

STATE OF IOWA
DEPARTMENT OF COMMERCE
IOWA STATE UTILITIES BOARD

IN RE:

**APPLICATION OF MIDAMERICAN
ENERGY COMPANY FOR A
DETERMINATION OF
RATEMAKING PRINCIPLES**

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DOCKET NO. RPU-2016-0001

STIPULATION AND AGREEMENT

Dated July 26, 2016

Article I – Introduction

On April 14, 2016, MidAmerican Energy Company (“MidAmerican”) filed an application requesting the Iowa Utilities Board (“Board”) specify in advance the ratemaking principles that would apply to the proposed Wind XI Project (“Wind XI”). Wind XI involves the installation of up to 2,000 MW of new wind generation.

Article II – Purpose

This Stipulation and Agreement has been prepared and executed by the signatories for the purpose of resolving all issues among the signatories regarding MidAmerican’s Wind XI application for ratemaking principles. In consideration of the mutual agreements set forth herein, the signatories stipulate their belief that the Board should issue an order that allows the terms and provisions of this Stipulation and Agreement to be fully implemented. The Environmental Intervenors and Interstate Power and Light have indicated they have no position on the settlement terms related to the ratemaking principles but generally support Wind XI and therefore have no objection to the Stipulation and Agreement. ITC Midwest, LLC has indicated that it will file a separate pleading indicating no objection to the terms of this Stipulation and Agreement.

Article III – Ratemaking Principles

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

Project with the following ratemaking principles:

Topic	Ratemaking Principle
Iowa Jurisdictional Allocation	Wind XI 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 X).
Cost Cap	The cost cap for the Wind XI Iowa Project is \$1.792 million per MW (including AFUDC). In the event that actual capital costs are lower than the projected capital costs, rate base shall consist of actual costs. In the event actual capital costs exceed the cost cap, MidAmerican shall be required to establish the prudence and reasonableness of such excess before it can be included in rates.
Size Cap	The ratemaking principles shall be applicable to all new MidAmerican wind generation up to 2,000 MW, built as part of Wind XI.
Depreciation	The depreciation life of Wind XI for ratemaking purposes shall be 40 years. 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 XI be revised.
Return on Equity	The allowed return on the common equity portion of Wind XI, constructed pursuant to this Ratemaking Principles Application and that is included in Iowa electric rate base, shall be 11.0%. An AFUDC rate that recognizes a return on common equity rate of 10.0% shall be applied to construction work in progress.
Cancellation Cost Recovery	In the event MidAmerican cancels any Wind XI 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 sharing or revenue requirement calculations, but the unamortized balance shall not be included in rate base in any such calculations.
Environmental Benefits, CO2 Credits and the Like	All environmental benefits of Wind XI shall be allocated to each of the customer classes based on class kWh sales. Upon the written election by any party to this proceeding (“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 XI that MidAmerican does not need for environmental compliance. Electing Customer shall notify MidAmerican of such election

	<p>within fifteen days (15) of the signing of this Stipulation and Agreement. MidAmerican will prudently manage all other environmental and compliance related benefits from Wind XI for the benefit of all other customers. The Iowa portion of any revenues from the sale of environmental or compliance related benefits associated with Wind XI shall be recorded as a regulatory liability and will be excluded from the Iowa Energy Adjustment Clause (“EAC”) and revenue sharing as approved in MidAmerican’s 2013 rate case until the investment and all other costs and benefits of Wind XI are included in base rates or the EAC in a future rate proceeding. For subsequent rate cases, MidAmerican proposes that the Iowa jurisdictional portion of the investment and all other costs and benefits of Wind XI shall be included in base rates, and the Iowa jurisdictional portion of any revenues from the sale of environmental or compliance related benefits associated with Wind XI shall be included in the EAC.</p>
<p>Federal Production Tax Credits</p>	<p>The Iowa jurisdictional portion of any federal production tax credits associated with Wind XI will be recorded above-the-line in FERC account 409.1, or any successor account for recording such credits. However, the Iowa jurisdictional portion of any federal production tax credits associated with Wind XI will be excluded from the Iowa Energy Adjustment Clause (“EAC”) approved in MidAmerican’s 2013 Rate Case. For subsequent rate cases that address Wind XI, the Iowa jurisdictional portion of the investment and all other costs and benefits of Wind XI shall be included in base rates, and the Iowa jurisdictional portion of any federal production tax credits associated with Wind XI shall be included in the EAC.</p>
<p>Rate Mitigation</p>	<p>The revenue-sharing calculation approved by the Board in Docket No. RPU-2013-0004 shall be modified as follows: The threshold for revenue sharing shall be the weighted average cost of common equity or 11%, whichever is less. The weighted average cost of common equity shall be calculated annually based on the equity returns approved by the Board for all ratemaking principles rate base assets and all other rate base assets, utilizing the two-point average rate base in the annual revenue sharing calculation. The equity return for all other rate base assets shall be based on 30-year single-A utility bond yields (as published by Moody’s Investors Service, Inc. as of June 30th of each year) plus 400 basis points, with a minimum return of 9.5%. To the extent that Iowa jurisdictional electric operating income exceeds the threshold, 100% of the excess shall be credited to customers. The methodology used to calculate revenue sharing will be as approved by the Board in Docket No. RPU-03-01. Any revenue-sharing proceeds for the customers’ benefit shall be used to reduce the investment in generation rate base, as follows:</p> <ul style="list-style-type: none"> • 50% of the revenue sharing proceeds will be applied to the following rate base assets in this order: (1) Walter Scott, Jr. Energy Center Unit 4; (2) Ottumwa Generating Station; (3) Louisa Generating Station; (4) Neal Energy Center 4; (5) Neal Energy Center 3; (6) Walter Scott Energy Center 3; and (7) Quad Cities Nuclear Power Station. • 50% of the revenue sharing proceeds will be applied to the following rate base assets in this order: (1)Walter Scott, Jr. Energy Center Unit 4;

	<p>(2) Greater Des Moines Energy Center; (3) Wind I Project; (4) Wind II Project; (5) Wind VII Project; (6) Wind III Project; (7) Wind IV Project; (8) Wind V Project; (9) Wind VI Project; and to the extent they are included in rate base, the following projects will be added in this order: (10) Wind VIII Project; (11) Wind IX Project; (12) Wind X Project; and (13) Wind XI Project.</p> <p>Iowa jurisdictional electric operating income above that required to achieve the weighted average cost of common equity shall benefit customers 100% as described above. This ratemaking principle shall become effective in 2018 and remain in effect until either: 1) the Wind XI assets are reflected in rates in a future MidAmerican Iowa electric rate case, or 2) Wind XI federal production tax credits expire. In the event Wind XI federal production tax credits expire, the revenue sharing methodology shall revert back to the methodology approved by the Board in Docket No. RPU-2013-0004.</p>
<p>Iowa Retail Energy Benefits</p>	<p>The following ratemaking treatment for Wind XI 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 XI production shall be excluded from the EAC approved in MidAmerican’s 2013 Rate Case. However, the Iowa retail energy benefits from Wind XI production shall be included in the calculation of any revenue sharing for the year.</p>

Article IV – Motions

The signatories shall jointly file with the Board this Stipulation and Agreement in the docket initiated by MidAmerican’s filing of a ratemaking principles application pursuant to Iowa Code Section 476.53 for the Wind XI Project (Docket No. RPU-2016-0001). The signatories shall also file with the Board a motion requesting that the Board accept this Stipulation and Agreement without condition or modification.

Article V – Condition Precedent

This Stipulation shall not become effective unless and until the Board accepts the same in its entirety without condition or modification.

Article VI – Limitation

This Stipulation and Agreement is made pursuant to Iowa Code §17A.10 and 199 I.A.C. §7.18. This Stipulation and Agreement relates only to the specific matters referenced herein, and no signatory waives any claim or right that it may otherwise have with respect to any matter not

expressly provided for herein. Except as expressly provided in this Stipulation and Agreement, no signatory shall be deemed to have approved, accepted, agreed or consented to any ratemaking principle, any method of cost of service determination, or any method of cost allocation underlying the provisions of this Stipulation and Agreement or be prejudiced or bound thereby in any other current or future proceeding before any agency. Except as necessary to implement Article III, this Stipulation and Agreement shall not, directly or indirectly, be referred to as precedent in any other current or future proceeding before the Board except with the written consent of the signatories.

Article VII – Execution

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

Article VIII – Modification and Amendment

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

Article IX – Term

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

Article X – Binding Nature

This Stipulation and Agreement shall be binding on the signatories. Except as provided in Article VIII, the signatories shall take no actions directly or indirectly to eliminate or

otherwise limit or expand the scope or effect of this Stipulation and Agreement throughout its term.

Article XI – Further Assurances

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

Article XII – Entire Agreement

This Stipulation and Agreement contains the entire agreement between the signatories. There are no additional terms, whether consistent or inconsistent, oral or written, that have not been incorporated into this Stipulation and Agreement.

MIDAMERICAN ENERGY COMPANY

OFFICE OF CONSUMER ADVOCATE

/s/ William J. Fehrman
(Signature)
William J. Fehrman
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Date: July 25, 2016

Date: July 25, 2016

**FACEBOOK, INC., GOOGLE INC.
AND MICROSOFT CORPORATION**

**IOWA BUSINESS ENERGY
COALITION**

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Date: July 25, 2016

Date: July 26, 2016