

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

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. RPU-2018-0003 POST-HEARING BRIEF
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The Iowa Business Energy Coalition (“IBEC”) supports the Stipulation and Agreement (the “Agreement”) filed on September 14, 2018 with the support of MidAmerican Energy Company (“MidAmerican”), the Office of Consumer Advocate (“OCA”), Facebook, Inc. and Google LLC (the “Tech Customers”) and IBEC. The record in this case, including written testimony and live testimony from the October 12 hearing, provides substantial evidence for the Iowa Utilities Board (the “Board”) to adopt the Agreement without modification. The objections of the Environmental Law and Policy Center and Iowa Environmental Council’s (“Environmental Intervenors”) and Sierra Club, on the contrary, are not supported by the evidence and should be rejected.

The Environmental Intervenors and Sierra Club have tried to make this proceeding a referendum on MidAmerican’s thermal assets. [See MidAmerican Response to the Sierra Club’s Motion to Compel.] In doing so, they have strayed significantly from the ratemaking principles at issue here. Instead of addressing each and every point from the hearing, IBEC will take this opportunity to respond to an issue raised by Sierra Club and highlighted by the Board’s questions: whether the rate base assets that currently appear in the Rate Mitigation and Iowa

Retail Energy Benefits portion of the Agreement should be reordered. The evidence makes clear they should not.

Sierra Club proposed to change the Rate Mitigation section of the Agreement by reordering how the revenue sharing proceeds will be applied to rate base assets. [See Exhibit SC-01 to Sierra Club’s Comments on Joint Stipulation and Agreement.] Similarly, in the Iowa Retail Energy Benefits portion of the Settlement Agreement, Sierra Club proposed to reorder how additional revenue sharing in excess of the undepreciated cost would be used to reduce rate base. [See *id.*]

Sierra Club’s proposed reordering would not tangibly benefit ratepayers or the environment. At the October 12 hearing, MidAmerican CEO Adam Wright made clear that “[r]eordering doesn’t mean retiring [coal units].” [Hearing Transcript (“Tr.”) 61:2-4.] MidAmerican CFO Thomas Specketer similarly stated that MidAmerican takes many factors into consideration in deciding whether to retire coal units. [Tr. 98:9 – 99:1.]

Nevertheless, the Sierra Club insists that reordering rate base assets would give MidAmerican more “flexibility” so that it could *potentially* retire its coal facilities earlier. That conclusion is belied by the testimony at hearing. Specketer testified that a reordering would “decrease flexibility.” [Tr. 98:2-6.] MidAmerican witness Neil Hammer testified that he would make “no conclusion” that a reordering would advance the retirement date of any coal facilities. [Tr. 151:13-18.] IBEC witness Maurice Brubaker testified that reordering is not relevant to the issue of whether to retire assets earlier. [Tr. 161:12-21.] The Sierra Club’s claim that reordering would increase flexibility and thus allow for the early retirement of certain assets is contrary to the evidence in this case.

Reordering's benefits are illusory, but its detriments are palpable. Specketer testified that reordering would reduce revenue sharing: "I do know that *changing the ordering lowers revenue sharing*, which in my mind would decrease flexibility because that would basically imply that rate base is going to be higher under the reordering than without the reordering." [Tr. 98:2-6 (emphasis added).] OCA witness Brian Turner testified that the order of assets that currently appears in the Agreement "is more economically beneficial to ratepayers" than the reordering proposed by the Sierra Club. [Tr. 164:7-12.] Brubaker noted that the Agreement first reduces the value of the asset that has the highest return requirement, and as a result, revenue sharing is increased, and there is more money to write down asset values. [Tr. 161:12-21.] In other words, the Rate Mitigation and Iowa Retail Energy Benefits as currently ordered maximize the benefits that ratepayers will receive. A reordering would reduce ratepayer benefits.

In sum, IBEC supports the Agreement filed with the Board on September 14, 2018. The Sierra Club and Environmental Intervenors have not provided a legitimate basis for modifying the Agreement. Accordingly, IBEC respectfully requests that the Board adopt the Agreement filed with the Board on September 14, 2018.

Dated: October 29, 2018

Respectfully submitted,

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