

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

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

**FINAL DECISION AND ORDER**

**TABLE OF CONTENTS**

<b>PROCEDURAL BACKGROUND</b> .....	<b>3</b>
<b>STATUTORY REQUIREMENTS</b> .....	<b>6</b>
Board Implementation of Iowa Code § 476.53.....	6
A. Qualifying Facilities .....	11
B. Demonstration of Need .....	11
C. Energy Efficiency Plan .....	12
D. Reasonable Alternative .....	13
E. Seven-Factor Review .....	13
F. Impact of the Inflation Reduction Act .....	14
<b>STATUTORILY REQUIRED FINDINGS</b> .....	<b>15</b>
Position of the Parties .....	15
A. MidAmerican .....	15
B. OCA .....	18
C. Environmental Intervenors .....	21
D. Tech Customers.....	24
E. IA BCE .....	26
F. IBEC, IPL, and IAMU.....	27
Board Discussion .....	27
A. Qualifying Facility .....	28
B. Qualifying Energy Efficiency Plan.....	28
C. Need for the Generation Facilities .....	28
1. Sufficient Quantity.....	29
2. Reliability Impacts.....	32
3. Economic Benefits/Cost-Effectiveness.....	35
4. Environmental Policies/Impact on Carbon Intensity .....	39
5. Diversity of Fuel Type in Portfolio .....	39
6. Availability and Reliability of Fuel Sources .....	40

DOCKET NO. RPU-2022-0001

PAGE 2

7. Volatility of Fuel Prices.....	41
D. Need Under Seven Statutory Factors.....	41
E. Reasonableness of Alternatives .....	43
1. Sufficient Quantity.....	43
2. Reliability Impacts.....	44
3. Economic Benefits/Cost-Effectiveness.....	45
4. Environmental Benefit/Impact on Carbon Intensity.....	46
5. Diversity of Fuel Type in Portfolio .....	46
6. Availability and Reliability of Fuel Sources .....	47
7. Volatility of Fuel Prices.....	47
F. Reasonableness of Alternatives Under Seven Statutory Factors .....	48
<b>SETTLEMENT .....</b>	<b>49</b>
A. Iowa Jurisdictional Allocation.....	50
B. Cost Cap .....	51
C. Size Cap .....	51
D. Depreciation.....	52
E. Return on Equity .....	53
F. Cancellation Cost Recovery .....	54
G. Environmental Benefits, CO2 Credits and the Like .....	54
H. Federal Production Tax Credits.....	56
I. Iowa Energy Adjustment Clause and Rate Mitigation .....	56
J. Iowa Retail Energy Benefits.....	59
K. Revenue Sharing .....	60
L. Consumer Protection Plan.....	61
Position of Parties Regarding Settlement .....	62
A. Settlement Parties.....	63
B. IAMU.....	63
C. Environmental Intervenors .....	64
D. Tech Customers.....	64
E. IA BCE .....	65
F. IPL .....	65
Board Analysis .....	65
A. Standard of Review.....	65
B. Iowa Jurisdictional Allocation.....	67
C. Cost Cap.....	71
D. Size Cap.....	71
E. Resource Evaluation Study .....	72
F. Depreciation .....	72
G. Return on Equity .....	73
H. Cancellation Cost Recovery .....	74

DOCKET NO. RPU-2022-0001

PAGE 3

I. Environmental Benefits, CO2 Credits and the Like .....	75
J. Federal Production Tax Credits .....	75
K. Iowa Energy Adjustment Clause and Rate Mitigation .....	76
L. Iowa Retail Energy Benefits.....	83
M. Revenue Sharing.....	83
N. Consumer Protection Plan .....	86
O. Overall Findings Regarding Settlement.....	86
<b>ADVANCE RATEMAKING PRINCIPLES APPROVED .....</b>	<b>87</b>
A. Rate Mitigation .....	88
B. Iowa Jurisdictional Allocation.....	90
C. Cost Cap.....	90
D. Size Cap .....	91
E. Resource Evaluation Study .....	91
F. Depreciation .....	92
G. Return on Equity .....	92
H. Cancellation Cost Recovery .....	94
I. Environmental Benefits, CO2 Credits and the Like .....	94
J. Federal Production Tax Credits .....	94
K. Iowa Retail Energy Benefits .....	94
L. Required Information .....	94
<b>ADVANCE RATEMAKING PRINCIPLES NOT APPROVED .....</b>	<b>95</b>
<b>REQUEST FOR WAIVER.....</b>	<b>97</b>
<b>BOARD DISCUSSION.....</b>	<b>98</b>
<b>PENDING CONFIDENTIALITY REQUESTS .....</b>	<b>99</b>
<b>ORDERING CLAUSES.....</b>	<b>100</b>

### PROCEDURAL BACKGROUND

On January 19, 2022, MidAmerican Energy Company (MidAmerican) filed with the Utilities Board (Board) an Application for a Determination of Ratemaking Principles (Application) seeking advance ratemaking principles regarding the company’s Wind PRIME project pursuant to Iowa Code § 476.53. MidAmerican’s Wind PRIME Application contemplates up to 2,042 megawatts (MW) of wind generation, 50 MW of solar generation, and particular regulatory treatment for technology study costs relating

DOCKET NO. RPU-2022-0001

PAGE 4

to carbon capture, energy storage, and small modular nuclear reactor technologies.

MidAmerican concurrently filed a Request for Waiver (Waiver), seeking waiver of Board rules 199 Iowa Administrative Code (IAC) 20.9(1) and (2), as they apply to MidAmerican's energy adjustment clause, and 199 IAC 41.3(1)(c)-(g) to the extent information requested by such rules is not reasonably available and presented in MidAmerican's Application.

The parties to the 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); Meta Platforms, Inc. (formerly Facebook, Inc.), Microsoft Corporation, and Google LLC, (collectively, Tech Customers); the Iowa Business Energy Coalition (IBEC); Iowa Business for Clean Energy (IA BCE); Iowa Association of Municipal Utilities (IAMU); and Interstate Power and Light Company (IPL). On April 15, 2022, the Board issued its Order Docketing Application, Setting Scheduling Conference and Requesting Information. The scheduling conference was held on April 22 and April 29, 2022. On May 6, 2022, the Board issued an Order Establishing Procedural Schedule with hearing dates of October 31 through November 4, 2022.

On August 19, 2022, MidAmerican filed a Motion to Extend Procedural Schedule to allow it time to file additional testimony related to the impact of the Inflation Reduction Act of 2022 (IRA). The IRA, containing many provisions applicable to energy production, was enacted by Congress and signed by President Joe Biden on August 16, 2022. MidAmerican proposed revisions to the procedural schedule, with a suggestion of moving the hearing to the week of December 12, 2022.

DOCKET NO. RPU-2022-0001

PAGE 5

On August 26, 2022, OCA, Tech Customers, Environmental Intervenors, and IBEC each filed responses to MidAmerican's motion, proposing revisions to the then-current procedural schedule and MidAmerican's proposed procedural schedule.

On September 23, 2022, the Board issued an order extending the procedural schedule and setting the hearing for the week of February 20, 2023.

On November 4, 2022, the Board issued an Order Granting Additional Time for Direct and Rebuttal Testimony, which modified part of the procedural schedule.

On December 2, 2022, MidAmerican, OCA, and IBEC filed a Joint Motion to Approve Stipulation and Agreement (Settlement) with exhibits. On December 7, 2022, MidAmerican filed an amendment to the Settlement.

On December 16, 2022, Environmental Intervenors, IA BCE, and Tech Customers filed comments in opposition to adoption of the Settlement. IAMU filed comments in support of adoption of the Settlement. IPL did not file comments regarding the Settlement.

On December 27, 2022, MidAmerican, OCA, and IBEC all filed reply comments regarding the comments in opposition to adoption of the Settlement.

On January 30, 2023, the Board issued an order that modified the November 4, 2022 procedural schedule in part to allow additional testimony and exhibits regarding certain issues.

An evidentiary hearing was held from February 20 to 24, 2023.

Post-hearing briefs were filed by MidAmerican, OCA, IBEC, Environmental Intervenors, and Tech Customers on March 27, 2023, and post-hearing reply briefs by

DOCKET NO. RPU-2022-0001

PAGE 6

MidAmerican, OCA, Environmental Intervenors, and Tech Customers were filed on April 3, 2023.

### **STATUTORY REQUIREMENTS**

Unlike many previous advance ratemaking proceedings, in this docket there has been extensive argument and testimony regarding the requirements under Iowa Code § 476.53. In order to provide regulatory clarity for this and future advance ratemaking dockets, the Board will articulate more robustly its view of the statutory requirements of Iowa Code § 476.53.

Under applicable Iowa law and precedent, the Board must make four overall findings to support the approval of advance ratemaking principles: (1) the application must address qualifying facilities under the statute, (2) the facilities must be needed in the context of sufficient quantity of generation for reliable long-term electric supply, (3) the utility must have a Board-approved energy efficiency plan in place, and (4) the Board must determine that the proposed facilities are reasonable when compared to other feasible alternative sources of supply to meet the identified need.

#### Board Implementation of Iowa Code § 476.53

The Board does not interpret Iowa Code § 476.53 as a mandate by the legislature to build renewable generation at all costs, or as conveying to the utility a right to receive advance ratemaking. Iowa Code § 476.53 was originally adopted in 2001<sup>1</sup> as a statutory effort to reduce the risk utilities were experiencing prior to its adoption in the

---

<sup>1</sup> The Midcontinent Independent System Operator (MISO) was also established in 2001. MISO includes Iowa and currently 13 other states, creating a regional market for electricity that has significantly decreased the need for utilities to self-build all needed generation assets. Energy markets were implemented in 2005.

DOCKET NO. RPU-2022-0001

PAGE 7

construction of generation assets. In a 2004 Report to the General Assembly regarding ratemaking, the Board stated that advance ratemaking was adopted by the legislature “to spur new investment and mitigate risk to the utilities.” (2004 Report, p.1.)

The statute reduces risk to the utility by allowing the utility the opportunity to seek regulatory pre-approval applicable to the construction of specific generation facilities. Board-approved principles would remain in effect for the life of the facilities once those facilities are included in rates. The reduced risk to the utility at the same time corresponds to increased risk to the ratepayers, who are responsible for paying for the approved costs, including the utility’s eventual allowed profit on the project, based on the Board’s approval of an advance ratemaking principle that establishes a return on equity (ROE) for the proposed facility or facilities. The approved principles are “binding with regard to the specific electric power generating facility in any subsequent rate proceeding.” (Iowa Code § 476.53(3)(g).)

Under the traditional approach for a utility to add new generation, the utility would construct the assets and then seek cost recovery by including the associated costs of the completed generation in a general rate case. During the general rate case, the Board would review the generation assets to ensure they are both used and useful to the customers being asked to pay for the assets, and that the costs associated with them were prudently incurred. If those propositions were true, the assets would be authorized for inclusion in rate base, and in conjunction with all other costs, be eligible for both recovery of operational costs, depreciation, and an ROE for capital investment as part of the just and reasonable rates established by the Board.

DOCKET NO. RPU-2022-0001

PAGE 8

Advance ratemaking under Iowa Code § 476.53 seeks to have the Board predetermine whether future assets will be used and useful, and to pre-authorize how and what costs will be recovered (typically up to an established cap). Past practice has included granting an ROE for the life of the assets, often granting the utility a risk premium because the ROE is not revisited during future general rate case proceedings under the current advance ratemaking approach. In this way, the Board incented utilities to undertake construction of generation assets.

This mechanism, however, does not remove from the Board its primary responsibility of ensuring that the utility's ratepayers are not being asked to pay rates for assets that are not just and reasonable. Rate-regulated utilities primarily earn a profit based on the ROE applicable to authorized investment in capital assets. The Board's statutory responsibilities include ensuring that the utility builds sufficient quantities of generating assets — but no more — to ensure reliable service at a reasonable cost. Advance ratemaking allows the Board to provide increased certainty to a utility to support needed investment, but does not remove from the Board the responsibility to ensure that an investment is needed.

Since Iowa Code § 476.53 was enacted, the Board has approved multiple advance ratemaking principles for multiple projects. Those approvals have been instrumental in the construction of more than 12,000 MW of wind generation and 275 MW of utility-scale solar generation facilities in Iowa. The last 20 years have shown remarkable growth in renewable generating assets in Iowa. Rate-regulated utilities have constructed a substantial number of qualifying facilities in Iowa, to the point that the state is a net exporter of energy. The Midcontinent Independent System Operator

DOCKET NO. RPU-2022-0001

PAGE 9

(MISO)-managed bulk power market has taken substantive steps to integrate renewable generation as part of a broad portfolio. MidAmerican Chief Executive Officer Kelcey A. Brown testified that MidAmerican is committing to transition to a low- to zero-carbon generation fleet, with a goal of “net zero” by 2050. (Brown Direct, p. 31.) Tax incentives in the IRA implement federal policy to encourage and support this transition, creating a market and interconnection queue for new generation that is dominated by renewable generation.

Advance ratemaking decisions have a more long-term impact than perhaps any other decision made by the Board. (*MidAmerican Energy Co.*, “Final Order,” Docket No. RPU-01-9 (May 29, 2002).) In the RPU-01-9 order, the Board stated that because the advance ratemaking principles approved by the Board cannot be revisited in a general rate case proceeding, and the principles will be applicable for the life of the generating facilities, it is important for both the utility and customers that the Board’s decision in these cases be carefully considered. (*Id.* at 3-4.) The Board went on to state that although one of the goals of Iowa Code § 476.53 is to encourage the development of renewable generating facilities, “...the legislative intent is not that this generation be built at any cost” and that requested advance ratemaking principles must be balanced with the impact on ratepayers. (*Id.*)

The Board’s responsibility is to achieve the proper balance between encouraging sufficient generating capacity to meet reliability requirements and ensuring ratepayers are not overburdened by paying rates disproportionate to the need to be met. To do so, the Board reviews applications for compliance with the four prerequisite findings of (1) a qualifying facility, (2) the need for that facility, (3) the existence of a Board-approved

DOCKET NO. RPU-2022-0001

PAGE 10

energy efficiency plan, and (4) whether the record demonstrates that the utility has considered other sources for long-term electricity supply and that the proposed generating facilities are reasonable when compared to other feasible alternative sources of supply.

In evaluating both the need and the reasonableness in comparison to feasible alternatives, the Board utilized a seven-factor review derived from the stated intent of the legislature. The legislature stated that the intent behind the enactment of Iowa Code § 476.53 is to

attract the development of electric power generating and transmission facilities within the state in *sufficient quantity* to ensure *reliable* electric service to Iowa consumers and provide *economic benefits* to the state...[and] consider altering existing electric generating facilities, where reasonable, to manage *carbon emission intensity* in order to facilitate the transition to a carbon-constrained environment.

(Iowa Code § 476.53(1)(a)) (emphasis added.) The legislature also stated that it intends that the statute “shall be implemented in a manner that is *cost-effective* and compatible with the *environmental policies* of the state.” (Iowa Code § 476.53(2)(a)) (emphasis added.) Further, with respect to reliability, the statute “shall be implemented by considering the *diversity of the types of fuel* used to generate electricity, the *availability and reliability of fuel supplies*, and the impact of the *volatility of fuel costs*.” (Iowa Code § 476.53(2)(b)) (emphasis added.) Overall, these statements of intent articulate a seven-factor review intended to demonstrate the need for the project and its reasonableness as a feasible alternative: (1) sufficient quantity to meet need, (2) reliability impacts, (3) economic benefits/cost-effective, (4) environmental

DOCKET NO. RPU-2022-0001

PAGE 11

policies/carbon emission intensity, (5) diversity of fuel type in portfolio, (6) availability and reliability of fuel sources, and (7) volatility of fuel prices.

The requirement for a qualifying facility, the demonstration of need, a Board-approved energy efficiency plan, the alternative sources evaluation, and each of the seven factors are described in greater detail below.

A. Qualifying Facilities

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. Subsection 476.53(3) then sets out the types of generating facilities that are eligible for advance ratemaking principles. Rate-regulated utilities may request ratemaking principles for baseload generating facilities with a nameplate capacity of at least 300 MW or a combined-cycle electric power generating facility, or alternate energy production facilities as defined in Iowa Code § 476.42, as set forth in Iowa Code § 476.53(3)(1)(a). Both wind and solar generating facilities that form the basis of the Wind PRIME proposal are included in the definition of alternate energy production facilities in Iowa Code § 476.42.

B. Demonstration of Need

Iowa Code § 476.53(1) provides a statement of intent for advance ratemaking, to "...attract the development of electric power generating and transmission facilities within the state in sufficient quantity to ensure reliable electric service to Iowa consumers and provide economic benefits to the state...[and] to manage carbon emission intensity...". From a statutory language standpoint, this statement of intent gives rise to support for the requirement of a "need" to be shown to justify approval of advance

DOCKET NO. RPU-2022-0001

PAGE 12

ratemaking principles. The intent of the statute is to ensure sufficient quantity of reliable electric service to Iowa customers. If generation already exists in sufficient quantities, or would not contribute to reliability or provide an economic benefit, then it is outside the intent of the advance ratemaking statute. The word “sufficient” indicates that the statute is not an open-ended directive to allow construction of any amount of generation; there is a limiting principle that proposed generation must provide a certain amount of reliable service to the utility’s ratepayers or provide economic benefit to the utility’s ratepayers.

The concept of need is also reflected in Iowa Code § 476.53(3)(c)(2), where it states that “the public utility has considered other sources for long-term electric supply...” when conducting its comparative analysis. There is a presumption of need inherent in the statutory language. By discussing sources for long-term electric supply, the statute emphasizes that the generating asset is part of a long-term electric supply portfolio, which is to say there is a strategy that is intended to meet a need. The consideration of need to prevent overbuilding of capital assets applies to the review of feasible alternatives as well. The Board considers alternatives in the context of what is required to meet a need. It would be illogical for the Board not to consider whether a project is needed when reviewing whether the proposal is reasonable when compared to other alternatives. One of the alternatives that must be considered is the status quo without the project. Unless there is a need for the project, the status quo alternative would be inherently more reasonable.

C. Energy Efficiency Plan

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).

DOCKET NO. RPU-2022-0001

PAGE 13

D. Reasonable Alternative

The fourth finding the Board is required to make before it addresses proposed advance ratemaking principles is set forth in Iowa Code § 476.53(3)(c)(2), which states “[t]he rate-regulated public utility has demonstrated to the board that the public utility has considered other sources for long-term electric supply and that the facility or lease is reasonable when compared to other feasible alternative sources of supply.” As discussed above, this finding requires an evaluation of multiple factors. The review to determine whether it is reasonable when compared to other feasible alternative sources of supply is guided by the seven-factor review arising from the statements of intent in the statute.

E. Seven-Factor Review

The various statements of intent in Iowa Code § 476.53 articulate the seven-factor review to demonstrate need for the project and its reasonableness as an alternative: (1) sufficient quantity to meet need, (2) reliability impacts, (3) economic benefits/cost-effective, (4) environmental benefits/impact on carbon intensity, (5) diversity of fuel type in portfolio, (6) availability and reliability of fuel sources, and (7) volatility of fuel prices.

Each advance ratemaking proposal presents unique circumstances. The lack of a statutory range for renewable generation size means that an advance ratemaking proposal can range from a single wind farm to a proposal such as Wind PRIME. The changing composition of energy generation over time in Iowa represents a significant increase in renewable energy generation deployment over the last 20 years. This increase means that a renewable energy project that was appropriate when there was

DOCKET NO. RPU-2022-0001

PAGE 14

low generation diversity and intermittent generation had a low impact on reliability may no longer be appropriate. This is especially true moving forward, given projections of an increasing wave of baseload generation retirement and replacement with intermittent renewable generation. The Board must evaluate each proposal within its specific context consistent with the broad statutory parameters provided for advance ratemaking.

F. Impact of the Inflation Reduction Act

The IRA is an overarching issue that will impact the four required findings and the seven-factor review. It has had and will continue to have a substantial impact on the development of electric generating assets, particularly renewable generation. The commitment of approximately \$369 billion in federal funding, along with a major restructuring, expansion, and extension of tax credits regarding electric generation, has markedly shifted the value of many different types of renewable electric generation. Technologies that have been previously deemed infeasible due to cost or lack of sufficient scale of market adoption have become more viable as alternatives. The federal government, through various departments, has or is in the process of adopting regulations that will have material impacts on electric generation markets and incentives for construction of renewable generation for at least a decade. (See, e.g., I.R.S. Notice 2023-29.) The adoption of such impactful legislation during the pendency of this docket creates uncertainty regarding the performance of the energy market in the future. Additional incentives support increased renewable generation, which are likely to drive down market prices for the same. However, the IRA also contains domestic supply and prevailing wage requirements that are likely to drive generation construction costs up.

DOCKET NO. RPU-2022-0001

PAGE 15

The need for additional transmission to support the influx of additional renewable energy generation may also have a material impact on market performance.

## **STATUTORILY REQUIRED FINDINGS**

### Position of the Parties

No witness contests either that Wind PRIME is a qualifying facility or the validity of the energy efficiency plan; however, there was extensive discussion regarding the demonstration of the need for the facilities and their reasonableness when compared to feasible alternatives.

#### A. MidAmerican

MidAmerican witness Michael C. Fehr asserts without contest that the project is a qualifying facility and that MidAmerican has in place an energy efficiency plan as required by statute. (Fehr Direct, pp. 2-5.)

MidAmerican witness Neil D. Hammer asserts that Wind PRIME is meeting the needs requirement of Iowa Code § 476.53 by meeting the:

...needs of its customers for low-cost energy, facilitates compliance with current and future environmental regulations and public policy, provides environmental stewardship credibility to customers who have business or personal environmental goals, affords capacity value to customers, mitigates the risk of fuel price volatility (e.g., natural gas) and potential fuel transportation cost changes, while advancing economic development of the state and Iowa's energy policy.

(Hammer Direct, p. 27.) MidAmerican emphasizes that in evaluating the need for the project, the Board is not looking at "superior" or "optimal" results. (MidAmerican Post-Hearing Brief, pp. 13-14.) MidAmerican further argues that "need" is more broadly understood than the need for immediate capacity, and that a showing of adding any

DOCKET NO. RPU-2022-0001

PAGE 16

capacity, diversifying fuel sources, having clean energy benefits, and promoting economic development are sufficient showings of need. (*Id.* at 15-19, 28-40.)

The elements of economic development and cost-effectiveness were key components of MidAmerican's argument of showing the need for the proposed project. As was emphasized by MidAmerican witnesses Brown, Fehr, Adam N. Jablonski, and Thomas B. Specketer, MidAmerican's projections that the Wind PRIME project can be constructed and operated for its life at "no net cost"<sup>2</sup> reduces the requirement to demonstrate a need for the project because it is projected to result in a net benefit to customers. (See, e.g., Specketer Direct, pp. 19-22, 28; Specketer Direct Confidential Exhibits 1-16; Brown Rebuttal, pp. 2, 5; Fehr Rebuttal, pp. 17, 19-20; Jablonski Rebuttal, p. 4; Specketer Rebuttal, pp. 3, 5-7, 13-14; Specketer Rebuttal Confidential Exhibits 1-8; Brown Surrebuttal, pp. 3, 9, 12; Fehr Surrebuttal, p. 12; see *also* Hearing Transcript (Tr.),<sup>3</sup> pp. 47, 82, 90, 95, 111, 115, 130, 151-152, 172, 174, 261, 262, 328, 342, 514.) Mr. Fehr also emphasizes the economic benefit of construction of the facilities to non-customer beneficiaries. (Fehr Direct, pp. 23-24.)

Mr. Hammer states that MidAmerican used an internal qualitative rubric consisting of nine planning criteria to determine that the Wind PRIME projects were reasonable in comparison to other alternatives. (Hammer Direct, p. 2; see *also* Tr., pp. 62-63.) MidAmerican's internal criteria are: cost, cost robustness, environmental reasonableness, system reliability, economic development, geopolitical uncertainty, flexibility/optionality, diversity, and resource availability/stability. (*Id.* at 3.) Mr. Hammer

---

<sup>2</sup> The term "no net cost" is used throughout the order with the meaning used by MidAmerican as set forth in the citations on this page.

<sup>3</sup> Throughout this order, references to the hearing transcript are shown as (Tr., page number).

DOCKET NO. RPU-2022-0001

PAGE 17

states the use of these criteria show that Wind PRIME addresses future environmental uncertainties; preserves the quality of our environment; strengthens communities served by MidAmerican; manages risks faced in providing energy to customers; and strengthens Iowa's energy supply reliability by adding additional sources of energy that use one of Iowa's most abundant natural resources, wind, at a reasonable cost. (*Id.* at 3.)

Under MidAmerican's internal qualitative rubric, Wind PRIME's wind and solar generation ranks among the top generation technologies for six of the nine reasonableness criteria: cost, cost robustness, environmental reasonableness, economic development, geopolitical uncertainty, and diversity. (*Id.* at 44.)

Mr. Hammer asserts that the alternatives to which Wind PRIME can be compared are somewhat limited. (*Id.* at 27.) He provides a narrative discussion of alternative generation approaches. He asserts that natural gas-fired generation is the only conventional thermoelectric generation that is realistically available to MidAmerican at this time, and that new natural gas-fired generation resources will be a challenge to construct given the uncertainties that exist from carbon emissions policy and natural gas price risks. He further asserts that new or existing coal-fired generation retrofitted with carbon capture and sequestration may become a reasonable option if engineering feasibility studies demonstrate the viability of this technology. (*Id.* at 27-28.) In considering nuclear resources and small modular reactor facilities, Mr. Hammer asserts that both are potential options and have begun to gain acceptance as a non-carbon baseload resource necessary to achieve environmental goals and safeguard the reliability of service. He also notes that storage in its various forms (e.g., pumped

DOCKET NO. RPU-2022-0001

PAGE 18

storage hydroelectric, batteries, hydrogen) is another option, although storage is not a supply resource; rather, it is a net load, and therefore relies upon other sources of supply to charge the storage resource. Currently, biomass and hydroelectric generation are the only renewable options available on a scale similar to wind generation in the Midwest, but each has environmental issues not present with wind and solar. (*Id.* at 27.)

B. OCA

OCA witness Timothy W. Tessier asserts that a showing of “need” may include traditional capacity shortfalls, the need to comply with future environmental regulations, the need for fuel diversity, or the need for less expensive energy. (Tessier Direct, p. 19.) Mr. Tessier asserts that based on his understanding of *NextEra Energy Res. LLC v. Iowa Util. Bd.*, 815 N.W.2d 30 (Iowa 2012), the Board may, but is not required to, consider the non-traditional showing of need when determining whether the principles are appropriate. (*Id.* at 7.)

Furthermore, Mr. Tessier challenges MidAmerican’s assertions that Wind PRIME meets an energy or capacity need, stating that:

MidAmerican proposes as part of the Iowa Retail Energy Benefits to retain for itself the first right to low-cost energy benefits from Wind PRIME. If revenue sharing is not achieved, customers would not realize any of these benefits until a future rate case. Mr. Hammer’s conclusion that Wind PRIME meets customer requirements for low-cost energy is unsupported and is actually contradicted by MidAmerican’s own evidence.

(*Id.* at 19.) Mr. Tessier provides extensive further argument on the question of need, and asserts that MidAmerican witness Hammer’s analysis relies too heavily on prior

DOCKET NO. RPU-2022-0001

PAGE 19

advance ratemaking proceeding assumptions that are not applicable to the facts and circumstances presented in Wind PRIME. (*Id.* at 22-38.)

OCA is a signatory to the proposed Settlement and provided responses to Environmental Intervenors' and Tech Customers' comments to the Settlement pertaining to need. In its Reply to Comments on Settlement Agreement filed December 27, 2022, OCA acknowledges the benefits that a comprehensive and up-to-date resource plan provides in determining utility generation investment decisions, but asserts that a finding of need under Iowa's ratemaking statute may be demonstrated through a showing of "significant customer benefits." (OCA Reply to Comments on Settlement Agreement, pp. 4-7.) OCA further acknowledges that Wind PRIME as initially proposed did not demonstrate significant customer benefits, but that the impact of the IRA on Wind PRIME coupled with important enhancements to the Wind PRIME ratemaking principles provided in the Settlement allow the Board to find that Wind PRIME provides important and significant customer benefits that satisfy the requirements for advance ratemaking principles. (*Id.* at 6; OCA Post-Hearing Brief, p. 9.)

OCA advances and refines this argument in its post-hearing reply brief, arguing that, unlike MidAmerican, OCA believes that the standard articulated in *NextEra* with respect to need cannot:

...always be met through a primarily qualitative analysis. If the proposed generation resource will cause or contribute to rather high utility rates, a "cautious" consideration of resource alternatives should require a robust evaluation of feasible alternatives, such as an integrated resource plan analysis. On the other hand, if a particular resource will deliver and help maintain low and steady rates while achieving other retail service objectives, as Wind PRIME does, there is not the

DOCKET NO. RPU-2022-0001

PAGE 20

same need to conduct a more technical quantitative analysis of other resource options.

(OCA Post-Hearing Reply Brief, p. 3.)

In essence, OCA is proposing that the statutory standard of review for advance ratemaking proposals is more strictly applied when costs will be imposed on ratepayers, and more liberally applied when there is evidence of customer benefit at no net cost. OCA then goes on to argue that Wind PRIME is deserving of a more lenient, or liberal, application of statutory requirements. OCA supports this position by pointing to the lack of negative impact if delivered at no net cost and the reputed benefits of the project for ratepayers, such as additional energy capacity and retirement of higher cost ROE assets. (*Id.* at 4-5.)

OCA witness Scott C. Bents emphasizes that MidAmerican's consideration of Wind PRIME in comparison to alternative sources of supply consists solely of a qualitative review of its nine-factor analysis. (Bents Direct, pp. 5, 10-16.) He argues that this analysis is a high-level overview lacking any sort of rigorous methodology that maximizes benefits for Iowa ratepayers. He further argues that when considering that the costs for wind and solar are comparable, it is clear that a greater amount of solar generation should have been looked at more seriously. Mr. Bents asserts that installing additional wind capacity where a significant amount already exists can add to grid congestion, requiring the cost of additional transmission projects to be passed on to Iowa ratepayers. (*Id.* at 4.)

OCA witnesses conclude in direct testimony that MidAmerican has failed to adequately consider alternative sources of supply. During the hearing, Mr. Bents affirmed his opinion that MidAmerican had not adequately considered other resources

DOCKET NO. RPU-2022-0001

PAGE 21

as required because its nine-factor test is qualitative only and is not considered resource planning. (Tr., pp. 949-951.) Mr. Bents also stated that the passage of the IRA and inclusion of the Resource Evaluation Study in the Settlement were positive developments that impacted his view on advance ratemaking for Wind PRIME. (*Id.* at 956.)

Overall, OCA expresses a desire for additional transparent resource planning by MidAmerican and a concern that the level of evidence offered to meet statutory requirements is inadequate in traditional advance ratemaking proposals. But OCA concludes that the exceptional case of delivering the Wind PRIME project at no net cost supports a more liberal application of statutory threshold requirements with respect to the reasonableness standard as well, and OCA supports a conclusion that MidAmerican has sufficiently demonstrated both the need for the facilities and their reasonableness when compared against feasible alternatives.

C. Environmental Intervenors

Environmental Intervenors witness Devi Glick objected to the contention that MidAmerican had demonstrated a need for the project. (Glick Direct, pp. 18-35.) Ms. Glick argues that MidAmerican did not conduct any true need analysis, emphasizing MidAmerican's acknowledgement that it selected the quantity of wind and solar in the Wind PRIME portfolio based on which resources were further along in the MISO Generation Interconnection Queue. (*Id.*) Ms. Glick argues that MidAmerican relied on a piecemeal and insufficient modeling process to justify the project, with all analysis conducted after the Wind PRIME portfolio had been selected. (*Id.*) She states

DOCKET NO. RPU-2022-0001

PAGE 22

MidAmerican did not present analysis that precedes the development of Wind PRIME to show why or to what extent additional wind or solar generation is needed. (*Id.*)

Additionally, Environmental Intervenor witnesses Glick and Steven C. Guyer both emphasize that MidAmerican's "Zero Emissions Study,"<sup>4</sup> (ZES) found that MidAmerican had sufficient wind in its portfolio already and that the ZES recommended construction of solar to meet customer needs and sustainability goals. (See Glick Supplemental Direct, pp. 22-25, 27-28; Guyer Supplemental Direct, pp. 2-10; ZES, slides 2, 14.)

Environmental Intervenors emphasize that MidAmerican's own studies indicate that it should have conducted resource expansion modeling to demonstrate the reasonableness of the Wind PRIME additions. (Guyer Supplemental Direct, pp. 2-4; see *also* ZES, slides 15-16.) Environmental Intervenors assert that MidAmerican has acknowledged that it did not use the ZES results as a comparison of feasible alternatives, and further argue that MidAmerican has not provided evidence that it considered other reasonable sources of electric supply, such as more solar or battery storage, using any standard utility resource evaluation process. (See Tr., p. 173.)

Ms. Glick also challenges the sufficiency of MidAmerican's comparison to reasonable alternatives, asserting that MidAmerican's inclusion of solar is *de minimis* and therefore the Wind PRIME project only considered wind. (Glick Direct, pp. 18-35.) She argues that none of the analysis MidAmerican provided supported choosing additional wind generation over other feasible alternatives. Ms. Glick argues that this shows that MidAmerican provided no assurance that Wind PRIME is a reasonable alternative and can better meet system energy and firm capacity needs compared to

---

<sup>4</sup> Filed on October 20, 2022, officially noticed by the Board at Hearing – See Tr., p. 21.

DOCKET NO. RPU-2022-0001

PAGE 23

other long-term supply options that included consideration of a more diverse portfolio. (*Id.*)

Further, Mr. Guyer argues that MidAmerican's modeling methodology regarding both need and alternatives comparison deviates from standard utility practice in three ways: (1) it does not utilize capacity expansion and production cost modeling that incorporates all system costs and revenues; (2) it does not include an all-source request for proposals (RFP) or request for information to ensure new resource costs are accurately modeled; and (3) it does not examine alternative portfolios. (Guyer Direct, pp. 4-31.) Ms. Glick argues that the record does not contain sufficient information to support approval of the Wind PRIME portfolio because MidAmerican did not compare the Wind PRIME project to any other reasonable portfolios of resource additions as required by Iowa law. (Glick Supplemental Direct, pp. 3-36.)

Environmental Intervenors argue against MidAmerican's position that Wind PRIME is justified based on forecasted revenues and an assertion that the project will result in no net cost to customers, rather than conducting quantitative resource expansion modeling or demonstrating that the proposed facilities are reasonable when compared to other feasible alternatives. (Environmental Intervenor Post-Hearing Brief, pp. 22-25.) They assert that a mere projection of benefit is not sufficient to meet the evidentiary burden under the statute. (*Id.*)

Environmental Intervenors also argue against the Board relying on wind dockets VIII-XII as guiding precedent, asserting that the facts and circumstances in this docket and the prior dockets are materially different due to the passage of the IRA and the evolving national electricity market transition. (*Id.* at 7-8.) They argue that the context

DOCKET NO. RPU-2022-0001

PAGE 24

of this advance ratemaking application is so different that the Board should return to the higher-level resource planning requirements made in wind dockets IV-VII, especially in light of the removal of the time demands after passage of the IRA. (*Id.* at 10.)

D. Tech Customers

Tech Customers witness Jeffry Pollock asserts that MidAmerican has acknowledged that Wind PRIME is not needed from a capacity standpoint, pointing to the testimony of Mr. Hammer, which notes that MidAmerican does not have a projected capacity shortfall for many years even if Wind PRIME is not built. (Pollock Direct, p. 12 (*citing* Hammer Direct, pp. 17-18).) Mr. Pollock argues that the lack of capacity shortfall, and high level of wind generation already in MidAmerican's portfolio, demonstrate that the primary motivation for proposing the Wind PRIME project is to monetize the production tax credits (PTCs) for the utility, not add generation to serve customers. (Pollock Direct, p. 12 (*citing* Fehr Direct, p. 3).) Tech Customers also emphasize that MidAmerican admitted the lack of need during the hearing, with MidAmerican witness Fehr testifying that the project is not based on pressing capacity or energy needs, but a "renewable energy need or the environmental benefits of this generation." (Tr., p. 135.)

Tech Customers also point to MidAmerican witness Fehr's testimony during the hearing that the size of Wind PRIME was derived from the available projects on the MISO Generation Interconnection Queue, that the 50 MW of solar was not based on the ZES, and that MidAmerican limited its evaluation to self-developed projects. (Tr., pp. 134, 168.) Tech Customers emphasize that MidAmerican admitted it did not reevaluate

DOCKET NO. RPU-2022-0001

PAGE 25

Wind PRIME's size or composition after passage of the IRA because it had already defined the scope of the project based on the MISO queue. (Tr., p. 131.)

Mr. Pollock further asserts that MidAmerican has not provided an analysis of the impacts of other feasible alternatives, which eliminates any ability to determine the reasonableness of Wind PRIME. He argues that MidAmerican asserting that it has considered the variables is insufficient evidence to allow the Board to make a finding that the proposal is a reasonable alternative compared to feasible options, because there is no objective, empirical way to validate the utility's assertions. (Pollock Direct, p. 12.) Tech Customers argue that MidAmerican has conceded the point, with MidAmerican witness Hammer acknowledging that the company ran models for pricing, but not to select a resource mix. (Tr., p. 317.)

Mr. Pollock contends that the Board should evaluate Wind PRIME using the core principles of prudent utility planning — need, reasonableness, cost-effectiveness in relation to other feasible alternatives, and risk — referencing Iowa Code § 476.53. He argues Iowa law and prudent resource planning require the consideration of feasible alternatives, which includes considering a range of options with different technologies, sizes, and life spans (both short- and long-term) as well as procurement strategies. Mr. Pollock claims MidAmerican ignored the latter and performed only a cursory review of the former. He argues that in doing so, MidAmerican summarily rejected other feasible alternatives. (Pollock Direct, pp. 12-16, 20-25.)

Mr. Pollock further argues that it is not clear that MidAmerican considered the ramifications of adding more wind to its generation mix. He notes that MidAmerican already owns more than 7,100 MW in nameplate capacity of wind projects, which now

DOCKET NO. RPU-2022-0001

PAGE 26

comprise 61% of MidAmerican's systemwide nameplate capacity and 23% of MidAmerican's accredited capacity. He concludes, given the high amount of wind generation it already owns, MidAmerican should have demonstrated that adding more wind to its existing system would create a more diverse energy supply, improve system reliability, and result in a lowering of costs relative to other feasible alternatives.

(Pollock Direct, pp. 12-16, 20-25.)

Tech Customers, like Environmental Intervenors, emphasize that the Iowa Supreme Court in the *NextEra* case relied on the record in front of it to approve the advance ratemaking principles, which included:

...a six-stage resource planning process that included both quantitative and qualitative steps of which the multi-factor qualitative analysis was just the final stage. The Court further noted that the administrative record contained "the different analytical models used during the process" and found the Board's conclusion that MidAmerican had demonstrated the facility was reasonable when compared to other feasible alternative sources of energy was supported by substantial evidence.

(Tech Customers Post-Hearing Brief, pp.4-5, citing *NextEra*, 815 N.W.2d 32, at 43.)

Tech Customers argue that MidAmerican has not conducted the first five stages of analysis that it performed in Wind VII, only the sixth step. (Tr., pp. 62, 306-307, 476.)

Overall, in briefs and testimony, Tech Customers have argued that MidAmerican has failed to demonstrate either a need for Wind PRIME or that it has reasonably considered feasible alternatives to Wind PRIME.

E. IA BCE

IA BCE did not provide testimony regarding the need for Wind PRIME.

DOCKET NO. RPU-2022-0001

PAGE 27

IA BCE witness Robert L. Rafferty argues that MidAmerican failed to demonstrate that Wind PRIME was reasonable in comparison to feasible alternatives. He asserts that MidAmerican's sole reliance on wind for its zero-carbon energy fails to achieve the goal of reducing its carbon footprint and reliance on fossil fuel to any significant degree. Mr. Rafferty highlights that if Wind PRIME is approved as proposed, MidAmerican's generation capacity will consist of 67% wind and only 1% solar, citing MidAmerican witness Hammer. (Rafferty Direct, p. 4 (citing Hammer Direct, p. 11).) He asserts that a wind-only approach to decarbonization produces a less reliable grid, fails to reduce fossil fuel use during peak demand, and fails to leverage the low marginal costs of renewable energy during the most expensive, peak demand times. He argues that MidAmerican has failed to materially consider solar options, even though it acknowledges that solar is a more useful option during summer peak conditions. MidAmerican admits that wind and solar are complementary but includes only minimal solar assets, while at the same time admitting that solar costs are competitive with wind. (Rafferty Direct, pp. 3-6.)

F. IBEC, IPL, and IAMU

IBEC, IPL, and IAMU did not provide testimony regarding the statutory requirements.

Board Discussion

The Board reviews the Application for sufficiency regarding statutory requirements. The four prerequisite findings are (1) a qualified facility, (2) the need for that facility, (3) the existence of a Board-approved energy efficiency plan, and (4) whether the record demonstrates that the utility has considered other sources for long-

DOCKET NO. RPU-2022-0001

PAGE 28

term electricity supply and that the proposed generating facilities are reasonable when compared to other feasible alternative sources of supply. Two of the requirements are not challenged and are summarily addressed, followed by a discussion of need and reasonable alternative findings in the context of the seven-factor test.

A. Qualifying Facility

Both the wind and solar generating facilities that form the basis of the Wind PRIME Application are included in the definition of alternate energy production facilities in Iowa Code § 476.42. The Board finds that the generating facilities included in the Application are qualifying facilities under Iowa Code § 476.53.

B. Qualifying Energy Efficiency Plan

MidAmerican's energy efficiency plan was approved February 18, 2019, for years 2019-2023, in Docket No. EEP-2018-0002. Compliance with this statutory requirement was not contested and the condition has been met. MidAmerican's proposed 2024-2028 energy efficiency plan was filed on February 1, 2023. The Board finds that MidAmerican has complied with Iowa Code § 476.53(3)(c)(1).

C. Need for the Generation Facilities

When considering the statutory requirement of need, the Board affirms the applicability and understanding of need as articulated by the Iowa Supreme Court in

*NextEra*:

...we find the general assembly did not intend the "need" requirement of section 476.53 to only include present capacity, but rather the general assembly also intended it to include needs based on other considerations such as fuel diversity, the supply of less expensive energy to consumers, and compliance with future environmental regulations requiring clean energy.

DOCKET NO. RPU-2022-0001

PAGE 29

(*NextEra*, p. 41.) The Board agrees those factors are relevant in determining whether to approve advance ratemaking principles.

The Board evaluates the need requirement based on the seven factors articulated by the legislature: sufficient quantity, reliability impacts, economic benefits/cost-effectiveness, environmental benefits/impact on carbon intensity, diversity of fuel type in portfolio, availability and reliability of fuel sources, and volatility of fuel prices. (Iowa Code §§ 476.53(1), 476.53(2)(a) and (b).) The factors are used to evaluate whether the proposed project demonstrates a need sufficient to support the transfer of risk from the utility to the customers prior to the normal process of a general rate case under Iowa Code § 476.6.

1. Sufficient Quantity

In examining this factor, the Board is challenged by the lack of evidence in the record that supports a need for the facilities. MidAmerican testified at hearing that its existing load requirements are 28,074,100 megawatt-hours (MWh) and that its generation capacity is 37,086,000 MWh. (Tr., p. 305.) This shows that, on average, MidAmerican is currently generating 132.1% of the power needed to serve its current load. MidAmerican provided no evidence regarding a need for additional generation to serve customers beyond two company goals, with the first being to meet the GreenAdvantage corporate sustainability goal of 100%. (Brown Direct, pp. 4-6; Fehr Direct, p. 15.) The second was the general benefit of extending from 2028 to a later date when MidAmerican might experience a capacity shortfall if projections for rapid load growth hold true. (Fehr Direct, p. 16.)

DOCKET NO. RPU-2022-0001

PAGE 30

Mr. Fehr testified that the size and configuration of the Wind PRIME Application was primarily created based on a review of projects available in the MISO Generator Interconnection Queue. (Tr., p. 134.) MidAmerican did not conduct a study to determine its need for additional generation with respect to Wind PRIME; it only ran models for pricing of the already-selected generation assets. (Tr., p. 317.) The most recent study conducted by MidAmerican regarding the next increment of needed generation was the ZES, which recommended against further wind and instead recommended building solar. (ZES, slides 2, 14.) The ZES concluded that “[f]rom a capacity perspective, MidAmerican is long capacity, and annual costs of all resources are less than MidAmerican’s avoided capacity cost,” which means that as of 2019, the best available study from the utility in the record concludes that MidAmerican has more-than-sufficient generating capacity for current and near-term future needs, and that wind is inappropriate to meet projected future peak load demands. (ZES, slide 25.)

MidAmerican argues that the ZES is irrelevant because of declining solar benefit, pointing to Environmental Intervenors’ Hearing Exhibit 20<sup>5</sup> for validation. (MidAmerican Post-Hearing Brief, p. 56.) The MISO 2022 Regional Resource Assessment was released after the Application was filed, and therefore was not relied upon by MidAmerican in reaching conclusions regarding the ZES under its qualitative nine-factor test for Wind PRIME. (Hammer Rebuttal, p. 14.) The primary analysis offered by MidAmerican to support the Application are the no net cost pricing models provided by Mr. Specketer, which do not speak to need for a sufficient quantity, but to potential economic benefit/cost-effectiveness. (Specketer Direct, Exhibits 1-16.)

---

<sup>5</sup> MISO’s “2022 Regional Resource Assessment.”

DOCKET NO. RPU-2022-0001

PAGE 31

The testimony submitted by MidAmerican is noticeably deficient with respect to how the proposed 2,092 MW of generation would be integrated into MidAmerican's existing generation portfolio. MidAmerican did not present Wind PRIME as part of a coherent long-term portfolio approach for when, what type, or how much generating capacity would be needed to support future load demands of its Iowa customers. The Board has repeatedly requested additional information from MidAmerican regarding the integration of renewable resources into its existing portfolio, and explicitly requested information relating to the Board's concern over MidAmerican's wind-heavy generation mix. The Board's orders granting ratemaking principles in wind dockets IV, V, and VI<sup>6</sup> required MidAmerican to file additional information in future dockets as well as, post-*NextEra*, in Docket No. RPU-2014-0002 (Wind IX), where the Board stated:

...in any future ratemaking principle proceedings, MidAmerican is to provide in its prefiled testimony not only a comparison of the proposed generation facility with other feasible long-term sources of supply, but additional analysis regarding interaction of generating resources which might be added within reasonably short time frames. Also, MidAmerican is to address in any future ratemaking principles filings whether there is an upper limit to the amount of wind needed in MidAmerican's resource portfolio and how MidAmerican plans to meet any projected capacity shortfall.

(*MidAmerican Energy Co.*, "Order Approving Settlement with Modifications," Docket No. RPU-2014-0002, p. 8, Jan. 20, 2015.) The required information was not provided in this docket.

The generic addition of capacity is a non-unique benefit that cannot on its own satisfy a demonstration of sufficient quantity. To suggest otherwise is to read out of the

---

<sup>6</sup> See Environmental Intervenors Hearing Ex. 4-6 quoting final orders issued in Docket Nos. RPU-07-2, RPU-08-2, and RPU-08-4.

DOCKET NO. RPU-2022-0001

PAGE 32

statute the term “sufficient.” MidAmerican has not demonstrated that the proposed 2,042 MW of wind and 50 MW of solar are of sufficient quantity to meet a need because MidAmerican has not shown a need that requires a specific quantity.

2. Reliability Impacts

Reliability from both the adequacy and operating reliability standpoint is impacted by the normal fluctuations in load throughout a given time period, both daily and seasonally. MidAmerican witness Fehr testified that the output of wind and solar, as intermittent generators, is limited by the availability of the wind and solar resource, as opposed to traditional nuclear-, coal-, and natural gas-fired thermal generation, which typically have sufficient fuel on hand and the capability to ramp up or down to meet system requirements. (Fehr Direct, p. 26.) When the intermittent generation of wind or solar is available, the generation is a relatively low-cost contributor to serve load. When wind and solar generation are not available, MidAmerican must rely on other existing generation and/or energy purchased from the MISO market to meet load requirements.

Mr. Hammer testifies that Wind PRIME is more of an energy-focused project than a capacity-focused project because wind is somewhat limited in terms of accredited capacity, with a rating of 16.3% of maximum capability based on expected production during peak summer conditions. (Hammer Direct, p. 37.) Wind already represents 61% of MidAmerican’s generation portfolio and the proposed added capacity from Wind PRIME increases that percentage to 67%. (*Id.* at 10.) This raises significant concerns regarding such heavy reliance on a single intermittent resource that has low projected production during the high summer demand period.

DOCKET NO. RPU-2022-0001

PAGE 33

An element of reliability that the record does not materially address is transmission impacts or needs. MidAmerican provides a qualitative discussion of transmission impacts on reliability but does not provide a quantitative analysis of the impacts of the project on transmission congestion. (*Id.* at 35-38.) Increasing reliability concerns in the MISO system (See MISO Reliability Imperative<sup>7</sup>) highlight the unfolding impact of expanding renewable generation on transmission and reliable delivery of service. Both MidAmerican's ZES and MISO reports show that reliable service is most challenged at summer peak when wind performs the worst, and winter when congestion impairs the ability of existing wind to reach load centers. (Potomac Economics, *2021 State of the Market Report for the MISO Electricity Markets*, (June 2022).<sup>8</sup>) Consistent congestion issues for wind assets in certain portions of MidAmerican's service territory have led to negative pricing for current wind generation sales, and to MidAmerican reducing its pricing estimates. (Tr. p. 383; Hammer Direct, p. 68.) MidAmerican did not identify locations for nearly half of the proposed Wind PRIME facilities. This lack of information in the record regarding whether increasing wind generation capacity in an area that may already suffer from congestion will exacerbate the inability to effectively deliver the power being generated and therefore impact reliability.

The ZES conducted by MidAmerican indicated that from a reliability standpoint, with the limitation of only considering renewable generation, wind did not help reliability, stating "[e]xisting wind resources through Wind XII provide significant amounts of

---

<sup>7</sup> <https://www.misoenergy.org/about/miso-strategy-and-value-proposition/miso-reliability-imperative/> (last visited Apr. 11, 2023).

<sup>8</sup> [https://www.potomaceconomics.com/wp-content/uploads/2022/06/2021-MISO-SOM\\_Report\\_Body\\_Final.pdf](https://www.potomaceconomics.com/wp-content/uploads/2022/06/2021-MISO-SOM_Report_Body_Final.pdf).

DOCKET NO. RPU-2022-0001

PAGE 34

around-the-clock energy, although on peak periods, particularly in the summer months have shortfalls.” (ZES, slide 14.) The ZES instead concluded that solar generation was the preferred resource because “[s]olar builds fill in the summer peaking and other on-peak period needs.” (*Id.*) MidAmerican argued at hearing that Wind PRIME supports grid reliability because it is “additive,” which is to say that any new generation helps reliability. (Tr., pp. 125-126.) By that rationale, any new generation improves reliability. The Board declines to adopt a rationale that does not provide meaningful distinctions between options.

The Board finds that the ZES is a persuasive piece of evidence in the record as to what generation assets would improve reliability. The Board also finds the quantitative analysis of reliability performance offered by Ms. Glick to be useful and persuasive. The analysis provides meaningful information regarding the need for solar generation as a more appropriate renewable resource to support reliability, and the potential for battery storage to bolster the reliability of MidAmerican’s current wind-centric electric generation fleet. (Glick Supplemental Direct, p. 48). The Board is not persuaded that the accelerated retirement of coal would improve reliability, and prefers storage technology to mature before broad adoption at ratepayer expense, but agrees that solar generation is better situated to meet reliability needs within MidAmerican’s exclusive service territory.

Therefore, the 50 MW of solar generation included in Wind PRIME does assist in reliability, but the 2,042 MW of wind generation may not. Because the solar component of Wind PRIME represents only 2.4% of the total generation proposed to be built, Wind

DOCKET NO. RPU-2022-0001

PAGE 35

PRIME as a whole does not materially or cost-effectively contribute to more reliable service to MidAmerican's Iowa customers.

3. Economic Benefits/Cost-Effectiveness

The question of economic benefits and cost-effectiveness regarding a showing of need is especially relevant in this proceeding. MidAmerican's primary rationale for Wind PRIME is that there is an economic benefit to ratepayers because the assets can be constructed with no net cost to ratepayers. (See, e.g., Specketer Direct, pp. 19-22, 28; Specketer Direct Confidential Exhibits 1-16; Brown Rebuttal, pp. 2, 5; Fehr Rebuttal, pp. 17, 19-20; Jablonski Rebuttal, p. 4; Specketer Rebuttal, pp. 3, 5-7, 13-14; Specketer Rebuttal Confidential Exhibits 1-8; Brown Surrebuttal, pp. 3, 9, 12; Fehr Surrebuttal, p. 12; see *also* Tr., pp. 47, 82, 90, 95, 111, 115, 130, 151-152, 172, 174, 261, 262, 328, 342, 514.) The contention of no net cost is at the heart of MidAmerican's case regarding need.

There is a logical inconsistency with the no net cost rationale in the context of a rate-regulated utility seeking advance ratemaking principles. If the investment truly would not cost ratepayers anything and would result in a profit greater than the 11.25% ROE sought in the Application as projected, there is no obvious business reason for MidAmerican to propose the project for advance ratemaking principles. Instead, MidAmerican would construct the project through a non-regulated subsidiary or an affiliate and receive 100% of the profits. By requesting approval of advance ratemaking principles, MidAmerican is allowed to recover the costs and ROE on Wind PRIME assets but only receives 10% of any revenue above the revenue sharing threshold. The fact that the Wind PRIME project is proposed for advance ratemaking principles

DOCKET NO. RPU-2022-0001

PAGE 36

indicates that MidAmerican believes there is a non-trivial risk that Wind PRIME may not meet the no net cost projection.

As currently proposed, the Application and related Settlement creates risk asymmetry between the utility and ratepayers. (Pollock Surrebuttal, pp. 15-18.) Through the Settlement, the investment is de-risked for the utility, allowing MidAmerican to recover all costs, plus receive a return on its investment before ratepayers receive any benefit. The risk of asset underperformance is borne by ratepayers. If revenues are not sufficient to cover the costs and return on equity for the project, those amounts are guaranteed to be added to customer rates later pursuant to the Size Cap, Cost Cap, and Depreciation advance ratemaking principles, allowing MidAmerican to recoup costs and receive its ROE on applicable amounts through a later general rate case. Customers bear the risk of market prices being lower than forecasted with the no net cost projection, presuming consistently increasing market prices. (Specketer Direct, p. 40; Specketer Direct, Exhibits 1-16.)

MidAmerican provided testimony regarding the economic benefits of the projects to all Iowans generally through the form of tax revenue, landowner payments, and increased economic activity or attractiveness as a place to locate businesses. (Fehr Direct, pp. 23-24.) MidAmerican witness Brown testified that since the source of Wind PRIME projects is the MISO Generator Interconnection Queue, it is highly likely that all of these projects will be built regardless of approval of advance ratemaking principles. (Brown Direct, p. 11.) Given that the benefit will likely occur irrespective of whether advance ratemaking is approved, the benefits described by Mr. Fehr are not considered economic benefits of the project under this factor.

DOCKET NO. RPU-2022-0001

PAGE 37

MidAmerican argues that the Board has relied upon projections of no net cost in prior dockets to support its compliance with the statutory requirements, especially recent dockets where no net cost has been a material factor in demonstrating the facilities are cost-effective. (MidAmerican Post-Hearing Brief, pp. 15-25; *id.* at 24 fn. 67.) OCA agrees that the performance of prior dockets is relevant information for the Board to consider in evaluating Wind PRIME. (OCA Post-Hearing Brief, p. 10.) As discussed in the final orders in each of wind dockets IX-XII, projections<sup>9</sup> were offered to support a conclusion of no net cost. MidAmerican also annually files a public report<sup>10</sup> on revenue sharing in Docket No. RPU-2013-0004, allowing for a comparison of projections to actuals. To date, results have been, on average, over one-third less than projected.

Tech Customers witness Pollock argues against the reliability of MidAmerican's projections given their high reliance on escalating market prices and the delivery of project benefits primarily outside the PTC-earning period. (Pollock Direct, pp. 32-33; Pollock Direct, Exhibit 7.) The actual performance of prior advance ratemaking projects relied upon as precedent by MidAmerican has not met projections MidAmerican provided to support the approval of advance ratemaking principles, calling into question

---

<sup>9</sup> See RPU-2014-0002 Forecast of Revenue Sharing including Wind IX (Response to Order of December 11, 2014 (Confidential) - Question 3, filed December 15, 2014); RPU-2015-0002 Forecast of Revenue Sharing including Wind X (RPU-2015-0002\_MidAm\_Question 10 Attachment 10.2 Confidential, filed June 15, 2015; MidAmerican Attachment 6 (IUB 6a worksheet) filed June 20, 2016; RPU-2018-0003 Forecast of Revenues Sharing with Wind XII (Specketer Direct Testimony - Confidential filed March 30, 2018).

<sup>10</sup> See IA Revenue Sharing - PDF filed February 9, 2023 (page 2 of 24); IA Revenue Sharing - PDF filed February 15, 2022 (page 2 of 24); 2020 Iowa Revenue Sharing Calculations filed February 15, 2021 (page 2 of 3); 2019 Iowa Revenue Sharing Calculation filed February 14, 2020 (page 2 of 3); 2018 Iowa Revenue Sharing Calculation Revised filed April 8, 2019 (page 2 of 3); 2017 Iowa Revenue Sharing Calculation Report filed February 15, 2018 (page 2 of 3); Revenue Calculations 2016 filed February 15, 2017 (page 2 of 3); Revenue Calculations 2015 filed February 15, 2016 (page 2 of 3).

DOCKET NO. RPU-2022-0001

PAGE 38

to what extent the Board may credibly rely on the no net cost claims by MidAmerican in the present docket. The Board cannot put total faith in the projections given the uncertain impact of the IRA and underperformance in prior dockets, and the Board finds Mr. Pollock's arguments are credible.

Further, the projections that MidAmerican relies upon to demonstrate the economic benefit of the project are highly contingent upon an ever-increasing market price for electricity during the 40-year life of the project, with the majority of the ratepayer benefit coming in the latter years of the useful life of the asset. (Specketer Direct, Exhibits 1-16; Specketer Rebuttal, Exhibits 1-8.) This is counterintuitive because the PTCs are generated in the first 10 years of the project, and without PTCs the projects would not be economically viable. (Specketer Direct, p. 11.) Testimony at the hearing indicated that the impact of the IRA would likely drive the market price of electricity down given the increased and sustained levels of subsidy being offered for multiple forms of carbon-neutral generation. (Tr., p. 862.)

The Board finds that the Wind PRIME project may provide substantial economic benefit to ratepayers in a cost-effective manner, but such benefit is uncertain enough that additional assurances of performance are required to meet the need requirement. With additional assurances that ratepayers will not be burdened with the impact of underperformance from MidAmerican's projections, the Board concludes that the potential economic benefit is of sufficient "significant customer benefit" to support a finding of need for the project. (OCA Post-Hearing Brief, p.10.)

DOCKET NO. RPU-2022-0001

PAGE 39

4. Environmental Policies/Impact on Carbon Intensity

Wind and solar provide low carbon intensity generation. The proposed project as a stand-alone could meet the overall state goals of reducing the carbon intensity in new generation assets; however, the lack of decommissioning of coal generation from the MidAmerican portfolio mitigates the degree of this benefit.

5. Diversity of Fuel Type in Portfolio

As discussed with respect to reliability, wind already represents 61% of MidAmerican's generation portfolio and the proposed added capacity from Wind PRIME increases that percentage to 67%, with solar representing 1% of both installed and creditable capacity. (Hammer Direct, pp. 10-11.) MidAmerican argues that the better way to consider diversity in fuel type is through MISO's generation portfolio, in which wind is 12% of the energy output and solar, classified under "Other," represents 1% of energy output. (*Id.* at 10, Table 1.) The challenge of viewing fuel diversity from a regional perspective is that, under Iowa law, MidAmerican's obligation is to serve the load of its Iowa customers. It may do so more efficiently through participation in a regional market as created by MISO, but the Board's primary concern must be service by MidAmerican within its exclusive service territory. Therefore, the evaluation will be primarily focused on MidAmerican's generation fleet, not the broader resource mix of all participating utilities in MISO or the Eastern Interconnection.

MISO has expressed concerns regarding the impact of a high penetration of a single type of renewable generation asset in the regional electric market, as discussed by Mr. Hammer, who cited MISO's Renewable Integration Impact Assessment study that concludes "the combination of wind and solar decreases the probability of not

DOCKET NO. RPU-2022-0001

PAGE 40

serving load during periods of high risk.” (See Hammer Direct, p. 25; Tessier Direct, p. 16). A broad, diverse portfolio of generation types is a better approach to fuel-type portfolio diversity. Given MidAmerican currently has 61% wind and 1% solar, this would favor more solar and less wind in the Wind PRIME proposal.

From a long-term portfolio perspective, MidAmerican has already stated its intention to retire its coal facilities and shift to a 100% renewable generation portfolio. As stated in the ZES, MidAmerican already has adequate wind resources to meet its entire demand during many hours throughout the year, which includes nameplate wind generation capacity greater than its peak demand. (ZES, slide 14.) This reliance on wind will leave MidAmerican generating excess energy above demand when the wind is blowing. That excess energy will be sold at a price dependent on market prices and available transmission. When the wind is not blowing, MidAmerican will be purchasing power in the market. MidAmerican is already overcommitted to wind as a generation resource if it can already meet current load with wind. Further relying on wind exacerbates that commitment to a single intermittent resource and detracts from the benefits of a diversified portfolio of generation fuel type.

6. Availability and Reliability of Fuel Sources

Wind is a plentiful resource in Iowa and is in essence a no-cost source of fuel to produce energy. Its high availability is one of the primary benefits of wind generation. Solar generation is limited to daylight hours, which are consistently known but inflexible, and cloud cover and other factors can impact the efficiency of solar generation. As discussed in the Reliability section above, however, both wind and solar are intermittent resources that can only be dispatched downward — which is to say, the utility cannot

DOCKET NO. RPU-2022-0001

PAGE 41

add more wind or sunlight; it can only reduce generation to meet system balancing needs by having the resource not generate power when it otherwise could. Wind and solar are therefore less reliable than baseload thermal generation powered by coal, natural gas, or nuclear, which are fuel sources with a cost.

There are potential fuel disruption issues with any source, and overall Iowa is a high wind-availability location that mitigates against the negatives of intermittent generation.

7. Volatility of Fuel Prices

Any time a utility is too heavily dependent on one type of generation resource, the risk of volatility increases significantly. Wind is a zero-cost fuel source, and generally this factor weighs in favor of the project. However, the volatility of other fuel prices has a material impact on the performance and value of wind and solar generation, particularly in a generation portfolio such as the one owned by MidAmerican. Because Wind PRIME's generation is not needed to serve load, its value is primarily framed as an economic benefit realized by selling the excess generating capacity on the MISO market. The MISO market price for the electricity sold is typically set at the marginal cost of additional generation, and therefore the fuel prices for that marginal cost generation. That marginal cost generation fuel price is closely correlated to the price of natural gas. (Tr., p. 382-383.) In 2022, record high costs for natural gas led to record market prices for sales of wind energy. Low costs for natural gas would have accompanying reductions in the value of sales of wind energy. In addition, with a portfolio heavy on wind generation, unanticipated periods of low wind will require MidAmerican to purchase energy on the MISO market, with the market price likely

DOCKET NO. RPU-2022-0001

PAGE 42

adjusting upwards to reflect the lack of contribution of low-cost wind energy. This overall market volatility leaves Wind PRIME's value as a whole somewhat dependent, not on its own fuel prices, but on the volatility of the fuel prices for marginal energy production in the energy market.

D. Need Under Seven Statutory Factors

The Board finds testimony offered by OCA witness Tessier, Environmental Intervenors witness Glick, and Tech Customers witness Pollock persuasive that MidAmerican has not met its burden of proof regarding a traditional showing of need for the facilities to serve ratepayers. MidAmerican has not demonstrated a need for a particular sufficient quantity of generation. The reliance on wind within the MidAmerican generation portfolio does not contribute to reliability. The high reliance on existing wind in MidAmerican's portfolio is exacerbated.

However, the addition of generation at no net cost that has the potential to produce revenues to retire higher cost assets — and may act as a hedge against generation shortfalls in the MISO marketplace — is a material benefit to ratepayers if it can in fact be accomplished.

The Board is mindful of the larger energy transition that is taking place toward greater utilization of renewable energy generation, as best demonstrated by the passage of the IRA. Allowing MidAmerican to expand its role as a net exporter of energy into such a market may pay substantial dividends in later years for customers, as well as realize environmental goals of the state of Iowa as intended under the statute. It is in the interests of ratepayers to participate effectively in the regional electric market and thereby receive lower long-term rates and attract businesses to

DOCKET NO. RPU-2022-0001

PAGE 43

Iowa that can share in the costs of the maintenance and operation of the system. The Board finds that MidAmerican has provided sufficient evidence of economic benefit and cost-effectiveness under the more liberal statutory approach advocated by OCA to meet the statutory requirement of demonstrating need, coupled with the advance ratemaking principles determined by the Board.

E. Reasonableness of Alternatives

In determining whether the proposed project is reasonable when compared to other feasible alternative sources of supply to meet the identified need, the Board applies the same seven factors derived from the statutory statements of intent. In considering reasonableness, the criteria require comparison with no absolutes.

As a general finding regarding these factors, the Board faces a challenging record in which MidAmerican has not demonstrated why this particular amount and configuration of generation assets is needed, as discussed above. It is difficult for the Board to evaluate whether another amount or different configuration of generation resources would impact the reasonableness of Wind PRIME given there is no definitive end goal to compare relative achievement against, except economic benefit. It is with that lack of a record in mind that the Board evaluates the Wind PRIME project pursuant to the seven factors for its reasonableness when compared to feasible alternatives.

1. Sufficient Quantity

The standard industry approach to comparing alternatives for additional generation options is capacity expansion modeling. MidAmerican presented robust capacity expansion modeling in Wind VII as affirmed in *NextEra*. The Board agrees with the characterization offered by Environmental Intervenors and Tech Customers that

DOCKET NO. RPU-2022-0001

PAGE 44

the six-step analysis conducted by MidAmerican in that docket was a relevant and material fact supporting the Iowa Supreme Court's affirmation of the approval of advance ratemaking principles. (Environmental Intervenors Post-Hearing Brief, pp. 2-4, 12-15; Tech Customers Post-Hearing Brief, pp. 4-6.) This expectation regarding what was necessary to evaluate feasible alternatives was independently presented in this docket by several parties with minor variations. The parties agree that MidAmerican's nine-factor test does not sufficiently or meaningfully evaluate feasible alternatives. (See Tessier Direct, p. 19; Glick Supplemental Direct, pp. 4, 10-15; Pollock Direct, pp. 12-16.)

The qualitative discussion of possible options provided by MidAmerican is insufficient to allow a meaningful comparison between possible approaches to investing \$3.9 billion. (See Hammer Direct, pp. 13-21, 27-60.) MidAmerican's nine-factor test offers a comparison of type but not in relative amounts of those types, and offers no meaningful way to distinguish between a \$20 million proposal to construct a single wind farm and a \$20 billion proposal to use wind to power neighboring states. Under MidAmerican's rubric, any size of wind or solar facilities should in theory receive advance ratemaking principles. The lack of a limiting factor is a significant flaw that prevents the Board from relying on the nine-factor test to the exclusion of other evidence.

## 2. Reliability Impacts

The record does not contain quantitative comparisons of different approaches to improving reliability. MidAmerican's nine-factor test lumps wind and solar together to compare qualitatively against other resource approaches, without justifying or addressing why wind dominates its proposal — especially in light of the ZES findings.

DOCKET NO. RPU-2022-0001

PAGE 45

(Hammer Direct, pp. 22-60; see ZES, slide 14.) MidAmerican does not meaningfully show how or why the Wind PRIME project would be better than feasible alternatives, including for example the Environmental Intervenors' proposal for less wind and more solar and storage. (Glick Supplemental Direct, pp. 45-57.) The lack of quantification in the record results in MidAmerican being unable to sustain a conclusion regarding improved reliability beyond mere addition.

3. Economic Benefits/Cost-Effectiveness

MidAmerican witness Specketer provided four economic projections in support of Wind PRIME: the Reference Case, the No CO<sub>2</sub> Case (reflecting a no-carbon price forecast), the Low-Gas No CO<sub>2</sub> Case (reflecting a low natural gas/no-carbon price forecast) and the No Net Cost Case (Wind PRIME Projections). (Specketer Direct, pp. 18-42; Specketer Direct, Exhibits 1-16; Specketer Rebuttal, pp. 3-15, 26-30; Specketer Rebuttal, Exhibits 1-8; Specketer Surrebuttal, pp. 9-16). The Wind PRIME Projections deal with different market assumptions and cases to estimate the range of performance for the Wind PRIME assets. The Wind PRIME Projections do not compare the economic benefits of the project assets to a different configuration of assets containing feasible alternatives. The Board does not have a record to estimate the economic benefit of alternative approaches.

The Wind PRIME Projections, after revision due to the passage of the IRA, indicate that the Wind PRIME project can be delivered at no net cost to ratepayers — indeed, that ratepayers would experience a net benefit for the assets having been constructed and operated by MidAmerican. If this is the case, there is no compelling requirement to compare Wind PRIME against alternatives because there is no cost or

DOCKET NO. RPU-2022-0001

PAGE 46

loss to ratepayers that needs to be mitigated. The investment in Wind PRIME would not detract from the capacity of customers to support needed investment to serve their load in the future.

4. Environmental Benefit/Impact on Carbon Intensity

The Wind PRIME proposal does not increase carbon intensity for generation; however, in the record before the Board, there is no quantitative comparison to allow consideration of whether other feasible alternatives would be more or less carbon intensive if implemented. Wind provides limited benefits during peak demand periods and has a low accredited capacity. When factoring in accredited capacity, wind is a relatively expensive approach to addressing carbon intensity because it is not displacing the need for dispatchable thermal generation to meet summer peak demand that typically has a higher carbon intensity. To the extent Wind PRIME is a no net cost option, then construction of the facilities does not detract resources for future investment that would provide a greater impact toward meeting state environmental goals.

5. Diversity of Fuel Type in Portfolio

MidAmerican does not present alternative portfolio configurations for comparison, either quantitatively or qualitatively, beyond generally speaking to the benefits and challenges of different generation types. The only specific evidence before the Board regarding an alternative portfolio configuration from MidAmerican is the recommendation in the ZES of ceasing to add wind and focusing on the addition of solar to MidAmerican's generation fleet. (ZES, slide 14.) Environmental Intervenors witness Chelsea Hotaling testified regarding EnCompass modeling to show feasible

DOCKET NO. RPU-2022-0001

PAGE 47

alternatives, which recommend less wind, does not increase solar, and significantly expands storage as a recommended portfolio mix. (Hotaling Supplemental Direct, pp. 4-33; see also Glick Supplemental Direct, pp. 40-57.) MidAmerican challenges the validity of the EnCompass model without offering an alternative of its own for comparison.

6. Availability and Reliability of Fuel Sources

The record has limited information about the availability and reliability of fuel sources. All parties acknowledge that wind is plentiful in Iowa. The only material discussion is Mr. Hammer's qualitative review as part of the nine-factor analysis (Hammer Direct, pp. 27-60.) OCA and Tech Customers argue that Mr. Hammer's analysis is inadequate to fully consider alternatives. (Tessier Direct, pp. 47-51; Pollock Direct, pp. 20-25.) High levels of deployment of wind in western Iowa has created consistent congestion issues, impairing the availability and reliability of wind as a resource. (Tr., p. 383.) The Application does not identify the location of a substantial portion of the proposed wind generation, preventing analysis of congestion impacts on performance.

7. Volatility of Fuel Prices

The Wind PRIME Projections estimated the impact of market price volatility on the project, particularly with shifts in natural gas prices and the potential imposition of a carbon tax. The Wind PRIME Projections did not similarly model the impact of market price volatility on other feasible alternatives, or different configurations of similar fuel types.

DOCKET NO. RPU-2022-0001

PAGE 48

F. Reasonableness of Alternatives Under Seven Statutory Factors

By failing to identify a traditional utility need for the Wind PRIME project, MidAmerican has also failed to create a benchmark to know whether or not the project is reasonable when compared to feasible alternatives under a traditional utility analysis. To the extent the record discusses feasible alternatives, it does so at a high level and in a conclusory manner that does not allow meaningful distinctions between size, scope, type, or variations of implementing the project. The record does not provide sufficient evidence to support a conclusion under a traditional utility analysis that the Wind PRIME proposal is reasonable in comparison because very little comparison to alternatives was made. The Board finds that the Wind PRIME proposal fails to demonstrate its reasonableness compared to feasible alternatives under a traditional utility review.

However, the delivery of the project at no net cost eliminates the need for extensive comparison to feasible alternatives. The purpose of the comparison in the statute is to ensure prudent investment of ratepayer dollars. When the project does not result in a net cost to ratepayers, the comparison ceases to be a barrier to investment. The Wind PRIME project will not prevent MidAmerican from investing to meet need in the future, will not result in a net increase in rates, and should have a net positive impact on future rates paid by customers — if the Wind PRIME Projections are realized.

In light of the no net cost rationale supporting the project, MidAmerican has provided sufficient evidence to allow a finding that Wind PRIME is reasonable when compared to feasible alternatives. The comparison under a no net cost-supported rationale is relative to no customer benefit or less customer benefit, rather than to alternative generation approaches to meet a particular need. Operating from the

DOCKET NO. RPU-2022-0001

PAGE 49

singular goal of customer benefit with no net cost allows a comparison against the lack of the project and to determine that it is reasonable to move forward with the project. This “better than the status quo” analysis supports the Wind PRIME Projections and the overall no net cost rationale offered by MidAmerican in support of the project. Under that rubric, Wind PRIME is reasonable when compared to feasible alternatives as it provides greater customer benefit than the status quo without it.

As discussed in considering the need above, the customer benefit approach is contingent upon the realization of those benefits. Mere assertion that benefits can be achieved is insufficient to support meeting the statutory requirement of reasonableness. The project, if coupled with the advance ratemaking principles determined by the Board, should be able to ensure customer benefit. The Board finds that the economic benefit/cost-effectiveness of no net cost is a sufficient demonstration of the reasonableness of Wind PRIME when compared to feasible alternatives to satisfy the statutorily required findings.

As determined above, MidAmerican has provided sufficient evidence to meet the statutorily required findings relying on no net cost. The Board now considers the Settlement.

### **SETTLEMENT**

The Settlement among MidAmerican, OCA, and IBEC (Settlement Parties) proposes 12 advance ratemaking principles. The Settlement advance ratemaking principles are: (1) Iowa Jurisdictional Allocation, (2) Cost Cap, (3) Size Cap, (4) Depreciation, (5) Return on Equity, (6) Cancellation Cost Recovery, (7) Environmental Benefits, CO<sub>2</sub> Credits and the Like, (8) Federal Production Tax Credits, (9) Iowa Energy

DOCKET NO. RPU-2022-0001

PAGE 50

Adjustment Clause and Rate Mitigation, (10) Iowa Retail Energy Benefits, (11) Revenue Sharing, and (12) Consumer Protection Plan. The Settlement is proposed to the Board as a comprehensive settlement of all outstanding issues in the docket and states the Settlement “shall not become effective unless and until the Board accepts the same in its entirety without condition or modification.” (Settlement Article V “Condition Precedent.”) The Application included a proposed advance ratemaking principle, Technology Study Costs, which was not included in the Settlement. Subsequent testimony from MidAmerican clarified that the exclusion of the Technology Study Costs principle was intentional, representing a withdrawal of the request by MidAmerican. (Tr., pp. 250, 513.) The 12 Settlement advance ratemaking principles are described in greater detail below.

A. Iowa Jurisdictional Allocation

The Iowa Jurisdictional Allocation advance ratemaking principle seeks to define to what extent assets within the Wind PRIME proposal are assigned to Iowa. Although MidAmerican’s service territory includes portions of the states of Illinois and South Dakota, this principle proposes to allocate Illinois’ portion of the Wind PRIME proposal to Iowa — and therefore to Iowa ratepayers. The principle reads in full: “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). This proposal is identical to the advance ratemaking principle requested in the Application.

DOCKET NO. RPU-2022-0001

PAGE 51

B. Cost Cap

The Cost Cap advance ratemaking principle seeks to define the extent to which MidAmerican is pre-authorized to recover costs incurred in constructing Wind PRIME. Amounts up to the cost cap are deemed prudently incurred and not subject to challenge in a future general rate case. The principle also addresses the generally accepted accounting principle-defined allowance for funds used during construction (AFUDC), which allows incorporation of financing costs into the cost of the project. The principle reads in full:

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.

This proposal is identical to the advance ratemaking principle requested in the Application.

C. Size Cap

The Size Cap advance ratemaking principle seeks to define the size of the project that is eligible for advance ratemaking. The Settlement includes up to 2,092 MW of generation resources, which is consistent with the Application. The Settlement includes, as part of the Size Cap advance ratemaking principle, an agreement for MidAmerican to undertake a "Resource Evaluation Study" (RES) requiring the utility to engage in generation resource planning prior to filing for a future advance ratemaking principles application. The principle reads in full:

DOCKET NO. RPU-2022-0001

PAGE 52

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.

The proposed size of the project is identical to the advance ratemaking principle requested in the Application, but the addition of the RES process is new to the Settlement.

D. Depreciation

The Depreciation advance ratemaking principle defines the depreciation schedule for the Wind PRIME assets. Under the Depreciation advance ratemaking principle, MidAmerican would recover depreciation expense over the as-defined useful life of the assets. The principle reads in full:

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

DOCKET NO. RPU-2022-0001

PAGE 53

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.

This proposal is a modification of the Depreciation advance ratemaking principle proposed in the Application. The proposed definitions of the useful life of the asset classes and accounting treatment are the same, but the Settlement includes the requirement for MidAmerican to perform a depreciation study that will be included in its next general electric rate case.

E. Return on Equity

The ROE advance ratemaking principle establishes MidAmerican's authorized return on equity for the Wind PRIME assets for both completed investments and AFUDC. The principle reads in full:

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 11.00%. 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.

This proposal is a modification of the ROE advance ratemaking principle proposed in the Application, with an authorized ROE of 11% instead of 11.25%, and a clarifying statement regarding the calculation of AFUDC under the Uniform System of Accounts.

DOCKET NO. RPU-2022-0001

PAGE 54

F. Cancellation Cost Recovery

The Cancellation Cost Recovery advance ratemaking principle allows MidAmerican to recover costs associated with a cancellation of Wind PRIME's prudently incurred assets. The cancellation costs are to be amortized over ten years. The principle reads in full:

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.

This proposal is identical to the advance ratemaking principle proposed in the Application.

G. Environmental Benefits, CO<sub>2</sub> Credits and the Like

The Environmental Benefits, CO<sub>2</sub> Credits and the Like advance ratemaking principle allocate the benefits that arise from Wind PRIME assets. The advance ratemaking principle also provides that MidAmerican may retire an allocation of the environmental benefits on behalf of an Individual Customer Rate customer. The principle reads in full:

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

DOCKET NO. RPU-2022-0001

PAGE 55

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 portion of any revenues from the sale of environmental or compliance related benefits associated with Wind PRIME shall be included in the EAC.

The Settlement advance ratemaking principle has one minor modification to allow inclusion of environmental benefits in the energy adjustment clause (EAC) in any subsequent rate case after MidAmerican's next rate case. The monetary value of the environmental benefits as recorded in the regulatory liability account are to be excluded from the EAC until the costs and investment in Wind PRIME assets are included in base rates or the EAC in a future rate proceeding.

DOCKET NO. RPU-2022-0001

PAGE 56

H. Federal Production Tax Credits

The Federal PTC advance ratemaking principle excludes the benefits of federal tax credits created from Wind PRIME assets, both wind and solar, from the EAC<sup>11</sup> and allows them to be included as part of revenue sharing authorized in Docket No.

RPU-2013-0004. The principle reads in full:

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.

This proposal modifies the advance ratemaking principle proposed in the Application based upon the Settlement's Iowa Energy Adjustment Clause and Rate Mitigation advance ratemaking principle, which allows some portion of PTCs to be used in the EAC to reduce the EAC factor.

I. Iowa Energy Adjustment Clause and Rate Mitigation

The Iowa Energy Adjustment Clause and Rate Mitigation advance ratemaking principle reallocates benefits from other Settlement advance ratemaking principles or other outside sources into the EAC. The Settlement proposes a target EAC factor of \$0.0125/kilowatt-hour (kWh) and proposes to shift revenues from other sources outside

---

<sup>11</sup> Pursuant to 199 IAC 20.9(2)(c)(10), by default PTCs are revenues included in the EAC.

DOCKET NO. RPU-2022-0001

PAGE 57

of the EAC to offset costs permitted to be included in the EAC. The principle reads in full:

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.

DOCKET NO. RPU-2022-0001

PAGE 58

This advance ratemaking principle was not proposed in the Application and is first presented in the Settlement.

Step One of this principle deals with the utilization of 50% of the PTCs from the Quad Cities Nuclear Power Station and any “bonus” PTC credits that arise from Wind PRIME assets. The Quad Cities Nuclear Power Station is not an asset qualifying for advance ratemaking treatment. Given that the default under 199 IAC 20.9(2)(c)(10) is 100% of PTCs are applied to the EAC, the effective result of Step One is to redirect half of the PTCs away from the EAC and into revenue sharing.

Step Two of this principle creates a threshold minimum amount of revenue sharing of \$100 million, and in future years if amounts are greater than the threshold minimum, then up to \$50 million in revenues are allocated to the EAC instead of participating in the revenue sharing mechanism. The \$50 million would otherwise be allocated such that 90% would be allocated to buy down high ROE assets in rate base, and 10% would be allocated as additional profit to MidAmerican.

Step Three of the principle splits excess accumulated deferred income taxes (EADIT) balances above \$400 million between the EAC and MidAmerican’s tax expense revision mechanism (TERM) Rider. For MidAmerican, EADIT primarily arises due to the Tax Cut and Jobs Act of 2017 (TCJA), which reduced the federal corporate income tax rate from 35% to 21%. The TCJA had the impact of reducing the federal tax expense for MidAmerican, and increasing the funds in its accumulated deferred income tax account beyond what the utility would owe in future income taxes. In Docket No. SPU-2018-0006, the Board issued an order on April 27, 2018, affirming the annual TERM calculation through the next general rate case and allowing MidAmerican to

DOCKET NO. RPU-2022-0001

PAGE 59

contribute EADIT into a regulatory liability account. The final order in that docket, issued December 7, 2018, adopted a contested, non-unanimous proposed settlement with the annual TERM calculation from the April 27, 2018 order and establishing the EADIT regulatory liability account to be reconciled at the next general rate case. Step Three of the Iowa Energy Adjustment Clause and Rate Mitigation advance ratemaking principle proposes to change the direction given by the Board in the SPU-2018-0006 Final Order and potentially allow EADIT to be contributed to the EAC annually prior to a weighing of the impact of distributions on and between customer classes in a general rate case.

J. Iowa Retail Energy Benefits

The Iowa Retail Energy Benefits advance ratemaking principle exempts the retail energy revenues that may arise from the Wind PRIME assets from being included in the EAC in their entirety. The principle reads in full:

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.

DOCKET NO. RPU-2022-0001

PAGE 60

This proposed advance ratemaking principle is a modification to the advance ratemaking principle proposed in the Application. In the Application, the entirety of the retail energy benefits were proposed to be exempted from the EAC, and included in the revenue sharing calculation. The Settlement proposes to allow half of the retail energy benefits to be included in revenue sharing, and half to be applied to accelerate depreciation of certain rate base assets, whether or not revenue sharing occurs.

K. Revenue Sharing

The Revenue Sharing advance ratemaking principle proposes to resolve what MidAmerican characterizes as uncertainty that arose from Board findings and direction in Docket Nos. TF-2020-0273 and RPU-2013-0004, particularly regarding the definition of “normal business operations.” The principle reads in full:

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.

This advance ratemaking principle is modified in the Settlement from the advance ratemaking principle proposed in the Application. The Settlement advance ratemaking principle requires MidAmerican to file additional information with the Board supporting revenue sharing calculations.

DOCKET NO. RPU-2022-0001

PAGE 61

L. Consumer Protection Plan

The Consumer Protection Plan (CPP) advance ratemaking principle proposes to provide additional assurances to ratepayers that Wind PRIME will perform as projected by MidAmerican, within certain allowed ranges and assesses financial credits or penalties up to a maximum amount of \$50 million. The principle reads in full:

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 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

DOCKET NO. RPU-2022-0001

PAGE 62

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.

This advance ratemaking principle was not included as a proposed advance ratemaking principle in the Application. The CPP utilizes five-year rolling average capacity factors to determine performance, with penalties and credits applied when performance is below 36% or is equal to or greater than 45%. Any credit or penalty is “banked” over the life of the CPP, which is 14 years. The CPP has a maximum adjustment of \$10 million cap per year, and a \$50 million cap for penalties under the program in its entirety. At the expiration of the CPP, if a negative balance exists, MidAmerican shall include the negative balance as a credit in the EAC.

#### Position of Parties Regarding Settlement

The parties offered extensive briefing and testimony regarding the advance ratemaking principles and the Settlement in both prefiled testimony and exhibits and at the hearing. Below is a summary of the parties’ positions regarding the Settlement. Testimony regarding individual elements of the Settlement, when relevant, are included in the Board discussion regarding the same.

DOCKET NO. RPU-2022-0001

PAGE 63

A. Settlement Parties

As signatories to the Settlement, MidAmerican, OCA, and IBEC are all supportive of the Settlement. MidAmerican states that it worked with parties to craft sustainable energy solutions and benefits, which resulted in the Settlement. It asserts that the Settlement “will result in concrete benefits for customers, including stabilized low rates, accelerated buy down of generation assets, reduced risk of facility underperformance and increased access to renewable generation at no net cost.” (MidAmerican’s Reply to Comments on Joint Stipulation and Agreement, p. 6.) MidAmerican states that the Settlement advance ratemaking principles appropriately balance Wind PRIME’s risks and benefits between MidAmerican and its customers. (*Id.* at 2.) Generally, MidAmerican, OCA, and IBEC argue that the Board should approve the Settlement because it is reasonable, consistent with the advance ratemaking principle statute, and consistent with the public interest. The Settlement Parties argue that the reasonableness of the Settlement, “...is underscored by the number of parties involved, the amount of testimony, the amount of discovery conducted, the number of witnesses and the diversity of interests that have agreed to or have no objection...” (*Id.* at 6.) The Settlement Parties are requesting the Board adopt the Settlement as a comprehensive resolution of the Wind PRIME application for ratemaking principles.

B. IAMU

IAMU filed comments supporting the Settlement, stating that the Settlement “...does not appear to include any terms that are detrimental to the interests of IAMU’s members or to the Joint Owners of MidAmerican’s electric generating units, and IAMU anticipates participating in the Resource Evaluation Study...” that was included in the

DOCKET NO. RPU-2022-0001

PAGE 64

Settlement. (IAMU Comments on Proposed Settlement, p. 2.) IAMU also stated that the Settlement "...appears to include terms that will be beneficial overall to Iowa ratepayers and to the wholesale energy markets." (*Id.*) IAMU did not participate in the hearing or submit post-hearing briefs.

C. Environmental Intervenors

In addition to arguments addressed in the Statutorily Required Findings section of this order, Environmental Intervenors argue that the Settlement is not reasonable in light of the record as a whole or in the public interest because it allows MidAmerican to overbuild wind generation resources and underbuild solar generation and battery storage technologies. Environmental Intervenors cite MidAmerican's ZES and the testimony provided by Ms. Hotaling and Ms. Glick in support of this position, and the Environmental Intervenors propose an alternative generation portfolio configuration that utilizes less wind and more solar and battery assets. (ZES, slide 14; Hotaling Supplemental Direct, pp. 4-33; Glick Supplemental Direct, pp. 41-43, 56-57.)

D. Tech Customers

Tech Customers acknowledge that the Settlement is an improvement over the Application but assert it does not go far enough to address the risks of the project in the present environment. (Tech Customers' Comments to Joint Motion to Approve Stipulation and Agreement, p. 4.) Tech Customers propose alternatives to the advance ratemaking principles articulated in the Settlement, including the addition of a hard cap in the Cost Cap advance ratemaking principle, removal of a premium from the ROE calculation, and a requirement for MidAmerican to conduct the RES in a contested case proceeding and on an ongoing basis. (*Id.* at 5-7.) Tech Customers also express

DOCKET NO. RPU-2022-0001

PAGE 65

concern over the lack of clarity regarding repowering in the Depreciation principle, challenge the EAC and Rate Mitigation principle as speculative, highlight that many of the revenue sources sought to be added to the EAC would already be included there, and suggest significant changes to the CPP. (*Id.* at 7-9.)

E. IA BCE

IA BCE contends that the Settlement fails in several regards, including failing to address the risk allocation to ratepayers and away from MidAmerican regarding performance and loss management, failing to include performance metrics in the CPP, and the inadequacy of the RES element of the Size Cap principle. (IA BCE Response to Settlement, pp. 1-2.) IA BCE did not participate in the hearing or submit post-hearing briefs.

F. IPL

IPL did not file comments regarding the Settlement or post-hearing briefs. IPL participated in the hearing, but did not present any witnesses, submit a position regarding the Settlement in the docket, or file a post-hearing brief.

Board Analysis

A. Standard of Review

In considering the Settlement, the Board examines whether the settlement as a whole complies with the Board's settlement rules. Pursuant to 199 IAC 7.18, the Board "will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest." The Board reviews all of the settlement's terms and conditions individually and collectively, which are factored into the Board's decision. The Settlement is

DOCKET NO. RPU-2022-0001

PAGE 66

proposed as a package, reflecting a collection of tradeoffs between the Settlement Parties, and is either approved or rejected as a whole based on the findings of its reasonableness in light of the whole record, being consistent with law, and in the public interest. The Board takes a holistic approach in examining these types of settlements and does not require that each settled issue be determined in the same manner the Board would determine the issue in a contested setting.

In considering whether the Settlement is reasonable in light of the whole record, the Board assigns weight to offered testimony and exhibits, considers the credibility and expertise of witnesses presented at the hearing, and evaluates evidentiary sufficiency in light of the request for the Board to agree to assign to ratepayers the ultimate responsibility to pay for the construction and addition of \$3.9 billion in generation assets to MidAmerican's overall generation portfolio and related ROE.

For the Settlement to be found consistent with the law, the Board weighs whether the Settlement proposes actions that are consistent with the intent and interpretation of applicable statutes and rules, within the reasonable scope of the Board's authority, and consistent with prior Board precedent. In evaluating the Settlement advance ratemaking principles, the Board considers proposals in light of Iowa Code § 476.53(2)(b), which states that "[i]n determining the applicable ratemaking principles, the board shall not be limited to traditional ratemaking principles or traditional cost recovery mechanisms." This delegation of flexibility to the Board does not create an obligation to accept non-traditional approaches to ratemaking. The fact that the Board may arguably have legal authority to take an action is not dispositive in determining whether or not the proposed action is consistent with the law.

DOCKET NO. RPU-2022-0001

PAGE 67

The Board evaluates whether the Settlement is in the public interest by evaluating the impact of the Settlement as a whole to ratepayers and the ability of the utility to provide reliable and cost-effective electric service.

The Settlement proposes 12 advance ratemaking principles: (1) Iowa Jurisdictional Allocation, (2) Cost Cap, (3) Size Cap, (4) Depreciation, (5) Return on Equity, (6) Cancellation Cost Recovery, (7) Environmental Benefits, CO<sub>2</sub> Credits and the Like, (8) Federal Production Tax Credits, (9) Iowa Energy Adjustment Clause and Rate Mitigation, (10) Iowa Retail Energy Benefits, (11) Revenue Sharing, and (12) Consumer Protection Plan. Each of the 12 principles proposed in the Settlement is evaluated below, followed by a consideration of the Settlement as a whole in light of such evaluation.

B. Iowa Jurisdictional Allocation

While not substantially addressed by the parties, the record indicates that just over 9% of MidAmerican's load is within the states of Illinois and South Dakota. (Specketer Direct, pp. 3-4.) MidAmerican proposes to allocate the costs and benefits of the Illinois portion of Wind PRIME to Iowa, much in the same manner as the Board approved with regard to the Greater Des Moines Energy Center, Walter Scott Jr. Energy Center Unit No. 4, and prior wind projects (*i.e.*, Wind I-Wind XII). This methodology was first approved by the Board in Docket Nos. SPU-05-9 and SPU-05-12 (2005 SPU Dockets) and subsequently carried forward through multiple prior advance ratemaking principle proceedings.

MidAmerican justified the transfer of new assets to Iowa in the 2005 SPU Dockets as arising from the transfer of certain load obligations regarding IPSCO Steel,

DOCKET NO. RPU-2022-0001

PAGE 68

Inc., from Central Iowa Power Cooperative that would increase MidAmerican's peak demand by 40 MW, which could be met in part because of new generation facilities. (See *MidAmerican Energy Co.*, "Order Terminating Docket, Approving Settlement, Approving Contract Term, Authorizing Discontinuance and Transfer of Service, and Granting Modification of Service Area Boundaries," Docket Nos. SPU-05-09 & SPU-05-12, p. 2 (July 29, 2005).) In the 2005 SPU Dockets, the Board approved allocation of new generation to Iowa in part because MidAmerican's electric revenue requirement was fixed through January 1, 2012, and therefore the allocation of the Illinois portion of new generation to Iowa would not adversely impact Iowa ratepayers because rates would not increase for at least seven years, and the issue could be dealt with subsequently during a general rate case.

There have been significant changes for MidAmerican, Iowa, and operation of energy markets since the issuance of the final order in the 2005 SPU Dockets, and the Wind PRIME Application has highlighted issues of concern that have not been previously addressed. In particular, the emphasis of no net cost as the supporting rationale for the Wind PRIME project requires greater scrutiny of which costs are included in the proposal.

From an operational standpoint, the Wind PRIME assets will be dispatched in Local Resource Zone 3 (LRZ3) of MISO. The MISO LRZ3 service area includes the entire service territory of MidAmerican in Iowa and Illinois. Resource adequacy in MISO is based on local resource zones and the capacity prices in the annual planning resource auction are determined at the LRZ level, not at the state level. Functionally,

DOCKET NO. RPU-2022-0001

PAGE 69

MidAmerican's pricing and sale of Wind PRIME assets will necessarily operate at the LRZ level including Iowa and Illinois service requirements.

For Wind PRIME, the record does not substantially quantify benefits on a sub-LRZ3 or state-specific level. The past practice of MidAmerican has been to assign wholesale revenues between the customers of Illinois and Iowa. However, the record does not substantiate how those revenues are estimated and what, if any, adjustments are made in that transfer. Wholesale revenues that MidAmerican may transfer from Illinois to Iowa may not reflect the supply and demand in Iowa and Illinois portions within the LRZ, and the record provides little support for how allocations could work or to justify the assignment of costs to Iowa ratepayers.

Given the nature of operations of the grid and how the wholesale market works, it is highly likely that MidAmerican's Illinois customers will accrue some benefits of increased capacity from Wind PRIME. Mr. Hammer indicates that MidAmerican has a shortfall in Illinois of approximately 81 MW through the 2026-27 Planning Year, and will follow "recommendations from the Illinois Power Agency" to meet those needs. (Hammer Direct, p. 59.) Mr. Hammer's testimony incorporated by reference the published 2022 Procurement Plan of the Illinois Power Agency filed on September 29, 2021 (IPA Plan), which recommends that MidAmerican meet its shortfall in capacity through procurement "through its RTO's capacity market, the MISO [Planning Resource Auction]." (IPA Plan, p. 93.) The record does not indicate how Iowa ratepayers are to be compensated for assuming the risk of Wind PRIME's performance on behalf of Illinois customers, or compensated for the price improvements Illinois ratepayers would

DOCKET NO. RPU-2022-0001

PAGE 70

experience with additional capacity within LRZ3 and ability to avoid purchasing capacity in the MISO Planning Resource Auction.

The size of Wind PRIME, as the largest project proposed for advance ratemaking principles in the history of Iowa, results in a material transfer of risk from Illinois ratepayers to Iowa ratepayers. In this case, however, the record does not provide a meaningful rationale for why Iowa ratepayers should assume the risk regarding the allocation of approximately \$322.5 million in initial capital costs associated with MidAmerican's Illinois customers (calculated as a percentage of total estimated cost of Wind PRIME). This is highlighted by the extensive testimony regarding risk asymmetry and impacts elsewhere in the docket. The Board's default for assignment of risk is to place the least amount possible on ratepayers to receive reliable and cost-effective electric services, and in the absence of supporting information, the record indicates that assignment of an additional \$322.5 million in risk on Iowa ratepayers is unjustified. The Board finds that the record does not demonstrate the reasonableness of the Iowa Jurisdictional Allocation principle.

The Board concludes that allocating all of the risk of Wind PRIME's performance to Iowa ratepayers is not in the public interest. As previously noted, the primary rationale offered by MidAmerican for Wind PRIME is that it would result in no net cost to ratepayers. For that projection to hold true, MidAmerican must operate the Wind PRIME assets to generate revenues greater than the costs of operation, depreciation expenses, and MidAmerican's ROE. A prudent approach to ensuring that result is achieved is to maximize revenues and benefits from the Wind PRIME assets from those who benefit. The Board is unwilling to assign all costs of Wind PRIME to Iowa

DOCKET NO. RPU-2022-0001

PAGE 71

ratepayers without evidence of due compensation for the elements of the project that will be providing benefits to Illinois ratepayers within MidAmerican's service territory.

C. Cost Cap

The Cost Cap advance ratemaking principle removes the risk of non-recovery of costs up to a certain amount as an incentive for a utility to build generation. The Cost Cap advance ratemaking principle includes contingencies and good faith estimates of expenses. The record indicates that these estimates include a request for pre-approved contingency expenditures. It would be more appropriate for contingency expenses to be evaluated for prudence in a subsequent general rate case. The record as a whole indicates that the Cost Cap should be set without including contingency amounts. The Board finds the Settlement Cost Cap advance ratemaking principle is not reasonable in light of the record.

D. Size Cap

MidAmerican witness Fehr testified that the proposed size of the Wind PRIME project was derived by identifying wind projects from the MISO Generation Interconnection Queue and that MidAmerican limited its evaluation to self-developed solar projects. (Tr., pp. 109, 134, 168.) It is reasonable in light of the record, consistent with law, and in the public interest for the Board to set a limit for the amount of generation assets that will be subject to the advance ratemaking principles approved in this docket. The amounts proposed are integral to the Wind PRIME Projections' conclusion of no net cost and, therefore, the Board finds that the proposed Size Cap is reasonable in light of the record, consistent with law, and in the public interest.

DOCKET NO. RPU-2022-0001

PAGE 72

E. Resource Evaluation Study

While the RES is proposed as part of the Size Cap principle, the RES is better understood as a stand-alone principle. The Size Cap authorizes the scope of the Wind PRIME project, while the RES creates a process that could be used in part to identify the scope of future advance ratemaking principles proposals. The record indicates a high degree of interest by multiple parties in having MidAmerican engage in transparent resource planning, and the RES, while not ideal, is reasonable. The Board would prefer greater transparency and disclosure regarding resource and capacity planning from MidAmerican. The record as a whole supports the RES as reasonable, the proposed implementation of the RES is consistent with the law, and it is in the public interest for greater transparency and engagement regarding MidAmerican's capacity planning.

F. Depreciation

There is evidence in the record to support the proposed useful life of the assets. The evidence reflects that wind and solar technologies have been rapidly evolving, and that engineering studies and manufacturing assertions are the best available evidence regarding the useful life of the subject assets. (See Fehr Direct, pp. 17-18). This evidence supports the 40-year useful life of wind assets and the 30-year useful life of solar assets. The ability for utilities to repower those assets and qualify for additional PTCs has led to little industry experience regarding the actual life span of wind assets in particular. The Board finds the Depreciation advance ratemaking principle is reasonable based upon the record as a whole, consistent with law, and in the public interest.

DOCKET NO. RPU-2022-0001

PAGE 73

G. Return on Equity

The record has extensive testimony from Ann E. Bulkley, Marcos Munoz, Christopher C. Walters, and Billie S. LaConte regarding a range of possible ROEs, including to some degree a risk premium for advance determination of an ROE for assets. (See Bulkley Direct, pp. 2-53; Munoz Direct, pp. 4-21; Walters Direct, pp. 2-70; LaConte Direct, pp. 1-12; see *also* Rafferty Direct, pp. 7-9.) There are two types of risk premium suggested for inclusion in the total ROE: a renewable energy premium, and an advance ratemaking premium for establishing an ROE earlier in the life of the project. The Board has significant concerns regarding both types of premiums.

The Settlement ROE includes a substantial risk premium for constructing renewable generation at a time, after passage of the IRA, where such construction is not subject to the same risks as prior advance ratemaking principles dockets. (See LaConte Direct, pp. 10-12.) The Settlement also provides an ROE substantially higher than has been awarded in general rate cases to utilities in Iowa. (See Docket Nos. RPU-2013-0004, RPU-2019-0001.)

The Board is not persuaded by the argument that when a utility seeks to obtain advance ratemaking to de-risk the recovery of costs, that it is also necessarily entitled to obtain a higher ROE than if it had sought recovery of those costs in a general rate case. The pre-authorization of cost recovery via a cost cap makes projects approved for advance ratemaking less risky than projects that follow the ordinary course and receive approval for cost recovery in a general rate case. Therefore, a risk premium for advance ratemaking is not necessary as an additional incentive unless the project relates to new or untried technologies such as modular nuclear generation.

DOCKET NO. RPU-2022-0001

PAGE 74

In addition, the enactment of the IRA, and its long-term incentive structure for renewables, is a significant change in the market. The long-term guarantee of PTCs offered in the IRA provides sufficient assurance of earning a reasonable ROE without a premium based upon renewable energy generation risk.

There is limited evidence in the record to support the reasonableness of the 11% ROE proposed in the Settlement, but the overall weight of evidence indicates that the ROE overcompensates the utility and assigns additional cost to the ratepayers that are not necessary to incent the project. The Board finds that the proposed 11% ROE is not reasonable in light of the record as a whole.

The Board finds that it is not in the public interest to award an ROE that overcompensates the utility, especially given the practice in advance ratemaking of allowing the ROE to be for the life of the assets.

#### H. Cancellation Cost Recovery

This principle is nearly the same as the Cancellation Cost Recovery principle approved by the Board in Wind XII (Docket No. RPU-2018-0003). Tech Customers recommended that the prudence of cancellation costs be determined in a rate case. (Pollock Rebuttal, p. 24.) Mr. Specketer's testimony affirms the position that the Board would determine the prudence of the cancellation costs in a subsequent general rate case and that the prudence could be disputed by any party. (Specketer Direct, pp. 4-5.)

The Board finds that the record supports the reasonableness of this principle. The Board finds that it has clear authority to establish the means by which costs can be proposed for recovery at a future date, and it is in the public interest to allow for adjustments if unforeseen events change the implementation of a project.

DOCKET NO. RPU-2022-0001

PAGE 75

I. Environmental Benefits, CO<sub>2</sub> Credits and the Like

MidAmerican witness Jennifer A. McIvor offered substantial testimony regarding environmental benefits, regulation, and impacts of the proposed projects. (McIvor Direct, pp. 2-22.) OCA and Environmental Intervenors also provided significant testimony, both in response to Ms. McIvor and generally. (See Bents Direct, pp. 5, 12-13; Glick Direct, pp. 43-45; Environmental Intervenors Hearing Exhibits 26 & 27.) Testimony regarding the larger environmental impacts that could arise from Wind PRIME, such as the accelerated closure of coal facilities, increased reduction of emissions intensity, and the uncertainty of future carbon regulation given the repeal of the EPA's Clean Power Plan and the decision in *West Virginia v. EPA*, 597 U.S. \_\_\_\_ (2022), created a substantial record regarding the subject. The Board finds that 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 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.

J. Federal Production Tax Credits

Similar to prior wind projects with advance ratemaking principles, the federal PTCs associated with Wind PRIME would be excluded from the EAC 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. MidAmerican witness Specketer states that this is necessary to avoid a mismatch by providing the PTC benefits without a corresponding recovery of associated costs. (Specketer Direct, pp. 8-11.) It is also necessary to

DOCKET NO. RPU-2022-0001

PAGE 76

ensure that the PTC revenues are matched with the Wind PRIME expenses that are managed through revenue sharing until a general rate case. Under the Settlement advance ratemaking principle, prior to a rate proceeding, the PTCs will be included in MidAmerican's revenue sharing calculation as project revenue.

In testimony, OCA witness Blake J. Kruger, Tech Customers witness Pollock, and IBEC witness Greg R. Meyer expressed concern about certain assumptions regarding the level and monetization of the PTCs, but they did not object in concept to matching PTC revenues with Wind PRIME expenses in revenue sharing. (See Kruger Direct, pp. 15-16; Pollock Direct, pp. 4, 41-42; Meyer Direct, pp. 8-9.) The Board finds that the proposed principle is reasonable in light of the record as a whole, consistent with the law and within the Board's authority, and it would be in the public interest to match PTC revenues with Wind PRIME expenses in revenue sharing rather than having the PTC revenues flow through the EAC and expenses through revenue sharing.

K. Iowa Energy Adjustment Clause and Rate Mitigation

The EAC and Rate Mitigation advance ratemaking principle (EAC-ARP) raises significant concerns over whether the Settlement as a whole is supported by the record, consistent with law, or in the public interest. The EAC-ARP seeks to modify the manner in which the EAC works by requiring contributions into the EAC calculation from revenue sources that are not related to the Wind PRIME proposal, including nuclear PTCs generated by the Quad Cities Nuclear Station, and EADIT regulatory account contributions.

DOCKET NO. RPU-2022-0001

PAGE 77

*Nuclear PTCs*

As an initial matter, the Board finds that it is incongruent that the EAC-ARP proposes to add 50% of the PTCs from the Quad Cities Nuclear Station to the EAC to help offset EAC rate impact to customers when Board rules<sup>12</sup> already require 100% of the nuclear PTCs to flow through the EAC. Instead of including all nuclear PTCs in the EAC, the EAC-ARP allows some or all of those revenues to be incorporated into revenue sharing. The effect of the EAC-ARP with respect to the nuclear PTCs then is not to assist in lowering the EAC cost to ratepayers, but to increase costs in the EAC by diverting 50% of the nuclear PTCs into revenue sharing. There is no evidence in the record that supports this treatment of nuclear PTCs.

The nuclear generating facilities do not qualify for advance ratemaking principles because they have already been constructed and ratepayers have been paying rates that include costs associated with those facilities. The net effect of the EAC-ARP is to apply advance ratemaking principles to non-qualifying assets<sup>13</sup> and to have the PTCs arising from the operation of those existing assets exempted from Board rules requiring their accounting in the EAC. The EAC-ARP's effect of changing general rate case and rule assignment of costs and benefits, and seeking to impose advance ratemaking principles on assets ineligible for advance ratemaking and that have nothing to do with

---

<sup>12</sup> See 199 IAC 20.9(2)(c)(10): "The estimated energy cost and revenues shall be the estimated cost and revenues associated with: ... (10) Federal production tax credits unless the board approves different ratemaking treatment."

<sup>13</sup> See Iowa Code § 476.53(1)(b) which disallows advance ratemaking for existing assets: "Only the incremental investment undertaken by a utility under subparagraph division (a), subparagraph subdivision (i), (ii), (iii), or (iv) shall be eligible to apply the ratemaking principles established by the order issued pursuant to paragraph "e"."

DOCKET NO. RPU-2022-0001

PAGE 78

Wind PRIME, is not supported by the record, is inconsistent with the law, and is not in the public interest.

*Revenue Sharing Contribution*

The shifting of \$100 million in revenue in 2023 from revenue sharing that would otherwise accelerate depreciation of higher ROE facilities raises the same issues as described for the nuclear PTCs. The \$100 million reduces the amount of revenue sharing that would be used to accelerate depreciation that will result in the establishment of rates in MidAmerican's next rate case. This shifts those benefits among customer classes as well as between current and future customers. The no net cost Wind PRIME Projections rely, to a certain extent, on the benefits to customers flowing through revenue sharing. The Board does not find it credible that shifting revenues out of revenue sharing pursuant to the Settlement will result in an increase in the amount of rate base reduction, as suggested by Mr. Specketer. (Specketer Additional Testimony, pp. 6-7, Confidential Table 2.) This proposal undercuts a key element supporting the establishment of advance ratemaking principles.

*EADIT Contribution*

The EAC-ARP also proposes to utilize contributions from the EADIT regulatory account when the regulatory account exceeds \$400 million to mitigate costs in the EAC. Much like the nuclear PTCs, the utilization of EADIT to reduce the EAC is another example of the Settlement taking revenues entirely unrelated to the Wind PRIME proposal and seeking to utilize advance ratemaking principles to address issues outside of the Wind PRIME project. The record does not offer any rationale for inclusion of EADIT in the Wind PRIME discussion beyond the general argument that it

DOCKET NO. RPU-2022-0001

PAGE 79

would be good to mitigate EAC costs for current customers and an advance ratemaking proceeding is ongoing before the Board. Neither is a sufficient reason to include unrelated assets, issues, or revenues in an advance ratemaking proceeding. Shifting EADIT amortization amounts raises similar issues as shifting monies from revenue sharing and allocation of the nuclear PTCs into revenue sharing; they are not relevant to the assets that are the subject of the advance ratemaking proceeding. If allowed to accumulate until the next rate case, the EADIT amounts would provide a significant offset to the approximately \$11 billion in rate base increase that MidAmerican is anticipated to propose to include in rates at that time pursuant to wind dockets VIII-XII and the Wind PRIME docket. This would be another instance of shifting benefits among customer classes by using EADIT amortization amounts to stabilize the EAC factor rather than using the benefits as part of cost allocation decisions in the next general rate case.

#### *Scope of EAC-ARP*

In past dockets involving MidAmerican, the Board has held<sup>14</sup> that it would only consider the issues raised in the docket and not allow limited proceedings to be broadened to address other issues, no matter how important. The Board will maintain the same approach here. The Board understands the intent behind the EAC-ARP and

---

<sup>14</sup> See *MidAmerican Energy Co.*, “Final Decision and Order,” Docket No. RPU-2018-0003, p. 32 (December 4, 2018): “MidAmerican claims the proposed principle is beyond the scope of this proceeding, which is only to evaluate the reasonableness of the Wind XII project.” *and* at p. 34, “The narrow question before the Board in this proceeding relates to the reasonableness of Wind XII, not an evaluation of MidAmerican’s entire generation fleet.”; see also *MidAmerican Energy Co.*, “Order Approving Emissions Plan Budget Update, Denying Joint Motion and Non-Unanimous Settlement Agreement, and Canceling Hearing,” Docket No. EPB-2020-0156, p. 10 (March 24, 2021): “Although the Board finds that MidAmerican and OCA’s settlement with regard to the 2020 EPB is reasonable, the settlement contains details, such as requiring an Electric Generating Needs Forecast to be filed, that the Board concludes is beyond the scope of an EPB docket. Therefore, the settlement will not be approved.”

DOCKET NO. RPU-2022-0001

PAGE 80

recognizes that a reduction and stabilization of the EAC factor could be beneficial to existing customers. However, an advance ratemaking proceeding is not the appropriate forum for general rate redesign. Elements the Board considers in a general rate case include notice, opportunity to participate, and a class cost of service study (CCOSS). This assessment requires the study and measurement of impacts to customer classes and provides clear regulatory direction.

Careful consideration is required of the impact of shifting revenues between the EAC and buying down high ROE rate base by virtue of revenue sharing and the impact that shift will have on different customer classes over time. The Board requires a clear record with supporting analysis regarding the impact to the various ratepayer groups by both time and class, with cost allocations and clarity regarding responsibilities and performance of assets and potential assumption of relative costs, none of which is present in the current record. (Tr., pp. 774-776.)

The Settlement Parties offer arguments that the EAC-ARP is consistent with the law. Mr. Specketer testifies that advance ratemaking principle proceedings have a long history of either modifying advance ratemaking principles from previous dockets or including ratemaking principles not specifically related to the projects in the dockets. (Specketer Additional Testimony, pp. 9-10.) OCA states that although some revenues used to provide EAC relief are from revenues not yet in rate base, the allowance of an EAC or other customer credit does not create a matching principle violation just because it arises outside of a general ratemaking proceeding. Mr. Specketer provides a list of dockets in which advance ratemaking principles approved by the Board address other dockets. (*Id.* at 10-11.)

DOCKET NO. RPU-2022-0001

PAGE 81

However, these arguments and citations are unpersuasive. The advance ratemaking principles cited do not involve the same shifting of benefits between customer classes that the EAC-ARP involves. The proposed EAC-ARP would shift benefits from revenue sharing and EADIT amortization from customer classes based upon a Board-approved rate design to those customers that benefit most from the single EAC rate applicable to all customers. The nuclear PTC element will actually shift benefits away from current beneficiaries of the EAC and to beneficiaries of revenue sharing, including MidAmerican. This shift utilizes assets in part unrelated to the Application.

The shifting of costs among customer classes for rate-regulated utilities is part of the decision the Board makes in a general rate case. Shifting benefits from nuclear PTCs, bonus PTCs, revenue sharing, excess retail energy benefits, and amortization of EADIT would result in the EAC-ARP shifting benefits among customer classes outside of a general rate case without the benefit of a CCOSS or a full review of the effect on the rates charged in each customer class. It is possible that shifting benefits from revenue sharing and to the EAC would apply to customers proportionally, or equally, or in some fashion that the Board could deem just and reasonable. However, the absence of a CCOSS results in an outcome that cannot be deemed reasonable based on the available record. Without a CCOSS, the Board cannot determine whether the EAC-ARP is in the public interest.

The Board understands that the Settlement Parties consider this an appropriate balance between current customers and future customers; however, that balance is not supported in the record before the Board, and it is the Board's responsibility to make

DOCKET NO. RPU-2022-0001

PAGE 82

that determination. The lack of a CCROSS results in a record that does not address the issue of shifting benefits among rate classes outside of a general rate case.

The Board is required to set just and reasonable rates for a rate-regulated utility pursuant to Iowa Code § 476.6 based upon the evidence in a contested case where all of a utilities' costs and revenues are considered. That is not the case here. MidAmerican's EAC factor does not allocate benefits based upon a general rate case decision but sets a single factor for all kWh consumed. The Board promulgated 199 IAC 20.9 that allows the EAC rate to be set outside of a rate case; however, that rule does not allow the shifting of benefits among customer classes outside of a general rate case. Even though MidAmerican has a unique ratemaking mechanism through revenue sharing, the mechanism is not a substitute for the cost allocation required to set just and reasonable rates for a rate-regulated utility, which was established in statute.

The Board declines to allow an advance ratemaking petition to become, by virtue of proposals in a settlement, in effect a general rate case that addresses assets and revenues beyond the scope of the Application presented to the Board. Even if it is arguable that the Board does have sufficient authority to do so, the Board finds such an approach would be inconsistent with the intent and purpose of Iowa Code chapter 476 as a whole, declines to extend its authority so far, and therefore finds that the EAC-ARP is inconsistent with the law.

The Board finds that the EAC-ARP is not reasonable in light of the record as a whole, is inconsistent with law, and without additional information cannot conclude it would be in the public interest.

DOCKET NO. RPU-2022-0001

PAGE 83

L. Iowa Retail Energy Benefits

The Iowa Retail Energy Benefits principle excludes those revenues that normally would be a revenue contribution to the EAC and instead allocates them into revenue sharing and accelerating depreciation for certain designated assets. At hearing the Board asked why the principle did not propose that 100% of the benefits be used to accelerate depreciation like the advance ratemaking principle approved in the Settlement of Wind XII. (Tr., pp. 740-742.) Mr. Specketer responded that it was part of the Settlement negotiations and part of the consideration was that Wind PRIME is much larger than Wind XII. The exclusion of the Iowa retail energy benefits from the EAC and the inclusion of those benefits in revenue sharing to be used to cover the costs of Wind PRIME or paying down higher-ROE assets is reasonable in light of the record as a whole, and consistent with law.

M. Revenue Sharing

This is the first time in an advance ratemaking proceeding that MidAmerican has proposed a ratemaking principle specifically addressing how revenue sharing functions as a whole, rather than dealing with implications for revenue sharing arising from the assets subject to the advance ratemaking proceeding. The Revenue Sharing principle appears to seek to clarify how revenue sharing works for all assets, not just those proposed in the Application.

MidAmerican argues that due to the Board's decision in Docket No. TF-2020-0273, this principle is necessary to give certainty to how the revenue sharing calculation will be determined. There the Board stated:

Revenue sharing is intended to allow MidAmerican to increase its rate base and expenses for normal business operations; however, constructing

DOCKET NO. RPU-2022-0001

PAGE 84

generating facilities for specific customers is not part of normal operations. Outside of a general rate increase docket or advance ratemaking principles proceeding, there is no determination of the need for the RSP - related facilities, and there is no Board authority to recover any costs associated with those facilities through revenue sharing.

(*MidAmerican Energy Co.*, “Order Rejecting Tariff without Prejudice,” Docket No.

TF-2020-0273 (June 4, 2021).) Also at the hearing, there was a discussion regarding MidAmerican’s 2022 Revenue Sharing filing<sup>15</sup> and whether MidAmerican’s revenue sharing calculation included non-Board-approved assets. Testimony indicated that assets from the Renewable Subscription Program were included in the implemented revenue sharing calculation despite the Board explicitly rejecting the tariff implementing the program because of concerns over legal authority. (Tr., pp. 743–757; *see also MidAmerican Energy Co.*, “Order Rejecting Tariff without Prejudice,” Docket No. TF-2020-0273 (June 4, 2021).) MidAmerican stated its understanding that it was allowed to include the assets in the revenue sharing calculation so long as it provided an analysis of what revenue sharing would be without those assets. The Board will address MidAmerican’s inclusion of assets not approved as prudent or used and useful in revenue sharing in the appropriate docket.

The record does not demonstrate why revenue sharing as a whole is uniquely implicated by Wind PRIME sufficient to justify using an advance ratemaking proceeding to revisit the applicability of a rate doctrine created in a general rate case and applicable to assets greater than those included in the advance ratemaking application.

MidAmerican annually files revenue sharing reports in Docket No. RPU-2013-0004, and there is no restriction against filing a motion for clarification in the docket that is directly

---

<sup>15</sup> Filed February 9, 2023, in Docket No. RPU-2013-0004.

DOCKET NO. RPU-2022-0001

PAGE 85

relevant to revenue sharing. Therefore, the Board finds that this principle is not reasonable in light of the record as a whole because there is no valid reason why this proposal is included in, related to, or necessary for the Wind PRIME Application.

Further, the Revenue Sharing advance ratemaking principle's primary purpose appears to be the implementation of MidAmerican's preferred approach to revenue sharing as argued in both Docket Nos. TF-2020-0273 and SPU-2021-0005, which is to allow the inclusion of non-Board approved assets in the revenue sharing calculation. As stated in the Board's decision in Docket No. TF-2020-0273 and the Board's direction in its December 30, 2022 order in Docket No. SPU-2021-0005, the Board has concluded that assets that have not been approved in either a general rate case or an advance ratemaking case may not be included in revenue sharing. For assets to be legally eligible to receive an ROE and cost recovery, they must have been evaluated by the Board and found to be used and useful, and the costs relating to those assets prudently incurred. To allow otherwise would grant MidAmerican, as a monopoly utility that primarily derives its profit from investment in assets, the ability to add assets to revenue sharing — and simultaneously the ability to pay themselves both a recovery of those costs and an ROE on those assets — before any revenue is shared with ratepayers prior to Board review. This approach is contrary to the statutory purpose of the Board to provide oversight of a private entity granted a monopoly service territory over Iowa residents.

The Board finds that the Revenue Sharing advance ratemaking principle is contrary to law and not in the public interest.

DOCKET NO. RPU-2022-0001

PAGE 86

N. Consumer Protection Plan

The CPP is a relatively non-controversial element of the Settlement. Comments about the CPP were focused on having greater consumer protection elements within the plan, not fewer. (See Tech Customers Prehearing Brief, pp. 11-12; Pollock Surrebuttal, p. 14; Tr., pp. 602-605.) The reliance of MidAmerican on the no net cost projection is a key factor in Wind PRIME. If the project does not perform as promised, the entire premise of the project fails, and ratepayers will have been saddled with billions in generating assets that are not needed to serve their load until 2028, even presuming continued high retail growth occurs. (Tr., p. 697; Hammer Direct, pp. 13, 18-21.)

While the Board agrees that the CPP provides some benefit, the Board finds that by setting the maximum consumer protection at \$50 million, the CPP only protects approximately 1.28% of Wind PRIME's total value. Further, the 14-year period of reconciliation for the CPP does not match the depreciable life of the assets, nor the 20-year projection of substantial market price increases that are integral to realizing the no net cost Wind PRIME Projections. (See Hammer Direct, p. 61; Hammer Direct, Exhibit 3 – Confidential: Price Forecasts.) The gap leaves the consumers unprotected from unforeseen risk for up to 26 of the 40 years of the project life for wind, which dominates the proposal. Despite its shortcomings, the Board finds that it is reasonable in light of the record as a whole to allow for a CPP, that a CPP is consistent with the law, and that it would be in the public benefit to have a CPP.

O. Overall Findings Regarding Settlement

The Settlement as a whole allows for approximately \$3.9 billion in new generation assets to be authorized for later inclusion in rate base. The primary

DOCKET NO. RPU-2022-0001

PAGE 87

argument that Wind PRIME is reasonable and in the public interest is that customers would be better off if it is approved because it will be at no net cost and has the potential to allow for the buy down of either the EAC and/or, via revenue sharing, higher-ROE assets. The Settlement, despite some gestures such as the CPP, does not adequately assure that outcome.

Overall, while some elements of the Settlement are reasonable in light of the whole record, are consistent with the law, and are in the public interest, for the reasons stated above, the Board finds that the Settlement as a whole is not reasonable in light of the whole record, contains material elements that are inconsistent with the law, and overall is not in the public interest. The sought above-market ROE in a lower risk post-IRA environment, the EAC-ARP's incorporation and shifting of revenues relating to assets beyond the Application, and the reversal of Board policy sought by the Revenue Sharing principle, each individually weigh strongly against the Settlement. The Board declines to approve the Settlement for the reasons set forth above and therefore rejects the Settlement as proposed.

### **ADVANCE RATEMAKING PRINCIPLES APPROVED**

Iowa Code § 476.53(3)(a) states that the Board “shall specify” advance ratemaking principles if the statutorily required findings can be made. In doing so, the Board is not “limited to traditional ratemaking principles or traditional cost recovery mechanisms.” (Iowa Code § 476.53(3)(b).) Given the essential nature of no net cost to support the statutory findings of need and reasonableness compared to feasible alternatives, the Board has modified the approaches proposed in the CPP and the EAC and Rate Mitigation principles in the Settlement to address the risk asymmetry identified

DOCKET NO. RPU-2022-0001

PAGE 88

in testimony to create the Rate Mitigation advance ratemaking principle. The Rate Mitigation advance ratemaking principle counters the removal of incentives for MidAmerican to align performance with projections after being granted advance ratemaking principles, and allows the Board to assign additional credibility in the no net cost projections by MidAmerican to support a Board finding that MidAmerican has met the statutorily required findings. The Board is also approving several of the advance ratemaking principles proposed in the Settlement with minimal modification. The Board establishes 11 integrated advance ratemaking principles for MidAmerican, which it can accept or reject per Iowa Code § 476.53(3)(f). The advance ratemaking principles approved by the Board are set forth in Attachment A to this order and incorporated into this order by reference.

A. Rate Mitigation

MidAmerican's Application is premised in significant part on the concept of the project having no net cost to ratepayers. However, the no net cost conclusion is based on the Wind PRIME Projections developed by MidAmerican. In past advance ratemaking applications, MidAmerican has made similar projections and those projections have not always been met. The Board stated its concerns regarding the difference between projections and actuals and the reasonableness of relying heavily on such financial projections in the Statutorily Required Findings "Economic Benefits/Cost-Effectiveness" section of this order.

Failing to achieve the no net cost projected results has an inconsequential effect on MidAmerican under the advance ratemaking principles proposed in the Settlement, even with the CPP. In this instance, when the projected results are such an essential

DOCKET NO. RPU-2022-0001

PAGE 89

element of the Board's decision, the Board requires additional safeguards to support the granting of advance ratemaking principles.

The intent of the Board's proposed Rate Mitigation ratemaking principle is to allow Wind PRIME to be tracked and subsequently evaluated. To do so, the Wind PRIME assets — with costs and revenues associated therewith addressed with the same methodology as previously approved wind advance ratemaking projects — are first included in revenue sharing to calculate an overall performance of revenue sharing, and then the Wind PRIME assets are excluded from revenue sharing and the calculation is redone, followed by a third calculation of the difference between the two, resulting in the net impact of Wind PRIME on annual revenue sharing.

The net impact of Wind PRIME on revenue sharing would then be accrued in a regulatory account. MidAmerican would be allowed to earn the authorized return on the Wind PRIME assets based on the ROE set by the Board and include it as part of income. During MidAmerican's next electric general rate case, the Board will determine the distribution of the regulatory account (*i.e.*, whether the utility would retain all or a portion of the excess profits in the case of Wind PRIME performing above expectations or incur an expense related to Wind PRIME performing below expectations) and how customer classes would be impacted by any distribution of excess profits or recovery of underperformance. The intent is for the regulatory account to continue for the life of the project, as MidAmerican testified at the hearing that the no net cost supporting rationale was over the entire life of the project and not during a given year or period. However, the Board may choose to distribute, defer, recover, allow, or require the utility to write off the balance of the regulatory asset account at the time of each rate case and determine

DOCKET NO. RPU-2022-0001

PAGE 90

whether to continue the regulatory account for the life of the project or resolve outstanding issues in some other fashion. The decision coming from each contested general rate case on the regulatory account will be based on evidence presented in each such case, indicating the cause of the over- or under-performance. To ensure ratepayers are not negatively impacted prior to a general rate case, MidAmerican will accumulate carrying costs on the regulatory account balance at the company's annual weighted average cost of capital based on the approved ROE for Wind PRIME if the regulatory account balance is a liability. If the regulatory account is an asset, no carrying costs will be calculated for that year.

B. Iowa Jurisdictional Allocation

For the reasons set forth under "Settlement - Iowa Jurisdictional Allocation," the Board declines to make Iowa ratepayers responsible for the Illinois and South Dakota portions of the project allocation. The approved advance ratemaking principle allocates only the Iowa portion of Wind PRIME to Iowa ratepayers.

C. Cost Cap

The Settlement proposes a cost cap of \$1.89 million per MW (including AFUDC) for wind-powered facilities and \$1.854 million per MW (including AFUDC) for solar-powered generation. There is evidence that the actual cost of Wind PRIME will be lower than the cost cap contained in the Settlement because the cost cap includes material contingency expenses. It is remarkable that MidAmerican felt no need to adjust the proposed Cost Cap despite suddenly increased inflation and projected price pressures resulting from the IRA, which suggests significant contingency built into the request. The Board acknowledges MidAmerican's significant experience in developing

DOCKET NO. RPU-2022-0001

PAGE 91

wind projects and will credit that management in its determination. In Wind IX and X, the Board determined that it was appropriate to set the cost cap based on the expected actual costs plus a limited contingency. The Board finds that MidAmerican will be able to complete the project at a cost that is at or below the Settlement cost cap. The Board will set a cost cap of \$1.7 million per MW (including AFUDC) for wind-powered facilities and \$1.668 million per MW for solar-powered facilities.

This lower cap reduces the risk to customers and provides an incentive for MidAmerican to keep costs low while still providing a limited contingency for unanticipated changes. Also, MidAmerican can seek to recover any reasonably and prudently incurred costs above the cost cap in a subsequent general rate case.

D. Size Cap

The projections of no net cost are premised on a project the size and configuration proposed by MidAmerican. With the approval of the Rate Mitigation advance ratemaking principle, the Board finds that an adjustment to the size and composition of the project as advocated by the Environmental Intervenors is not necessary.

E. Resource Evaluation Study

The Board finds that additional information regarding MidAmerican's future generation would be beneficial in future reviews and adopts the RES as proposed in the Settlement, including the RES terms and conditions represented in Exhibit A to the Settlement.

DOCKET NO. RPU-2022-0001

PAGE 92

F. Depreciation

The notable absence of discussion regarding repowering, except by Tech Customers witness Pollock and questions from the Board, requires clarification in an established advance ratemaking principle. (See Pollock Direct, p. 40; Tr., p. 734.) Repowering is particularly germane given that the no net cost projections from MidAmerican rely heavily on price increases in future years and the continued full operation of all the wind assets without repowering for their useful life. The Depreciation advance ratemaking principle will approve a 40-year useful life for wind facilities and a 30-year useful life for solar facilities, unless otherwise determined in a future general rate case. Repowering of the Wind PRIME assets and the impact on depreciation of existing assets proposed to be or actually repowered shall be considered in a contested proceeding before recovery of any repowering or existing depreciation costs associated with repowered assets is approved, and customers are not to be impacted through revenue sharing or rates until a general rate case.

G. Return on Equity

There is no statutory requirement that the ROE for assets in an advance ratemaking proceeding must be established for the entire life of the assets, although that has been past practice. The past practice suffers in the current environment arising from the uncertainty of the impact of the IRA heavily incentivizing investment in renewable generation, and the extension of PTCs creating greater certainty of sustained value, obviating the need for risk premiums.

The Board finds that the importance of evaluating all assets during a general rate case to establish an overall ROE appropriate to support investor expectations is

DOCKET NO. RPU-2022-0001

PAGE 93

impaired if a large and consistently growing class of assets is exempt from that evaluation. Such an exemption could lead to either excessive total ROE and unjust and unreasonable rates, or requiring the Board to set ROEs for assets not addressed by advance ratemaking at significantly below-market levels, possibly creating future distortions in ratemaking. To better address the above concerns, an ROE for assets subject to advance ratemaking can be established in future general rate case with the benefit of greater clarity regarding the impact of the IRA, the then-current conditions of the market, and greater precision in setting an ROE that is consistent with just and reasonable rates.

Given the impact of MidAmerican's existing revenue sharing mechanism on timing of benefits and realization of no net costs, the Board will establish an ROE at an interim level to allow a reasonable rate of return to attract investors for assets granted advance ratemaking principles until a general rate case is conducted.

As discussed in "Settlement – ROE," the Board finds that it is not necessary to approve the two risk premiums to incent adoption of renewable generation, particularly in light of the IRA and the increased investment in renewable generation already seen in the MISO Generation Interconnection Queue. The Board will establish an ROE based on "all other" rate base assets with a minimum of 9.5% and an AFUDC ROE that recognizes a return on common equity rate of 9.5%, with the ROE for Wind PRIME assets to be determined in a future general rate case including review of the Rate Mitigation regulatory account.

DOCKET NO. RPU-2022-0001

PAGE 94

H. Cancellation Cost Recovery

The Board finds that the Cancellation Cost Recovery advance ratemaking principle as proposed in the Settlement is generally appropriate, but has modified it to make clear that the determination of reasonableness will be made in a contested case.

I. Environmental Benefits, CO<sub>2</sub> Credits and the Like

The Board finds that the Environmental Benefits, CO<sub>2</sub> Credits and the Like advance ratemaking principle as proposed in the Settlement is generally appropriate, but has modified it to make clear that the Iowa portion of any revenues from the sale of environmental or compliance related benefits associated with Wind PRIME will be accounted for in the regulatory account established in the Rate Mitigation principle.

J. Federal Production Tax Credits

The Board finds that the Federal PTCs advance ratemaking principle as proposed in the Settlement is generally appropriate, but has modified it to make clear that the Iowa portion of any Federal PTCs associated with Wind PRIME will be accounted for in the regulatory account established in the Rate Mitigation principle.

K. Iowa Retail Energy Benefits

The Board finds that the Iowa Retail Energy Benefits advance ratemaking principle as proposed in the Settlement is generally appropriate, but has modified it to make clear that the Iowa retail energy benefits associated with Wind PRIME will be accounted for in the regulatory account established in the Rate Mitigation principle.

L. Required Information

In addition to the RES and other advance ratemaking principles established above, the Board reaffirms its prior directives and requirements of MidAmerican

DOCKET NO. RPU-2022-0001

PAGE 95

regarding provision of information. In any future ratemaking principle proceedings, MidAmerican shall provide in its prefiled testimony not only a robust analysis of the need for the project and comparison of the proposed generation facility with other feasible long-term sources of supply, but additional analysis regarding interaction of the proposed resources with the remainder of MidAmerican's generation portfolio, in particular reliability and impact on meeting peaking requirements and availability of baseload resources. Also, MidAmerican is to address in any future ratemaking principles filings whether there is an upper limit to the amount of wind needed in MidAmerican's resource portfolio and how MidAmerican plans to meet any projected capacity shortfall for peak load or otherwise. Failure to provide the directed information may result in the Board deeming any application incomplete and also may result in its rejection.

#### **ADVANCE RATEMAKING PRINCIPLES NOT APPROVED**

The pleadings contain some proposed advance ratemaking principles that the Board declines to grant. For clarity they are addressed below.

For the reasons set forth in the "Settlement – Revenue Sharing" section of this order, the Board declines to grant the requested advance ratemaking principle. The Board will address the identified uncertainty regarding the appropriate operation of revenue sharing in Docket No. RPU-2013-0004 or RPU-2023-0156.

For the reasons set forth in the "Settlement – EAC and Rate Mitigation" section of this order, the Board declines to grant the requested advance ratemaking principle. MidAmerican or other parties may address EAC costs in an appropriate docket; the Board declines to do so in this advance ratemaking proceeding.

DOCKET NO. RPU-2022-0001

PAGE 96

The Board is supportive of the concepts set forth in the CPP, but concludes that the Rate Mitigation principle is the better approach to address the uncertainty around projections of no net cost and risk asymmetry identified in testimony, and therefore declines to grant the requested advance ratemaking principle.

The Transparency advance ratemaking principle was proposed by Environmental Intervenors with the purpose of reducing disputes regarding the provision of information by MidAmerican to interested parties. (Environmental Intervenors' Comments on Proposed Settlement Attachment A, p. 8.) The principle reads in full:

MidAmerican commits to increased transparency in advance ratemaking and resource planning. MidAmerican will make a good faith effort to redact confidential exhibits and filings rather than file documents as confidential in their entirety. This applies to the Resource Evaluation Study as well as future advance ratemaking and rate case dockets that may incorporate the Resource Evaluation Study.

This principle relates in part to the Settlement's Size Cap principle and associated RES, and future advance ratemaking applications and general rate cases.

The Board finds this principle is not necessary. The Board currently has a process to review information that is filed confidentially and parties can and did use that process to compel the utility to provide the filing as a public version. Discovery disputes should be handled based on the specific facts of the situation, rather than through broad statements that may give rise to inconsistencies with Iowa Open Records Law or discovery practice. The request to grant the Transparency advance ratemaking principle is denied.

DOCKET NO. RPU-2022-0001

PAGE 97

### REQUEST FOR WAIVER

On January 19, 2022, MidAmerican filed a Request for Waiver seeking a 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.

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

DOCKET NO. RPU-2022-0001

PAGE 98

customers and the company's 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 lowans 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; Jablonski Direct, p. 22.)

### **BOARD DISCUSSION**

The Iowa Retail Energy Benefits principle as described in Attachment A is not an exact match for the EAC rules. 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 is 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).

DOCKET NO. RPU-2022-0001

PAGE 99

The request to waive 199 IAC 41.3(1)(c)-(g) is a different matter. The lack of site-specific information for a substantial portion of the proposed project has impaired the ability of the Board and other parties in the docket to fully analyze certain reliability and effectiveness factors of the Application. The lack of specificity regarding location of facilities impairs review of potential congestion impacts and limits information germane to the evaluation of the credibility of market price and other project performance projections. It is not clear from the record that identifying the specific location of the projects proposed to be included in Wind PRIME would result in undue hardship for MidAmerican. The absence of location information does have a detrimental impact on the substantial legal rights of intervenors in this contested case proceeding. The rule is not required by statute and substantially equal protection of public health, safety, and welfare does not appear to be impaired if a waiver is granted. The Board finds that MidAmerican has not demonstrated by clear and convincing evidence that the waiver of 199 IAC 41.3(1)(c)-(g) is appropriate, and the Board declines to grant such waiver. The absence of such information is an element the Board considers in deciding whether or not MidAmerican has provided sufficient evidence to support the statutorily required findings.

### **PENDING CONFIDENTIALITY REQUESTS**

On April 4, 2023, the Board issued an Order Addressing Confidentiality resolving pending confidentiality requests in the docket. On April 3, 2023, MidAmerican and Environmental Intervenors filed applications for confidential treatment pertaining to information filed in their respective post-hearing reply briefs. The requests for confidential treatment are substantially identical in nature to those approved in the April

DOCKET NO. RPU-2022-0001

PAGE 100

4, 2023 Order Addressing Confidentiality. Therefore, the Board approves the April 3, 2023 requests for confidentiality for the same reasons set forth in the April 4 order.

### **ORDERING CLAUSES**

#### **IT IS THEREFORE ORDERED:**

1. The Application for Ratemaking Principles, filed by MidAmerican Energy Company on January 19, 2022, complies with Iowa Code § 476.53.

2. The Stipulation and Agreement filed by MidAmerican Energy Company; the Office of Consumer Advocate, a division of the Iowa Department of Justice; and the Iowa Business Energy Coalition, on December 2, 2022, is rejected pursuant to 199 Iowa Administrative Code 7.18.

3. The Utilities Board approves the advance ratemaking principles described in Attachment A to this order, and incorporated into this order by reference.

4. MidAmerican Energy Company shall file a pleading stating whether it accepts the advance ratemaking principles approved in Attachment A within 20 days of the date of this order.

5. MidAmerican Energy Company shall file reports regarding the Rate Mitigation principle on February 15 of each year in Docket No. RPU-2023-0156.

6. MidAmerican Energy Company shall provide the information identified in this order in the appropriate dockets.

7. The Request for Waiver of 199 Iowa Administrative Code 20.9(1) and (2) filed by MidAmerican Energy Company on January 19, 2022, pursuant to 199 Iowa Administrative Code 1.3, is granted.

DOCKET NO. RPU-2022-0001

PAGE 101

8. The Request for Waiver of 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 denied.

9. The application for confidential treatment filed by MidAmerican Energy Company on April 3, 2023, is granted.

10. The application for confidential treatment filed by Environmental Law and Policy Center, the Iowa Environmental Council, and the Sierra Club on April 3, 2023, is granted.

11. Motions and objections not previously granted or sustained are denied or overruled.

**UTILITIES BOARD**

**Geri Huser** Date: 2023.04.27  
15:04:18 -05'00'

---

**Richard Lozier** Date: 2023.04.27  
14:11:01 -05'00'

---

ATTEST:

**Keetah Horras** 2023.04.27  
15:47:56 -05'00'

---

**Joshua Byrnes** Date: 2023.04.27  
15:00:29 -05'00'

---

Dated at Des Moines, Iowa, this 27th day of April, 2023.

**APPROVED ADVANCE RATEMAKING PRINCIPLES**

<i>Ratemaking Principle</i>	<i>Description</i>
Rate Mitigation	<p>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 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.</p>
Iowa Jurisdictional Allocation	<p>Wind PRIME will be allocated to Iowa based on the Traditional Average and Excess Allocator calculation, updated annually until the next general rate case.</p>
Cost Cap	<p>The cost cap for Wind PRIME is \$1.7 million per MW (including AFUDC) for wind-powered facilities and \$1.668 million per MW (including AFUDC) for solar-powered facilities. 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 recover such costs through revenue sharing or rates.</p>
Size Cap	<p>The ratemaking principles shall be applicable to all new MidAmerican wind generation up to 2,042 MW and all new</p>

	<p>MidAmerican solar generation up to 50 MW-AC, built as part of Wind PRIME.</p>
<p>Resource Evaluation Study</p>	<p>MidAmerican shall 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 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 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 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.</p>
<p>Depreciation</p>	<p>The depreciation life of Wind PRIME for ratemaking purposes shall be 40 years for wind facilities and 30 years for solar facilities, unless otherwise determined during a future general rate case for assets of that type. 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. Repowering of the Wind PRIME assets and the impact on depreciation of existing assets proposed to be or actually repowered is not addressed by this principle and shall be considered in a contested proceeding before recovery of any repowering or existing depreciation costs associated with repowered assets is approved and customers are not to be impacted through revenue sharing or rates until a general rate case.</p>
<p>Return on Equity</p>	<p>The allowed return on the common equity portion of Wind PRIME shall be based on 30-year, single-A utility bond yields (as published by Moody's Investors Service, Inc. as of June 30</p>

	<p>of each year) plus 400 basis points, with a minimum return of 9.5%, until MidAmerican's next general rate case proceeding. During each general rate case proceeding, a return on equity shall be established consistent with the Rate Mitigation principle. An AFUDC rate that recognizes a return on common equity rate of 9.5% 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>
<p>Cancellation Cost Recovery</p>	<p>In the event MidAmerican cancels any Wind PRIME site for good cause as determined by the Board in a contested case, 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>
<p>Environmental Benefits, CO<sub>2</sub> Credits, and the Like</p>	<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 right 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 18 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</p>

	<p>be accounted for in the regulatory account established in the Rate Mitigation principle.</p>
<p>Federal Production Tax Credits</p>	<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. 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 but shall be accounted for in the regulatory account established in the Rate Mitigation principle.</p>
<p>Iowa Retail Energy Benefits</p>	<p>The following ratemaking treatment for Wind PRIME shall remain in effect until MidAmerican's next Iowa electric general 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. The Iowa retail energy benefits from Wind PRIME production shall be included for the purposes of calculating any revenue sharing for the year and then included in and accounted for in the regulatory account established in the Rate Mitigation principle.</p>