

IOWA UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. RPU-2022-0001
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REHEARING FINAL ORDER AND CONCURRENCE

PROCEDURAL BACKGROUND

On January 19, 2022, MidAmerican Energy Company (MidAmerican) filed with the Utilities Board (Board) an application for a determination of ratemaking principles regarding the company's Wind PRIME project pursuant to Iowa Code § 476.53. MidAmerican's current request for advance ratemaking principles is for up to 2,042 megawatts (MW) of wind generation and 50 MW of solar generation. With MidAmerican's original application, it also filed a request for waiver, which requested a waiver of Board rules 199 Iowa Administrative Code (IAC) 20.9(1) and (2), as they apply to MidAmerican's energy adjustment clause (EAC) and 199 IAC 41.3(1)(c)-(g) to the extent information requested by such rules is not reasonably available and present in MidAmerican's application.

The parties to this docket are: the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice; the Environmental Law and Policy Center, Iowa Environmental Council, and Sierra Club (collectively, Environmental Intervenors); the Iowa Business Energy Coalition (IBEC); Iowa Business for Clean Energy (IA BCE); Iowa Association of Municipal Utilities (IAMU); Interstate Power and Light Company (IPL); and Microsoft Corporation and Google LLC (collectively, Tech Customers), as Meta Platforms, Inc. (formerly Facebook, Inc.) withdrew as a party.

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On April 27, 2023, the Board issued a final order (Final Order) in which it granted ratemaking principles for Wind PRIME. On May 17, 2023, both the Tech Customers and MidAmerican filed separate applications for reconsideration. On June 15, 2023, the Board issued an order granting motions for reconsideration with a dissenting opinion.

On July 14, 2023, the Board issued an order that established the hearing start date as October 10, 2023. On August 9, 2023, MidAmerican filed rehearing direct (supplemental) testimony for witnesses Thomas Specketer and Adam Jablonski. Also on August 9, 2023, MidAmerican, OCA, and the Environmental Intervenors (Settling Parties) filed a joint motion to approve revised stipulation and agreement, which included a revised stipulation and agreement that has 13 proposed ratemaking principles (Settlement Agreement). While there are five parties inclusive in the Settling Parties, only the Tech Customers are objecting to the Settlement Agreement as proposed.

On August 14, 2023, IAMU filed comments on the revised settlement that state it “does not include any terms or principles that are detrimental to the interests of IAMU’s members or to the Joint Owners of MidAmerican’s electric generating units....” IAMU urged the Board to accept the revised settlement. On August 23, 2023, the Tech Customers filed comments on the revised settlement and a request to allow testimony.

On August 29, 2023, MidAmerican filed revised rehearing direct testimony for Mr. Specketer.

OCA and MidAmerican, respectively, filed responses to comments on the revised settlement.

On September 8, 2023, the Tech Customers filed Rehearing Rebuttal Testimony of witness Jeffrey Pollock.

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On September 21, 2023, MidAmerican filed Rehearing Rebuttal Testimony of Mr. Specketer, Mr. Jablonski, and Michael Fehr. OCA filed a statement in lieu of testimony.

The hearing was held as scheduled on October 10, 2023.

CONDITIONS PRECEDENT

Iowa Code § 476.53(3)(a) states that the Board shall specify in advance and in a contested case proceeding the ratemaking principles that will apply when the costs of the electric generating facility are included in rates. Iowa Code § 476.53(3)(b) states the Board is not limited to traditional ratemaking principles or traditional cost recovery mechanisms in determining applicable advance ratemaking principles. Iowa Code § 476.53(3)(c) requires the Board to make two findings prior to considering the proposed advance ratemaking principles.

First, the utility must have in effect a Board-approved energy efficiency plan. Second, the utility must demonstrate that it has considered other sources for long-term electric supply and that the proposed facility is reasonable when compared to other feasible alternative sources of supply. The Board stated in Docket No. RPU-01-9, advance ratemaking decisions have a greater long-term impact than other decisions made by the Board because the advance ratemaking principles approved by the Board cannot be revisited in a general rate case proceeding and will be applicable for the life of the assets. (MidAmerican Energy Company, "Order," Docket No. RPU-01-9, pp. 3-4 (May 29, 2002).) While one of the goals of Iowa Code § 476.53 is to encourage the development of renewable generating facilities, the requested advance ratemaking principles must be balanced with the impact on ratepayers and not be built at any cost. (*Id.*)

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As part of determining applicable advance ratemaking principles, the Board must address MidAmerican's compliance with the statutory requirements in Iowa Code § 476.53(3)(c). In its Final Order, the Board found that MidAmerican met the conditions precedent for Wind PRIME based upon a no net cost analysis.

A. Iowa Code § 476.53(3)(c)(1)

Iowa Code § 476.53(3)(c)(1) requires MidAmerican to have in effect a Board-approved energy efficiency plan required pursuant to Iowa Code § 476.6(15). MidAmerican's Board-approved energy efficiency plan was not a contested issue. MidAmerican provided that its plan was approved February 18, 2019, for years 2019-2023. (*MidAmerican Energy Co., Application for a Determination of Ratemaking Principles*, Docket No. RPU-2022-0001, p. 5 (Jan. 19, 2022); *see also* Docket No. EEP-2018-0002.) MidAmerican's energy efficiency plan for 2024-2028, identified as Docket No. EEP-2022-0156, was filed on February 1, 2023, with a decision filed on October 24, 2023.

Compliance with this statutory requirement was not contested, and this condition has been met.

B. Iowa Code § 476.53(3)(c)(2)

The second finding the Board is required to make is whether MidAmerican has demonstrated that it has considered other sources for long-term electric supply and that the proposed generating facilities are reasonable when compared to other feasible alternative sources of supply. In Docket No. RPU-05-4, the Board stated:

While MidAmerican has not demonstrated an immediate need for the wind facility (or any other generation facility) in the sense that it will be unable to meet customers' demand in 2007-2009 without the facility, the Board does not believe

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a determination of need requires a showing that the lights will go out if the facility is not built.

(*MidAmerican Energy Co., Order Approving Stipulation and Agreement*, Docket No. RPU-05-4, p. 6 (April 18, 2006).) The Board further stated:

In generation planning, the general rule has traditionally been that the longer a utility can avoid building generation, the better off customers are, because new generation costs are deferred. However, general rules often have exceptions. A question posed to MidAmerican was whether the project would be more cost-effective if delayed for two to three years. The economic analysis filed showed it would not be and that, in fact, it might not be feasible for MidAmerican to pursue the project in two or three years, depending on the level of the federal production tax credit at that time.

(*Id.* at 7.)

The Board will discuss each element individually.

1. *Alternative Sources of Supply*

Any comparison of feasible alternative sources of supply must consider the type of generating asset for which advance ratemaking principles are requested and the cost profile and manner in which the utility receives the desired energy and capacity. This requires a quantitative analysis to demonstrate the utility's need if the proposed facilities do not show economic benefits to utility ratepayers. As shown in *NextEra*, customers do have a need for low-cost energy and reasonable prices, and, therefore, need can be shown by significant customer benefits. (See generally *NextEra Energy Resources LLC v. Iowa Util. Bd.*, 815 N.W.2d 30 (Iowa 2012).) The Board previously found that MidAmerican's consideration of alternative sources of supply failed "to demonstrate its reasonableness compared to feasible alternatives under a traditional utility view." (*Final Decision and Order*, p. 48 (April 27, 2023).)

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MidAmerican asserts it did consider other sources for long-term electric supply and that the proposed facilities are reasonable in comparison. (*See generally, Application*, pp. 6-7 (Jan. 19, 2022).) MidAmerican witness Neil Hammer testified that nine planning criteria were used to complete this evaluation: (1) cost; (2) cost robustness; (3) environmental reasonableness; (4) system reliability; (5) economic development; (6) geo-political uncertainty; (7) flexibility/optionality; (8) diversity; and (9) resource availability/stability. (MidAmerican Hammer Direct, pp. 2, 28.) Mr. Hammer testified that wind and solar performed the highest in six out of the nine categories. (MidAmerican Hammer Rebuttal, p. 3.) Mr. Hammer further testified that the proposed generation facilities would help meet customers' needs, including reasonable cost, environmental reasonableness, economic development, addressing geo-political uncertainty, diversity, and resource availability/stability. (MidAmerican Hammer Direct, pp. 7, 29-45.) Mr. Hammer also provided testimony regarding coal, oil, natural gas, nuclear, storage, biomass, and hydroelectric generation sources. (*Id.* at 27-28.) When evaluating renewable generation sources, Mr. Hammer testified that availability, economics, and maturity were considered. (*Id.* at 50-51.) Mr. Hammer reiterated in his later testimony that Wind PRIME was compared to "natural gas-fired generation, coal-fired generation, nuclear-fueled generation, storage of various types (battery, hydrogen, and pumped storage), and renewable generation, including wind and solar, biomass, hydroelectric, and geothermal generation." (MidAmerican Hammer Additional Testimony, p. 2.)

Mr. Hammer then testified that a resource plan is not required because Wind PRIME is not replacing existing generation. Wind PRIME provides accredited capacity benefits as well as significant emissions-free energy benefits. (MidAmerican Hammer

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Rebuttal, p. 2.) Mr. Hammer testified that both wind and solar are reasonable long-term supply options. (*Id.* at 3.) As far as generation diversity, Mr. Hammer testified that “the criticism that MidAmerican has not demonstrated sufficient diversity is based on a narrow MidAmerican-focused view that overlooks the benefits of operating in the [Midcontinent Independent System Operator] MISO market footprint. While there is a significant amount of wind energy in Iowa, broader regional market considerations are a critical frame of reference.” (*Id.* at 9.) Mr. Hammer provided testimony that for winter specifically, wind adds more energy than solar, which helps customers during the home heating season. (*Id.* at 10.)

Mr. Hammer testified that while intervenors discussed the need for resource planning, resource planning is not required under Iowa law. (MidAmerican Hammer Surrebuttal, p. 2.) Mr. Hammer testified that MidAmerican “investigated [power purchase agreements] PPAs in light of the [Inflation Reduction Act of 2022] IRA, and found that Wind PRIME’s cost of energy is quantitatively lower than current and predicted PPA prices following enactment of the IRA.” (*Id.* at 8.) Mr. Hammer interprets the advance ratemaking reasonableness standard to encompass “both cost and qualitative, non-cost factors,” which he testified the nine-factor analysis assesses. (*Id.*) In reviewing Wind PRIME, MidAmerican did not look to exclude existing, dispatchable generation, but to add incremental, long-term generation. (*Id.* at 9.)

Mr. Hammer testified that the Zero Emissions Study (ZES) performed by MidAmerican was “performed in 2019 and is significantly outdated, but beyond that it was never intended to be part of the reasonableness analysis for Wind PRIME or any other resource recommendation made under the advance ratemaking statute.” (*Id.* at 20.) Mr. Hammer also testified that “[i]t’s important to recognize that the study was an

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early study of the resource transition, well ahead of the discussions by MISO regarding seasonal resource adequacy.” (*Id.*) Additionally, Mr. Hammer testified that the Siemens study is also outdated as it is from 2019-2020, and was not intended to be used for Wind PRIME or any advance ratemaking proceeding. (*Id.* at 21.) Similarly to the ZES, the Siemens study was conducted early on in the resource transition and prior to MISO changing to a seasonal resource adequacy construct. (*Id.* at 22.)

In direct testimony, Tech Customers witness Jeffry Pollock testified “the Board should consider whether MidAmerican has adequately evaluated whether PPAs are a feasible alternative.” (Tech Customers Pollock Direct, p. 16.) Mr. Pollock testified that MidAmerican did not consider PPAs as a feasible alternative when evaluating Wind PRIME. (*Id.* at 15.) For capacity shortfalls, Mr. Pollock testified that other feasible alternatives could be zonal resource credits or short-term bilateral PPAs. (*Id.* at 16.) Mr. Pollock testified that Wind PRIME is not needed for capacity or energy. (*Id.* at 19.) Mr. Pollock testified that:

MidAmerican did not consider procurement strategies other than self-build rate base projects. Other than providing a generic discussion of possible alternatives, MidAmerican failed to provide even a high-level (back-of-the-envelope) analysis demonstrating how Wind PRIME would be more for its customers than other feasible options or conduct a request for proposal (RFP) for market pricing information.

(*Id.* at 20.) Mr. Pollock testified that MidAmerican should have considered options such as different technologies, sizes, and lifespans, which Mr. Pollock asserts MidAmerican did not do. Mr. Pollock testified that MidAmerican “summarily rejected other feasible alternatives.” (*Id.* at 21-22.) Mr. Pollock also testified that MidAmerican should have provided evidence that Wind PRIME would “create a more diverse energy supply,

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improve system reliability, and result in a lowering of costs relative to other feasible alternatives.” (*Id.* at 24.)

In response, Mr. Specketer testified to what he described as “unfavorable characteristics” of PPAs: (1) imputed debt on capital structure, (2) no residual value of the asset, (3) shifting of risk to MidAmerican, (4) loss of economies of scale, (5) higher costs of debt, and (6) operational risk of the underlying asset. (MidAmerican Specketer Surrebuttal, pp. 2-3.) Mr. Specketer also testified that MidAmerican did not issue a request for proposal for a PPA; however, MidAmerican is aware of PPA pricing trends within the marketplace. (*Id.* at 3-4.)

Mr. Pollock testified that MidAmerican did not provide any type of resource plan as evidence that Wind PRIME is needed. (Tech Customers Pollock Additional Direct and Rebuttal, p. 4.) Mr. Pollock further testified that MidAmerican still had not considered a PPA or RFP when evaluating Wind PRIME. (*Id.* at 7.)

Mr. Pollock testified that if MidAmerican entered into a PPA arrangement, there likely would be safeguards to protect customers, such as credit support so the sponsor can obtain financing, performance metrics, and due diligence review for quality developers. (Tech Customers Pollock Surrebuttal, pp. 7-8.)

Mr. Pollock again testified that during Wind VII, MidAmerican used a resource plan that compared that project to other types of generation and to a PPA, which Mr. Pollock testified MidAmerican did not do so while planning Wind PRIME. (Tech Customers Pollock Additional Testimony, pp. 3-4.) Mr. Pollock testified that during Wind VII, MidAmerican completed a six-stage process, of which the sixth stage was an eight-factor qualitative analysis. (*Id.* at 2.) Mr. Pollock’s testimony asserts that for Wind PRIME MidAmerican skipped the first five stages and only utilized the sixth stage. (*Id.*

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at 2-3.) Mr. Pollock testified that “because MidAmerican refuses to ever consider procuring renewable and carbon free energy from the competitive marketplace, the Board has no way to assess whether these alternatives would be preferable and provide greater benefits to customers than a self-build project, which provides a guaranteed return to MidAmerican’s shareholder.” (Tech Customers Pollock Rehearing Rebuttal, pp. 11-12.)

2. *Project Economics*

The issue being addressed by the Board in this proceeding is whether MidAmerican satisfied the statutory requirement to consider other alternative sources of electric supply, which requires the Board to analyze the project economics. To determine whether Iowa Code § 476.53(3)(c)(2) was met, the Board must compare the utility’s benefits of ownership to costs of other generation resources. During this proceeding, MidAmerican asserted this project could be provided to ratepayers at no net cost; however, during the rehearing, MidAmerican asserted that based upon revised economics, Wind PRIME is now a net benefit to Iowa ratepayers. (MidAmerican Specketer Rehearing Direct (Supp), p. 5.) The Board did find previously that Wind PRIME was reasonable when compared to feasible alternatives based upon a no net cost rationale. (*Final Decision and Order*, p. 48 (April 27, 2023).)

Mr. Hammer testified, “Wind generation that provides additional energy with no emissions and that produces economic benefits for the State of Iowa, and that is projected to be delivered at no net cost to customers, should not be considered unreasonable through a narrow focus on accredited capacity.” (MidAmerican Hammer Rebuttal, p. 4.)

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In rehearing supplemental direct testimony, Mr. Specketer testified Wind PRIME will be a net benefit to Iowa ratepayers. (MidAmerican Specketer Rehearing Direct (Supp), p. 5.) He testified that financial benefits from Wind Prime will exceed the costs of the project. (*Id.*) Mr. Specketer testified “[t]here will be years where the benefits exceed the costs, and . . . years where the costs exceed the benefits,” but overall the benefits will exceed the costs. (*Id.*)

Based on Mr. Specketer’s testimony, Mr. Pollock responded that Wind PRIME 2.0 is a more costly version of Wind PRIME that the Board did not approve in its Final Order. (Pollock Rehearing Rebuttal Testimony, p. 1.) Specifically, Mr. Pollock testified that Wind PRIME 2.0 will cost on a net present value more for customers. (*Id.* at 2.) In response, Mr. Specketer again testified that there will be a net benefit for customers as the benefits will exceed costs. (MidAmerican Specketer Rehearing Rebuttal Testimony, p. 2.) Mr. Specketer admits there will be a lower benefit for customers pursuant to the revised modeling of the project; however, a lower benefit does not necessarily mean there are increased costs for customers as there will still be a benefit to customers from the project. (*Id.* at 2-3.)

3. Board Discussion

In its Final Order, the Board found that “the ZES is a persuasive piece of evidence in the record as to what generation assets would improve reliability.” (Final Order, p. 34.) The Board also found solar generation to be better situated to meet reliability needs within MidAmerican’s exclusive service territory. (*Id.*)

The statute does not require that Wind PRIME be the most reasonable alternative, but a reasonable alternative, to other sources of supply. It is undisputed that over the past 20 years, the advance ratemaking statute has been used by electric

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utilities to add additional electric generation facilities to individual portfolios. Iowa Code § 476.53(1) provides the legislative intent of the advance ratemaking statute; therefore, it is not for the Board to determine whether that intent has been met or should be revised. However, it is the Board's responsibility to ensure that lowans are receiving reliable service at just and reasonable rates. To further that responsibility, the Board will require electric utilities requesting future advance ratemaking principles to provide sufficient information that shows the electric utility has considered other sources for long-term electric supply and that the proposed generating facilities are reasonable when compared to other feasible alternative sources of supply, as required by Iowa Code § 476.53(3)(c)(2). This can be accomplished by the utility including detailed information regarding its resource planning process with a 10-year outlook. This information would identify potential generating alternatives available and what impact each alternative would have on the utility's customers. (*See MidAmerican Energy Co., Order Approving Stipulation and Agreement*, Docket No. RPU-07-2 (July 27, 2007).)

While the comparison of reasonable alternatives may not have been as robust as in other proceedings, MidAmerican showed the analysis it used when comparing Wind PRIME against other sources of supply. PPAs and RFPs are generally part of the analysis, and while the Board considers that comparison a valuable part of the analysis, MidAmerican provided information as to why more detailed PPA information was not provided. Additionally, MidAmerican included project economics where MidAmerican additionally asserted Wind PRIME would be at no net cost to customers, which then after revised project economics became a net benefit. Based on the information provided, the alternative sources of supply and project economics evaluation is sufficient to show that Wind PRIME is reasonable when compared to other feasible

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alternative sources of supply. For these reasons, the Board finds that MidAmerican has complied with the requirements of Iowa Code § 476.53(3)(c)(1)-(2) and that ratemaking principles should be granted.

ADVANCE RATEMAKING PRINCIPLES

In the August 9, 2023 Settlement Agreement, the Settling Parties proposed 13 advance ratemaking principles. Board rule 199 IAC 7.18 provides that the Board will not approve a settlement unless it “is reasonable in light of the whole record, consistent with law, and in the public interest.” While the Board focuses on the reasonableness of the entire settlement, the Board also examines issues individually in making its overall determination.

In conducting its review, the Board considered the record as a whole, including all comments and objections filed. In addition, Board subrule 199 IAC 7.18(4) states:

A party contesting a proposed settlement must specify in its comments the portions of the settlement that it opposes, the legal basis of its opposition, and the factual issues that it contests. Any failure by a party to file comments may, at the board’s or presiding officer’s discretion, constitute waiver by that party of all objections to the settlement.

The parties within this proceeding provided voluminous amounts of testimony and comments. To help ensure a more robust and complete record in this instance, the Board will utilize its discretion and not consider issues waived in regard to the Settlement Agreement and the proposed advance ratemaking principle.

The Board will therefore address each advance ratemaking principle contained in the proposed Settlement Agreement, including whether any parties object to or contest certain proposed advance ratemaking principles.

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A. Iowa Jurisdictional Allocation

The Iowa Jurisdictional Allocation proposed advance ratemaking principle states, “Wind PRIME 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 – Wind XII).”

In the Final Order, the Board found that allocating all of the risk of Wind PRIME to Iowa ratepayers is not in the public interest. (Final Order, p. 70.) The Board then declined to assign all costs of Wind PRIME to Iowa ratepayers without a showing of compensation for the benefits received by Illinois ratepayers. (*Id.* at 70-71.)

Mr. Specketer testified that this proposed advance ratemaking principle is the same as proposed and approved in Wind XI and Wind XII, which means “MidAmerican will allocate to the Iowa jurisdiction all of the Wind PRIME capital costs and expenses that would be allocated to Illinois under traditional allocation principles.” (MidAmerican Specketer Direct, pp. 3-4.) Mr. Specketer testified that this advance ratemaking principle is being proposed due to Iowa’s energy policy — Iowa Code § 476.53 — and allows Iowa customers to receive the benefits of such a policy. (*Id.* at 4.) Mr. Specketer also testified to the different regulatory scheme in Illinois, which has retail electric competition and that the Illinois Power Agency procures electric supply for incumbent providers. (*Id.*) Lastly, Mr. Specketer testified to the 1% portion allocated to South Dakota. (*Id.*)

At the October 10 Hearing, Mr. Specketer testified that Illinois customers will not receive any capacity benefits from Wind PRIME. (RT¹, p. 90.) He testified that, “All the capacity benefits from Wind PRIME will be allocated to either Iowa or there’s a very

¹ RT means Rehearing Transcript filed in the Board’s electronic filing system on October 24, 2023.

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small portion that gets allocated to South Dakota under the Iowa Jurisdictional Allocation.” (*Id.*) MidAmerican separated the “capacity planning for Iowa and South Dakota from Illinois.” (*Id.*)

The Tech Customers support the Final Order and the premise that Iowa customers only pay for assets assigned to Iowa. (Tech Customers Motion for Reconsideration and Clarification, pp. 9-10.) The Tech Customers further identified that the proposed advance ratemaking principle should more clearly establish how the Board will ensure that Iowa ratepayers are not subsidizing residents of other states. (*Id.*)

While the Board finds this ratemaking principle reasonable, future advance ratemaking proceedings will require further details about how Iowa ratepayers will be compensated for any allocation that may be made to other jurisdictions, specifically explaining how Iowa ratepayers are not subsidizing those other jurisdictions. Iowa ratepayers should not be required to pay for benefits received by other jurisdictions. In this instance, the evidence in the record states that Iowa customers receive all of the benefits from Wind PRIME; thus, the Board will not reject this advance ratemaking principle.

B. Cost Cap

In the proposed Cost Cap advance ratemaking principle, the wind-powered facilities have a cost cap of \$2.106 million/MW (including allowance for funds used during construction, or AFUDC) and solar-powered facilities have a cost cap of \$1.951 million/MW (including AFUDC). As proposed, the cost caps are soft caps, which means the Board must determine the prudence and reasonableness of any amount over the cost caps before MidAmerican can recover those costs from customers.

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Mr. Fehr testified that “MidAmerican’s customers are not at risk for, and are protected against, inflationary pressures” by the Cost Cap ratemaking principle.

(MidAmerican Fehr Surrebuttal, p. 10.)

Mr. Pollock testified that instead of a soft cap, the cost cap should be a hard cap. (Tech Customers Pollock Direct, pp. 38, 49; Tech Customers Additional Direct and Rebuttal Testimony, p. 17.) Mr. Pollock previously testified that if MidAmerican was confident in its cost cap analysis, “it should be willing to forgo recovery for costs that ultimately exceed the Cost Cap due to inflation.” (Tech Customers Additional Direct and Rebuttal, p. 14.) Mr. Pollock testified that “as a practical matter, it is *far* more difficult to demonstrate imprudence after-the-fact because MidAmerican controls all of the information necessary to conduct a complete evaluation of whether costs incurred above a cap are both prudent and reasonable.” (*Id.* at 16-17.) Mr. Pollock further testified that prior to the rate case, and thus a prudence determination, the costs that exceed the cost cap could still be included in revenue sharing. (Tech Customers Pollock Rehearing Rebuttal, p. 9.) Mr. Pollock also testified that by having a soft cost cap, MidAmerican would be less likely to provide Wind PRIME benefits at no net cost. (*Id.* at 10.) Mr. Pollock testified further that, “Although the new cost caps may be more realistic, the presence of a soft cap makes the project even less likely to be provided at no net cost to customers.” (*Id.*) Mr. Pollock testified that the Board should change the cost cap to a hard cap. (*Id.* at 16.)

At the October 10 Hearing, Mr. Specketer testified that MidAmerican has not committed to excluding overages in revenue sharing until a prudence review by the Board. (RT, p. 68.) Mr. Specketer testified that while the proposed 10.75% ROE would not apply, “all other ROE” would apply to any cost cap overages. (*Id.*)

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The Board will approve the Cost Cap advance ratemaking principle with the limitation that if the cost cap is exceeded, any cost cap overages will be excluded from the revenue sharing calculation used to determine what amount, if any, is to be shared with customers. To further clarify, cost cap overages will be excluded from the denominator, but no income will be excluded from the numerator, in the revenue sharing calculations. If excess costs are determined to not be prudent in a future rate case, those costs will not be eligible to be included in revenue sharing; thus, excluding cost-overages from the revenue sharing calculation will protect customers until the Board determines the prudence of those costs. If during a rate case any excess costs are determined to be prudent, those costs can then be included in revenue sharing.

C. Size Cap

The proposed Size Cap advance ratemaking principle states, “The ratemaking principles shall be applicable to all new MidAmerican wind generation up to 2,042 MW and all new MidAmerican solar generation up to 50 MW-AC, built as part of Wind PRIME.”

Mr. Pollock testified that it will take longer to deploy Wind PRIME than previous wind projects. (Tech Customers Pollock Rehearing Rebuttal, p. 12.) Mr. Pollock testified that if a smaller project was approved, deployment would not take as long and would lead to possible risks regarding inflation and supply chain issues. (*Id.*) Mr. Pollock testified that the Board should consider reducing the size cap. (*Id.* at 16.)

MidAmerican witness Fehr testified that the proposed size of the Wind PRIME project was derived by identifying wind projects from the MISO Generation

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Interconnection Queue and that MidAmerican limited its evaluation to self-developed solar projects. (HT², pp. 109, 134, 168.)

At the rehearing, Mr. Fehr testified that the size cap remains appropriate because it advances the needs identified in the *NextEra* case and the advance ratemaking statute. (RT, p. 49.) Mr. Fehr also testified that the size cap is a maximum limit and that MidAmerican would not have to build up to that limit if “it just became obvious that it was going to be problematic.” (*Id.* at 50.)

The Board notes that when MidAmerican originally proposed Wind PRIME, the proposed size cap was the same as the current proposal. While a more in-depth analysis beyond just looking at the MISO queue may be preferential when a utility is seeking to build more than 2,000 MW of generation, the statute requires that the proposed facility is reasonable, not the best alternative. MidAmerican used the same size cap throughout its evaluation, which is an integral part of the no net cost/net benefit analysis. The Board, therefore, finds that the Size Cap proposed advance ratemaking principle is reasonable.

D. Resource Evaluation Study

The proposed Resource Evaluation Study (RES) advance ratemaking principle states:

MidAmerican commits to complete a Resource Evaluation Study (“RES”) within 24 months of MidAmerican’s acceptance of a Board Order establishing ratemaking principles in this proceeding. The RES results will be filed as an informational filing in a non-contested docket with the Board; MidAmerican agrees the Company will not file its next advance ratemaking principles application, a tariff for customer program(s) that include new generation facilities with an interconnection greater than fifty (50) megawatts or general Iowa electric rate case until the RES results are on

² HT means Hearing Transcript filed in the Board’s electronic filing system on March 15 and 16, 2023.

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file with the Board, unless the Settlement Parties agree in writing to allow MidAmerican to file such a proceeding before the RES is completed and filed. The RES results must be on file with the Board for at least ninety (90) days prior to an advance ratemaking principles application or a general Iowa electric rate case, unless the Settlement Parties otherwise agree in writing. MidAmerican further agrees to complete an update to the RES within three (3) years of the filing of the RES. The full terms and conditions of the RES, which include dispute resolution provisions agreed to by the Settlement Parties, are described in Exhibit A of the RPU-2022-0001 Revised Stipulation and Agreement.

Mr. Pollock testified that the Tech Customers support the proposed RES advance ratemaking principle, but also testified to concerns about the stay-out provision and that the RES process would be repeated once instead of being an ongoing process. (Tech Customers Pollock Rehearing Rebuttal, pp12-13.)

During rehearing, Mr. Jablonski stated that a sizable amount of the Wind PRIME projects will go into service after the initial RES is complete. (RT, pp. 25-26.) However, MidAmerican commits to completing “an update to the RES within three (3) years of the filing of the RES.” (Revised Stipulation and Agreement, p. 3.) In completing such an update, MidAmerican would need to account for the additional facilities that go into effect after the primary RES is complete; therefore, absolving Mr. Pollock’s primary objection to the principle. (*See id.*)

The Board agrees that transparency with resource evaluation is paramount, especially for Iowa and the electric grid as a whole. While the Board may not have drafted the RES advance ratemaking principle to include a stay-out provision that allows settling parties to waive such a provision and a limited duration on the process itself, the Board determines that this proposed advance ratemaking principle is reasonable.

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E. Depreciation

The proposed Depreciation advance ratemaking principle sets the depreciation life for the Wind PRIME wind facilities at 40 years and the solar facilities at 30 years. The proposed principle allows MidAmerican to revise the depreciable life if there is an independent depreciation expert that provides support for the revised useful life and it is then approved by the Board in a contested case proceeding. MidAmerican also agrees to perform a depreciation study as part of its next general Iowa electric rate case and that the prudence of any Wind PRIME repowering costs will be addressed in a subsequent rate proceeding, if applicable.

Mr. Specketer testified that if MidAmerican repowers any of the approved Wind PRIME generating facilities prior to the end of the depreciable life, MidAmerican would not remove the undepreciated portion from rate base for revenue sharing purposes. (RT, p. 99.)

Mr. Pollock testified that “the Board should also revise the depreciation ratemaking principle to require that MidAmerican not earn a return on any investment that is no longer used and useful due to repowering.” (Tech Customers Pollock Rehearing Rebuttal, p. 17.)

The Board agrees that more review is needed when it comes to what is included in the revenue sharing calculation, including repowering; however, the Board has determined that this advance ratemaking proceeding is not the proper avenue for such review. This ratemaking principle is similar to previously approved ratemaking principles and no information has been provided to change the depreciable life of wind or solar facilities. Based upon that determination, the Board finds this advance

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ratemaking principle reasonable, which is consistent with the Board's previous determination. (See Final Order, p. 92 (discussing the approved depreciation advance ratemaking principle).)

F. Return on Equity

The proposed Return on Equity (ROE) advance ratemaking principle allows MidAmerican the opportunity to earn a 10.75% return on the common equity portion of Wind PRIME. A 10.0% return on common equity rate will be used as an AFUDC rate to be applied for construction work in progress. The AFUDC rate, when used, will be calculated consistent with the Uniform System of Accounts.

Mr. Specketer testified at the rehearing that he believes this ratemaking principle is reasonable. (RT, p. 85) The Settlement Agreement includes a 10.75% ROE, which locks in the return for 40 years. (*Id.* at 67.) To compensate for a long-term investment, Mr. Specketer testified that 150 basis points would be added to the average ROE, which would result in a proposal ROE of around 11.2%, without a settlement. (*Id.* at 65-66.) Mr. Specketer then testified that the ROE ratemaking principle provides "predictability and certainty." (*Id.* at 85.) Mr. Specketer further defined the 10.75% ROE as a hedge for customers against inflationary pressures because the ROE is set for the life of the asset. (*Id.*)

Mr. Pollock testified that the Tech Customers supported OCA's proposal of a 10% ROE. (Tech Customers Pollock Additional Direct and Rebuttal, p. 23.) Mr. Pollock testified that a 10.75% ROE is not appropriate as it is still an above-market return. (Tech Customers Pollock Rehearing Rebuttal, p. 13.) Mr. Pollock testified that due to MidAmerican's experience with wind projects and because wind is not a new technology, a premium ROE is not justified. (*Id.*)

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The Board previously determined that it was “not in the public interest to award an ROE that overcompensates the utility, especially given the practice in advance ratemaking of allowing an ROE to be for the life of the assets.” (Final Order, p. 74 (modifying a proposed advance ratemaking principle that would have allowed MidAmerican to have an 11.00% ROE).) The Board also found the previous ROE was not reasonable in light of the record as a whole. (*Id.*) The record in this docket shows that there is an argument that the 10.75% included in the Settlement Agreement can be considered a premium ROE. The current ROE settlement ratemaking principle includes a lower ROE than the previous settlement and what was originally requested in MidAmerican’s application. When reviewed with the other provisions of the Settlement Agreement, and based on the record as a whole, the Board finds that the proposed ROE advance ratemaking principle is reasonable.

G. Cancellation Cost Recovery

The proposed Cancellation Cost Recovery advance ratemaking principle allows for MidAmerican to amortize over a ten-year period any prudently incurred and unreimbursed costs, as long as the Wind PRIME site is canceled for good cause. If the advance ratemaking principle is necessary, the annual amortization is recorded above-the-line and included in revenue requirement calculations.

No parties contested this proposed advance ratemaking principle. The Board has previously approved similar advance ratemaking principles in other dockets, and similarly finds this proposal is reasonable.

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H. Environmental Benefits, CO2 Credits and the Like

The proposed advance ratemaking principle for environmental benefits, CO2 Credits, and the like partly contain the following provisions:

All environmental benefits of Wind PRIME, wind- and solar-related, shall be allocated to each of the customer classes based on class kilowatt hour (“kWh”) sales. Upon the written election by any Individual Customer Rate (“ICR”) customer (“Electing Customer”), MidAmerican shall retire, or retire on behalf of the Electing Customer (so long as retirement on behalf of such customer does not jeopardize MidAmerican’s ability to comply with environmental regulations or constitute a transfer of the environmental and compliance benefits), through the Midwest Renewable Energy Tracking System (“M-RETS”), or other comparable process acceptable to the Electing Customer, such Electing Customer’s allocation of the environmental and compliance benefits of Wind PRIME that MidAmerican does not need for environmental compliance.

...

The Iowa portion of any revenues from the sale of environmental or compliance related benefits associated with Wind PRIME shall be recorded as a regulatory liability and will be excluded from the Iowa Energy Adjustment Clause (“EAC”) as approved in MidAmerican’s 2013 rate case until the investment and all other costs and benefits of Wind PRIME are included in base rates or the EAC in a future rate proceeding. For subsequent rate cases, the Iowa jurisdictional portion of the investment and all other costs and benefits of Wind PRIME shall be included in base rates or the EAC, and the Iowa jurisdictional portion of any revenues from the sale of environmental or compliance related benefits associated with Wind PRIME shall be included in the EAC.

The proposed advance ratemaking principle further identifies notice requirements on behalf of certain customers and MidAmerican.

As the Board previously found in its Final Order, “the record supports the reasonableness of tracking environmental benefits and ensuring that the monetary value of such benefits is assigned in support of the proposed project. The Board has

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clear authority to allow the environmental benefits to be tracked in a regulatory liability account, and it is in the public interest to ensure that the benefits are monetized and included as related revenue for the project.” (Final Order, p. 75.) There are no objections to this proposed advance ratemaking principle. The Board finds this proposed advance ratemaking principle is reasonable.

I. Federal Production Tax Credits

The proposed Federal Production Tax Credit (PTC) advance ratemaking principle states that any PTCs associated with Wind PRIME will be recorded above-the-line in the Federal Energy Regulatory Commission (FERC) account 409.1, or any successor account for recording such credits, and the PTCs will be excluded from the Iowa EAC. After a subsequent Iowa general electric rate proceeding, any PTCs associated with Wind PRIME will then be included in the EAC.

No parties object to this proposed advance ratemaking principle. FERC account 409.1 is currently titled “Income taxes, utility operating income.” The Board finds that this advance ratemaking principle is reasonable as any remaining PTCs associated with Wind PRIME will flow through the EAC at the time when Wind PRIME costs are included in base rates.

J. Iowa Energy Adjustment Clause and Rate Mitigation

The Settlement Agreement includes an Iowa EAC and Rate Mitigation proposed advance ratemaking principle.

For EAC reconciliation filings in 2024 and after, MidAmerican will provide Energy Adjustment Clause (“EAC”) stabilization relief to a targeted amount of \$0.0125/kWh through the following steps, in this order:

1. \$100 million of 2022 revenue sharing shall be allocated to a regulatory account, with amounts from that account to be credited to the EAC as needed to reach the targeted EAC

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factor of \$0.0125/kWh. 2022 revenue sharing in excess of \$100 million shall continue to be a rate base reduction. Any amount credited to the regulatory account and not so used for EAC stabilization relief and remaining in said regulatory account at the Company's next general rate case shall be used as a rate base reduction.

2. When 50% of the Company's Wind PRIME retail energy benefits plus 100% of revenue sharing exceeds \$100 million, the excess up to \$50 million shall be credited to the EAC as needed to reach the targeted EAC factor of \$0.0125/kWh. Amounts not so credited and amounts in excess of \$150 million shall be used as a rate base reduction.

Mr. Specketer described the Iowa EAC and Rate Mitigation ratemaking principle as providing guaranteed benefits to Iowa customers. (MidAmerican Specketer Surrebuttal Testimony, p. 8.) Mr. Specketer testified that this clause will provide an immediate customer benefit of \$100 million through lower energy adjustment costs. (*Id.*) Additionally, this provision will be utilized to buy down the energy adjustment costs. (*Id.*) In the event it is not used to buy down the energy adjustment costs, the fund will be used to provide additional rate relief. (*Id.*)

In a response to such testimony, Mr. Pollock raised the fact that MidAmerican has not fully committed to a set time frame for the EAC and that there is no set guarantee of customers benefiting from the project compared to the costs of the project. (Tech Customers Pollock Additional Testimony, p. 6; Pollock Rehearing Rebuttal Testimony, p. 7.) Additionally, Mr. Pollock testified during the rehearing proceedings that ratepayers are essentially "gambling" and "assuming that benefits will happen." (RT, p. 147.)

This proposed advance ratemaking principle is different from the proposed advance ratemaking principle that was denied in the Board's Final Order. That previous advance ratemaking principle stated:

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MidAmerican will provide Energy Adjustment Clause (“EAC”) stabilization relief to a targeted amount of \$0.0125/kWh through the following steps, in this order:

1. Include up to 50% of the Iowa allocation of any zero emission nuclear power credits (“nuclear production tax credits”) associated with the Quad Cities Nuclear Station and up to 50% of any bonus production tax credit amounts (bonus production tax credit amounts are defined as related to domestic content and energy community) associated with Wind PRIME authorized in the federal Inflation Reduction Act (“IRA”) in the Energy Adjustment Clause as needed to achieve the targeted EAC factor of \$0.0125/kWh. All nuclear and bonus production tax credits will be recorded above the line in FERC account 409.1, or any successor account for recording such credits.

2. For the 2023 Energy Adjustment Clause (“EAC”) Factor calculation and 2022 Reconciliation filing, 2022 revenue sharing in excess of \$100 million will be credited to the EAC up to a maximum credit amount of \$100 million. 2022 revenue sharing in excess of \$200 million will continue to be a rate base reduction. For EAC reconciliation filings in 2024 and after, when 50% of the Company’s Wind PRIME retail energy benefits plus 100% of revenue sharing exceeds \$100 million, the excess up to \$50 million shall be credited to the EAC if needed to reach the targeted EAC factor of \$0.0125/kWh. Amounts in excess of \$150 million will be used as a rate base reduction.

3. When the Company’s excess accumulated deferred income tax (“EADIT”) amortization exceeds \$400 million (anticipated in 2027), the annual EADIT amortization will be available to provide additional rate relief if needed to reach the target EAC stabilization amount of \$0.0125/kWh by including 50% in the TERM Rider and 50% in the EAC. If the annual EAC factor (before this adjustment) is less than or equal to \$0.0125/kWh, the annual EADIT amortization will continue to be deferred as a regulatory liability.

(Final Order, p. 58.)

While the current proposed advance ratemaking principle still has a target EAC factor of \$0.0125/kWh, two main differences include the removal of the nuclear PTCs and excess accumulated deferred income tax, which were concerns the Board discussed in its Final Order. (See Final Order, pp. 76-82.) The Board has reviewed the

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record in this proceeding and has determined that the revised proposed advance ratemaking principle is reasonable in light of the record as a whole, is in line with the public interest, and is consistent with law. Based on the potential customer benefits, the Board has determined that the proposed Iowa EAC and Rate Mitigation advance ratemaking principle is reasonable.

K. Iowa Retail Energy Benefits

The Settlement Agreement includes a proposed Iowa Retail Energy Benefits advance ratemaking principle that states in part:

The following ratemaking treatment for Wind PRIME 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 PRIME production shall be excluded from the Iowa Energy Adjustment Clause approved in MidAmerican's 2013 rate case. Fifty percent (50%) of the Iowa retail energy benefits from Wind PRIME production shall be included in the calculation of any revenue sharing for the year. The remaining 50% of the Iowa retail energy benefits from Wind PRIME production shall be used to accelerate depreciation against the highest earning return on equity asset rate base....

The remaining portion of the proposed advance ratemaking principle includes the list of 14 projects and the order in which accelerated depreciation will be applied.

Mr. Pollock testified, "Requiring MidAmerican to use the retail energy benefits of Wind PRIME to offset the capital costs of existing rate base, rather than flow through the benefits entirely to its shareholder as additional profit, will mitigate future rate impacts, thereby benefiting Iowa retail customers." (Tech Customers Pollock Additional Direct and Rebuttal, p. 23.)

Mr. Specketer testified that this proposed advance ratemaking principle ensures customers benefits. (RT, p. 75.) Benefits of this proposed ratemaking principle include

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the renewable energy credits being retired on behalf of customers and, therefore, it “buys down rate base regardless of whether or not MidAmerican is in a revenue sharing position.” (RT, p. 51.)

At the rehearing, Mr. Pollock testified to his understanding that the accelerated depreciation included in this proposed advance ratemaking principle would occur regardless of revenue sharing and it is not subject to the 90/10 split in revenue sharing. (RT, p. 146.)

By allowing accelerated depreciation, the Board has determined that this proposed advance ratemaking principle is in the public interest and therefore finds it to be reasonable.

L. Revenue Sharing

The proposed Revenue Sharing advance ratemaking principle states, in part:

As originally contemplated in Appendix 3 of the Settlement Agreement approved by the Board in Docket No. RPU-03-1, the revenue sharing calculation shall be based on Iowa electric jurisdictional values unadjusted from amounts recorded on the Company's books other than for items explicitly addressed by Board orders in Docket No. RPU-2013-0004 or advance ratemaking principles proceedings prior to this docket.

The threshold for revenue sharing shall be as approved by the Board in Docket No. RPU-2018-0003. To the extent that Iowa jurisdictional electric operating income exceeds the threshold, 90% of the excess shall be credited to customers. Any revenue-sharing proceeds for the customers' benefit shall be used to reduce the investment in generation rate base....

The remaining proposed advance ratemaking principle details the order that revenue sharing will be applied to rate base assets and other necessary provisions, such as timing, filing, and revision requirements.

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Mr. Specketer testified at the rehearing that under the Iowa electric jurisdictional results, repowering “would be included in revenue sharing even though a prudence determination has not been made.” (RT, p. 70.) Mr. Specketer further testified that the proposed Revenue Sharing advance ratemaking principle is to “make sure that that methodology and that principle of revenue sharing is consistent with how we’ve done it over the last 25 years.” (*Id.* at 93.) Mr. Specketer also testified that the advance ratemaking principle would allow MidAmerican to include costs associated with generation facilities not approved by the Board in a general or advance ratemaking docket in the revenue sharing calculation. (*Id.*)

While there was much testimony that referenced revenue sharing, there is a lack of record regarding the proposed Revenue Sharing advance ratemaking principle itself. (See Tech Customers Pollock Additional Testimony, p. 6 (discussing the significance of revenue sharing as MidAmerican’s earnings being in excess of the return on equity authorized in MidAmerican’s latest rate case); see *also* Tech Customers Pollock Rehearing Rebuttal, p. 10 (discussing potential items that may be included in revenue sharing).)

As previously stated, the Board has concerns about the details of the revenue sharing calculation, especially the treatment of generation projects that do not have Board approval. (See *generally* Final Order.) As stated in the original settlement establishing revenue sharing, “[t]he parties reserve the right to modify or change the methodology set forth herein in the event such party or parties deem the methodology to lead to unreasonable or unrepresentative results.” (*MidAmerican Energy Co., Joint Motion for Adoption of Amended Settlement Agreement*, Docket Nos. APP-96-1 and RPU-96-8 (Consolidated), Appendix V (March 10, 1997).) Even though the Board was

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not a party to the settlement, the Board has these concerns, and believes that revenue sharing should be reviewed; however, the Board has determined that this advance ratemaking docket is not the proper place to discuss those detailed and complex conversations. Therefore, the Board will approve this advance ratemaking principle as proposed.

M. Consumer Protection Plan

The Settlement Agreement includes a Consumer Protection Plan (CPP) advance ratemaking principle that is based on the annual, aggregated capacity factor for the Wind PRIME wind facilities. The CPP would run from January 1 after all Wind PRIME wind facilities are in service or January 1, 2028, and will end four calendar years after the final year of the initial PTC earning period. Penalties are then assessed on a five-year rolling average when the in-service wind facilities capacity factor is below 36%. If the capacity factor is greater than or equal to 45%, credits will be assessed. While penalties and credits are offset against one another, no payment would occur until the program ends. Further, "A negative (penalty) accumulated sharing balance at the end of the program shall be settled as a credit to MidAmerican's EAC in the next EAC reconciliation; a positive balance shall be treated as a zero balance and shall not result in any return to MidAmerican." Each individual calendar year will include a \$10 million cap, with an overall program cap of \$50 million.

Mr. Fehr testified that a key factor for Wind PRIME's economic success is capacity because it determines the PTCs earned, the number of Renewable Energy Credits produced and the amount of low-cost energy produced. (MidAmerican Fehr Surrebuttal, p. 7.)

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Mr. Pollock testified that the Tech Customers originally opposed the CPP included in the original settlement. (Tech Customers Pollock Rehearing Rebuttal, p. 14.) Mr. Pollock testified that the proposed CPP would not protect customers from the loss of PTCs associated with any underperformance of the Wind PRIME wind facilities. (*Id.*) Mr. Pollock also testified that the CPP is limited and would not provide protection after year 10. (*Id.*)

The Board agrees that customers should receive additional protections, especially with such a large capital investment. The CPP does not include the Wind PRIME solar facilities, albeit a small portion of the overall project, and the CPP's duration is less than that of the expected life of the project. The Board finds this advance ratemaking principle provides protection to customers that has not been included in prior settlements and finds that the principle as proposed is reasonable.

N. Rate Mitigation

In its Final Order, the Board approved the Rate Mitigation principle, which stated:

MidAmerican shall include the Wind PRIME assets in revenue sharing for purposes of calculation, and then exclude them and recalculate revenue sharing to determine the net impact of Wind PRIME on revenue sharing. The difference between the revenue sharing with Wind PRIME and the revenue sharing without Wind PRIME shall be recorded in a regulatory account. MidAmerican shall report on the status and calculation of the regulatory account annually by February 15 in Docket No. RPU-2023-0156. The amounts in the regulatory account shall accrue until the assets are fully depreciated unless earlier addressed by the Board in a general rate case. The Board will determine the ratemaking treatment of any over- or under-realization of benefits related to the Wind PRIME assets compared to no net cost projections during each contested general rate case and determine how and whether the over- or under-realization should be distributed to or recovered from customers. MidAmerican will accumulate carrying costs on the regulatory account balance at the company's annual

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weighted average cost of capital based on the approved return on equity for Wind PRIME if the regulatory account balance is a liability. If the regulatory account balance is an asset, no carrying costs will be calculated for that year.

In its application for reconsideration, MidAmerican stated “the principle is simply detrimental to customers.” (Application for Reconsideration or Rehearing, p. 31.)

MidAmerican asserted that the Rate Mitigation ratemaking principle does not accelerate depreciation at the time when the revenue is accrued, but rather allows for a higher revenue sharing threshold later. (*Id.*) MidAmerican also stated “imposing the Board’s Rate Mitigation Principle in lieu of the Settlement will result in a projected \$266 million less in rate base reduction through 2035.” (*Id.*)

Mr. Pollock testified that the Board should reinstate the Rate Mitigation principle. (Tech Customers Pollock Rehearing Rebuttal, p. 14.) Mr. Pollock testified that this principle would “balance the risks imposed by a capital-intensive project and to ensure that customers will realize the benefits from the project, if any materialize.” (*Id.*)

OCA witness Blake Kruger testified that, due to the IRA, the PTCs are enhanced, therefore providing additional benefits. (RT, pp. 130-131.) He also referenced revenue sharing and rate mitigating principles as additional customer protections. (*Id.*) Mr. Kruger then testified that while OCA may have concerns with market energy benefits, customers still receive low-cost energy, which will protect customers [and MidAmerican] from needing to purchase higher-cost energy later. (RT, pp. 130-131.)

Based upon the Settlement Agreement as proposed, the Board will not reaffirm the need for the April 27, 2023 Board-instituted Rate Mitigation ratemaking principle.

Based upon the above-discussed proposed advance ratemaking principles in the Settlement Agreement, the Board will approve the Settlement Agreement.

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REQUEST FOR WAIVER

On January 19, 2022, as part of its application, MidAmerican filed a request for waiver of the Board's rules at 199 IAC 20.9(1) and (2) with respect to the EAC, and 199 IAC 41.3(1)(c)-(g) to the extent information required is not reasonably available relating to project site locations. (Request for Waiver, p. 1.) MidAmerican states that under the proposed Iowa Retail Energy Benefits principle, MidAmerican would exclude the Wind PRIME generation from the calculation of recoverable Iowa retail fuel costs each month; this could be read as inconsistent with 199 IAC 20.9(1) and (2), which references the actual cost of fuel. (*Id.* at 2.) MidAmerican argues that 199 IAC 20.9(2)(c)(10) allows different ratemaking treatment for PTCs and therefore is not requesting a waiver of that rule. (*Id.* at 3.) MidAmerican states that the requested waiver would be temporary until its next general rate case.

Pursuant to rule 199 IAC 1.3, the Board may grant a waiver of its rules when it finds, based on clear and convincing evidence, that:

1. The application of the rule would pose an undue hardship on the person for whom the waiver is requested;
2. The waiver would not prejudice the substantial legal rights of any person;
3. The provisions of the rule subject to a petition for waiver are not specifically mandated by statute or another provision of law; and
4. Substantially equal protection of public health, safety, and welfare will be afforded by a means other than that prescribed in the rule for which the waiver is requested.

The burden of persuasion rests with the person who petitions the board for the waiver.

With respect to the waiver request of 199 IAC 20.9(1) and (2), MidAmerican contends that without the waiver, the company and its customers would bear an undue hardship because the ratemaking principles would result in an unbalanced outcome, creating a "mismatch" between the benefits provided to customers and the company's

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recovery of corresponding costs. (Request for Waiver, pp. 4, 6.) MidAmerican next asserts the waiver would not prejudice the substantial legal rights of any person and would ultimately provide environmental, economic development, and tax benefits to Iowans at no additional cost to customers. (*Id.*) Further, the provisions of 199 IAC 20.9 are not required by statute or other provision of law. (See Iowa Code § 476.6(8).) Finally, MidAmerican claims the waiver would not adversely impact public health, safety, or welfare as Wind PRIME would be constructed and operated in accordance with the environmental policies of the state and good engineering practice. (Request for Waiver, p. 6; MidAmerican Jablonski Direct, p. 22.)

MidAmerican and its customers would suffer undue hardship if the rule was enforced in this proceeding because application of 199 IAC 20.9(1) and (2) would create an imbalance in how the EAC and revenue sharing are implemented for Wind PRIME and prior wind advance ratemaking dockets. No person's legal rights would be prejudiced by the waiver as the issues leading to the waiver have been litigated in this case. Further, the application of 199 IAC 20.9 is not mandated by statute or other provision of the law, and granting the waiver would not adversely impact public health, safety, or welfare, as MidAmerican must still comply with the applicable rules, regulations, and ordinances that would apply to the project. Accordingly, the Board finds that the waiver should be granted with respect to the EAC provisions in 199 IAC 20.9(1) and (2).

With respect to the waiver request of 199 IAC 41.3(1)(c)-(g), MidAmerican and its customers would suffer undue hardship if the rule was enforced in this proceeding because with the transition to clean energy, it is important for customers to have access to low-cost, clean energy even if it is in a different part of the state, of which the specific

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location and contractors may be unknown at this time. By requiring the specific, detailed location information and contractual information that may not be in place would unnecessarily delay the proceeding. No person's legal rights would be prejudiced by the waiver. The specific provisions of 199 IAC 41.3(1)(c)-(g) are not required by statute or other provision of law. MidAmerican asserts granting the waiver will not adversely impact public health, safety, and welfare. (Request for Waiver, p. 6.) MidAmerican is requesting a temporary waiver until its next rate case. (*Id.*) Accordingly, the Board finds that the waiver should also be granted with respect to 199 IAC 41.3(1)(c)-(g).

REPORTING REQUIREMENTS

To allow the Board and other interested persons to monitor the progress of Wind PRIME, MidAmerican will be required to file construction and operation reports consistent with reporting requirements approved in prior advance ratemaking dockets. The Board will require MidAmerican to file semi-annual reports containing the following information:

1. Actual operating and capital costs;
2. Amount of customer rate relief flowed through the EAC or through revenue sharing;
3. Retail fuel cost reduction attributable to Wind PRIME; and
4. Income from PTCs, Renewable Energy Credits sales, capacity sales, and net system benefits attributed to Wind PRIME.

This information will be required to be filed on March 1 and September 1 of each year. This reporting requirement will end when Wind PRIME's assets are included in MidAmerican's rate base.

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CONFIDENTIAL TREATMENT

On August 9, 2023, MidAmerican requested confidential treatment for portions of supplemental testimony from MidAmerican witnesses Adam Jablonski and Thomas Specketer. MidAmerican asserts the confidential material contains information regarding the cost cap and economic forecasts. MidAmerican is requesting confidential treatment pursuant to Iowa Code §§ 22.7(3) as a trade secret, 22.7(6) as a report to the Board that would give advantage to competitors and serve no public purpose, and 22.7(18) as a communication not required by law, rule, procedure, or contract that could threaten MidAmerican's economic interests and that of its customers. MidAmerican supported its request for confidential treatment with the affidavit of Mark Lowe, MidAmerican Vice President and General Counsel, as required by 199 IAC 1.9(6)(b).

On August 30, 2023, MidAmerican requested confidential treatment for portions of MidAmerican Energy Company's Reply to Comments on Revised Joint Stipulation and Agreement. MidAmerican asserts the confidential material is within the scope of MidAmerican's August 9, 2023 application for confidential treatment.

On September 21, 2023, MidAmerican requested confidential treatment for portions of rehearing rebuttal testimony for Mr. Specketer. MidAmerican asserts the confidential material is within the scope of MidAmerican's August 9, 2023 application for confidential treatment.

On September 28, 2023, MidAmerican requested confidential treatment for portions of its prehearing brief. MidAmerican asserts the confidential material falls within the scope of MidAmerican's August 9, 2023 application for confidential treatment.

On November 8, 2023, MidAmerican requested confidential treatment for

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portions of its post-hearing brief. MidAmerican asserts the confidential material falls within the scope of MidAmerican's August 9, 2023 application for confidential treatment or a prior application for confidential treatment.

On November 14, 2023, MidAmerican requested confidential treatment for portions of its post-hearing reply brief. MidAmerican asserts the confidential material falls within the scope of MidAmerican's August 9, 2023 application for confidential treatment.

Based on the information provided by MidAmerican and the supporting affidavits, the Board finds the August 9, 2023 material qualifies as a report to a governmental agency, the release of which would give an advantage to MidAmerican's competitors and serve no public purpose. The Board will grant the application and will hold the material confidential under Iowa Code § 22.7(6). Because the Board concludes the material should be held confidential under Iowa Code § 22.7(6), the Board will not address the claims that the material should be held confidential under Iowa Code §§ 22.7(3) or 22.7(18). The Board will also hold confidential any additional information for which confidential treatment has been requested and not yet addressed that derives from material for which confidential treatment has been granted throughout this proceeding.

CONCLUSION

As provided in the Conditions Precedent section, MidAmerican has satisfied the two conditions precedent in Iowa Code § 476.53(3)(c) and is, therefore, eligible for advance ratemaking principles. As 199 IAC 7.18 requires that the Board will not approve a settlement unless it "is reasonable in light of the whole record, consistent with

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law, and in the public interest,” the Board has to review the Settlement Agreement as a whole.

The Board recognizes settlements are the result of extensive negotiations and compromise. Although the Board’s decisions on individual issues may have been different from the resolutions reached in the settlement, the Board will approve the Settlement Agreement. This approval will allow MidAmerican to meet its future capacity needs and the needs of the greater electric grid. Iowa Code § 476.53A states:

It is the intent of the general assembly to encourage the development of renewable electric power generation. It is also the intent of the general assembly to encourage the use of renewable power to meet local electric needs and the development of transmission capacity to export wind power generated in Iowa.

The Board, viewing the stipulation and agreement as a whole, finds the agreement “is reasonable in light of the whole record, consistent with law, and in the public interest.” As these projects have been approved for advance ratemaking principles, MidAmerican is able to include these renewable energy projects, including any maintenance and repair below the 80/20 repowering threshold, within the revenue sharing calculation.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. MidAmerican Energy Company has met the minimum statutory requirements in Iowa Code § 476.53(3)(c)(1) for approval of advance ratemaking principles.
2. MidAmerican Energy Company has met the minimum statutory requirements in Iowa Code § 476.53(3)(c)(2) for approval of advance ratemaking

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principles.

3. The Request for Waiver of 199 Iowa Administrative Code 20.9(1) and (2) and 199 Iowa Administrative Code 41.3(1)(c), (d), (e), (f), and (g), filed by MidAmerican Energy Company on January 19, 2022, pursuant to 199 Iowa Administrative Code 1.3, is granted.

4. MidAmerican shall file, in this docket, semi-annual reports containing the information identified in the body of this order on March 1 and September 1 of each year. This reporting requirement shall end when Wind PRIME's assets are included in MidAmerican's rate base.

5. The August 9, 2023 settlement filed by MidAmerican Energy Company, the Office of Consumer Advocate, and the Environmental Intervenors, is approved.

6. The Application for Confidential Treatment filed by MidAmerican Energy Company on August 9, 2023, is granted.

7. The Application for Confidential Treatment filed by MidAmerican Energy Company on August 30, 2023, is granted.

8. The Application for Confidential Treatment filed by MidAmerican Energy Company filed on September 21, 2023, is granted.

9. The Application for Confidential Treatment filed by MidAmerican Energy Company filed on September 28, 2023, is granted.

10. The Application for Confidential Treatment filed by MidAmerican Energy Company filed on November 8, 2023, is granted.

11. The Application for Confidential Treatment filed by MidAmerican Energy Company filed on November 14, 2023, is granted.

12. Any additional information for which confidential treatment has been

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requested and not yet addressed that derives from material for which confidential treatment has been granted throughout this proceeding is granted.

13. The materials for which the Utilities Board has granted confidential treatment shall be withheld from public inspection subject to the provisions of 199 Iowa Administrative Code 1.9(8)(b)(3).

14. Motions and objections not previously granted or sustained are denied or overruled. Any argument not specifically addressed in this order is rejected either as not supported by the evidence or as not being of sufficient persuasiveness to warrant comments.

UTILITIES BOARD

Erik M. Helland Date: 2023.12.14
14:48:13 -06'00'

Joshua Byrnes Date: 2023.12.14
15:48:22 -06'00'

ATTEST:

Keetah A Horras Date: 2023.12.14
16:14:05 -06'00'

Dated at Des Moines, Iowa, this 14th day of December, 2023.

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CONCURRENCE

I join with my colleagues in approving the Settlement Agreement for the reasons stated in the order. I write separately to include additional thoughts surrounding this decision.

The Settlement Agreement approved with this order is compelling for the fact that it represents a compromise between settling parties, and that all but one intervening party has not objected to the Settlement Agreement. OCA Witness Blake Kruger testified in hearing that the settlement provides a “fair and balanced outcome for both MidAmerican and for ratepayers.” (RT, p. 125.) Over the 22 years that advance ratemaking has been in effect, the utility industry has evolved and continues to evolve significantly, leading to a more complex set of factors than could have been contemplated at the time the law was enacted. Reconciling current circumstances with the statute is not straightforward and with that in mind, the successful compromise warrants recognition.

A. ROE

I do have concerns about the continued practice of granting premium ROE's for advance ratemaking projects, and testimony in the case points toward ending that practice. (See OCA Munoz Direct, p. 4 (stating recommendation of 10% ROE, midpoint between 9.3% and 10.12%); IBEC Walters Direct, p. 51 (stating recommendation of 9.50%, midpoint between 9.20% and 9.80%).)

The effect of small changes in a granted ROE, especially on a project of this magnitude, are significant, and directly affect the amounts that will be recovered from MidAmerican's customers by potentially hundreds of millions of dollars over the life of the project.

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The ROE granted for Wind PRIME also raises the threshold for revenue sharing, which means that MidAmerican's earnings must be even higher before MidAmerican will be required to provide benefits via the revenue sharing mechanism.

However, MidAmerican (in testimony) and OCA (in hearing cross-examination) argue that the settlement in whole is still fair and balanced. (*Id.*; see also, MidAmerican Specketer Rehearing Rebuttal.) OCA points out that, in particular, the Retail Energy Benefits provision results in accelerated depreciation of assets each year, regardless of MidAmerican's position in Revenue Sharing that year. (RT, pp. 125-126.) This does alleviate my concerns, at least in part, and as the Board is to look at the Settlement Agreement as a whole, I will approve the Settlement Agreement with a 10.75% ROE while retaining my overall concern on the appropriateness of higher ROE's established through advance ratemaking.

B. Cost Cap

The cost cap for the wind portion of the project has been increased from \$1.890 million/MW to \$2.106 million/MW, an 11% jump. For an approximately \$4 billion project, this has real and significant implications for Iowans. OCA witness Kruger testified at hearing that the higher cost cap is a detriment to customers. (*Id.* at 126.) MidAmerican states that the increased cost cap is necessary due to changing market conditions, which includes increased costs for material and labor. (MidAmerican Jablonski Rehearing Direct (Supplemental), pp. 3-4.) Again, this represents a significant increase in the amount that will be recovered from customers, in the hundreds of millions of dollars.

Mr. Kruger testified that while the increased cost cap is a detriment, this impact is somewhat reduced by the delayed implementation of Wind PRIME. (*Id.* at 127.)

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According to Mr. Kruger's testimony, more operating income will likely lead to more revenue sharing prior to Wind PRIME being fully in service, which could help reduce the impact of the increased cost cap. (*Id.*)

Out of respect for the settlement process, the trade-offs and compromises necessary to reach that settlement, and the extent to which agreement was reached, I will approve the Settlement Agreement with the proposed Cost Cap advance ratemaking principle, but I caution that we should not lose sight of the significance of this cost increase. The difference in costs from when this project was proposed to the amount reached in settlement would constitute one of the largest ratemakings in Board history, on its own. Such cost impacts to customers are not lightly considered nor easily approved.

UTILITIES BOARD

Sarah Martz Date: 2023.12.14
14:50:12 -06'00'

Sarah Martz, Board Member

ATTEST:

Keetah A Horras Date: 2023.12.14
16:13:37 -06'00'

Dated at Des Moines, Iowa, this 14th day of December, 2023.