

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. EPB-06-156
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**ORDER ADDRESSING PLAN AND BUDGET AMENDMENT
AND APPROVING SETTLEMENT**

(Issued January 25, 2007)

On August 18, 2006, the Utilities Board (Board) issued an order approving a settlement between MidAmerican Energy Company (MidAmerican) and the Consumer Advocate Division of the Department of Justice (Consumer Advocate) regarding MidAmerican's updated multiyear plan and budget (2006 Plan Update) for managing regulated emissions from its electric power generating facilities located in Iowa that are fueled by coal. The settlement stipulated that the 2006 Plan Update complied with Iowa Code § 476.6(25), pending review by the Iowa Department of Natural Resources (IDNR), and should be approved. The settlement was designated a partial settlement because it is not intended to interfere with IDNR carrying out its statutory responsibilities pursuant to Iowa Code § 476.6(25).

On July 25, 2006, the IDNR filed testimony that concluded, based on knowledge available to it at the time its testimony was filed, the 2006 Plan Update, in conjunction with continued compliance with all permitting requirements and permit conditions, met applicable state environmental requirements for regulated emissions.

On December 18, 2006, MidAmerican filed an amendment (2006 Plan Update Amendment) to its 2006 Plan Update. Included with the filing were supplemental

direct testimony and exhibits and a partial settlement agreement with Consumer Advocate. The partial settlement and 2006 Plan Update Amendment address increases in costs to MidAmerican's environmental plan since the 2006 Plan Update was approved. The settlement notes that pursuant to a settlement reached in a prior docket, Docket No. RPU-03-1, MidAmerican may begin negotiations to seek modification of that settlement to recover environmental costs in excess of \$325 million. If the Board approves the 2006 Plan Update Amendment, MidAmerican's planned expenditures will exceed \$325 million, but the settlement provides that "[a]t this time, MidAmerican does not seek to initiate the negotiation process nor file a request with the Board seeking recovery of the environmental costs above \$325 million."

The 2006 Plan Update Amendment does not make significant changes to the plan, but updates the project's capital cost, allowance price forecasts, and project economics. The IDNR filed a letter on January 16, 2007, indicating that it had no objection to the proposed settlement regarding the 2006 Plan Update Amendment and did not believe it was necessary that a contested case hearing be held.

IDNR has an important role in the plan review process. Iowa Code § 476.6(25)"a"(4) provides, in part, that the IDNR "shall state whether the plan or update meets applicable state environmental requirements for regulated emissions." If the answer is no, IDNR shall recommend amendments that outline actions to bring the plan in compliance. The Board cannot approve a plan that does not meet applicable standards. Iowa Code § 476.6(25)"b."

While not a party to either the 2006 Plan Update settlement or the 2006 Plan Update Amendment settlement, the IDNR filed testimony on July 25, 2006, commenting on the 2006 Plan Update. The IDNR's testimony indicated that the technologies proposed by MidAmerican in its 2006 Plan Update appeared reasonable, but that MidAmerican will be required to obtain specific construction permit applications for the equipment MidAmerican contemplates using. In addition, the IDNR stated, based on its knowledge to date, that the 2006 Plan Update, in conjunction with continued compliance with all permitting requirements and permit conditions, meets applicable state environmental requirements for regulated emissions. The IDNR's letter filed on January 16, 2007, regarding the 2006 Plan Update Amendment settlement stated that IDNR has no objection to the settlement and does not believe a contested case hearing was necessary. The IDNR did not file any revisions to its July 25, 2006, testimony.

No other party or person requested a hearing on the 2006 Plan Update Amendment settlement. Because the IDNR previously answered the question posed by the statute in the affirmative, the Board may decide whether to approve the 2006 Plan Update Amendment and settlement.

In reviewing a proposed settlement, the Board examines all settlements by the criteria found in 199 IAC 7.2(11). This rule provides that "[t]he 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."

MidAmerican's 2006 Plan Update Amendment contains supplemental direct testimony that amends the 2006 Plan Update. The testimony addresses capital

costs, project delay, revisions to allowance price forecasts, project economics, and status of proposed changes. MidAmerican's 2006 Plan Update, as amended by the 2006 Plan Update Amendment, adequately addresses the plan changes.

MidAmerican's 2006 Plan Update, as amended by the 2006 Plan Update Amendment, reasonably balances costs, environmental requirements, economic development potential, and reliability of the generation and transmission system.

The Board will approve the settlement. The settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

IT IS THEREFORE ORDERED:

1. MidAmerican Energy Company's updated multiyear plan and budget for managing regulated emissions from its electric power generating facilities located in Iowa that are fueled by coal filed on March 31, 2006, as amended on December 18, 2006, is deemed complete pursuant to Iowa Code § 476.6(25)"d."

2. The settlement filed by MidAmerican and Consumer Advocate on December 18, 2006, is approved.

UTILITIES BOARD

/s/ John R. Norris

/s/ Curtis W. Stamp

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

Dated at Des Moines, Iowa, this 25th day of January, 2007.