

**FAQs for MidAmerican Energy Company**  
**Wind PRIME Advance Ratemaking**  
**Request Docket No. RPU-2022-0001**  
**Updated May 18, 2022**

**Background:**

MidAmerican Energy Company (MidAmerican) filed an application with the Iowa Utilities Board (IUB) on January 19, 2022, requesting approval of 11 advance ratemaking principles in support of its proposed “Wind PRIME” project. Iowa Code § 476.53 and IUB rules in 199 Iowa Administrative Code (IAC) chapter 41 authorize the IUB to approve advance ratemaking principles for alternate energy production facilities that will apply when such facilities are included in rates paid by customers.

**1. What is the Wind PRIME project proposed by MidAmerican?**

MidAmerican’s Wind PRIME project proposes to add up to 2,042 megawatts (MW) of new wind generation and up to 50 MW of solar generation in the state of Iowa. Wind PRIME also proposes to conduct “exploration” of greenhouse gas (GHG) reduction/clean energy sources, including carbon capture, energy storage, and small modular nuclear reactors. If the advance ratemaking principles are approved, the generating facilities included in Wind PRIME are slated to be completed by December 31, 2025.

**2. What is MidAmerican requesting from the IUB?**

MidAmerican is seeking approval of advance ratemaking principles as permitted by Iowa Code § 476.53. In general, the concept is that a utility seeks pre-approval from the state regulating entity regarding how certain issues relating to a major investment in an electric generating facility – in this case, an estimated \$3.9 billion investment – will be handled before the utility makes the investment and before the generating facilities are included in rates. MidAmerican has requested 11 advance ratemaking principles be granted by the IUB (see Question 4 below).

**3. What are Advance Ratemaking Principles generally?**

The IUB is authorized and directed by Iowa Code § 476.53 to consider applications for advance ratemaking principles. Advance ratemaking principles, once approved by the IUB, establish pre-approved approaches to addressing certain issues in a project for rate regulated utilities, such as MidAmerican. Utilities file for advance ratemaking principles to create sufficient certainty for the utility to move forward with making the investments. These principles can range from how much generation capacity can be built, the cost allocation to the Iowa market versus to another state, the return on equity to be applied to the new assets in a general rate case proceeding, the depreciation schedule for assets, and other issues proposed by the utility or another party. Please see Question 4 for a list of the advance ratemaking

principles requested by MidAmerican in this docket.

#### 4. What are the advance ratemaking principles requested by MidAmerican?

MidAmerican is proposing 11 ratemaking principles. They are listed below, as proposed:

- **Iowa Jurisdictional Allocation** – Allocate Wind PRIME to Iowa in the same manner as prior wind projects.
- **Cost Cap** – The cost cap for Wind PRIME is \$1.89 million per MW (including AFUDC) for wind-powered facilities and \$1.854 million per MW (including AFUDC) for solar-powered generation.
- **Size Cap** – 2,042 MW wind generation and 50 MW-AC solar generation. MidAmerican is targeting multiple sites; some are being developed by other companies and MidAmerican is self-developing other sites. As of March 2022, approximately half of the sites are not yet determined.
- **Depreciation** – Depreciable life of 40 years for wind facilities and 30 years for solar facilities.
- **Return on Equity** – An 11.25% return on equity, and an AFUDC rate that recognizes a return on common equity of 10% shall be applied to construction work in progress.
- **Cancellation Costs** – 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.
- **Environmental Benefits, CO2 Credits, and the Like** – 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. 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.
- **Federal Production Tax Credits (PTC)** – The Iowa jurisdictional portion of any federal PTCs associated with Wind PRIME 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 PTCs associated with Wind PRIME will be excluded from the Iowa EAC approved in MidAmerican's 2013 rate case.

- **Iowa Retail Energy Benefits** – Each month, 100% of the Iowa retail energy benefits from Wind PRIME production shall be excluded from the Iowa EAC approved in MidAmerican’s 2013 rate case. However, the Iowa retail energy benefits from Wind PRIME production shall be included in the calculation of any revenue sharing for the year.
- **Technology Study Costs** – MidAmerican will account for prudently incurred costs for technology evaluation studies, site evaluation studies, front-end engineering and design studies, project reviews and other related studies needed to establish the feasibility of carbon capture and sequestration, energy storage and small modular nuclear reactor technologies and specific projects that would use those technologies in the following manner. The sum of all costs reclassified to a regulatory asset shall not exceed \$25 million. The regulatory asset will be included in MidAmerican’s next general rate case with recovery not to exceed 60 months. The annual amortization shall be included in MidAmerican’s revenue requirement calculations, but the unamortized balance shall not be included in rate base in any such calculations.
- **Revenue Sharing** – As originally contemplated in Appendix 3 of the Settlement Agreement approved by the IUB in Docket No. RPU-2003-0001, 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 IUB orders in Docket No. RPU-2013-0004 or advance ratemaking principle proceedings prior to this docket.

## **5. Has MidAmerican requested advance ratemaking principles before?**

MidAmerican has filed for and obtained advance ratemaking principles for several prior wind projects, Wind I through Wind XII. Most recently MidAmerican did so for its Wind XII project, which was considered in IUB Docket No. RPU-2018-0003 and in which advance ratemaking principles were approved.

## **6. What happens next?**

The IUB will review MidAmerican’s application for compliance with Iowa Code § 476.53 and IUB rules in 199 IAC chapter 41 and all related requirements.

Iowa Code § 476.53 and IUB rules call for the advance ratemaking process to occur as part of a contested case proceeding, in which parties submit prepared testimony for, against, or proposing modification of the advance ratemaking principles. The Iowa Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice; the Iowa Business Energy Coalition; the Environmental Law and Policy Center; the Iowa Environmental Council; Facebook, Inc.; Google LLC; and the Sierra Club have each filed a notice of appearance in Docket No. RPU-2022-0001. The OCA is automatically part of the docket, and the other parties have requested

leave to intervene. On April 4, 2022, the IUB issued an order granting the requests for intervention for all parties that have applied to date.

On May 6, 2022, the IUB issued an order establishing the procedural schedule, which sets hearing dates of October 31 - November 4, 2022 to consider the matter. The parties will be filing written testimony and rebuttals to testimony consistent with that schedule prior to the hearing dates. The order also sets an intervention deadline of May 20, 2022, for a party to petition to join the contested case proceeding.

On April 4, 2022, the IUB issued an order requesting proposals and scheduling an oral argument for April 21 requesting interested parties to file proposals to efficiently address overlapping issues of this Wind Prime application, identified as Docket No. RPU-2022-0001, and SPU-2021-0003. On May 18, 2022, the IUB issued an order that does not consolidate the dockets and noting that common factual issues will be addressed as appropriate in the separate dockets.

## **7. What are Technical Conferences and why is the IUB holding them?**

Iowa Code § 476.53 requires the IUB to evaluate the completeness of the Application and allows the IUB to require additional information from the applicant. One of the issues addressed by MidAmerican witnesses is the electric transmission needs of Iowa and the impact of the proposed facilities on the transmission grid and on the Midcontinent Independent System Operator, LLC's (MISO), Long-Range Transmission Planning (LRTP) proposals.

The IUB has scheduled one technical conference from 1 p.m. to 5 p.m. Thursday May 26, 2022, and a second technical conference from 1 p.m. to 5 p.m. Thursday July 7, 2022, both in the IUB's Hearing Room at 1375 E. Court Ave., Des Moines, Iowa. At the technical conferences, there will be a discussion regarding MidAmerican's transmission needs in relation to the advance ratemaking principles and the impact the generation will have on the transmission network and the LRTP process that is occurring at MISO. Discussion will also include the impact other proposed generation additions in Iowa may have on the proposed assets in MidAmerican's advance ratemaking, the impact all of the proposed generation in Iowa may have on the existing generation, and the overall transmission needs in the state.

## **8. When will the IUB issue its decision on MidAmerican's request for advance ratemaking?**

MidAmerican has requested that the IUB issue its decision by October 31, 2022, but that is not statutorily required. The IUB's contested case process is designed to ensure that parties with multiple perspectives have an opportunity to provide testimony and arguments before a decision is made.

## **9. Will my rates go up after the IUB issues a decision?**

Rates will not increase as a direct result of the decision in this case. Advance ratemaking principles do not authorize a utility to increase rates. MidAmerican will have to file an application with the IUB after construction of the assets to receive approval to charge rates reflecting the costs of the Wind PRIME project. Advance ratemaking principles, if approved, will inform the subsequent application for rate increases when brought forward.

## **10. What does the May 18, 2022 order do?**

The May 6, 2022 order established the procedural schedule for the parties, which sets hearing dates of October 31 - November 4, 2022 to consider the matter. The parties will be filing written testimony and rebuttals to testimony consistent with that schedule prior to the hearing dates. The order also sets an intervention deadline of May 20, 2022, for a party to petition to join the contested case proceeding.

The May 18, 2022 order declines to consolidate the Wind PRIME docket with a factually related inquiry in SPU-2021-0003 and noting that common factual issues will be addressed as appropriate in the separate dockets.