation. MidAmerican's 100% vision is good for the environment, it is consistent with the current policy direction, is consistent with MidAmerican's customers' demands and will be a major addition to the Iowa economy.

MidAmerican's vision is a proactive response to a changing energy policy and customer landscape that is challenging the energy industry to deliver increasing amounts of emission-free renewable generation. This policy direction is seen at the international, national and state levels. At the international level, later this month nations will begin to formalize commitments made at the 2015 United Nations Climate Change Conference ("COP21") to reduce greenhouse gas emissions worldwide. MidAmerican's parent company, Berkshire Hathaway Energy Company, was one of a select few companies that signed a pledge leading up to COP21 to significantly reduce greenhouse gas emissions.

At the national and state levels, despite the recent stay of the Clean Power Plan by the United States Supreme Court, regulations and limitations on greenhouse gas emissions continue to be developed. While the legal challenges continue, the Board and the Iowa Department of

¹ In Re: Ratemaking Principles Proceeding, Docket No. RMU-01-11, Order Commencing Rule Making, 2001 Iowa PUC LEXIS 462 (September 14, 2001). Ultimately, the Board rejected the proposed rules in its "Order Terminating Rulemaking," 2002 Iowa PUC LEXIS 214 (May 24, 2002)

Natural Resources continue their collaborative process to analyze carbon dioxide reduction strategies. It is highly likely that the United States Environmental Protection Agency (“EPA”) will continue to develop policies to reduce greenhouse gasses to comply with earlier cases and findings that greenhouse gases must be regulated because they are “reasonably anticipated to endanger public health or welfare.”² MidAmerican’s vision to serve 100% of its customers’ needs with renewable energy is guided, in part, with the need to comply with future policies to limit greenhouse gas emissions. MidAmerican’s 100% vision will place MidAmerican and Iowa in a leadership position on this critical issue.

This vision is also consistent with Iowa’s policy direction. Iowa Code § 476.41 identifies state policy as encouraging the development of alternative energy production. Iowa was the first state in the nation to adopt a renewable energy standard in 1983 and this leadership continues with Governor Branstad’s recent participation in the Governors’ Accord for a New Energy Future. This Accord is designed to encourage renewable energy development, diversify energy resources, reduce dependence on foreign energy sources, and support the growth of American business in a manner that is beneficial to customers. MidAmerican’s 100% vision is consistent with this policy direction.

MidAmerican’s 100% vision is a continuation of the Company’s commitment to renewable energy that started in 2004. Since installing its first wind project, MidAmerican became a proven leader in the development of wind generation. The Board previously approved advance ratemaking principles for over 4,000 MW of MidAmerican wind projects currently in service or under construction (i.e., the Wind I through Wind X projects). Wind XI extends

² Massachusetts v. EPA, 549 U.S. 497, 528 (2007).

MidAmerican's past successes and advances a critical step in the vision.³ With the installation of Wind XI's 2,000 MW, MidAmerican's projections show that it will be able to serve approximately 85% of its customers' annual energy needs with renewable energy. This trend of serving more of our customer needs with renewable generation is desired by customers, particularly those who have long-term sustainability goals. In fact, many sustainability-minded companies moved some of their operations to Iowa, in part driven by the availability of renewable resources. MidAmerican's 100% vision is an opportunity to continue this important economic development that meets customer desires. MidAmerican's long-term vision is further described in the testimony of MidAmerican witness Bill Fehrman.

Expedited Review and Ruling Requested. MidAmerican requests the Board expedite the review of this Ratemaking Principles Application and asks that the Board approve the ratemaking principles no later than September 21, 2016. This expedited review period is consistent with the review period for earlier ratemaking principles cases. As in prior wind cases, expedited review here will enable MidAmerican to capture the full benefits of the PTC that are necessary for the economics of the Project to work. Unlike prior wind cases, the PTC is phasing out and it is unlikely that it will be extended. To take advantage of this significant benefit, fast action is needed.

To obtain PTCs at their full 100% value, MidAmerican must begin construction prior to January 1, 2017 and thereafter make continuous efforts to advance towards completion of the facility. Pursuant to Internal Revenue Service ("IRS") guidance, to establish that construction has begun, MidAmerican must either start physical work of a significant nature or meet the "safe

³ MidAmerican's 100% vision also includes solar energy and energy storage installations. On March 28, 2016, MidAmerican filed a preliminary concept for the development of up to 35 MW of solar generation and battery storage. MidAmerican will continue to collaborate with interested parties on this proposal, with the goal of filing for advance ratemaking principles for solar and storage later this year.

harbor” requirements. Starting physical work of a significant nature is not practical in light of the need to first obtain approval of these ratemaking principles. Alternatively, to satisfy the “safe harbor” requirements, MidAmerican must pay for and take delivery of equipment exceeding 5% or more of the total final cost of the Project prior to the end of 2016. Board approval by September 21, 2016 will allow MidAmerican to review the Board’s Order prior to the time when MidAmerican must either “opt in” or “opt out” of a turbine supply agreement without incurring very substantial payments. Such approval would also provide the time needed to purchase and take delivery of the equipment necessary to establish that MidAmerican has begun construction of Wind XI.

MidAmerican has worked diligently to review its options and take action to capture the full value of the PTC. This includes work to negotiate turbine supply and other agreements, as well as conducting analyses and planning for the development of Wind XI.

The Board is familiar with the timing issues associated with past PTC extensions and this situation is similar. In this instance, however, the timing is even more critical because, as noted above, Wind XI is likely the last opportunity to take full advantage of the federal PTC, which will phase out over the next five years. As discussed in the testimony of MidAmerican’s witnesses, MidAmerican projects that, under various scenarios, Wind XI can be added with no price impact to customers. However, under no scenario can this be accomplished without the full PTC benefit. If this limited opportunity is missed, this significant step towards MidAmerican’s 100% vision will be lost, customers will lose the benefits of the Project, and the state will forego the significant economic benefits. The time is now for this Project.

The timing issues associated with this Project are further addressed in the testimony of MidAmerican witness Mike Fehr. As it has in the past, MidAmerican commits to providing any additional information that will aid in the Board's review during this five-month review period.

Benefits for Iowa. Wind XI will be a significant step toward MidAmerican's 100% vision. Wind XI will also be a historic project for the state of Iowa. At 2,000 MW, Wind XI will be MidAmerican's largest wind project, nearly twice the size of MidAmerican's Wind VIII project (1050 MW). When added to the wind projects currently in operation or under construction, MidAmerican will have approximately 6,050 MW of wind generation in Iowa, representing over \$10 billion of investment in the Iowa economy.

With a capital investment of \$3.58 billion, Wind XI will also be the largest economic development project in state history. Wind XI is projected to bring the following benefits to the state of Iowa:

- \$500 million of increased tax base for communities that host wind turbine sites – which are mostly rural communities – over the life of the project (\$12.5 million annually);
- \$720 million of easement lease payments for landowners that host wind turbine sites over the life of the project (\$18 million annually);
- \$160 million of labor costs associated with construction of the Project, with \$360 million in non-labor state and local expenditures;
- Additional permanent positions (and associated local spending) totaling approximately \$48 million annually;
- An economic development asset for Iowa that will help attract expansion and new businesses that are seeking out ways to use more renewable energy; and
- Additional wind generation that will position MidAmerican and the state of Iowa for compliance with future emissions regulations, and maintain Iowa's position as a leader on renewable generation.

Provided MidAmerican can take advantage of the full PTC, these benefits will be a reality. The economic benefits are addressed in the testimony of MidAmerican witnesses Fehrman and Fehr.

In support of this request for approval of ratemaking principles MidAmerican states:

1. Summary. In this Ratemaking Principles Application, MidAmerican seeks the Board's approval of ratemaking principles that are similar to those previously approved by the Board in one or more of MidAmerican's ten prior wind power projects (collectively, these projects will hereafter be referenced as "Wind Power Projects"). Having successfully developed, constructed and operated the Wind Power Projects, MidAmerican now seeks to build upon its successes through the development of additional wind generation in Iowa consistent with MidAmerican's efforts to meet customer needs, including without limitation: the need to comply with federal and state environmental policies (current and projected), customer pricing needs, fuel diversity needs, Iowa economic development needs, the need to comply with Iowa energy policy, and the need to meet customer requirements for capacity and energy supply. The testimony of MidAmerican witnesses Fehrman, Fehr and Hammer discuss these needs and how Wind XI addresses them.

2. Certificate of Public Convenience and Necessity. On June 6, 2003, pursuant to 199 Iowa Administrative Code Chapter 4, the Board issued its Declaratory Order in Docket No. DRU-03-3, holding that MidAmerican was not required under Iowa Code §476A.1 and §476A.2 to obtain a generating certificate prior to commencing construction of the original Wind Power Project.⁴ MidAmerican believes that all the relevant facts and law with respect to the Wind XI Project are indistinguishable from those on which the declaratory order in Docket No. DRU-03-3

⁴ In Re: MidAmerican Energy Company, Docket No. DRU-03-3, Declaratory Order (June 6, 2003).

was based.⁵ Like the Wind Power Projects, Wind XI will be built in accordance with a design that results in no single collector or gathering line being connected to 25 MW, or more, of nameplate generating capacity. Therefore, it is reasonable to rely upon the declaratory ruling issued in Docket No. DRU-03-3 with respect to Wind XI.⁶

3. Required Board Findings. In Iowa Code §476.53(3)(c) (2015), the Board is charged with making two findings that are prerequisites to determining the appropriate ratemaking principles applicable to a given generating facility: (1) that the utility has in effect a Board-approved energy efficiency plan as required under Iowa Code §476.6 (19) (2015); and, (2) that the utility has considered other sources for long-term electric supply and determined that the proposed facility is reasonable when compared to the other feasible alternative sources of supply. The testimonies of MidAmerican witnesses Fehrman, Fehr and Hammer support these findings.

4. Energy Efficiency Plan. The testimony of MidAmerican witness Fehrman demonstrates that MidAmerican has in effect a Board-approved Energy Efficiency Plan (“Plan”) as required by Iowa Code §476.6 (19) (2015). MidAmerican currently has in effect a 5-year Plan (2014-2018) approved by the Board on December 16, 2013, in Docket No. EEP-2012-0002, with subsequent Board acceptance of compliance filings (i.e., Plan changes per a settlement agreement with other parties and an updated benefit-cost study) on June 10, 2014. The current Plan is now in its third year of implementation.

5. Alternatives for Long-Term Electric Supply. The testimonies of MidAmerican witnesses Hammer and Fehr demonstrate that MidAmerican has undertaken commitments for: (a) a 540 MW gas-fired combined cycle combustion turbine generating facility (“the Greater Des

⁵ Id.

⁶ Because no Certificate of Public Convenience and Necessity is required for the Wind XI Iowa Project, Iowa Code §476.53(4)(a) (2015) is inapplicable.

Moines Energy Center” or “GDMEC”); (b) a new 790 MW coal-fired generating facility (“Walter Scott, Jr. Energy Center Unit 4” or “WSEC-4”); and (c) the Wind Power Projects. MidAmerican proposes to expand its wind generation by up to 2,000 MW. MidAmerican witnesses Fehrman, Fehr, Specketer and Hammer testify that Wind XI will benefit customers across a wide range of fronts, including the following:

- Environmental compliance: Increasing MidAmerican’s fleet of wind generation will assist in compliance with expected environmental regulations regarding carbon and other emissions and effluents;
- Customer pricing: Providing revenue streams and avoided costs will defer the need for future rate cases and reduce expected revenue deficiencies;
- Fuel price risk: Reducing dependence on fossil fuels and insulating customers from more volatile fuel-cost sources of energy and potential fuel transportation cost changes;
- Economic development: Promoting economic development in Iowa with the largest economic development project in the state and accompanying construction and permanent jobs;
- Iowa energy policy: Maintaining and supporting Iowa’s role as a renewable energy leader;
- Energy: Increasing the supply of low cost energy to customers; and
- Capacity: Increasing MidAmerican’s generating capacity.

The testimonies of the MidAmerican witnesses confirm that Wind XI will be a new source of energy production that is environmentally beneficial and will offer system benefits consistent with Iowa policy regarding renewable generation. Under a variety of reasonable assumptions and with the rate mitigation proposal identified in the testimony of MidAmerican witness Specketer, MidAmerican projects that Wind XI can be completed without a price impact on MidAmerican customers. Two of the three electricity market price projections used in MidAmerican’s economic analyses result in the conclusion that Wind XI can be placed in service

with no net cost to customers. A third market price projection shows a slight cost increase to customers. As MidAmerican witness Fehrman testifies, MidAmerican expects to be able to manage costs in order to achieve its goal of providing Wind XI without the need to increase customer prices as a result of the Project.

MidAmerican witness Hammer's testimony shows that Wind XI compares favorably to other long-term options for meeting customer needs. Mr. Hammer uses a nine-factor analysis (i.e., cost, cost robustness, environmental reasonableness, system reliability, economic development, geo-political uncertainty, flexibility/optionality, diversity, and resource availability/stability) to reach this conclusion. Mr. Hammer's testimony further demonstrates that Wind XI is a reasonable option for long-term electric supply when compared to the other feasible alternative sources of supply.

MidAmerican witness Fehr's testimony shows that the cost cap for Wind XI will be reasonable when compared with the cost cap approved for MidAmerican's other recent wind projects. MidAmerican witness Specketer's testimony shows that the projected costs and revenues of Wind XI are expected to yield a net benefit to MidAmerican's retail customers over the life of the Project due to the availability of additional, Project-related revenue streams (e.g., the PTC) and MidAmerican's proposed mitigation measures. MidAmerican's ownership of Wind XI will permit MidAmerican to receive the full benefit of the PTC, the resulting renewable energy credits, as well as other benefits, thus allowing MidAmerican to pass on the benefit of these supplemental revenue streams and avoided costs to customers.

MidAmerican's testimony shows that the Company has considered other sources for long-term electric supply and determined that the proposed Wind XI Project is reasonable when compared to the other feasible alternative sources of supply and, therefore, the Project satisfies

the requirement of Iowa Code §476.53(3)(c) (2015).

6. MidAmerican's Testimony. MidAmerican witnesses Fehrman, Fehr, Specketer, Vander Weide, Hammer, and Gust offer testimony and sponsor exhibits supporting MidAmerican's analysis of the Wind XI project. These witnesses testify as follows:

- Fehrman: Case overview, policy information, environmental considerations, and energy efficiency plan.
- Fehr: Timing considerations, economic development benefits, MidAmerican's history of wind construction and operations, various site, construction, and operating considerations, and ratemaking principles regarding size cap, cost cap, and depreciable life.
- Specketer: Ratemaking principles addressing Iowa jurisdictional cost allocation, cancellation cost recovery, renewable energy and CO₂ credits, federal production tax credit and the customer revenue credit. Economic analysis, including customer impacts and how the Project offers a balanced outcome and various rate mitigation measures MidAmerican proposes to undertake.
- VanderWeide: Return on equity and allowance for funds used during construction ("AFUDC") ratemaking principle.
- Hammer: How Wind XI fulfills multiple needs, its operational projections, its impact on supply reliability, fuel diversity and use of non-traditional supply sources in Iowa. MidAmerican's consideration of other renewable supply options in comparison to Wind XI, and a comparison of conventional generation resources to Wind XI.
- Gust: The estimated cost of transmission upgrades associated with the Project and the process MidAmerican will follow to ensure that Wind XI sites do not degrade the adequacy, reliability or operating flexibility of the existing transmission system from a local and regional perspective.

7. System Reliability and Security. As the testimony of MidAmerican witness Hammer demonstrates, Wind XI will provide new sources of energy while reducing customer exposure to volatile fuel prices associated with fossil fuels. Moreover, the testimony of MidAmerican witness Gust demonstrates that Wind XI will be constructed and operated in a manner that is in accordance with the Midcontinent Independent Transmission System Operator, Inc.'s ("MISO")

requirements, which will ensure that the interconnection of the Wind XI facilities to the transmission system will not degrade the adequacy, reliability or operating flexibility of the existing transmission system from a regional or a local perspective.

8. Economic Development. The construction, maintenance and operation of Wind XI will contribute to the economic development of the State of Iowa in a manner similar to the prior Wind Power Projects and will do so in a way that is consistent with the land use and environmental policies of this state. This is established in the testimony of MidAmerican witness Fehr. Wind XI will provide construction jobs similar to those created during construction of the prior Wind Power Projects, and the Project will generate significant local expenditures during construction, benefitting the economies of the communities located near each Project site.

9. Reasonable Cost. The testimony of MidAmerican witness Fehr demonstrates the reasonableness of MidAmerican's projected cost caps for Wind XI. MidAmerican witness Specketer has performed an economic analysis of Wind XI, taking into account both the projected benefits and costs of Wind XI, and MidAmerican's rate mitigation proposal. The rate mitigation proposal consists of MidAmerican's proposed rate base reductions for coal and nuclear generation assets. Mr. Specketer's rate base reduction proposal is based upon modifying the revenue-sharing calculation approved by the Board in MidAmerican's 2013 rate case (Docket No. RPU-2013-0004) in two ways: 1) by lowering the revenue-sharing threshold to equal the weighted average cost of common equity calculated annually; and 2) by reducing the rate base for non-wind assets each year by an amount equal to 100% of the Iowa jurisdictional annual electric operating income above that required to achieve the weighted average cost of common equity to customers. Customers will receive the benefit of a lower rate base in the next rate case

and there will be no change in rates from the Wind XI investment and costs until the next rate case.

Mr. Specketer's overall analysis shows that Wind XI is projected to bring significant customer benefits and, under various scenarios, will bring those benefits without the need to increase customers' prices as a result of the Project. Put another way, under the proposed ratemaking principles, the revenues and avoided costs directly or indirectly associated with Wind XI are projected to be sufficient to pay the costs of constructing, placing into service, and operating Wind XI.

10. Environmentally Sound. Wind XI will be environmentally sound. As Mr. Fehrman's testimony demonstrates, Wind XI will be beneficial for future environmental regulations, including for carbon emissions compliance purposes. Because each wind turbine and its associated access road will occupy, on average, only one-half of an acre, a rather small amount of agricultural land, will be taken out of production for Wind XI. Mr. Fehrman also testifies that MidAmerican will secure all necessary environmental permits needed for Wind XI, as it has in the past for the prior Wind Power Projects.

11. Ratemaking Principles. Having demonstrated that Wind XI is reasonable when compared to other generation alternatives and that MidAmerican has a Board-approved Energy Efficiency Plan in effect, MidAmerican submits that it qualifies for a Board determination of the ratemaking principles that will apply to Wind XI once its costs are included in regulated electric rates. The ten ratemaking principles identified below are supported in the testimony of MidAmerican witnesses Fehr, Specketer and Vander Weide, at the locations specified in the Cross Index.

- Iowa Jurisdictional Allocation: Wind XI will be allocated to Iowa in the same manner as the Greater Des Moines Energy Center, Walter Scott Jr. Energy Center

Unit No. 4, and prior Wind Power Projects (i.e., Wind I through Wind X).
[Specketer]

- **Cost Cap:** A cost cap of \$1.792 million per MW (including AFUDC) on a Project-wide basis. In the event that actual capital costs are lower than the projected capital costs, rate base shall consist of actual costs. In the event actual capital costs exceed the cost cap, MidAmerican shall be required to establish the prudence and reasonableness of such excess before it can be included in rates.
[Fehr/Specketer]
- **Size Cap:** The ratemaking principles shall be applicable to all new MidAmerican wind generation up to 2,000 MW at a variety of sites (exact locations to be determined). **[Fehr]**
- **Depreciable Life:** The depreciation life of the Wind XI project for ratemaking purposes shall be 40 years. MidAmerican shall be able to revise the depreciable life in the event an independent depreciation expert provides support for a different useful life. MidAmerican may also modify the depreciable lives of other wind assets in the future to minimize the rate impacts to customers.**[Fehr]**
- **Return on Equity:** The allowed return on the common equity portion of Wind XI, constructed pursuant to this Ratemaking Principles Application and that is included in Iowa electric rate base, shall be 11.5%. An AFUDC rate that recognizes a return on common equity rate of 10.0% shall be applied to construction work in progress. **[Vander Weide]**
- **Cancellation Costs:** In the event MidAmerican cancels any Wind XI Project site for good cause, MidAmerican's prudently incurred and unreimbursed costs shall be amortized over a period of ten years beginning no later than six months after the cancellation. The annual amortization shall be recorded above-the-line and included in MidAmerican's revenue sharing or revenue requirement calculations, but the unamortized balance shall not be included in rate base in any such calculations. **[Specketer]**
- **Environmental Benefits, CO₂ Credits and the Like:** The Iowa portion of any revenues from the sale of renewable energy credits, carbon credits or other environmental related benefits associated with Wind XI will be recorded above-the-line in FERC accounts 456, 411.8 and 411.9, or any successor accounts for the recording of such revenues. However, the Iowa jurisdictional portion of any revenues from the sale of renewable energy credits, carbon credits or other environmental related benefits associated with Wind XI will be excluded from the Iowa Energy Adjustment Clause (“EAC”) until the investment and all other costs and benefits of Wind XI are included in base rates or the EAC in a future proceeding. For subsequent rate cases, MidAmerican proposes that the Iowa jurisdictional portion of the investment and all other costs and benefits of the

Wind XI project shall be included in base rates, and the Iowa jurisdictional portion of any revenues from the sale of renewable energy credits, carbon credits or other environmental related benefits associated with Wind XI shall be included in the EAC. **[Specketer]**

- **Federal Production Tax Credits:** The Iowa jurisdictional portion of any federal production tax credits associated with Wind XI will be recorded above-the-line in FERC account 409.1, or any successor account for recording such credits. However, the Iowa jurisdictional portion of any federal production tax credits associated with Wind XI will be excluded from the Iowa Energy Adjustment Clause (“EAC”) approved in MidAmerican’s 2013 Rate Case. For subsequent rate proceedings, the Iowa jurisdictional portion of the investment and all other costs and benefits of the Wind XI project shall be included in base rates, and the Iowa jurisdictional portion of any federal production tax credits associated with Wind XI shall be included in the EAC. However, if the Wind XI project has not been included in base rates prior to the time when federal production tax credits on Wind XI expire and the Company’s return on equity on Iowa jurisdictional rate base falls below 10%, an amount equal to the pre-tax level of federal production tax credits allocated to Iowa will be included in the EAC to the extent necessary to achieve a 10% return on equity on Iowa jurisdictional rate base. **[Specketer]**
- **Rate Mitigation:** The revenue-sharing calculation approved by the Board in Docket No. RPU-2013-0004 shall be modified as follows: The threshold for revenue sharing shall be the weighted average cost of common equity. The weighted average cost of common equity shall be calculated annually based on the equity returns approved by the Board for all ratemaking principles assets and all other rate base assets. The equity return for all other rate base assets shall be based on 30-year single-A utility bond yields plus 400 basis points, with a minimum return of 9.5%. To the extent that Iowa jurisdictional electric operating income exceeds the threshold, 100% of the excess shall be credited to customers. The methodology used to calculate revenue sharing will be as approved by the Board in Docket No. RPU-03-01. Any revenue-sharing proceeds for the customers’ benefit shall be used to reduce the investment in Walter Scott, Jr. Energy Center Unit 4, then other coal and nuclear generation assets in the following order: (1) Ottumwa Generating Station, (2) Louisa Generating Station, (3) Neal Energy Center 4; (4) Neal Energy Center 3; (5) Walter Scott Energy Center 3; and (6) Quad Cities Nuclear Power Station. Iowa jurisdictional electric operating income above that required to achieve the weighted average cost of common equity shall benefit customers 100% as described above. This ratemaking principle shall remain in effect until either: 1) the Wind XI assets are reflected in rates in a future MidAmerican Iowa electric rate case; or 2) Wind XI federal production tax credits expire. In the event Wind XI federal production tax credits expire, the revenue-sharing methodology shall revert back to the methodology approved by the Board in Docket No. RPU-2013-0004. **[Specketer]**

- Iowa Retail Energy Benefits. The following ratemaking treatment for Wind XI shall remain in effect until the assets are reflected in rates in MidAmerican's next Iowa electric rate case. Each month, 100% of the Iowa retail energy benefits from Wind XI production shall be excluded from the EAC approved in MidAmerican's 2013 Rate Case. However, the Iowa retail energy benefits from Wind XI production shall be included in the calculation of any revenue sharing for the year. **[Specketer]**

12. Conclusion. MidAmerican's long-term vision is to serve 100% of our customers' annual energy needs with renewable generation. This is a proactive approach to environmental compliance and customer demand. Wind XI is a significant step towards that vision, which can be accomplished without the need to increase customers' prices. The evidence demonstrates the reasonableness of the proposed ten ratemaking principles to govern MidAmerican's recovery of its costs for Wind XI over the lives of the respective facilities. Wind XI is reasonable because it: (1) provides additional economic energy and will not degrade the adequacy, reliability or operating flexibility of the existing transmission system from a regional or a local perspective; (2) is consistent with the policy objectives of Iowa Code §476.53 (2015); (3) represents an additional step of obtaining renewable generation consistent with state law encouraging such generation in Iowa; (4) under various scenarios, and with the rate mitigation principles applied, is projected to be constructed and operated with no price impact on customers due to MidAmerican's ability to generate supplemental revenue streams and realize avoided costs from Wind XI; (5) is environmentally sound; (6) provides added generating capacity to MidAmerican's portfolio; and (7) provides substantial benefits to Iowa's economy.

This is a limited time opportunity. As stated above, MidAmerican is currently proceeding with negotiations of certain contractual agreements in order to be in a position to take advantage of the current economic opportunities and tax benefits. Along with these opportunities, however, there are significant payments required of MidAmerican relating to turbine supply and wind farm

acquisitions. MidAmerican will assume the risk of some of the necessary payments and must make very significant decisions before mid-October. To provide an opportunity for a necessary review of the outcome in this proceeding before this date, MidAmerican requests that the Board act on this application at its earliest convenience and no later than September 21, 2016. In the event the Board determines additional information is necessary, MidAmerican requests that the Board convene a technical conference or hearing as soon as possible after the Board docketed MidAmerican's Ratemaking Principles Application to facilitate this information exchange.

WHEREFORE, MidAmerican requests the Board grant on an expedited basis this Ratemaking Principles Application pertaining to Wind XI, and approve the ratemaking principles proposed by MidAmerican.

Dated this 14th day April, 2016.

Respectfully submitted,

MIDAMERICAN ENERGY COMPANY

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