

**IOWA DEPARTMENT OF COMMERCE
UTILITIES DIVISION**

MINUTES OF THE UTILITIES BOARD

A meeting was held on August 11, 2015, commencing at 1:30 p.m. in the Iowa Utilities Board Hearing Room, 1375 East Court Avenue, Des Moines, Iowa. Board Members attending were Chair Geri Huser and Libby Jacobs. Staff members in attendance were Leslie Cleveland, Dan Fritz, Rob Hillesland, David Lynch, Teresa McConnell, Ellen Shaw, Gary Stump, and Mack Thompson.

The following matter was considered : Docket No. RPU-2015-0002, MidAmerican Energy Company (MidAmerican), request for advance ratemaking principles, decision.

Board General Counsel David Lynch read this brief procedural history:

On April 30, 2015, MidAmerican filed a request for advance ratemaking principles for up to 552 Megawatts of new wind generation (Wind X). MidAmerican and the Office of Consumer Advocate (OCA) filed a proposed settlement agreement on June 26, 2015. The Environmental Law and Policy Center and Iowa Environmental Council also intervened. A hearing was held on the proposed settlement on July 7, 2015, and the matter is now before the Board for consideration.

Chair Huser asked Board staff to begin by discussing two key issues associated with the settlement that was being considered, the cost cap and the customer revenue sharing mechanism.

Board Staff Dan Fritz noted that in MidAmerican's previous Wind IX ratemaking docket, the Board determined it was appropriate to set the cost cap based on expected actual costs plus an appropriate contingency. Fritz stated that in this docket, Board staff removed some cost contingencies after evaluating what MidAmerican provided in its actual cost analysis versus its proposed cost cap. He said the result was that staff recommends a slight reduction of the cost cap to \$1,610 per kilowatt. Board Member Jacobs noted that if costs are higher, MidAmerican would still have the opportunity to come to the Board for cost recovery, which Fritz confirmed, saying the company always has the opportunity to seek additional recovery of costs from the Board by showing that the costs are reasonable and prudent.

The Board's Energy Section Manager Mack Thompson discussed the customer revenue credit proposed by MidAmerican in this docket and the alternative mechanism, to flow the customer benefits through MidAmerican's Energy Cost Adjustment (EAC), as was done in its previous Wind VIII and Wind IX cases. Thompson said Board staff recommends the Board in this decision once again require MidAmerican to use the same mechanism, which flowed costs through the EAC and was utilized in the Wind XIII and Wind IX cases. He stated that both MidAmerican and the OCA indicated during the hearing that they found this previously used mechanism to be acceptable. He also noted that information provided by MidAmerican indicates that the EAC method will

provide customers greater benefits of approximately \$100 million on a net present value basis over the life of the project.

Board Member Jacobs asked if staff had a concern regarding the economic rationale behind the customer revenue credit approach. Thompson stated that staff had questions whether the inclusion of the credit amount as a depreciation expense in the company's revenue sharing calculation was theoretically correct.

Chair Huser moved that the Board's General Counsel should work with the settlement parties to address the Board's cost cap and revenue sharing mechanism concerns prior to the Board issuing its decision order. Board Member Jacobs agreed.

Board General Counsel Lynch noted that the Board's decision is not final, and is subject to change, until the Board issues its decision order.

The meeting adjourned at 1:45 p.m.. Recorded by Rob Hillesland.

Approved at the September 15, 2015, Board meeting.

UTILITIES BOARD

/s/ Geri D. Huser

Chair

ATTEST:

/s/ Trisha M. Quijano

Executive Secretary, Designee