

Wind IV

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. RPU-07-2
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ORDER APPROVING STIPULATION AND AGREEMENT

(Issued July 27, 2007)

INTRODUCTION AND PROCEDURAL HISTORY

On April 19, 2007, MidAmerican Energy Company (MidAmerican) filed with the Utilities Board (Board) an application for determination of ratemaking principles pertaining to the "Wind IV Iowa Projects" (Projects), a proposal to construct additional wind generation in Iowa with a maximum nameplate capacity of 540 MW.

As part of its application, MidAmerican filed a Stipulation and Agreement (Stipulation) signed by MidAmerican and the Consumer Advocate Division of the Iowa Department of Justice (Consumer Advocate). The Stipulation asks that the Board approve MidAmerican's requested ratemaking principles. MidAmerican proposes several ratemaking principles with the principles being largely the same ratemaking principles the Board has approved in three previous applications,¹ with exceptions as listed and discussed later in this order.

¹ The three previous advance ratemaking principles applications for wind generators were approved under Docket Nos. RPU-03-1, RPU-04-3, and RPU-05-4.

On May 25, 2007, the Board issued an "Order Docketing Application, Setting Intervention Deadline and Granting Waiver of 199 IAC 7.18(10)." Waiver of subrule 7.18(10) allowed MidAmerican to file its Stipulation at the same time it filed its application for ratemaking principles.

On June 1, 2007, Ag Processing Inc (Ag Processing) filed a petition to intervene. Ag Processing's primary concern was how the potential increase in the cost of energy would affect its cost of doing business in Iowa. On June 11, 2007, the Board granted the petition to intervene. There were no other intervenors.

On June 7, 2007, the Board issued an order requiring MidAmerican to file additional information and scheduling a technical conference. MidAmerican filed its response on June 15, 2007.

On June 18, 2007, a technical conference was scheduled to allow Board staff to ask questions regarding the initial filing and information filed on June 15, 2007. The conference was open to the public. No formal record was kept of the discussions.

On June 18, 2007, MidAmerican filed additional information as a result of the discussions at the technical conference. After reviewing MidAmerican's June 18, 2007, filing, the Board determined that it contained sufficient information to proceed.

MidAmerican states that the proposed wind projects will have no more than 25 MW of generating capacity located on any single collector or "gathering" line.

Under those circumstances, a generation certificate is not required. See, MidAmerican Energy Company, "Declaratory Order," Docket No. DRU-03-3 (6/6/03).

Ratemaking principles proceedings are conducted pursuant to Iowa Code § 476.53 (2007). Section 476.53 was enacted during the 2001 Legislative Session as part of House File 577. This section provides that when eligible new electric generation is constructed by a rate-regulated public utility, the Board, upon request, shall specify in advance, by order issued after a contested case proceeding, the ratemaking principles that will apply when the costs of the new facility are included in electric rates. Alternate energy production facilities, such as the wind project proposed by MidAmerican, were added to the list of eligible facilities for ratemaking principles by House File 391, enacted during the 2003 Legislative Session. Section 476.53(1) states that the General Assembly's intent in enacting ratemaking principles legislation is to "attract the development of electric power generating and transmission facilities within the state"

CONDITIONS PRECEDENT

Before determining the applicable ratemaking principles for the Projects, the Board must make two findings pursuant to Iowa Code § 476.53(3)"c." First, the Board must determine that the public utility has in effect a Board-approved energy efficiency plan. Second, the utility must demonstrate that it has considered other sources for long-term supply and that the facility is reasonable when compared to other feasible alternative sources of supply.

A. Energy Efficiency Plan

With respect to the first condition precedent, MidAmerican has in effect a Board-approved energy efficiency plan. MidAmerican witness O. Dale Stevens provided prefiled testimony regarding MidAmerican's energy efficiency plan. Witness O. Dale Stevens testified that for 2006, MidAmerican's actual plan expenditures exceeded the budget by 42.2 percent and expenditures are expected to exceed the budget by 38.8 percent for 2007. Further, witness O. Dale Stevens testified that MidAmerican estimates that it has reduced its peak demand by 222 MW through load management and 232 MW from energy efficiency programs through the end of 2006 and that annual customer energy requirements have been reduced by some 782,000 MWh as a result of load management and energy efficiency programs. MidAmerican received approval of its current energy efficiency plan on June 23, 2003, in Docket No. EEP-03-1. (O. Dale Stevens Direct, p. 32.)

B. Proposed Alternative is Reasonable

The second condition precedent is whether a utility has considered other long-term sources of supply and shown that the facility is a reasonable alternative to meet its electric supply needs when compared to other feasible supply sources. In making this determination, the Board must look at the need for the facility; that is, is the facility a reasonable alternative to meet the statutory goal of ensuring reliable electric service to Iowa consumers and providing economic benefits to the state. See Iowa

Code § 476.53(1) (2007). If a facility does not meet the needs of Iowa consumers, it is not eligible for ratemaking principles treatment.

MidAmerican's load and capacity forecasts show that MidAmerican will soon need additional generation. The Board believes MidAmerican has shown that the proposed facility is projected to benefit both the present and future needs of MidAmerican's customers and the proposed facility is a feasible and reasonable way to attain these benefits.

In December 2005 (Docket No. RPU-05-4), MidAmerican projected that beginning in 2010, it would need additional capacity to meet its reserve requirements.² The proposed wind project will contribute up to approximately 108 MW toward MidAmerican's accredited capacity, because approximately 20 percent of the nameplate capacity for wind turbines is generally accredited as a contribution towards serving the system peak. Even if all of the 108 accredited MW from the proposed Projects comes on-line by 2009, MidAmerican's system will still need additional capacity in 2010. If load growth is greater than expected, there could be a capacity deficit based on hot weather prior to 2009. Thus, the proposed facility will contribute towards serving MidAmerican's capacity and energy needs.

It should also be noted that the availability of an additional 500 MW of generation during off-peak hours adds some flexibility to MidAmerican's generation and fuel mix. MidAmerican witnesses Dean Crist and Dehn Stevens have testified

² MidAmerican uses its hot weather peak demand forecast for capacity planning based on a Mid-Continent Area Power Pool reserve margin requirement of 15 percent.

that the interconnection of the Projects will not degrade the adequacy, reliability, or operating flexibility of the existing transmission system. Additional revenues, some of which are unique to wind power, help compensate for the reliability shortcomings of wind power. These supplemental revenues may come from federal production tax credits, CO₂, and renewable energy credits, incremental wholesale capacity sales (or avoidance of capacity purchases), incremental energy sales, and avoidance of high-cost generation.

However, the Board is concerned regarding MidAmerican's long-term resource planning process and MidAmerican's timing of its ratemaking principles filings. As a reference for future ratemaking principles filings, the Board notes that MidAmerican is seeking ratemaking principles for up to 540 MW of non-dispatchable wind power to be completed by 2013. For qualifying wind projects, as proposed by MidAmerican, MidAmerican seeks the flexibility to construct the wind projects when timing and economics are advantageous for MidAmerican and its customers. Yet, MidAmerican indicates that it may be capacity deficient beginning in the 2009-2010 timeframe. The timing of this ratemaking principles filing limits the Board's review of MidAmerican's overall resource planning process. It also limits the Board's ability to consider and review any resource options other than the one proposed by MidAmerican.

In future ratemaking principles applications, MidAmerican will be required to include detailed information regarding its resource planning process. Specifically, the

planning horizon should be at least ten years, the process should identify various potential resource alternatives available, and each of the alternatives should be analyzed to determine the impact anticipated on customers.

In this case, there are immediate benefits to customers (upon project completion) from the expansion of an electricity source with a price that does not fluctuate with the price of fossil fuels such as coal and natural gas. MidAmerican projects that the future costs of wind turbine projects are increasing and that now is the time to consider building additional wind projects.

MidAmerican demonstrated in its application, in the prefilled testimony of its witnesses, and in additional information filed that it has considered other sources for long-term electric supply and that the proposed wind project is a reasonable alternative to meet its electric supply needs when compared to other feasible alternative sources of supply. The statute does not require that the wind project be the least-cost alternative, only a reasonable alternative to other sources of supply.

The federal production tax credit is currently scheduled to end on December 31, 2007. Many analysts believe that even if extended, the credits may be of less value. The economics of the Projects are currently projected by MidAmerican to be favorable to customers and the wind projects will promote the General Assembly's goal of encouraging the development of renewable energy. Iowa Code §§ 476.41 and 476.53. In light of these factors, it appears that the Projects are a reasonable, but time-sensitive, alternative for long-term supply.

SUMMARY OF STIPULATION AND AGREEMENT (STIPULATION) AND RATEMAKING PRINCIPLES

MidAmerican and Consumer Advocate's Stipulation proposes several ratemaking principles, most of which are similar to the three previous ratemaking principle applications filed,³ with the following exceptions:

- The principle relating to the per-megawatt cost cap is replaced with a principle for Economic Tests for Qualifying Projects;
- A new size cap and an extended project development period is proposed;
- The return on equity (ROE) is reduced from 11.9 percent to 11.7 percent;
- The revenue requirement freeze and revenue sharing mechanism is extended an additional year, to the end of 2013;
- The condition for exiting the overall revenue requirement freeze is modified and specific revenue sharing conditions applicable to any rate case for electric rates effective in 2013 are proposed;
- A clarification is added to the provisions for revenue sharing for calendar year 2013;
- A new provision for allocating reduced Quad Cities nuclear decommissioning expenses to reduce higher-priced residential base rates is proposed; and
- Above-the-line treatment of renewable energy and CO₂ credits (and other environmentally-related benefits) and federal production tax credits associated with the Projects (and other wind projects) is extended over the life of the projects.

³ This includes similar ratemaking principles relating to the Iowa jurisdictional portion and 20-year depreciation lives of the Projects and continued above-the-line treatment for wholesale sales revenue associated with all generating units in MidAmerican's Iowa jurisdictional electric rate base.

A. The Economic Tests For Qualifying Projects

The Stipulation provides a new economic test in place of the former principle related to the per-megawatt cost cap. The economic test is a more flexible version of the cost cap principle used in previous wind settlements. In prior proceedings, the Board approved a regulatory principle that was tied to the cost per-megawatt of the facility. The new economic test focuses on the overall cost, rather than the cost per unit. If project costs are below certain levels and other conditions are less than net, as described below, MidAmerican will not need to further establish the prudence or reasonableness of the expenditures.

In regard to the economic test for qualifying projects, MidAmerican would conduct an economic test for each wind project, comparing the project's estimated total costs with the estimated total revenue benefits. If the economic test shows estimated total costs to be less than estimated total benefits, the project would be regarded as economically reasonable under Iowa Code § 476.53(4)"c"(2). At the same time, MidAmerican would use the economic test to determine the Project's "soft spending" cap. This is done by increasing the estimated capital costs in the economic test to the point that the estimated total costs equal estimated total benefits. After construction, if actual capital costs exceed the soft spending cap, MidAmerican would be subject to prudence review for the excess costs before they could be included in retail rates.⁴

⁴ This same restriction would also exclude the excess costs from the annual revenue sharing calculations under the Stipulation. (Foster Direct, pp. 7-8)

As a part of its filings, MidAmerican provided an economic test calculation for a proposed 75 MW Pomeroy Project expansion (Pomeroy Project) and a second economic test for the remaining 465 MW of the 540 MW Projects total. However, since MidAmerican had no definite plans for the remaining 465 MW, this second economic test calculation was hypothetical, which made it unclear how the Board would determine whether construction of the remaining 465 MW between now and 2013 was economically reasonable under Iowa Code § 476.53(4)"c"(2). This hypothetical economic test was the subject of the Board's June 7, 2007, order requiring additional information and the June 18, 2007, technical conference.

In its additional information, MidAmerican stated that although its calculation shows the remaining 465 MW to be economically reasonable according to current costs and economic assumptions, the decisions to build future projects making up the 465 MW would be based on later economic tests, using costs and assumptions current at the time of the decisions. In other words, the Board would be determining the economic reasonableness of the economic test methodology, not the individual projects themselves. Later, if the individual projects pass their economic tests, they would be deemed economically reasonable and would qualify for rate treatment under the ratemaking principles. MidAmerican also stated that it would not be providing future economic tests for Board review prior to project construction. Instead, MidAmerican would file the results after the projects were completed. At the June 18, 2007, technical conference, MidAmerican and Consumer Advocate clarified

that MidAmerican's review of its economic test and soft spending cap analyses with Consumer Advocate would occur prior to project construction. Consumer Advocate will therefore have a comparative basis for determining excess capital costs after the project is completed. This will also allow MidAmerican to move quickly when economic conditions are optimal while preserving Consumer Advocate's ability to challenge the analyses prior to construction, if necessary.

B. Size Cap and Extended Project Development Period

In effect, the ratemaking principles in the proposed Stipulation would apply to the 323 MW not completed under the previous wind settlement (i.e., the 545 MW authorized in Docket No. RPU-05-4, minus the 99 MW Victory Project and the 123 MW Pomeroy Project), plus an additional 217 MW (up to 540 MW total). This 540 MW cap would include the 75 MW Pomeroy Project addition (to be completed by the end of 2007) plus other unspecified wind projects totaling 465 MW.

Previous ratemaking principles applied to wind projects developed over a one- to three-year period. However, under the proposed Stipulation the ratemaking principles would apply to projects developed over an extended six- to seven-year period.

C. Return on Equity

The stipulated ROE is 11.7 percent on that portion of a wind project that is included in the Iowa electric retail rate base. This is less than the 11.9 percent return approved in MidAmerican's prior wind power stipulation, despite the fact that the debt

cost has risen slightly since that time. In context with the stipulations of prior wind filings, the 11.7 percent ROE appears to be reasonable. However, this 11.7 percentage reflects a risk premium of 572 basis points over and above the 6.08 percent single A-rated utility bond yield average in the record. Such a risk premium exceeds by 112 basis points the risk premium the Board used in Docket No. RPU-01-9, MidAmerican's only fully-litigated advance ratemaking case. In its June 7, 2007, order, the Board asked MidAmerican to elaborate about risk and whether the rationale used in Docket No. RPU-01-9 was still applicable. MidAmerican responded that it "believes the risk associated with generation investment in 2007 is comparable to generation investment in 2002."

Furthermore, in response to the Board's question regarding increased risk premium implied by the Stipulation in this wind case, MidAmerican noted that "the agreed upon ROE in the settlement is the product of negotiation and resolution of all ratemaking principles and not simply a recitation of separate agreements on each individual ratemaking principle."

The Board agrees that the ROE is only one component of the Stipulation, albeit a very important one, and will not deny the Stipulation based upon this one component, especially since it has accepted past wind stipulations with similar ROEs. However, as noted by the Board in Docket No. RPU-01-9, "the more risks the utility takes, the higher the return; the more risks transferred to ratepayers by regulatory assurances, the lower the return." (p. 10.) MidAmerican's view is that the risk

associated with generation investment in 2007 is comparable to generation investment in 2002. In the absence of a hearing, it is not certain that this is the case. In particular, it is not clear that an ROE at the top of the risk premium range in Docket No. RPU-01-9 is as applicable now as it was in 2002. Still, the proposed ROE is less than that previously approved by the Board, despite higher debt costs. On that basis, the Board will accept the stipulated ROE in this case, but any future ratemaking principles case should update the exploration of the various risks that the utility faces in generation investment, including how increasingly large proportions of a utility's rate base being granted advance regulatory assurances may affect risk and the associated return.

D. Revenue Requirement Freeze and Revenue Sharing Mechanism

The Stipulation continues, for one additional year (through December 31, 2013), the revenue requirement freeze and revenue sharing mechanism approved in MidAmerican's most recent rate case, Docket Nos. RPU-01-3 and RPU-01-5, as extended in Docket Nos. RPU-03-1, RPU-04-3, and RPU-05-4.

MidAmerican can initiate a rate proceeding to become effective prior to January 1, 2014, only if its projected return on equity for 2013 (based on its 2011 actual Iowa jurisdictional electric cost of service plus pro forma adjustments) falls below 10 percent. If the Board approves a revenue requirement increase for MidAmerican effective in 2013, the revenue sharing for 2013 will apply to all Iowa

jurisdictional electric operating income above the return on common equity established in the rate proceeding.

Also in 2013, the customer portion of any revenue sharing benefits will be used to reduce the Iowa jurisdictional portion of the investment in the Wind IV Iowa Projects, rather than returned to customers directly through a bill credit.

E. Allocation of Reduced Quad Cities Nuclear Decommissioning Expenses

The Stipulation states that MidAmerican is decreasing its decommissioning funding associated with the Quad Cities plant from the 2006 level of \$8,299,012 to a new level of \$1,595,964. The funds released from this decreased funding level will be used to make specific reductions in MidAmerican's higher-priced residential base rates, as previously approved in Docket No. RPU-04-2. Any amounts left over from the residential rate reductions will be used to reduce the rate base investments for either the proposed wind projects or Council Bluffs Energy Center Unit 4, based on whichever investment has the highest return on equity (and therefore, would provide the greatest benefit to customers).

MidAmerican's annual Iowa jurisdictional decommissioning cost included in the cost-of-service shall be \$1,595,964, divided equally between the two units, commencing on January 1, 2007.

F. Treatment of Renewable Energy and CO2 Credits, and Other Environmental-Related Benefits

The Stipulation provides for above-the-line treatment for renewable energy and CO₂ credits over each project's full 20-year depreciation life. After 20 years,

continuation of a project's above-the-line treatment would be subject to re-determination by the Board in a contested proceeding. MidAmerican also proposes that in addition to renewable energy and CO₂ credits, any other environmental finance benefits associated with the Projects will be recorded above-the-line.

The Stipulation would also revise the ratemaking treatment of renewable energy and CO₂ credits for older wind projects covered by MidAmerican's last three wind project settlements (i.e., Docket Nos. RPU-03-1, RPU-04-3, and RPU-05-4), such that the ratemaking treatment for the older projects will match the treatment for new wind projects under the proposed Stipulation.

G. Treatment of Federal Production Tax Credits

The Stipulation provides for above-the-line treatment for federal production tax credits over a project's full 20-year depreciation life. After 20 years, continuation of the project's above-the-line treatment would be subject to re-determination by the Board in a contested proceeding.

The Stipulation would also revise the ratemaking treatment of federal production tax credits for older wind projects covered by MidAmerican's last three wind project settlements (i.e., Docket Nos. RPU-03-1, RPU-04-3, and RPU-05-4), such that the ratemaking treatment for the older projects will match the treatment for new wind projects under the proposed Stipulation.

DISCUSSION

No objections to the proposed Stipulation between MidAmerican and Consumer Advocate were filed. Subrule 199 IAC 7.2(11) provides that the Board will not approve a Stipulation unless it "is reasonable in light of the whole record, consistent with law, and in the public interest."

The Board had questions concerning MidAmerican's initial filing. After subsequent orders and a technical conference, MidAmerican filed sufficient information to allow the Board to evaluate the proposed Stipulation.

Both in evaluating a case and a stipulation, Consumer Advocate has broad discovery and investigatory tools at its disposal to perform its statutory obligations, which are different from those of the Board. The results of this extensive investigation and discovery are generally not filed with the Board (and need not be), although selected items may be used as exhibits. Utilities are reminded that when filing a stipulation, particularly at the onset of a case, the utility has the burden to ensure that its filing contains adequate information for the Board to perform its separate and distinct statutory responsibilities, even if the information has already been provided to Consumer Advocate. The Board cannot rely on a stipulation standing alone, without comprehensive support. This support provides much of the information required for the Board to make the required determination of whether the stipulation is reasonable, consistent with law, and in the public interest.

Initial and subsequent information filed by MidAmerican demonstrated the Projects are a reasonable alternative to meet its electric supply needs when compared to other necessary generation sources. MidAmerican seeks to add more wind generation for the following reasons:

- The State of Iowa is encouraging more renewable generation be built in the state, as recently demonstrates by the Governor's statement on renewable energy;
- MidAmerican has had positive experience with existing wind projects;
- The ratemaking principle regarding the Economic Tests for Qualifying Projects, plus the ratemaking principle regarding the size cap, which extends the period for project development through 2013, will allow MidAmerican the flexibility to construct wind generation when it is economically advantageous to MidAmerican and its customers;
- Approval at this time will allow for full economic expansion at the Pomeroy Project site;
- It is possible that a federal renewable portfolio standard or carbon legislation will be enacted, and any such legislation will make wind power more valuable; and
- Wind power will serve the need to increase fuel diversity as coal and natural gas costs increase.

MidAmerican believes that wind power is the only reasonable renewable energy choice to meet Iowa's future renewable energy goals and the only renewable resource available in sufficient quantity to make a material contribution towards MidAmerican's capacity and energy needs.

MidAmerican continues to take steps to mitigate construction and operating risks and the project is expected to have a positive economic impact on the state as a whole and on the local areas where construction will take place.

Iowa Code § 476.53(1) states the legislative intent behind the ratemaking principles statute is both to ensure reliable electric service and provide economic benefits to the state. If the project is not built now, expected economic benefits to the state and MidAmerican's ratepayers might be lost.

By the end of 2007, approximately 62 percent of previously-approved wind generation projects will be in operation. (Budler Direct, p. 3). These additions will be completed at costs below the dollar-per-megawatt cost cap previously approved by the Board. MidAmerican also states that the transmission investments for the first wind project addition were well below the estimated \$12 million approved by the Board. (Crist Direct, pp. 9-10).

In the past, MidAmerican was not required to provide updates of the status of the various wind projects, and as a result, MidAmerican has not filed any updated information on actual sites for specific wind turbine installations, actual transmission facilities improvements made to accommodate wind generator interconnections, and costs of such improvements. For previous projects, MidAmerican filed transmission studies as they became available. Each time MidAmerican files a new application for advance ratemaking treatment for additional wind projects, partial information regarding the actual installed wind generation is included as part of the filing.

In this filing, MidAmerican has provided complete information for only 75 MW of wind generation, the Pomeroy Project. For the remaining 465 MW that are part of this request, MidAmerican witness Budler testifies (Direct, p. 7) that site descriptions are "general" because actual site selection will depend upon landowner negotiations, transmission capacity, turbine availability and suitability, wind resources, and other factors. As was the case in previous wind power advance ratemaking proceedings, MidAmerican commits itself to obtain all necessary environmental permits, all appropriate transmission interconnection, and transmission service requirements to operate the proposed wind projects, regardless of which sites are selected.

MidAmerican assures the Board that the interconnections with the local and regional transmission system will be consistent with standard utility practices and will not degrade the adequacy, reliability, or operational flexibility of the existing transmission system from a local and regional perspective. (Crist Direct, p. 34; Dehn Stevens Direct, p. 13.)

In this filing MidAmerican clarifies that even though it has approval to add another 323 MW of wind generation under the previous settlement in Docket No. RPU-05-4, MidAmerican is no longer perusing additions under the previous ratemaking principles. Instead, MidAmerican is planning its future additions under the ratemaking principles that are the subject of this proceeding.

In response to the Board's previous questions in Docket No. RPU-05-4 (MidAmerican's 2006-2007 Wind Power Expansion Project), MidAmerican provided

additional data and assurance to the Board that the proposed wind expansion would not adversely impact transmission constraints in and around Iowa. The Board is relying on MidAmerican's continued assurances that its proposed wind additions will not be detrimental to the existing reliability in the area and that MidAmerican is committed to making necessary transmission improvements to maintain a reliable electric system in Iowa.

These assurances are important because the Board does not have a record of the system improvements MidAmerican has actually completed to incorporate the previously-approved wind additions in its existing system. The record in the current proceeding contains proposed transmission facilities improvements needed to accommodate only 75 MW of the proposed 540 MW additions. MidAmerican has assured the Board that it is committed to providing system impact and transmission facilities requirement studies for the remaining additional 465 MW. However, the record does not (and cannot at this time) indicate: a) what transmission facility improvements will be needed to interconnect and deliver power from the remaining 465 MW of wind turbines; b) where these turbines will be located; and c) MidAmerican's time schedule to complete turbine installations and related transmission facility improvements.

At the technical conference, MidAmerican agreed to provide periodic project status updates of all transmission information and site-specific information related to the Projects as the information becomes available. The Board believes such

information will be valuable and necessary to keep track of wind generation development in Iowa. The Board also believes the information will be valuable because it will allow Board staff to respond to periodic inquiries it receives regarding renewable generation additions and MidAmerican's ability to accommodate new interconnections and operations of wind turbines in Iowa. Therefore, the Board will require MidAmerican to file the following:

- All system impact studies completed to evaluate the impacts of interconnecting the additional 465 MW of Wind IV Iowa Projects.
- All facilities studies completed to determine network upgrades and modifications needed for transmission service delivery.
- Every six months, at a minimum, for the Wind IV Iowa Projects, a project status update for each site. The filing should include information such as: site selected; what work has been done at the site; status of all on-site and off-site transmission network upgrades that have been completed to interconnect the site project; the costs of such upgrades; and time lines for the various site projects, as appropriate and available.
- Additional information as appropriate.

The ratemaking principles contained in the Stipulation generally track principles that have been approved in other ratemaking principles dockets and are consistent with what was approved for the two prior wind projects. The 11.7 percent return on equity agreed to by the parties appears to be within the zone of reasonableness given the risks associated with new generation, the recent returns on A-rated utility bonds, the intent of Iowa Code § 476.53, and the fact that this return will prevail for the regulated life of the wind facilities.

The other ratemaking principles associated specifically with the proposed wind project, including the economic test (soft spending cap) and depreciation life principles, also appear reasonable.

However, the Stipulation also contains other provisions, other than the ratemaking principles for the proposed wind project, and these must also be addressed.

The Stipulation continues, for one additional year, the existing revenue requirement freeze and revenue sharing mechanism approved in MidAmerican's most recent rate case, Docket Nos. RPU-01-3 and RPU-01-5, as extended in Docket Nos. RPU-03-1, RPU-04-3, and RPU-05-4. The extension under the proposed Stipulation is until December 31, 2013. This will provide a predictable revenue stream for MidAmerican and provide customers some price certainty, aside from revenue neutral changes in rate design. The revenue stability for MidAmerican should encourage the efficient operation of its revenue producing assets.

While a revenue requirement freeze can encourage the deferral of maintenance and capital expenditures, it appears MidAmerican has continued to invest at reasonable levels during its current revenue requirement freeze. If MidAmerican effectively maintains its generating and transmission assets and appropriately administers wholesale sales, both MidAmerican and its customers will benefit from the continuation of the revenue sharing mechanism, because some of the costs of future capital investments will be paid in advance.

The Stipulation does not prohibit revenue neutral changes in rate design.

Article III, Ratemaking Provisions Item 5 provides:

MidAmerican shall be released from its obligation not to seek or support a non-revenue neutral electric rate change to become effective prior to January 1, 2014, only in the event its projected return on equity for 2013 would be below 10% with such projection to be based upon its 2011 actual Iowa jurisdictional electric cost of service plus pro forma adjustments . . .

While the Stipulation may not decide each issue the way the Board would have after a contested hearing, the Board, viewing the Stipulation as a whole, finds it to be reasonable, in the public interest, and not contrary to any law. The Stipulation will facilitate the building of additional renewable energy to advance the goal of the increased use of renewable energy and will further the diversity of Iowa's generation resources.

FINDINGS OF FACT

1. It is reasonable to find that MidAmerican has in effect a Board-approved energy efficiency plan as required under Iowa Code § 476.6(19).
2. It is reasonable to find that MidAmerican considered other long-term sources of electric supply and the wind facilities proposed are reasonable when compared to other feasible alternative sources of supply.
3. The ratemaking principles contained in the Stipulation filed on April 19, 2007, are reasonable.

4. The Stipulation is reasonable in light of the whole record, consistent with law, and in the public interest.

CONCLUSION OF LAW

The Board has jurisdiction of the parties and the subject matter in this proceeding, pursuant to Iowa Code chapter 476 (2005).

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The Stipulation and Agreement, filed in Docket No. RPU-07-2 on April 19, 2007, is approved.
2. MidAmerican Energy Company shall promptly file, as they become available: a) all system impact studies completed to evaluate the impacts of interconnecting the additional 465 MW Wind IV Iowa Projects; b) all facilities studies completed to determine network upgrades and modifications needed for transmission service delivery; c) a project status update for each Wind IV Iowa Project site, including information such as site selected, what work has been done at each site, status of all on-site and off-site transmission network upgrades that have been completed to interconnect, the costs of such upgrades, and time lines for various projects, as appropriate and available; and d) additional information as appropriate.
3. In future ratemaking principles applications, MidAmerican shall include detailed information regarding its resource planning process. The planning horizon

should be at least ten years, the process should identify various potential resource alternatives available, and each of the alternatives should be analyzed to determine the impact on customers.

4. In future ratemaking principles applications, the parties should address the various risks that the utility faces in generation investment, including how increasingly large proportions of a utility's rate base being granted advance regulatory assurances may affect risk and the associated return.

5. MidAmerican's annual Iowa jurisdictional decommissioning cost included in the cost-of-service shall be \$1,595,964 divided equally between the two Quad Cities units, commencing on January 1, 2007.

UTILITIES BOARD

/s/ John R. Norris

/s/ Curtis W. Stamp

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Krista K. Tanner

Dated at Des Moines, Iowa, this 27th day of July, 2007.