

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

IN RE: :
: **DOCKET NO. RPU-2022-0001**
MIDAMERICAN ENERGY :
COMPANY :

STIPULATION AND AGREEMENT

Article I – Introduction

On January 19, 2022, MidAmerican Energy Company (“MidAmerican”) filed with the Iowa Utilities Board (“Board”) an Application for a Determination of Ratemaking Principles requesting the Board specify in advance the ratemaking principles that would apply to the proposed Wind PRIME Project (“Wind PRIME”). Wind PRIME involves the installation of up to 2,092 megawatts (“MW”) of new wind and solar generation in Iowa.

Article II – Purpose

This Stipulation and Agreement has been prepared and executed by MidAmerican Energy Company (“MidAmerican”), the Office of the Consumer Advocate (“OCA”), and the Iowa Business Energy Coalition (“IBEC”) (collectively, the “signatories” or “Parties”), for the purpose of resolving all issues among the signatories regarding MidAmerican’s Wind PRIME application for ratemaking principles in Docket No. RPU-2022-0001. In consideration of the mutual agreements set forth herein, the signatories stipulate their belief that the Board should issue an order that allows the terms and provisions of this Stipulation and Agreement to be fully implemented.

Article III – Ratemaking Principles for Wind PRIME

The signatories to this Stipulation and Agreement agree to support the Wind PRIME

Project with the following ratemaking principles:

Topic	Ratemaking Principle
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).
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 shall be required to establish the prudence and reasonableness of such excess before it can be included in rates.
Size Cap	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. 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 file with the Board, unless the 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 Parties otherwise agree in writing. MidAmerican further agrees to complete an update to the RES within five (5) years of the filing of the RES. The full terms and conditions of the RES are described in Exhibit A of the RPU-2022-0001 Stipulation and Agreement.
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 shall notify such parties of any application filed with the Board asking that the depreciable life of Wind PRIME be revised. MidAmerican shall also perform a depreciation study that shall be included as part of its next general Iowa electric rate case.
Return on Equity	The allowed return on the common equity portion of Wind PRIME, constructed pursuant to this Ratemaking Principles Application, that is

Topic	Ratemaking Principle
	<p>included in Iowa electric rate base, shall be 11.00%. An AFUDC rate that recognizes a return on common equity rate of 10.0% shall be applied to construction work in progress. The AFUDC rate will be calculated consistent with the Uniform System of Accounts formula prescribed for public utilities subject to the provisions of the Federal Power Act.</p>
Cancellation Cost Recovery	<p>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.</p>
Environmental Benefits, CO2 Credits and the Like	<p>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, 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</p>

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	<p>portion of any revenues from the sale of environmental or compliance related benefits associated with Wind PRIME shall be included in the EAC.</p>
Federal Production Tax Credits	<p>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, except as described in the Iowa Energy Adjustment Clause and Rate Mitigation principle, 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 or the EAC, and the Iowa jurisdictional portion of any federal production tax credits associated with Wind PRIME shall be included in the EAC.</p>
Iowa Energy Adjustment Clause and Rate Mitigation	<p>MidAmerican will provide Energy Adjustment Clause (“EAC”) stabilization relief to a targeted amount of \$0.0125/kWh through the following steps, in this order:</p> <ol style="list-style-type: none"> <li data-bbox="560 932 1433 1325">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. <li data-bbox="560 1335 1433 1728">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. <li data-bbox="560 1738 1433 1875">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

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	<p>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.</p>
<p>Iowa Retail Energy Benefits</p>	<p>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, regardless of revenue sharing position, in the following order: 1) Greater Des Moines Energy Center; 2) Wind I; 3) Wind II; 4) Wind VII; 5) Wind III; 6) Wind IV; 7) Wind V; 8) Wind VI; 9) Wind VIII; 10) Wind IX; 11) Wind X; 12) Wind XI; 13) Wind XII; and 14) Wind PRIME.</p>
<p>Revenue Sharing</p>	<p>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. Consistent with the Board’s December 16, 2021 “Order Requesting Additional Information” in Docket No. SPU-2021-0005, MidAmerican will file with its annual revenue sharing filing in Docket No. RPU-2013-0004 detailed support for its revenue sharing calculations similar to the information provided to the Office of Consumer Advocate, a division of the Iowa Department of Justice.</p>
<p>Consumer Protection Plan</p>	<p>The Wind PRIME project shall be subject to a consumer protection plan described as follows: The consumer protection plan will be based on the annual, aggregated capacity factor for all Wind PRIME wind facilities in service in a given calendar year. The program shall start the earlier of January 1 the first year after all Wind PRIME wind facilities are in service or January 1, 2026, and shall end four (4) calendar years after the last year of the initial production tax credit earning period for the final Wind PRIME wind farm (not including any potential extension due to repowering). Under the terms of the consumer protection plan, penalties will be assessed when the five-year rolling average capacity factor for the wind facilities in service is below 36%, and credits will be assessed when the five-year rolling average capacity factor for the wind facilities in service is greater than or equal to 45%. The MWh subject to penalty or</p>

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	<p>credit shall be as set forth in the “Lookup for Penalty” tab of the worksheet filed as Exhibit B of the RPU-2022-0001 settlement Stipulation and Agreement; the calculation of any penalty, credit, annual sharing contribution to/from the accumulated sharing balance (uncapped and capped) accumulated sharing balance, and final program penalty, if any, shall be undertaken consistent with the method and calculations set forth in the “Settlement Example” tab of said worksheet, with the energy value per MWh fixed at forty dollars (\$40) and the annual sharing fixed at 60% for MidAmerican. Penalties and credits imposed or earned in a given calendar year shall be offset against one another and shall contribute to the accumulated sharing balance with no payment until the program ends. A negative (penalty) accumulated sharing balance at the end of the program shall be settled as a credit to MidAmerican’s energy adjustment clause in the next energy adjustment clause reconciliation; a positive balance shall be treated as a zero balance and shall not result in any return to MidAmerican. A \$10 million cap shall be imposed on any annual sharing adjustment (positive or negative) to the accumulated sharing balance in a given calendar year, and a \$50 million cap shall be imposed on the total program penalty. Any final penalty amount at the end of the program shall be prorated based on the actual wind capacity installed as compared to the wind size cap of 2,042 MW. Annual capacity factors may be adjusted for force majeure events as defined in Exhibit C of the RPU-2022-0001 settlement Stipulation and Agreement; the process for documenting the annual capacity factor and any applicable force majeure events in any given year, and for resolving any disputes regarding same, shall be as set forth in said Exhibit C. This principle shall survive any subsequent general Iowa electric rate case and shall continue through the program end.</p>

Article IV – Motions

The signatories shall jointly file with the Board this Stipulation and Agreement in support of a ratemaking principles application for the Wind PRIME Project (Docket No. RPU-2022-0001). The signatories agree to confirm their agreement to the terms of this Stipulation and Agreement and represent to others the fairness of the result. The signatories will file with the Board a motion requesting that the Board accept this Stipulation and Agreement without condition or modification.

Article V – Condition Precedent

This Stipulation shall not become effective unless and until the Board accepts the same in

its entirety without condition or modification.

Article VI – Limitation

This Stipulation and Agreement is made pursuant to Iowa Code § 17A.10 and 199 I.A.C. § 7.18. This Stipulation and Agreement relates only to the specific matters referenced herein, and no signatory waives any claim or right that it may otherwise have with respect to any matter not expressly provided for herein. Except as expressly provided in this Stipulation and Agreement, no signatory shall be deemed to have approved, accepted, agreed or consented to any ratemaking principle, any method of cost-of-service determination, or any method of cost allocation underlying the provisions of this Stipulation and Agreement or be prejudiced or bound thereby in any other current or future proceeding before any agency. Except as necessary to implement Article IV, this Stipulation and Agreement shall not, directly or indirectly, be referred to as precedent in any other current or future proceeding before the Board except with the written consent of the signatories.

Article VII – Execution

To facilitate and expedite execution, this Stipulation and Agreement may be executed by the signatories in multiple conformed copies which, when the original signature pages are consolidated into a single document, shall constitute a fully executed document binding upon all the signatories. The facsimile signatures of the signatories shall be deemed to constitute original signatures, and facsimile copies hereof shall be deemed to constitute duplicate originals.

Article VIII – Modification and Amendment

This Stipulation and Agreement shall not be amended or modified except by an instrument in writing signed by all signatories.

Article IX – Term

This Stipulation and Agreement shall remain in effect as long as the Wind PRIME Project facilities covered by the Ratemaking Principles in Article III continue to provide regulated electric service to Iowa consumers.

Article X – Binding Nature

This Stipulation and Agreement shall be binding on the signatories. Except as provided in Article VIII, the signatories shall take no actions directly or indirectly to eliminate or otherwise limit or expand the scope or effect of this Stipulation and Agreement throughout its term.

Article XI – Further Assurances

The signatories agree to cooperate in order to effectuate the full and complete intent of the signatories as expressed in this Stipulation and Agreement.

Article XII – Entire Agreement

This Stipulation and Agreement, including the exhibits identified in the recitation of principles set forth in Article III, contains the entire agreement between the signatories and supersedes all prior agreements between the signatories, written or oral, relating to the matters addressed herein. There are no additional terms, whether consistent or inconsistent, oral or written, that have not been incorporated into this Stipulation and Agreement.

MIDAMERICAN ENERGY COMPANY

OFFICE OF CONSUMER ADVOCATE

/s/ Kelcey A. Brown

(Signature)

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/s/ Jennifer C. Easler

(Signature)

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Date: 12/02/22

Date: 12/02/22

**IOWA BUSINESS ENERGY
COALITION**

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Date: 12/02/22