



energy. This vision, referred to as MidAmerican’s 100% renewable energy vision,<sup>1</sup> is based on, among other things, industry transformation, including customer demand for access to more renewable energy due to their increased focus on sustainability and affordability. MidAmerican’s customers are attracted to the Company’s ability to provide long-term supply with low marginal costs, which has helped to keep customer electric rates among the lowest in the nation. In keeping with this vision and its desire to meet customer demand, MidAmerican is proposing in this Application advance ratemaking principles for MidAmerican’s proposed Wind PRIME Project (“Wind PRIME”). Wind PRIME proposes to add up to 2,092 megawatts (“MW”) of renewable generation comprised of up to 2,042 MW of wind generation and up to 50 MW of solar generation.

Wind PRIME represents a major milestone for MidAmerican, its customers, and the communities it serves. Once Wind PRIME is added to MidAmerican’s existing generation fleet, the Company projects that, by 2025, it will cover 111% of its customers’ annual energy needs with renewable energy and sustain 100% coverage into the next decade.<sup>2</sup> This is not, however, the end of MidAmerican’s journey. There is increasing customer and policy demand to move beyond covering annual usage and to deliver energy that is net zero for greenhouse gas (“GHG”) emissions in each hour of usage. With Wind PRIME, MidAmerican proposes not only to provide additional renewable generation to meet its customers’ demand, but also to study and review three categories of technology—carbon capture and sequestration, energy storage, and small modular nuclear reactors – likely to be part of a future generating fleet in a carbon-constrained environment. In

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<sup>1</sup> See e.g., *In Re: MidAmerican Energy Company*, Docket No. RPU-2016-0001, Direct Testimony of William J. Fehrman at 4-9, filed April 16, 2016.

<sup>2</sup> MidAmerican plans to verify this percentage each year using the process developed by the Board in its Chapter 30 rules to provide an open and transparent way for MidAmerican customers to know what these renewable projects mean to their energy mix. 199 IAC Chapter 30, Renewable Energy Percentage Verification.

sum, Wind PRIME will allow MidAmerican to achieve its 100% renewable energy vision as it continues its journey to net zero.

As set forth below and in the accompanying testimony of MidAmerican's witnesses, Wind PRIME fulfills the statutory requirements of Iowa Code § 476.53, is consistent with Chapter 41 of the Board's rules, and is largely consistent with prior filings for ratemaking principles, including MidAmerican's Wind XI and Wind XII proposals. Moreover, it meets numerous needs of MidAmerican's customers. Finally, Wind PRIME will continue Iowa's renewable energy leadership and will be another major economic development project for the state that will help draw more sustainability-minded companies to either locate or expand operations in Iowa.

## **II. WITNESSES SUPPORTING MIDAMERICAN'S APPLICATION**

The following MidAmerican witnesses offer testimony and sponsor exhibits supporting MidAmerican's analysis of the Wind PRIME project.

- Kelcey A. Brown, President & Chief Executive Officer of MidAmerican;
- Michael C. Fehr, Senior Vice President, Renewable Generation & Compliance;
- Adam N. Jablonski, Vice President, Resource Development;
- Thomas B. Specketer, Vice President & Chief Financial Officer;
- Ann E. Bulkley, Senior Vice President, The Brattle Group;
- Dehn Stevens, Vice President, Transmission Development & Development;
- Neil D. Hammer, General Manager, Transmission Planning & Development; and
- Jennifer A. McIvor, Vice President & Chief Environmental Officer for Berkshire Hathaway Energy.

These witnesses testify as follows:

Brown: Case overview and MidAmerican's 100% renewable energy vision.

Fehr: Timing considerations, economic development benefits; energy efficiency plan; Chapter 41 filing requirements with respect to (i) the purpose of the proposed facility, (ii) ownership, (iii) the raw materials used and wastes created, (iv) the long-term operator, (v) the mitigation of operating risks, (vi) the economic impact, and (vii) efficiency and control technologies; technologies MidAmerican proposes to study; and ratemaking principles regarding Wind PRIME's size cap and depreciable life.

Jablonski: Certificate of public convenience, use and necessity; MidAmerican's experience evaluating, developing and constructing renewable generation projects; the Chapter 41 filing requirements with respect to the (i) site description, (ii) general description, (iii) financial and contractual commitments, (iv) primary transportation corridors and routing of rights-of-way, (v) use of a general contractor, and (vi) mitigation of construction risks; and the ratemaking principle regarding Wind PRIME's wind and solar cost cap.

Specketer: Ratemaking principles addressing the Iowa jurisdictional cost allocation, cancellation cost recovery, renewable energy and CO<sub>2</sub> credits, etc., federal production tax credit, Iowa retail energy benefits, revenue sharing, and technology study costs. Wind PRIME's economic evaluation, and Wind PRIME's impact on operating income, revenue sharing and returns.

Bulkley: Return on Equity ratemaking principle.

Stevens: The estimated cost of transmission upgrades associated with the Project and the process MidAmerican will follow to ensure that Wind PRIME sites do not degrade the adequacy, reliability, or operating flexibility of the existing transmission system from a local and regional perspective.

Hammer: How Wind PRIME fulfills multiple customer needs, the expected operational outputs of Wind PRIME and the impact on reliability, fuel diversity and use of non-traditional supply sources in Iowa. MidAmerican's consideration of other renewable supply options in comparison to Wind PRIME and a comparison of conventional generation resources to Wind PRIME.

McIvor: Addresses the Chapter 41 filing requirements regarding Wind PRIME's environmental impact to Iowa and the communities in which it will be located.

### **III. REQUIRED BOARD FINDINGS**

Iowa Code § 476.53(3)(c) directs the Board to make two findings before 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(15); 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 testimony of its witnesses and their supporting exhibits demonstrate MidAmerican has satisfied both conditions necessary for Wind PRIME to receive advance ratemaking principles.

#### **A. MidAmerican has a Board-approved Energy Efficiency Plan.**

MidAmerican witness Fehr provides testimony regarding MidAmerican's current Energy Efficiency Plan ("Plan"). In July 2018, the Company sought approval of a 5-year Plan (2019 – 2023), which the Board approved on February 18, 2019, in Docket No. EEP-2018-0002. Now in its fourth year of implementation, the Board has issued no orders finding that MidAmerican is not in compliance with its Plan or any order in the EEP docket. Accordingly, MidAmerican has satisfied the requirement that it have in effect a Board-approved Energy Efficiency Plan.

**B. Wind PRIME is reasonable when compared to other sources of supply**

MidAmerican witnesses, Brown, Fehr, Specketer, Hammer and McIvor support a finding that MidAmerican has considered other sources for long-term electric supply and determined Wind PRIME to be reasonable when compared to the other feasible alternative sources of supply. In determining whether this condition has been satisfied, the Board looks at the need for the proposed facility, which includes not only a present need for capacity, but also other considerations such as fuel diversity, the supply of less expensive energy, and compliance with future environmental regulations.<sup>3</sup> MidAmerican engaged in this analysis, which demonstrates there is a need for Wind PRIME and that the Project provides benefits across a wide range of fronts, including:

- Environmental Compliance: Wind PRIME reduces the intensity of air and water emissions associated with electric generation and facilitates compliance with current and future environmental regulations through an increased amount of zero-emissions electricity that customers desire;
- Customer pricing: Wind PRIME provides revenue streams that are projected to substantially offset its costs, depending on the energy market price assumptions;
- Fuel diversity: The Project reduces dependence on fossil fuels and reduces dependence on the transportation of fuel, and creates energy and capacity benefits from sources of energy that are not susceptible to volatile fuel-cost and fuel transportation cost changes;
- Economic development: Wind PRIME promotes economic development in Iowa and the communities MidAmerican serves;
- Iowa energy policy: The Project supports Iowa's role as a renewable energy leader; and
- Energy and capacity: Wind PRIME increases the supply of low cost energy and provides capacity to meet resource adequacy requirements.

MidAmerican witness Hammer's testimony also demonstrates that Wind PRIME is a reasonable option as compared to other long-term options for meeting customer needs.

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<sup>3</sup> *NextEra Energy Resources LLC v. Iowa Utilities Bd.*, 815 N.W.2d 30 at 40, 42 (2012).

MidAmerican witness Hammer uses a nine-factor analysis<sup>4</sup> to reach this conclusion based largely on wind and solar generation's favorable performance on the following criteria: reasonable cost, environmental reasonableness, economic development, geo-political uncertainty, diversity, and resource availability/stability. Accordingly, MidAmerican amply demonstrates that Wind PRIME is a reasonable option for long-term electric supply when compared to the other feasible alternative sources of supply.

#### **IV. RATEMAKING PRICIPLES SOUGHT**

Having demonstrated that Wind PRIME 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 PRIME once its costs are included in regulated electric rates. The eleven ratemaking principles identified below are largely familiar to the Board and supported in the testimony of MidAmerican witnesses Fehr, Jablonski, Specketer and Bulkley, at the locations specified in the Master Index.

- Iowa Jurisdictional Allocation: 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). (Specketer)
- Cost Cap: The cost cap for Wind PRIME is \$1.89 million per MW (including AFUDC) for wind-powered facilities and \$1.854 million per MW (including AFUDC) for solar-powered generation. If 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 Energy Company shall be required to establish the prudence and reasonableness of such excess before it can be included in rates. (Jablonski)
- Size Cap: The ratemaking principles shall be applicable to all new MidAmerican Energy Company wind generation up to 2,042 MW and all new MidAmerican Energy Company solar generation up to 50 MW-AC, built as part of Wind PRIME. (Fehr)

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<sup>4</sup> The nine factors considered are cost, cost robustness, environmental reasonableness, system reliability, economic development, geo-political uncertainty, flexibility/optionality, diversity, and resource availability/stability.

- Depreciation: The depreciation life of Wind PRIME for ratemaking purposes shall be 40 years for wind facilities and 30 years for solar facilities. MidAmerican shall be able to revise the depreciable life in the event an independent depreciation expert provides support for a different useful life, and a change in depreciable life is approved by the Board in a contested case proceeding in which parties to this proceeding may participate and present evidence either in support of or in opposition to the proposed change in depreciable life. MidAmerican Energy Company shall notify such parties of any application filed with the Board asking that the depreciable life of Wind PRIME be revised. (Fehr)
- Return on Equity: The allowed return on the common equity portion of Wind PRIME, constructed pursuant to this Ratemaking Principles Application, that is included in Iowa electric rate base, shall be 11.25%. An AFUDC rate that recognizes a return on common equity rate of 10.0% shall be applied to construction work in progress. (Bulkley)
- Cancellation Costs: In the event MidAmerican cancels any Wind PRIME 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 requirement calculations, but the unamortized balance shall not be included in rate base in any such calculations. (Specketer)
- Environmental Benefits, CO<sub>2</sub> Credits and the Like: 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. Any Electing Customer shall notify MidAmerican within 60 days of MidAmerican's notice to customers of this option, which notice shall be provided within 30 days of a final order of the Iowa Utilities Board approving ratemaking principles associated with Wind PRIME that are acceptable to MidAmerican to pursue the Project. For future ICR customers, MidAmerican must provide notice to customers of the option to elect this option within 30 days of their becoming an ICR customer. MidAmerican will prudently manage all other environmental and compliance related benefits from Wind PRIME for the benefit of all other customers. MidAmerican will provide at least eighteen months' notice to customers and the Board prior to any change in MidAmerican's current policy of retiring all renewable energy certificates on behalf of all customers. 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, MidAmerican proposes that the Iowa jurisdictional portion of the investment and all other costs and benefits of Wind PRIME shall be included in base rates, 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. (Specketer)

- Federal Production Tax Credits: The Iowa jurisdictional portion of any federal production tax credits associated with Wind PRIME 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 PRIME will be excluded from the Iowa Energy Adjustment Clause 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 Wind PRIME shall be included in base rates, and the Iowa jurisdictional portion of any federal production tax credits associated with Wind PRIME shall be included in the EAC. (Specketer)
- Iowa Retail Energy Benefits: 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. However, the Iowa retail energy benefits from Wind PRIME production shall be included in the calculation of any revenue sharing for the year. (Specketer)
- Technology Study Costs: MidAmerican will account for prudently incurred costs for technology evaluation studies, site evaluation studies, front-end engineering and design studies, project reviews and other related studies needed to establish the feasibility of carbon capture and sequestration, energy storage and small modular nuclear reactor technologies and specific projects that would use those technologies in the following manner. MidAmerican will record all prudently incurred costs in a preliminary survey and investigation account consistent with FERC account 183. Where studies facilitate the Company’s pursuit of the technology, the costs will be included in the capital costs for the project and will be incorporated in a future advance ratemaking proceeding, assuming the technology qualifies for ratemaking principles. Where studies have been undertaken and the Company determines the technology isn’t feasible, the costs shall be reclassified from the preliminary survey and investigation account to a regulatory asset account. The sum of all costs reclassified to a regulatory asset shall not exceed \$25 million. The regulatory asset will be included in MidAmerican’s next general rate case with recovery not to exceed sixty months. The annual amortization shall be included in MidAmerican’s

revenue requirement calculations, but the unamortized balance shall not be included in rate base in any such calculations. (Specketer)

- Revenue Sharing: 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 principle proceedings prior to this docket. (Specketer)

## **V. REQUESTED REVIEW PERIOD**

MidAmerican respectfully requests the Board complete its review of this Ratemaking Principles Application and approve the ratemaking principles contained therein no later than October 31, 2022. The requested review period is consistent with earlier ratemaking principles cases and is reasonable considering the similarities between the ratemaking principles proposed in MidAmerican's two most recent advance ratemaking principles proceedings (Wind XI and Wind XII) and this Application. A decision by October 31, 2022 provides MidAmerican sufficient time to secure the necessary resources to develop, construct and place Project sites into service on a timeline that assures obtaining critical federal tax credits. Timing issues associated with Wind PRIME are further addressed in the testimony of MidAmerican witness Fehr. As it has in the past, MidAmerican commits to providing any additional information that will aid in the Board's review during the requested review period.

## **VI. CONCLUSION**

The evidence demonstrates the reasonableness of the proposed eleven ratemaking principles to govern MidAmerican's recovery of its costs for Wind PRIME over the lives of the respective facilities. Wind PRIME 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; (3) attains a historic milestone for renewable generation consistent with state law encouraging such generation in Iowa; (4) advantageously offsets a significant portion of construction costs with other revenue streams; (5) is environmentally sound; (6) provides added generating capacity to MidAmerican's portfolio; and (7) provides substantial benefits and competitive advantage to Iowa's economy.

WHEREFORE, for the reasons stated above, MidAmerican requests the Board grant this Ratemaking Principles Application pertaining to Wind PRIME, and approve the ratemaking principles proposed by MidAmerican.

Respectfully submitted,

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