

STATE OF IOWA
DEPARTMENT OF COMMERCE
IOWA UTILITIES BOARD

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MIDAMERICAN
ENERGY COMPANY

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DOCKET NO. RPU-2018-_____

REQUEST FOR APPROVAL OF RATEMAKING PRINCIPLES

MidAmerican Energy Company (“MidAmerican” or “Company”), pursuant to Iowa Code § 476.53, files this Application of MidAmerican Energy Company for a Determination of Ratemaking Principles (“Ratemaking Principles Application”) to request that the Iowa Utilities Board (“Board”) specify in advance the ratemaking principles that will apply to MidAmerican’s proposed Wind XII Project (“Wind XII” or “Project”).

Like Wind XI before it, Wind XII is an historic project.¹ Based on MidAmerican’s forecasts, when the 591 megawatt (“MW”) Wind XII Project is completed and added to MidAmerican’s then-current 6,050 MW after Wind XI is completed, **MidAmerican will be generating enough renewable energy, in 2021, to cover 100% of its customers’ annual energy needs.**² That is to say that MidAmerican’s ambitious 100% renewable vision introduced with the Wind XI project will be achieved. MidAmerican expects to be over the 100% level until at least 2025 when customer load growth will likely require additional renewable generation in order to remain above the 100% level and meet customers’ annual energy needs with renewable energy.

¹ As noted below, Wind XII is rightfully considered an extension of principles adopted in the Wind XI docket, albeit with a lower cost cap and other minor adjustments to reflect the current state of the markets and the need to retain long-term customer balance and rate stability as approved in Wind XI.

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

As is further set forth below and in the accompanying testimony of MidAmerican's witnesses, Wind XII fulfills the statutory requirements of Iowa Code § 476.53, is consistent with prior filings for ratemaking principles including MidAmerican's Wind XI proposal, and is largely consistent with the proposed Chapter 41 of the Board's rules.³ Moreover, it meets numerous needs of MidAmerican's customers. Finally, Wind XII will continue Iowa's renewable energy leadership and will be another major economic development project for the state that will help draw even more sustainability-minded companies to either locate or expand operations in Iowa. The benefits of the Project to MidAmerican customers and the economy are significant.

MidAmerican's 100 % Renewable Vision Realized: In 2016, MidAmerican announced its Wind XI project,⁴ and at the same time identified the ambitious vision of being the first investor-owned utility in the country to achieve this 100% threshold, which is referred to as MidAmerican's 100% renewable vision.⁵ The 100% renewable vision was based on, among other things, the observation the industry was undergoing a transformation in that customers are demanding access to more renewable energy. The transformation is due to an increased focus on sustainability, as well as the fact that renewables provide a long-term supply of energy with low marginal costs that also provide flexibility for utilities to meet future environmental requirements.⁶ While some of the federal environmental regulations may be modified or delayed, MidAmerican's 100% renewable vision and Wind XII remain consistent with customer needs and demands as well as Iowa's clear

³ *In Re: Ratemaking Principles Proceeding*, Docket No. RMU-01-11, Order Commencing Rule Making, (September 14, 2001). Ultimately, the Board rejected the proposed rules in its "Order Terminating Rulemaking," issued on May 24, 2002 in Docket No. RMU-01-11. However, recently, the Board issued a new rulemaking docket to consider similar rules. *See also, In Re: Rule Making for Ratemaking Principles Proceeding [199 IAC Chapter 41]*, Docket No. RMU-2017-0003, Order Requesting Stakeholder Comments on Potential Rules (November 30, 2017). These rules are currently pending.

⁴ *In Re: MidAmerican Energy*, Docket No. RPU-2016-0001, Request for Approval of Ratemaking Principles (April 16, 2016).

⁵ *See e.g., In Re: MidAmerican Energy Company*, Docket No. RPU-2016-0001, Direct Testimony of William J. Fehrman at 4-9 (April 16, 2016).

⁶ *Id.*

policy to encourage renewable generation and increase economic development opportunities found in the early adoption of a renewable energy standards and the policy of Iowa Code § 476.41.

MidAmerican's 100% renewable vision, however, is very focused on customer needs. Sustainability-minded companies continue to look at access to renewable generation in their decisions on where to locate or expand facilities. As MidAmerican has increased its commitment to renewable energy while also maintaining some of the lowest rates in the country, companies like Facebook, Inc., Google LLC, Microsoft Corporation and Apple Inc. have located facilities in MidAmerican's Iowa service territory. At the same time, many of MidAmerican's current large customers continue to expand their operations in MidAmerican's service territory.

Wind XII will allow customers to claim that 100% of the energy they receive from MidAmerican is renewable. This renewable energy claim will be made without the need to pay any premium above MidAmerican's already low energy prices. This is a significant and unique opportunity to continue Iowa's leadership on renewables and attract more sustainability-minded and cost-conscious companies to the state.⁷ The economic development opportunities from Wind XII are all *in addition to* the direct economic benefits, and satisfaction of other customer needs, that Wind XII will provide for MidAmerican customers.

While MidAmerican is calling this new project Wind XII, the proposal could also be considered an expansion of MidAmerican's Wind XI project.⁸ MidAmerican seeks ratemaking principles that nearly mirror those approved by the Board in Wind XI, with four variations:

⁷ For example, Facebook, Inc., Google Inc. and Microsoft Corporation are all part of an organization called RE100, which is a collaborative global initiative of more than 100 influential businesses committed to 100% renewable electricity, working to "massively increase demand for and delivery of renewable energy." See www.thre100.org/; see also, Iowa Energy Plan at 4 (indicating that Facebook, Google and Microsoft have come to Iowa because of the "state's commitment to renewable energy and low energy prices").

⁸ *In Re: MidAmerican Energy Company*, Docket No. RPU-2016-0001, Order Approving Settlement with Reporting Requirements (August 26, 2016).

- (1) a revised cost cap of \$1.560 million per MW versus the \$1.792 million per MW approved in Wind XI reflecting lower cost opportunities that MidAmerican has identified for Wind XII;
- (2) a revised size cap which is reduced from 2,000 MW in Wind XI to 591 MW in Wind XII recognizing MidAmerican's current opportunities to add additional wind generation and to allow MidAmerican to fulfill its vision of covering 100% of its customers' annual energy needs with renewable energy;
- (3) a revised environmental benefits principle to identify a notice period for MidAmerican to provide advance notice of any plan to sell the renewable energy certificates from its Wind XII wind farms to provide greater certainty to customers; and,
- (4) a return on equity ("ROE") principle of 11.25% to recognize the current state of capital markets.

Project Economics and Customer Benefits: With respect to the economics of Wind XII, like Wind XI before and as discussed in the testimonies of MidAmerican witnesses Wright, Specketer and Fehr in this docket, Wind XII is fundamentally based on MidAmerican's ability obtain the full 100 % value of the federal production tax credit ("PTC"), which is phasing out over a five-year period. Due to MidAmerican's management of the construction of the Wind XI Project, there is an opportunity to use some of the "safe harbor" equipment, that was originally anticipated to be used as part of the Wind XI project, to obtain 100% PTC value for this expansion of MidAmerican's wind fleet.⁹ This is the basis of Wind XII and why the Project can be proposed with the amount of customer benefits MidAmerican proposes.

⁹ As further explained in the testimony of Michael Fehr, Wind XII is an opportunity for MidAmerican to obtain the 100% value of the PTC due to the fact that MidAmerican has available certain safe harbor turbine equipment that can be used for the Wind XII Project. MidAmerican may also have the opportunity to purchase wind farm sites from developers that are able to package their safe harbor equipment with the development assets.

As has been true of MidAmerican's projects in the past, customers will see benefits over the 40-year expected life of the Project. For example, because MidAmerican can monetize the PTC value in the near-term, MidAmerican's revenue sharing will increase as a result.¹⁰ Under the mechanisms established in Wind XI, increases in MidAmerican's customer revenue credit (revenue sharing) accelerate depreciation of MidAmerican's current generation fleet. A reduced rate base reduces the need for and size of any rate proceedings in the future. This establishes long-term customer balance, and ensures that the customer benefits of MidAmerican's wind projects are not "front loaded" to current customers who are not paying for the new generation.

Since MidAmerican does not plan to have an electric rate case in the near-term, customers will see lower fuel costs and potential direct revenue sharing benefits despite the fact that the costs of Wind XII will not be recovered in rates until the time of a future rate case. Put another way, capturing the full PTC, along with the other proposed ratemaking principles, will enable the development of this \$922 million Project at no net cost to customers (i.e., the benefits over the life of the Project will be greater than the costs), based on and MidAmerican's projections of Project costs and benefits.¹¹ In summary, MidAmerican expects the total benefits of Wind XII to exceed the total costs during the 40-year life of the Project. The economics of Wind XII are further discussed and quantified in the testimony of MidAmerican witness Specketer.

¹⁰ MidAmerican's affiliation with Berkshire Hathaway Energy Company and Berkshire Hathaway, Inc. means that MidAmerican will be able to monetize the PTCs in the year they are earned or shortly after year-end, and not require PTC carryforwards. While implementation of MidAmerican's proposal to provide the benefits of the Tax Cuts and Jobs Act of 2017 to MidAmerican's customers could have an impact on the economics of wind projects, the changes to the tax law did not significantly impact MidAmerican's ability to monetize the PTCs.

¹¹ Customers will also benefit from the fact that the wind projects that are not currently in base rates will have depreciated before the next rate case, further reducing rate base. This is a significant benefit considering that MidAmerican will have over \$4 billion of assets that are not included in customer rates. *See e.g., In Re: MidAmerican Energy Company*, Docket No. RPU-2013-0004, Reply of the Office of Consumer Advocate (July 20, 2017) (Office of Consumer Advocate ("OCA") cautioning against a rate proceeding because "ratepayers would be exposed to significant adverse rate impacts associated with hundreds of millions of dollars of rate base investment approved in MidAmerican's rate making principles for Wind projects VIII through XI but not yet reflected in customer rates.")

Wind XII will also increase MidAmerican's accredited capacity by 92 MW, which will provide additional benefits for the long-term, as well as additional diversity of generating resources. The additional capacity will help MidAmerican meet the needs of customers well into the future since it will be a 40-year resource. Additional information about the capacity value is found in the testimony of MidAmerican witness Hammer.

Wind XII Is Consistent with Customer Demand and Iowa Energy Policy. Wind XII fulfills MidAmerican's vision of covering 100% of its customers' annual energy needs with renewable energy. Since 2004, MidAmerican has developed (or is in the process of developing) approximately 6,050 MW of wind generation in Iowa, which has met substantial customer needs and brought significant environmental and economic benefits to the state. Wind XII will realize MidAmerican's 100% renewable vision.

MidAmerican's proposal to provide 100% renewable energy on an annual basis meets multiple customer needs and is consistent with Iowa energy policy. Iowa Code § 476.41 identifies state policy to encourage the development of alternative energy production. Iowa was the first state in the nation to adopt a renewable energy standard, in 1983, and would be the first state to claim an investor owned utility that provides 100% renewable energy. This renewable energy leadership continues with Governor Reynolds and the Iowa Energy Plan (policy Governor Reynolds helped to craft as Lieutenant Governor), which encourages an increase in utility-scale renewable generation.¹² As identified in the Iowa Energy Plan, renewable generation has been a positive for Iowa's environment and economy, displacing carbon dioxide ("CO₂") emissions and providing for employment and economic growth.¹³ Wind XII meets these goals.

¹² Iowa Energy Plan at 48; 55-56.

¹³ *Id.* at 55.

Benefits for the State of Iowa. When Wind XII is added to the wind projects currently in operation or under development or repowering, MidAmerican will have approximately 6,641 MW of wind generation in Iowa, representing over \$12 billion of investment in the Iowa economy.

With an expected capital investment of \$922 million, Wind XII will be a significant economic development project and is projected to provide the following benefits to the State of Iowa:

- Approximately \$270 million of increased tax base for communities that host wind turbine sites – which are mostly rural communities – over the life of the Project (\$6.75 million annually);
- Approximately \$220 million of easement payments for landowners that host wind turbine sites over the life of the Project (\$5.5 million annually);
- \$60 million of labor costs associated with construction of the Project, plus \$199 million in non-labor state and local expenditures;
- Additional permanent jobs (and associated local spending) totaling approximately \$12 million annually;
- An economic development asset for Iowa that will help attract business expansion and new businesses that are seeking ways to use more renewable energy;
- Additional wind generation that will position MidAmerican and the State of Iowa for compliance with current and future environmental regulations and strengthen Iowa's position as a leader in renewable generation; and
- Electric rate stability and certainty for a significant portion of the state's population (residents, business owners and industrial customers)

Provided MidAmerican can take advantage of the full PTC, these benefits will be a reality.

Additional information about the benefits of Wind XII are addressed in the testimonies of MidAmerican witnesses Wright, Specketer, Hammer and Fehr.

Expedited Review and Ruling Requested. MidAmerican requests the Board expedite the review of this Ratemaking Principles Application and asks that the Board approve the ratemaking principles no later than December 3, 2018. This expedited review period is consistent with the review period for earlier ratemaking principles cases, and is reasonable in light of the fact that this

case is very similar to the Wind XI docket. Expedited review will allow MidAmerican to make an informed decision about moving forward (or not) with opportunities to purchase wind farm sites that are subject to the full PTC benefits, as well as informed decisions regarding use of the safe harbor equipment MidAmerican already owns. Board approval by December 3, 2018 will also allow MidAmerican to review the Board's Order prior to the time when MidAmerican must either "opt in" or "opt out" of purchase options on other equipment.

The timing issues associated with this Project are further addressed in the testimony of MidAmerican witness Fehr. As it has in the past, MidAmerican commits to providing any additional information that will aid in the Board's review during the requested five month review period.

In support of this request for approval of ratemaking principles MidAmerican states:

1. Summary. In this Ratemaking Principles Application, MidAmerican seeks the Board's approval of ratemaking principles that are the same or similar to those previously approved by the Board in one or more of MidAmerican's 11 prior wind power projects (collectively, these projects will hereafter be referenced as "Wind Power Projects"). Having successfully developed, constructed and operated the Wind Power Projects, MidAmerican now seeks to continue to build upon its successes through the development of additional wind generation in Iowa consistent with MidAmerican's efforts to meet customers' and other stakeholders' needs, including without limitation: customer pricing needs; fuel diversity needs; Iowa economic development needs; the need to comply with Iowa energy policy; the need to meet customer requirements for capacity and energy supply; and the flexibility to comply with any future environmental regulations. The testimonies of MidAmerican witnesses Wright, Specketer, Fehr and Hammer discuss these needs and how Wind XII addresses them.

2. Certificate of Public Convenience and Necessity. On June 6, 2003, pursuant to 199 I.A.C. Chapter 4, the Board issued its Declaratory Order in Docket No. DRU-03-3, holding that MidAmerican was not required under Iowa Code § 476A.1 and § 476A.2 to obtain a generating certificate prior to commencing construction of the original Wind Power Project.¹⁴ The Board recently reaffirmed this position in Docket No. DRU-2017-0003.¹⁵ MidAmerican believes that all the relevant facts and law with respect to the Wind XII Project are indistinguishable from those on which the declaratory orders in Docket No. DRU-03-3 and Docket No. DRU-2017-0003 were based.¹⁶ Like the Wind Power Projects, Wind XII will be built in accordance with a design that results in no single collector or gathering line being connected to 25 MW or more, of nameplate generating capacity. Therefore, it is reasonable to rely upon the declaratory rulings issued in Docket No. DRU-03-3 and Docket No. DRU-2017-0003 with respect to Wind XII.¹⁷ As a result of this, MidAmerican requests the Board include an ordering clause in any final order that indicates a certificate of public convenience and necessity is not necessary for this Project.

3. Required Board Findings. In Iowa Code § 476.53(3)(c), the Board is charged with making two findings that are prerequisites to determining the appropriate ratemaking principles applicable to a given generating facility: (1) that the utility has in effect a Board-approved energy efficiency plan as required under Iowa Code § 476.6(15); and (2) that the utility has considered other sources for long-term electric supply and determined that the proposed facility is reasonable when compared to the other feasible alternative sources of supply. The testimonies of MidAmerican witnesses Wright, Fehr and Hammer support these findings.

¹⁴ *In Re: MidAmerican Energy Company*, Docket No. DRU-03-3, Declaratory Order, 2003 Iowa PUC LEXIS 227 (June 6, 2003).

¹⁵ *In Re: Bertha and Stephen Mathis*, Docket No. DRU-2017-0003, Declaratory Order (February 2, 2018).

¹⁶ *Id.*

¹⁷ Because no Certificate of Public Convenience and Necessity is required for the Wind XII Project, Iowa Code §476.53(4) (a) is inapplicable.

4. Energy Efficiency Plan. The testimony of MidAmerican witness Wright demonstrates that MidAmerican has in effect a Board-approved Energy Efficiency Plan (“Plan”) as required by Iowa Code §476.6(15). MidAmerican currently has in effect a 5-year Plan (2014 – 2018) approved by the Board on December 16, 2013, in Docket No. EEP-2012-0002, with subsequent Board acceptance of compliance filings and plan modifications. The current Plan is now in its fifth and final year of implementation. While MidAmerican is in the process of revising a plan for 2019-2023 consistent with recently enacted legislation, there is no question that MidAmerican meets the requirement in Iowa Code § 476.53 for a plan to be in effect at the time principles are established.¹⁸

5. Alternatives for Long-Term Electric Supply. The testimony of MidAmerican witness Hammer demonstrates that MidAmerican has undertaken commitments for: (a) a 540 MW gas-fired combined cycle combustion turbine generating facility (the Greater Des Moines Energy Center); (b) a new 790 MW coal-fired generating facility (Walter Scott, Jr. Energy Center Unit 4), and (c) the Wind Power Projects. MidAmerican now proposes to expand its wind generation by up to 591 MW. MidAmerican witnesses Wright, Fehr, Specketer and Hammer testify that Wind XII will benefit customers across a wide range of fronts, including the following:

- Customer prices: Providing revenue streams and avoided costs that will help defer the need for future rate cases, while also reducing customer costs for fuel in the EAC;
- Fuel price risk: Reducing dependence on fossil fuels will insulate customers from more volatile fuel-cost sources of energy and potential fuel transportation cost changes;
- Economic development: Constructing the Project will constitute a significant economic development project in the state and accompanying construction and permanent jobs, and provide further incentive for businesses to expand or newly locate their enterprises in Iowa;

¹⁸ MidAmerican requests a Board Order on this Application by December 3, 2018 which is prior to the expiration of MidAmerican’s current energy efficiency plan. As set forth in Senate File 2311 and based on prior precedent, MidAmerican’s current plan will remain in effect until March 31, 2019 which means that MidAmerican will have “in effect a Board-approved energy efficiency plan as required under section 476.6, subsection 15.” See Iowa Code § 476.53(3)(c).

- Iowa energy policy: Maintaining and supporting Iowa's role as a renewable energy leader;
- Energy: Increasing the supply of low cost energy to customers;
- Capacity: Increasing MidAmerican's generating capacity; and
- Environmental compliance: Increasing MidAmerican's fleet of wind generation will provide additional options for environmental compliance with any future environmental regulations regarding carbon and other emissions and effluents;

The testimonies of the MidAmerican witnesses confirm that Wind XII will be a new source of energy production that is environmentally beneficial and will offer system benefits consistent with Iowa policy regarding renewable generation. Under a variety of reasonable assumptions and with the rate mitigation principle that remains in place from MidAmerican's Wind XI docket, MidAmerican projects that Wind XII can be completed without a price impact on MidAmerican customers. Additionally, MidAmerican witness Wright identifies that MidAmerican expects to be able to manage costs in order to achieve its goal of providing Wind XII at no net cost to customers.

MidAmerican witness Hammer's testimony shows that Wind XII compares favorably to other long-term options for meeting customer needs. MidAmerican witness Hammer uses a nine-factor analysis (i.e., cost, cost robustness, environmental reasonableness, system reliability, economic development, geo-political uncertainty, flexibility/optionality, diversity, and resource availability/stability) to reach this conclusion. MidAmerican witness Hammer's testimony further demonstrates that Wind XII is a reasonable option for long-term electric supply when compared to the other feasible alternative sources of supply.

MidAmerican witness Fehr's testimony shows that the cost cap for Wind XII will be reasonable, and also is reasonable when compared with the cost cap approved in other recent ratemaking principles dockets for wind projects. Indeed, the cost cap for Wind XII is lower than the cost cap for Wind XI and the cost cap recently approved in the New Wind II docket.

MidAmerican witness Specketer's testimony shows that the projected costs and revenues of Wind XII are expected to yield a net benefit to MidAmerican's retail customers over the life of the Project due to the availability of additional Project-related revenue streams (e.g., the PTC). MidAmerican's ownership of Wind XII will permit MidAmerican to receive the full benefit of the PTC, the resulting renewable energy credits, as well as other benefits thus allowing MidAmerican to pass on the benefit of these supplemental revenue streams, environmental credits and avoided costs to customers.

MidAmerican's testimony shows that the Company has considered other sources for long-term electric supply and determined that the proposed Wind XII Project is reasonable when compared to the other feasible alternative sources of supply and therefore the Project satisfies the requirement of Iowa Code § 476.53(3)(c).

6. MidAmerican's Testimony. MidAmerican witnesses Wright, Fehr, Specketer, Vander Weide, Hammer, and Stevens offer testimony and sponsor exhibits supporting MidAmerican's analysis of the Wind XII project. These witnesses testify as follows:

Wright: Case overview, impact of the Tax Cuts and Jobs Act of 2017, MidAmerican's 100% renewable vision, environmental considerations, and energy efficiency plan.

Fehr: Timing considerations, economic development benefits, MidAmerican's history of wind construction and operations, various site, construction, and operating considerations, and ratemaking principles regarding size cap, cost cap, and depreciable life.

Specketer: Ratemaking principles addressing Iowa jurisdictional cost allocation, cancellation cost recovery, renewable energy and CO₂ credits, etc., federal production tax credit, and the customer revenue credit. Economic analysis including customer impacts and how the Project offers a balanced outcome and how previously approved rate mitigation measures are impacted by Wind XII and other efforts MidAmerican is taking to keep rates stable and low for customers. Economic analysis that supports MidAmerican's belief it can provide Wind XII at no net cost to customers as measured over the life of the Project.

Vander Weide: ROE and allowance for funds used during construction ("AFUDC") ratemaking principle.

Hammer: How Wind XII fulfills multiple customer needs, the expected operational outputs of Wind XII and the impact on reliability, fuel diversity and use of non-traditional supply

sources in Iowa. MidAmerican's consideration of other renewable supply options in comparison to Wind XII and a comparison of conventional generation resources to Wind XII.

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

7. System Reliability and Security. As the testimony of MidAmerican witness Hammer demonstrates, Wind XII will provide new sources of energy while reducing customer exposure to volatile fuel prices associated with fossil fuels. Moreover, the testimony of MidAmerican witness Stevens demonstrates that Wind XII will be constructed and operated in a manner that is in accordance with the Midcontinent Independent System Operator, Inc.'s ("MISO") requirements, which will ensure that the interconnection of the Wind XII facilities to the transmission system will not degrade the adequacy, reliability, or operating flexibility of the existing transmission system from a regional or a local perspective.

8. Economic Development. The construction, maintenance and operation of Wind XII will contribute to the economic development of the State of Iowa in a manner similar to the prior Wind Power Projects and will do so in a way that is consistent with the land use and environmental policies of this state as identified in the testimony of MidAmerican witnesses Wright and Fehr. Wind XII will provide construction jobs similar to those created during construction of the prior Wind Power Projects, and the Project will generate significant local expenditures during construction, benefitting the economies of the communities located near each Project site.

9. Reasonable Cost. The testimony of MidAmerican witnesses Wright and Fehr demonstrates the reasonableness of MidAmerican's projected cost caps for Wind XII. MidAmerican witness Specketer has performed an economic analysis of Wind XII, taking into account both the projected benefits and costs of Wind XII, and MidAmerican's rate mitigation principle which was approved in Wind XI and will continue to operate with Wind XII.

MidAmerican witness Specketer's overall analysis shows that Wind XII is projected to bring customer benefits and, under reasonable assumptions, will bring those benefits without the need to increase customers' rates as a result of the Project. To be clear, under the proposed ratemaking principles, the revenues and avoided costs directly or indirectly associated with Wind XII are projected to be sufficient to pay the costs of constructing, placing into service, and operating Wind XII for the life of the Project.

10. Environmentally Sound. Wind XII will be environmentally sound. As MidAmerican witness Wright's testimony demonstrates, Wind XII will be beneficial for any future environmental regulations, including any limitations on carbon emissions. Further, as demonstrated by MidAmerican witness Fehr, because each wind turbine and its associated access road will occupy, on average, only one-half of an acre, a rather small amount of agricultural land will be taken out of production for Wind XII. Mr. Wright also testifies that MidAmerican will secure and comply with all necessary environmental permits needed for Wind XII as it has in the past for the prior Wind Power Projects.

11. Ratemaking Principles. Having demonstrated that Wind XII is reasonable when compared to other generation alternatives and that MidAmerican has a Board-approved Energy Efficiency Plan in effect, MidAmerican submits that it qualifies for a Board determination of the ratemaking principles that will apply to Wind XII once its costs are included in regulated electric rates. The nine ratemaking principles identified below are supported in the testimony of MidAmerican witnesses Fehr, Specketer and Vander Weide, at the locations specified in the Cross Index. MidAmerican notes that the ratemaking principles proposed here are consistent with the principles the Board adopted in the Wind XI proceeding in August of 2016.

1. Iowa Jurisdictional Allocation: Wind XII 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 through Wind XI).
[Specketer]

2. Cost Cap: A cost cap of \$1.560 million per MW (including AFUDC) on a Project-wide basis. 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. **[Fehr]**
3. Size Cap: The ratemaking principles shall be applicable to all new MidAmerican wind generation up to 591 MW built as part of Wind XII. **[Fehr]**
4. Depreciable Life: The depreciation life of the Wind XII Project 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 the depreciable life is approved by the Board in a contested case proceeding in which parties to the ratemaking principles 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 XII be revised. **[Fehr]**
5. Return on Equity: The allowed return on the common equity portion of Wind XII, constructed pursuant to this Ratemaking Principles Application, that is included in Iowa electric rate base, shall be 11.25%. An AFUDC rate that recognizes a return on common equity rate of 10.0% shall be applied to construction work in progress. **[Vander Weide]**
6. Cancellation Costs: In the event MidAmerican cancels any Wind XII Project 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. **[Specketer]**
7. Environmental Benefits, CO₂ Credits and the Like: All environmental benefits of Wind XII 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 XII 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 XII 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 XII for the benefit of all other customers. MidAmerican will provide at least eighteen months' notice to customers 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 XII 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 XII 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 XII 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 XII shall be included in the EAC. **[Specketer]**

8. Federal Production Tax Credits: The Iowa jurisdictional portion of any federal production tax credits associated with Wind XII 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 XII will be excluded from the Iowa EAC. For subsequent rate proceedings that address Wind XII, the Iowa jurisdictional portion of the investment and all other costs and benefits of Wind XII 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. **[Specketer]**

9. Iowa Retail Energy Benefits. The following ratemaking treatment for Wind XII 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 XII production shall be excluded from the Iowa EAC approved in MidAmerican's 2013 Rate Case. However, the Iowa retail energy benefits from Wind XII production shall be included in the calculation of any revenue sharing for the year. **[Specketer]**

12. Conclusion. Wind XII is an historic opportunity. Starting in 2021, MidAmerican will realize its vision of covering 100% of its customers' annual energy needs with renewable generation. MidAmerican's 100% renewable vision is driven by customer demand, customer needs, the immediate and long-term benefits for MidAmerican's customers, the economic development benefits to Iowa both in the short-term (e.g., construction jobs) and long-term (e.g., attracting more businesses to Iowa, tax benefits and easement payments to rural Iowans) as well

as the potential for future environmental compliance. Wind XII allows MidAmerican to realize its 100% renewable vision at no net cost to customers. Developing additional renewable generation will also help to protect customers from potential increases and fluctuations in fuel and fuel transportation costs, associated with other forms of electricity generation, that would increase the costs they pay.

The evidence demonstrates the reasonableness of the proposed nine ratemaking principles to govern MidAmerican's recovery of its costs for Wind XII over the lives of the respective facilities. Wind XII is reasonable because it: (1) provides additional economic energy and will not degrade the adequacy, reliability, or operating flexibility of the existing transmission system from a regional or a local perspective; (2) is consistent with the policy objectives of Iowa Code §476.53; (3) represents an opportunity to construct renewable generation consistent with state law encouraging such generation in Iowa; (4) with the rate mitigation principles from Wind XI applied, is projected to be constructed and operated with no price impact on customers due to MidAmerican's ability to generate supplemental revenue streams and realize avoided costs from Wind XII; (5) is environmentally sound; (6) provides added generating capacity to MidAmerican's portfolio; and, (7) provides substantial benefits to Iowa's economy. Further, the principles identified above are virtually identical to the principles the Board approved pursuant to a stipulation in the Wind XI proceeding.

MidAmerican is currently proceeding with negotiation of certain contractual agreements in order to be in a position to take advantage of the current economic opportunities and tax benefits. Along with these opportunities, however, there are significant decisions to be made relating to turbine supply and potential wind development acquisitions. MidAmerican will assume the risk of some of the necessary payments, but to avoid the assumption of too much risk, MidAmerican requests that the Board act on this application at its earliest convenience and no later than

December 3, 2018. In the event the Board determines additional information is necessary, MidAmerican requests that the Board convene a technical conference or hearing as soon as possible after the Board docketed MidAmerican's Ratemaking Principles Application to facilitate this information exchange.

MidAmerican requests the Board grant on an expedited basis this Ratemaking Principles Application pertaining to Wind XII, and approve the ratemaking principles proposed by MidAmerican.

Dated this 30th day of May, 2018.

Respectfully submitted,

MIDAMERICAN ENERGY COMPANY

By /s/ Robert B. Berntsen

Robert B. Berntsen
Brian J. Rybarik
Charles R. Montgomery
666 Grand Avenue, Suite 500
Des Moines, Iowa 50309
Phone: (515) 242-4042
Email: rberntsen@Midamerican.com

**ATTORNEYS FOR MIDAMERICAN
ENERGY COMPANY**