

May 17, 2013

IOWA UTILITIES BOARD

STATE OF IOWA
DEPARTMENT OF COMMERCE
BEFORE THE IOWA UTILITIES BOARD

IN RE:)
)
MIDAMERICAN ENERGY COMPANY) **DOCKET NO. RPU-2013- 0004**
)

DIRECT TESTIMONY
OF
DEBRA L. KUTSUNIS

1 **Q. Please state your name and business address.**

2 A. My Name is Debra L. Kutsunis. My business address is MidAmerican Energy
3 Company (“MidAmerican” or “Company”), 106 East Second Street,
4 Davenport, Iowa 52801.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by MidAmerican as manager, regulated pricing.

7 **Q. Please describe your education and business experience.**

8 A. I am a graduate of Augustana College in Rock Island, Illinois where I received
9 a Bachelor of Arts degree in Accounting and Business Administration in 1979.

10 I have been employed at MidAmerican or a predecessor company, Iowa-Illinois
11 Gas and Electric Company (“Iowa-Illinois”) since August 1983. Since August
12 2002 I have been manager, regulated pricing, where I direct activities related to
13 gas and electric pricing, tariff filings and rate cases. From January 1998 through
14 July 2002 I held the positions of regulatory analyst and manager, customer

15 choice initiatives in MidAmerican’s unregulated retail services division. Prior
16 to January 1998, I held various analyst and senior analyst positions in the rates,
17 gas supply, customer service and accounting departments. Prior to joining
18 Iowa-Illinois, I was employed in public accounting.

19 **Q. Have you testified before Iowa Utilities Board (“Board”) or other**
20 **regulatory bodies previously?**

21 A. Yes, I testified before the Board in energy efficiency proceedings in Docket
22 Nos. EEP-08-02 and EEP-95-03. I have also testified before the Illinois
23 Commerce Commission in Docket No. 09-0312, a gas rate case proceeding;
24 Docket No. 08-0108, Approval of the Energy Efficiency Plan; and Docket No.
25 00-0494, a delivery services uniformity proceeding.

26 **Q. What is the purpose of your direct testimony?**

27 A. The purpose of my testimony is to sponsor MidAmerican’s interim and final
28 tariffs. I also support the rate design to implement MidAmerican’s proposed
29 Energy Adjustment Clause (“EAC”). My testimony explains what will be
30 included in the EAC, discusses why cost recovery through the EAC is
31 appropriate and describes in detail how the EAC will operate. I also describe
32 how MidAmerican’s proposed Transmission Cost Adjustment (“TCA”) will
33 function.

34 **Q. Are you sponsoring any exhibits in the filing?**

35 A. Yes. I am sponsoring Exhibit__(DLK-1), which includes the following
36 schedules:

- 37
- Schedule A: Rate Schedules Being Eliminated

- 38 • Schedule B: Energy Adjustment Clause Tariff
- 39 • Schedule C: Energy Adjustment Clause Rate Calculation
- 40 • Schedule D: Transmission Cost Adjustment Clause Tariff
- 41 • Schedule E: Transmission Cost Adjustment Rate Calculations

Interim Tariffs

42 **Q. Please describe the interim tariff changes being proposed.**

43 A. The interim tariff includes revised prices for each rate schedule as described in
44 MidAmerican witness Czachura’s direct testimony. Basic service charges,
45 kilowatt-hour charges, and demand charges have been increased by a uniform
46 percentage. There are no changes in rate design reflected in the interim tariffs.

47 **Q. Are there any rate schedules or riders MidAmerican proposes to modify or
48 eliminate as part of the interim tariff changes being proposed?**

49 A. Yes. MidAmerican is proposing to roll the Cooper Nuclear Station Capital
50 Additions Tracker (“CNS”) amounts into base rates. In 2004 the CNS was
51 modified to no longer recover costs related to the Cooper Nuclear Station, but
52 to achieve revenue-neutral adjustments in rate levels for residential base,
53 residential heat and street lighting rates. Consequently, rolling the CNS into
54 interim rates will eliminate the need for users of the tariff to add these amounts
55 together.

56 MidAmerican is also proposing to eliminate the 2013 factor for the
57 Revenue Adjustment Clause (“RAC”). The settlement in Docket No. RPU-
58 2012-0001 requires that the RAC terminate when interim rates become

59 effective. The 2012 reconciliation factor for the RAC will continue through the
60 end of 2013 per the settlement.

61 For administrative efficiency, MidAmerican is proposing to eliminate
62 Rate LJD. This rate was applicable to a single customer. However, the customer
63 is no longer being served under this rate and there is no comparable Rate LJD
64 replacement being proposed. Eliminating this rate effective with interim rates
65 will eliminate the need to maintain and update a rate that is not and will not be
66 used, nor replaced.

67 **Q. Are non-rate revenue charges being changed in the proposed interim**
68 **tariffs?**

69 A. No. non-rate revenue charges such as returned check charges or reconnection
70 after disconnection charges are not being changed in the interim tariff.

71 **Q. Are copies of the interim tariffs included in this filing?**

72 A. Yes. Both interim tariffs in final form and with strike-outs showing the
73 proposed changes are included in this filing.

Final Tariffs

74 **Q. Please describe the final tariff changes being proposed.**

75 A. The proposed final tariff is a complete revision of the existing Iowa electric
76 tariff. MidAmerican has not had an electric base rate case since its formation in
77 1995, so the tariff has remained substantially unchanged since then. The current
78 tariff has a separate section for each rate zone – east, north and south. Some
79 terms and conditions of service are different between the zones. MidAmerican
80 is proposing to cancel its entire electric rate schedule MidAmerican Energy

81 Company Electric Tariff No. 1 (Tariff No. 1) and replace it with a new
82 MidAmerican Energy Company Iowa Electric Tariff No. 2 (Tariff No. 2).
83 Tariff No. 1 has a section for electric service policies as well as certain rates,
84 riders and clauses that are applicable to all customers. However, there are also
85 sections of the tariff specific to each rate zone that include rates applicable only
86 to that zone. Each zone section also has its own table of contents and the north
87 and south zones have separate rate applications sections. The proposed Tariff
88 No. 2 consolidates the terms and conditions, rules and regulations, and rate
89 schedules for all zones and provides a single table of contents. This change in
90 arrangement will make it easier for customers, employees and regulators to use
91 MidAmerican's tariff.

92 **Q. Are there other changes to the tariff being proposed?**

93 A. Yes. in addition to the arrangement of the tariff, MidAmerican is proposing
94 revised language to provide uniformity across the service territory and
95 additional clarity. These changes reflect input from employees in
96 MidAmerican's customer service and delivery organizations who work with
97 customers on a daily basis.

98 **Q. How are the proposed tariffs organized?**

99 A. The tariffs are organized into ten major sections:

- 100 1. Electric Service Policies
- 101 2. Customer Policies
- 102 3. Technical and Operational Requirements
- 103 4. Expansion of Electric Systems

- 104 5. Existing System Modifications
- 105 6. Miscellaneous Fees and Charges
- 106 7. Electric Interconnections
- 107 8. Forms and Agreements
- 108 9. Rate Schedules
- 109 10. Clause and Rider Schedules

110 **Q. Please describe the Electric Service Policies section.**

111 A. The Electric Service Policies section provides definitions of terms used
112 throughout the tariff and identifies general provisions, limitations of liability,
113 and other general requirements. It also includes information about irregularities
114 and interruption of service. This is a new section that includes requirements for
115 service that were not completely stated in the previous tariff such as:
116 availability of the tariff, customer fire or casualty, exclusive service, protection
117 of service, resale or redistribution of electricity and agency. Existing language
118 regarding irregularities and interruption of service has also been relocated to
119 this section of the tariff.

120 **Q. Please provide an overview of the Customer Policies section.**

121 A. The Customer Policies section provides information about the policies that
122 govern the Company's interaction with customers. This section includes
123 information about application for service, bill payment options, credit
124 requirements, disconnection and reconnection of service, deferred payments
125 and preferred due dates. This section also includes additional information about
126 the assignment of rates, billing adjustments and meter testing. In addition to

127 organization, the major change in this section is the moving of various charges
128 to the new Miscellaneous Fees and Charges section.

129 **Q. What information is included in the Technical and Operational**
130 **Requirements section?**

131 A. This section defines standard service and outlines customer and Company
132 responsibilities. Metering and other facilities provided by the customer and
133 Company are also described in this portion of the tariff. The changes in this
134 section are organizational only.

135 **Q. Please describe the Expansion of Electric Distribution System section.**

136 A. This section of the tariff defines Company and customer obligations for
137 expansion of the electric distribution system. The section identifies the free
138 standard service allowance and defines the base revenue credit available for
139 electric distribution extensions. This tariff also describes refundable advances,
140 which may be required for electric distribution extensions where construction
141 costs exceed the base revenue credit. There are organizational changes and
142 additions to this section of the tariff that are intended to clearly define the
143 requirements consistent with those included in 199 Iowa Administrative Code
144 (IAC) 20(3)13. Some new language was added on the following topics:

- 145 • System expansions over \$100,000
- 146 • Definition of terms
- 147 • Distribution system facilities provided

148 **Q. Please describe the major elements of the Existing System Modifications**
149 **portion of the tariff.**

150 A. This portion of the tariff provides information about relocations, conversion of
151 overhead to underground or other modifications to facilities. Changes to this
152 portion of the tariff are organizational only.

153 **Q. What is provided in the Miscellaneous Fees and Charges portion of the**
154 **tariff?**

155 A. This section of the tariff provides a single location for other charges or fees
156 applicable to multiple rate schedules. Examples of such charges are returned
157 check charges and the cost of meter testing. Placing all additional charges in a
158 single section of the tariff will make it easier for customers to identify all
159 charges which may apply to them. This is a new tariff section.

160 **Q. What changes are you proposing to miscellaneous fees and charges for**
161 **purposes of final rates?**

162 A. MidAmerican is proposing to change the returned check charge. Tariff No. 1
163 currently includes a charge of \$11 for north and south customers and a charge
164 of \$5 for east customers. A charge of \$15 has been in place in MidAmerican's
165 gas tariff since 1999. Many of MidAmerican's electric customers are also
166 MidAmerican gas customers, making this myriad of returned check fees
167 confusing and difficult to administer. MidAmerican is proposing a \$15 charge
168 for returned checks in its electric tariff for consistency with its gas tariff.

169 MidAmerican is also proposing to consolidate its turn-on and turn-off
170 charges. MidAmerican proposes to continue to turn-on or turn-off service at no
171 charge during normal working hours. MidAmerican's east system requires a
172 charge for time and materials for turn-on or turn-off outside of normal working

173 hours. MidAmerican is proposing to adopt the time and materials charge for
174 turn-on and turn-off service outside of normal working hours throughout its
175 service territory with this tariff.

176 MidAmerican is also proposing to update charges for reconnection
177 following a disconnection of service. Tariff No. 1 currently includes a charge of
178 \$14 in the east zone at all times and the charges in the north and south zones are
179 \$30 during work hours, \$45 after work hours and \$60 on Sundays and holidays.
180 These charges have been in place since 1996. MidAmerican is proposing to
181 adopt a time and materials charge throughout its service territory with this
182 tariff.

183 **Q. Please describe Electric Interconnections in Section 7 of the tariff.**

184 A. Section 7 provides the technical standards and requirements for connecting
185 distributed generation facilities to MidAmerican's system consistent with 199
186 IAC 45. There are no significant changes to this section of the tariff.

187 **Q. What is included in Section 8 – Forms and Agreements?**

188 A. This section of the tariff includes a copy of the proposed standard residential
189 bill form and the standard forms and agreements for interconnection, consistent
190 with those in 199 IAC 45. Having these forms in the tariff provides a handy
191 reference for current and prospective customers.

192 **Q. What are the primary elements of the Rate Schedule section of the tariff?**

193 A. This is the section of the tariff that provides the rate schedules, including
194 applicable charges. Each rate schedule also describes its application to specific
195 customers. Customers will no longer need to review a separate section of the

196 tariff to determine a rate schedule’s applicability. The rate schedules are
197 identified with alphabetic designations. Tariff No. 1 has a mix of alphabetic and
198 numeric designations. These alphabetic designations will be more intuitive for
199 readers searching for a specific rate. Residential Service, for example, will be
200 designated as “Rate RS – Residential Service” rather than “Rate No. 10
201 Residence Electric Service” or “RBS – Residential Base Use.” General Service
202 – Energy Only, for example, will be designated as “Rate GS – General Service
203 Energy” rather than “GBN – General Service, Base – Energy Only Metering”
204 or “Rate No. 22 Commercial and Industrial Service.”

205 **Q. Please describe the new rate schedules.**

206 A. MidAmerican is proposing to consolidate and unify its rate schedules.
207 MidAmerican is proposing to move from 71 different price schedules, some
208 with multiple rate code designations associated with a single price code, to 19
209 permanent rate schedules. These rates are based on the cost of service study
210 sponsored by MidAmerican witness Rea and the rate design sponsored by
211 MidAmerican witness Czachura. The new rate schedules proposed include:

- 212 • Rate RS – Residential Service is available to all residential customers for use in
213 single-family dwelling units using less than 50,000 kWh annually. Cost of
214 service classifications of Residential Base and Residential Heat correspond to
215 Rate RS.
- 216 • Rate RST – Residential Time-of-Use Service is an optional rate available to all
217 customers qualifying for rate RS who prefer a time-differentiated rate.

- 218 • Rate GE – General Service Energy is available to any non-residential customer
219 and residential customers using more than 50,000 kWh annually. Cost of
220 service classifications of SGS Energy and SGS Energy Heat correspond to Rate
221 GE.
- 222 • Rate GET – General Service Time-of-Use Energy is an optional rate available
223 to any customers qualifying for Rate GE who prefer a time-differentiated rate.
- 224 • Rate GD – General Service Demand is available to any non-residential
225 customer and requires a demand meter. The rate includes billing a minimum
226 demand charge based on 10 kW. Cost of service classifications of SGS Demand
227 and SGS Demand Heat are associated with Rate GD.
- 228 • Rate GDT – General Service Time-of-Use Demand is an optional time-
229 differentiated rate available to customers who would be billed under Rate GD
230 as their standard rate.
- 231 • Rate LS – Large General Service is available to any non-residential customer
232 and requires a demand meter. The rate includes billing a minimum demand
233 charge based on 200 kW. Rate LS is included in the cost of service
234 classifications of LGS Base and LGS Heat.
- 235 • Rate LST - Large General Service Time-of-Use is an optional time-
236 differentiated rate available to non-residential customers who would be billed
237 under Rate LS as their standard rate.
- 238 • Rate SS – Substation Service is available to any non-residential customer with
239 demands up to 15,000 kW taking service directly from a Company-owned
240 substation whose primary voltage is 69 kV and above or customers with

241 demands up to 3,000 kW who own their own substation whose primary voltage
242 is 69 kV and above. Rate SS is included in the cost of service classifications of
243 LGS Heat and LGS Base.

244 • Rate SST – Substation Service Time-of-Use is an optional time-differentiated
245 rate available to non-residential customers who would be billed under Rate SS
246 as their standard rate.

247 • Rate ICR – Individual Customer Rate is limited to customers with demands of
248 15,000 kW or greater or customer with demands of 3,000 kW or greater taking
249 service directly from a Company-owned substation whose primary voltage is 69
250 kV and above. The individual customer rate is designed based on the specific
251 costs to serve the individual customer. These are cost of service based rates tied
252 to individual usage characteristics, and not flexible contracts. MidAmerican
253 witness Rea describes the cost of service study used to develop these individual
254 rates. Cost of service classification VLGS corresponds to Rate ICR.

255 • Rate MWP – Municipal Water Pumping is available to municipal water and
256 sewage pumping plants. Rate MWP corresponds to the cost of service
257 classification of Water Pumping.

258 • Rate TC – Traffic Control Service is available for municipal traffic control and
259 flashing signals. Cost of Service classification of Traffic Signals corresponds
260 with Rate TC.

261 • Rate SL – Street Lighting is available to municipalities and other division or
262 agencies of state or federal government for the purpose of lighting public streets

263 and highways. Rate SL is included in the cost of service classification of
264 Lighting.

265 • Rate AL –Area Lighting is available to non-governmental entities for dusk to
266 dawn lighting services. Rate AL is included in the cost of service classification
267 of Lighting.

268 • Rate DAP – Day Ahead Hourly Pricing is a pilot tariff rate available to the
269 University of Iowa. There are no changes to the rates or terms and conditions of
270 this tariff.

271 • Rate QF – Cogeneration & Small Power Production Facilities provides the
272 rates, terms and conditions for purchases by the Company from customers with
273 cogeneration or small power production facilities under 100 kW. There are no
274 changes to the energy credits, or terms and conditions of this tariff.

275 • Rate NB – Net Billing provides the terms and conditions for net billing
276 arrangements for customers with alternate energy production or small hydro
277 facilities interconnected with MidAmerican’s system. Changes to this tariff are
278 organizational only.

279 • Rate AEP – Alternate Energy Production Facilities provides the terms and
280 conditions under which the Company purchases 55,200 kW of AEP generating
281 capacity and associated energy production for its Iowa operations as required
282 by Iowa Code Section 476.42. This is a new tariff that is only applicable to the
283 Company’s purchase obligation.

284 **Q. Please describe the Clauses and Riders Schedules portion of the tariff.**

285 A. The clauses and riders include additional charges that are applicable to all rates.

286 These clauses and riders include:

287 • ETA - Electric Tax Adjustment, which includes state and local taxes
288 and franchise fees. This is a continuation of the current ETA.

289 • TCA - Transmission Cost Adjustment, which recovers certain
290 transmission costs. This is a new adjustment clause. The application and
291 function of the TCA is discussed further at a later section of this
292 testimony.

293 • EAC – Energy Adjustment Clause, which recovers costs related to the
294 production of energy and purchased power. This is a new adjustment
295 clause. The application and function of the EAC is discussed further in a
296 later section of this testimony.

297 • EECR – Energy Efficiency Cost Recovery, which recovers the cost of
298 approved electric energy efficiency programs. The only change to this
299 section is the reference to the new rate designations. There is no change
300 to the application and function of the EECR.

301 • PI – Phase-in Clause, which phases the base rate increase in over time in
302 33% increments. This is a new clause. MidAmerican witnesses
303 Czachura and Rea discuss the rate increase phase-in in detail in their
304 direct testimony.

305 • E – Equalization Adjustment Clause, which phases in the movement of
306 customer rates across all pricing zones to cost of service over ten years
307 in equal increments. This is a new clause. The equalization adjustment

308 clause is discussed in greater detail in MidAmerican witnesses
309 Czachura's and Rea's direct testimony.

310 • LGC – Local Government Compliance Clause, which recovers the cost
311 for government mandated overhead conversions from customers within
312 the local government's boundaries. The changes to this clause are
313 stylistic only. There is no change to the application and function of the
314 LGC.

315 • EF – Excess Facilities, which defines the payment provisions for
316 customers requesting additional facilities in excess of a normal
317 installation. The only change to this clause is to eliminate an outdated
318 provision applicable before December 31, 2005. Other changes to this
319 clause are stylistic only. There is no change to the application and
320 function of EF.

321 • FP – Flexible Pricing, which outlines the requirements for offering
322 customers alternative rate contracts. The changes to this section are
323 stylistic only. There is no change to the application and function of FP.

324 • CS – Curtailment Service, which provides credits for qualifying
325 customers willing to curtail load under defined circumstances. The
326 changes to this section are stylistic only. There is no change to the
327 application and function CS.

328 • US – Unmetered Service, which is available to small usage devices with
329 constant loads that are impractical or unsafe to meter. There is no
330 change to the application and function of US.

- 331 • SPS – Standby and Supplementary Power Service available to large
332 customers having their own generation. MidAmerican witness Czachura
333 discusses SPS in detail in her direct testimony.
- 334 • RAR, RAG, RAL and RAO – Renewable Advantage riders for
335 residential, general service, large general service, and other service
336 respectively. These provide customers with the option to make
337 voluntary contributions toward the development of alternate energy in
338 Iowa. The changes to these riders are organizational only. There are no
339 changes to the application and function of RAR, RAG RAL, and RAO.
- 340 • CR – Carbon Reduction rider recovers costs incurred for analyses of and
341 preparations for the possible construction of nuclear generating facilities
342 in Iowa. The only changes to this rider are references to the new rate
343 designations. There is no change to the application and function of CR.

344 **Q. Is MidAmerican proposing to eliminate any rates or riders in this filing?**

345 A. Yes. MidAmerican is also discontinuing a number of rates where there are no
346 longer customers taking service under the rate or there is no longer a need to
347 separately designate the rate. A list of rates being eliminated and the reason for
348 their elimination is attached as Exhibit ___ (DLK-1), Schedule A.

349 **Q. Please describe the elimination of east pricing zone Rider No. 4.**

350 A. Included in the list on Schedule A is east pricing zone Rider No. 4 Interruptible
351 Power Service. This rider was grandfathered in 1996 so no new customers have
352 been allowed on the rider since that date. This rider is very similar to the
353 current Rider CS: Curtailment Services, which is proposed to be replaced by a

354 minimally-revised Rider CS: Curtailment Service. There is no need for two
355 riders that are so similar.

356 **Q. Are there any changes required by MidAmerican to accommodate**
357 **elimination of Rider No. 4?**

358 A. Eliminating Rider No. 4 changes the method of payment for curtailment credits
359 for the remaining five customers from monthly under Rider No. 4 to annually
360 under Rider CS. In addition, Rider No. 4 costs have been recovered through
361 MidAmerican's base rates. As discussed by MidAmerican witness Tunning,
362 MidAmerican is proposing to remove \$3.1 million of curtailment costs that
363 have historically been recovered in base rates (including Rider No. 4 costs) in
364 anticipation that going forward all energy efficiency program costs will
365 consistently be recovered through the energy efficiency rider mechanism. This
366 change will be transparent to curtailment customers.

367 **Q. Is MidAmerican proposing any temporary rates in this filing?**

368 A. Yes, MidAmerican is proposing two types of temporary rates, temporary time-
369 of-use rates and temporary general service demand rates. Temporary rates are
370 necessary where meters will require reprogramming or replacement to
371 implement rates proposed in this filing. Instantaneous reprogramming of all
372 meters is not possible. As further discussed below, MidAmerican is proposing
373 to offer temporary rates as a transition from "old" time-of-use periods and from
374 some former east demand intervals.

375 **Q. Please discuss why these temporary time-of-use rates are necessary.**

376 A. As described by witness Czachura, MidAmerican is proposing new Company-
377 wide time-of-use periods. MidAmerican has a number of different time-of-use
378 rates with different on and off-peak periods in its current tariff, none of which
379 coincide with the on and off-peak and normal periods being proposed in this
380 case. Time-of-use meters utilized by all but the largest of MidAmerican's
381 customers must be individually programmed for the new on and off-peak and
382 normal periods. MidAmerican is proposing to temporarily offer rates based
383 upon old on and off-peak periods for customers wishing to remain on time-of-
384 use rates until meters can be reprogrammed. These temporary rates are designed
385 to be revenue neutral with the new time-of-use rates. All time-of-use meters are
386 expected to be reprogrammed within one year. The temporary rates will be
387 eliminated once all time-of-use meters have been reprogrammed.

388 **Q. How will customers be handled if they do not wish to remain on time-of-**
389 **use rates?**

390 A. MidAmerican will promptly move customers to standard rates if they do not
391 wish to remain on time-of-use rates. These customers' meters will not be
392 reprogrammed or replaced because usage measured by time-of-use meters
393 already contain the information needed for billing under standard rates.

394 **Q. How will larger customers be handled who are currently on time-of-use**
395 **rates?**

396 A. MidAmerican's largest customers are currently metered using interval
397 recording meters which record information in 15-minute increments. The
398 information recorded by these meters is processed through an MV-90 system

399 where time-of-use periods are applied prior to billing. The MV-90 system can
400 be reprogrammed to use existing 15-minute data with revised time-of-use
401 periods. There will be no need to reprogram or replace interval data meters for
402 new time-of-use periods.

403 **Q. Please discuss why temporary general service demand rates are necessary.**

404 A. As described in witness Czachura's testimony, MidAmerican is proposing to
405 unify the demand interval used throughout MidAmerican's Iowa service
406 territory and establish rates based upon such uniform demand interval. The
407 current east zone uses a 30-minute demand interval, while the north and south
408 zones use 15-minute demand intervals. Upon approval of final rates in this
409 docket, east customers on rates with demand components utilizing non-interval
410 meters must have those meters replaced or reprogrammed to reflect the 15-
411 minute interval. Instantaneous replacement or reprogramming of meters is not
412 possible. Therefore, MidAmerican is proposing to temporarily offer rates based
413 upon 30-minute demand intervals. These temporary rates will produce the same
414 revenue as 15-minute demand rates. Customers will be migrated to the
415 permanent 15-minute demand rates immediately upon replacement or
416 reprogramming of the customer's meter.

417 **Q. Are there other types of meters in use for customers on demand rates and**
418 **will they require reprogramming or replacement?**

419 A. Interval recording meters are currently in use by some customers on demand
420 rates. These meters record interval data, which is processed through an MV-90
421 system prior to being loaded to the billing system. Many of these interval

422 recording meters are already programmed to measure demand in 15-minute
423 intervals; the 15-minute intervals are currently being added into 30-minute
424 intervals in the MV-90 system. Upon approval of final rates in this docket, the
425 15-minute interval will become the Company-wide standard demand period. A
426 single programming change to the MV-90 system will discontinue the current
427 requirement of addition of the two 15-minute intervals prior to billing. These
428 interval recording meters may be billed on the 15-minute interval rates
429 promptly upon approval of final rates in this docket by the Iowa Utilities Board.

430 **Q. How long is it expected to take to migrate all customers from temporary**
431 **30-minute demand rates to final 15-minute demand rates?**

432 A. Both non-interval and interval 30-minute meters are expected to be replaced or
433 reprogrammed within one year from the completion of this docket. The
434 temporary rates will be cancelled when all customers have been moved to the
435 permanent rates.

436 **Q. Are MidAmerican's proposed tariffs included in this filing?**

437 A. Yes. Included in this filing are MidAmerican's proposed tariff sheets and
438 supporting calculations that "roll-out" the EAC and TCA factors. Current tariffs
439 with strike-outs are included as well as a comparison of the present and
440 proposed tariffs including cross-referencing.

441 **Q. Do the rate schedules proposed in this tariff reflect the revised rates**
442 **requested in this case?**

443 A. Yes. The proposed rate schedules include the revised rates to implement the
444 revenue requirement described in the direct testimony of MidAmerican witness

445 Tunning and rate design MidAmerican witness Czachura in this case. Filing
446 requirement 199 IAC 26.5(5)e.9, proof of revenue for proposed rates
447 demonstrates that the proposed rates will recover the revenue requirement.

Energy Adjustment Clause

448 **Q. Please describe MidAmerican’s proposed Energy Adjustment Clause**
449 **(“EAC”).**

450 A. MidAmerican is proposing to implement a retail EAC to become effective with
451 final rates in this rate case. The EAC is designed to remove the fuel and
452 purchased power costs related to Iowa jurisdictional sales from base rates and
453 recover such costs through the EAC. Additionally, MidAmerican seeks to
454 include consumable chemical costs and apply Production Tax Credits (“PTCs”)
455 and Renewable Energy Credits (“RECs”) to offset some of these costs.

456 **Q. Please describe what you mean by “retail EAC”.**

457 A. MidAmerican’s proposal excludes wholesale sales revenues from the EAC
458 calculation. In accordance with multiple Board orders that have authorized
459 revenue sharing for MidAmerican, wholesale margins (i.e. revenues minus
460 costs) are treated as above-the-line expenses that benefit customers.
461 MidAmerican witness Specketer describes MidAmerican’s revenue sharing
462 proposal in his direct testimony.

463 **Q. What fuel and purchased power costs will be included in MidAmerican’s**
464 **base rates?**

465 A. MidAmerican is proposing that all fuel and purchased power costs related to
466 Iowa jurisdictional sales be recovered through the EAC and that none of these

467 costs remain in base rates. This proposal will offer administrative ease and
468 provide greater transparency for fuel costs. MidAmerican witness Tunning
469 sponsors a pro forma adjustment to remove from base rates the costs and offsets
470 proposed for recovery in the EAC.

471 **Q. What fuel and purchased power costs does MidAmerican plan to collect in**
472 **the proposed EAC?**

473 A. Consistent with 199 IAC 20.9(2), costs for coal, coal transportation, natural gas,
474 oil and nuclear fuel will be included in the EAC¹, including credits from the
475 coal refinement process which do not affect coal inventory account 151. The
476 cost of contract, emergency and economy energy purchased for jurisdictional
477 load² as well as capacity and energy purchases from AEP facilities under
478 199IAC 15.11³ will also be included. Emission allowances⁴ and gains and
479 losses on those allowances are included as well.

480 **Q. Why is recovery of these items through the EAC appropriate?**

481 A. Most of the costs requested for recovery are already allowed to be recovered
482 through the EAC either under Board rules, or by waivers that have been granted
483 to Interstate Power and Light Company (“IPL”) for comparable EAC
484 inclusions. In the Notice of Termination issued by the Board in Docket No.
485 RMU-2012-001 on December 26, 2012 (“EAC Notice of Termination”), the
486 proceeding where the Board considered changes to the EAC rules, the Board
487 stated that other utilities could apply for similar waivers based on their unique

¹ See costs charged to account 501 or transferred from account 151 to 501 or 547, and account 518.

² See accounts 555121 and 555132.

³ See accounts 555122 and 555302.

⁴ See allowances cleared from account 158.1 and charged to account 509, gains cleared from account 254 to account 411.8 and losses charged to account 411.9.

488 circumstances. MidAmerican has made a separate application for the same
489 waivers that have been granted to IPL, which is included in this request for rate
490 relief.

491 **Q. Are there differences between the EAC as authorized by the Board and**
492 **MidAmerican's proposal?**

493 A. Yes. MidAmerican's proposed EAC cost recovery varies in four additional
494 ways: (i) MidAmerican's proposal includes costs for consumable chemical used
495 at generating stations to meet environmental requirements. Such costs include
496 lime, urea and activated carbon as recorded in accounts 502006, 502007 and
497 502008 (ii) MidAmerican's proposal includes fossil fuel related costs in
498 accounts 501, including credits from the coal refinement process which do not
499 affect the coal inventory account 151 (iii) MidAmerican's proposal does not
500 pass margins on wholesale sales revenues through the EAC, but rather provides
501 that benefit to customers through its proposed revenue sharing mechanism, and
502 (iv) MidAmerican's proposal will off-set energy costs with PTCs at the pre-tax
503 level and revenue from sales of renewable energy credits, carbon dioxide
504 credits or other environmentally related benefits associated with renewable
505 power projects as recorded in accounts 456, 411.8 and 411.9. . As part of this
506 case, MidAmerican is requesting waivers from the Board's EAC rules to permit
507 recovery of these costs in this manner. My testimony below demonstrates that
508 these proposals meet the Board criteria for recovery through the EAC.
509 Additionally, while I am not an attorney, it is my understanding that the Board
510 has broad authority under Iowa Code Section 476.6(8) to allow automatic

511 adjustments to rates. Also, in the EAC Notice of Termination, the Board invited
512 utilities to propose additional automatic adjustment riders for rates in general
513 rate cases. Each additional item I address is appropriate for recovery as
514 automatic adjustment to rates even if the Board does not find each and every of
515 the EAC criteria to be met.

516 **Q. Please explain how the additional items MidAmerican is proposing for**
517 **inclusion in its EAC meet the criteria for adjustment clause recovery set**
518 **forth in 199 IAC 20.9.**

519 A. The Board's rules allow for utility recovery of costs through an automatic
520 adjustment clause if five conditions are met. The costs must be (1) incurred in
521 supplying energy; (2) beyond direct control of management; (3) subject to
522 sudden important change in level; (4) an important factor in determining the
523 total cost to serve; and (5) readily, precisely, and continuously segregated in the
524 accounts of the utility.

525 The additional items MidAmerican is proposing for inclusion in the
526 EAC meet the five criteria established in the Board's rules and allowing their
527 inclusion through granting of a waiver is consistent with prior Board practice.
528 For example, the Board allowed IPL to adjust its EAC costs for the net
529 revenues from the sale of excess RECs in a permanent waiver of the EAC rules
530 in Docket No. WRU-05-10-150. The Board also allowed IPL to flow through
531 its EAC the gain on SO₂ allowances in Docket No. WRU-06-3-150 before those
532 gains and losses were included in the EAC rules.

533 **Q. How do the costs of consumable chemicals meet the five criteria described**
534 **in 199 IAC 20.9?**

535 A. The inclusion of consumable chemicals meets each of the criteria described in
536 199 IAC 20.9 as outlined below:

537 • *Incurred in supplying energy.*

538 Consumable chemicals are utilized in supplying energy as they are an important
539 part of the emission control process necessary for utilities to comply with
540 environmental laws and regulations associated with operating fossil-fueled
541 generation. Consumption of consumable chemicals in emission control is an
542 alternative to the purchase of emission allowances; yet the recovery of the costs
543 of emissions allowances is allowable under the Board's EAC rules while the
544 cost of consumable chemicals is not. MidAmerican believes the EAC should be
545 flexible enough to allow the utility to recover alternative costs serving the same
546 purpose as costs adjustable through the EAC. Consumable chemicals necessary
547 to operate emissions control equipment needed to comply with operating
548 permits of the electric generating facilities are part of the same bundle of costs
549 and should be afforded similar recovery instead of adjusting one cost
550 (chemicals) in base rates and another (emission allowances) through the EAC.

551 • *Beyond direct control of management.*

552 Costs for consumable chemicals are beyond direct control of management as
553 the quantity of chemicals used is subject to changing environmental laws and
554 regulations and depends upon the quantity of generation from each of
555 MidAmerican's coal-fired generation units dispatched to meet customer loads.

556 Also as noted below the cost of urea is based on the volatile prices of its
557 feedstock, natural gas.

558 • *Subject to sudden and important change in level.*

559 Costs for lime, urea, and activated carbon have changed significantly from 2010
560 through 2013 as shown in the table below. Additionally, a primary component
561 of urea is natural gas, the costs of which are subject to automatic adjustment in
562 natural gas retail rates:

	Lime	Urea	Activated Carbon
2012	3,562,265	1,353,135	5,489,865
% change from 2011	+5%	+85%	+15%
2011	3,373,692	729,809	4,761,844
% change from 2010	-25%	+4%	-20%
2010	4,510,372	704,304	5,955,724

563 Amounts are total Company.

564 Additional environmental controls being installed on MidAmerican's
565 generation facilities will increase the use of these consumable chemicals.

566 • *An important factor in determining the total cost to serve.*

567 As environmental emissions equipment is installed on MidAmerican's coal-
568 fired generators, consumable chemicals will increasingly be an important
569 functional component required to generate electricity for MidAmerican's
570 customers.

571 • *Readily, precisely, and continuously segregated in the accounts of the utility.*

572 MidAmerican's accounting system records costs through the use of a code
573 block that includes an activity code based upon the Federal Energy Regulatory
574 Commission chart of accounts. The code block also includes identification of
575 the facility where the costs are incurred and type of cost element, such as
576 payroll, taxes, and voucher purchases. Maintaining this detailed information in
577 the accounting system allows consumable chemical costs to be readily
578 identified in MidAmerican's accounts.

579 **Q. Why are the credits from coal refinement included in the EAC though they**
580 **were not included in the coal inventory account 151?**

581 A. During 2012, at the Louisa, Walter Scott Energy Center Units 3 and 4, and Neal
582 Station South generating stations, chemicals were sprayed on coal to reduce
583 mercury emissions at these generating stations. In future years, the coal
584 refinement process may be expanded to other MidAmerican generating stations.
585 The vendor pays MidAmerican a specified amount per ton to refine the coal.
586 The payment is credited to account 501 without affecting the coal inventory
587 account, account 151. Because the coal has already left inventory when the
588 chemicals are applied, the average price of the pile is not affected. The coal

589 leaves the refinement location and moves directly into the bunker to be burned.
590 The credit is included in the EAC in order to pass the credit immediately to
591 customers.

592 **Q. Please explain why MidAmerican is proposing cost offsets by crediting the**
593 **EAC with PTCs and RECs.**

594 A. The Board has granted a waiver allowing IPL to flow to customer revenues
595 from REC credits in Docket No. WRU-05-10-150. Unlike IPL, PTCs are not
596 included in MidAmerican's base rates. Since neither of these costs are reflected
597 in base rates, it is appropriate to consider allowing recovery of the credits from
598 PTCs and RECs through the EAC as they also meet each of the criteria
599 described in 199 IAC 20.9 as outlined below:

600 • *Incurred in supplying energy.*

601 RECs and PTCs are credits generated by MidAmerican's renewable energy
602 production, which can be used to offset costs incurred in supplying energy. If
603 no renewable energy is generated, no PTCs or RECs are created.

604 • *Beyond direct control of management.*

605 MidAmerican's major source of renewable energy is from wind. The amount of
606 wind energy produced by MidAmerican wind resources is not controllable by
607 management. Both PTCs and RECs are generated from energy produced by
608 MidAmerican wind resources and therefore are also beyond the direct control
609 of management. Applicability of PTCs to wind generation is governed by legal
610 requirements, also beyond the control of management. Additionally, the dollar
611 value of RECs is driven by the renewable energy credit market. Demand for

612 renewable energy to meet various state mandates and the supply of renewable
613 energy credits in the market drive the renewable energy credit price.

- 614 • *Subject to sudden and important change in level.*

615 Wind resources vary from month to month, season to season and year to year,
616 causing the creation of PTCs and RECs to vary similarly.

617 In addition, PTCs are only applicable for 10 years following the in-
618 service date of a wind turbine. Significant variations in the level of PTCs
619 received by MidAmerican will occur as MidAmerican's wind facilities reach
620 this 10-year milestone. Further, whether MidAmerican will further expand
621 additional wind production, and therefore have opportunities to take advantage
622 of additional production tax credits, is subject to a separate Board proceeding.
623 As shown in the table below, MidAmerican has a number of wind projects of
624 different vintages and therefore different number of remaining years for the
625 production tax credit.

Phase	Project Name	# Turbines	Vintage	2012 PTC
Wind I	Intrepid I	107	2004	10,811,275
	Century I	100	2005	9,419,443
Wind II	Intrepid II	15	2005	1,010,400
	Century II	35	2005	2,197,870
Wind III	Victory	66	2006	8,548,252
	Pomeroy I	82	2007	8,820,045
State Fair	Iowa State Fair	1	2007	5,787
Wind IV	Pomeroy II	50	2008	5,378,076

	Century III	10	2008	941,944
	Charles City	50	2008	4,838,195
	Adair	76	2008	11,870,148
	Carroll	100	2008	11,950,319
	Pomeroy III	34	2008	3,657,092
Wind V	Pomeroy IIIa	5	2008	537,808
	Walnut I	67	2008	7,408,606
Wind VI	Walnut II	35	2008	3,870,167
Wind VII	Pomeroy IV	13	2011	2,144,060
	Rolling Hills	193	2011	30,015,392
	Laurel	52	2011	8,660,261
	Eclipse	87	2012	5,868,943
	Morning Light	44	2012	1,972,109
	Vienna	45	2012	1,191,542

626 • *An important factor in determining the total cost to serve.*

627 RECs and PTCs earned from the generation of renewable energy provide

628 significant financial benefits and are therefore an important factor in

629 determining the cost to serve. Total Company revenue from PTCs, shown in the

630 table above, is clearly significant. Revenue from RECs has varied from \$3.7

631 million in 2010 to \$2.9 million in 2011 to \$3.6 million in 2012.

632 • *Readily, precisely, and continuously segregated in the accounts of the utility.*
633 MidAmerican records RECs and PTCs in separate activities consistent with the
634 requirement to be readily, precisely and continuously segregated in the accounts
635 of the utility.

636 **Q. Please explain how the inclusion of production tax credits in the EAC will**
637 **operate.**

638 A. MidAmerican proposes to adjust the costs charged through the EAC by the pre-
639 tax amount of federal PTCs, recorded in account 409.1, grossed up at the rate of
640 1.643.

641 **Q. Why is it appropriate for production tax credits to be grossed up at a rate**
642 **of 1.643?**

643 A. Production tax credits are a direct reduction to income taxes that must be paid.
644 Grossing up the production tax credits at a rate of 1.643 provides a reduction in
645 revenue from the EAC by an amount that, when income tax rates are applied,
646 would reduce income taxes by the amount of the PTCs. MidAmerican witness
647 Tunning further discusses production tax credits in his direct testimony.

648 **Q. Does MidAmerican currently receive any carbon dioxide credits or**
649 **environmentally related benefits other than RECs or PTCs that are**
650 **associated with renewable power generation?**

651 A. No. MidAmerican is seeking approval to return any net revenues associated
652 with the sale of those benefits to Iowa retail customers through the EAC.
653 MidAmerican will file a compliance tariff filing to show the additional EAC
654 element at the time if it is able to benefit from such credits.

655 **Q. Will MidAmerican also include costs associated with Alternate Energy**
656 **Producer (AEP) Costs in its EAC?**

657 A. Yes. The Board rules also allow AEP costs to be recovered through the EAC.
658 MidAmerican's base rates currently have an embedded AEP cost component.
659 MidAmerican also recovers incremental AEP costs in its AEP Recovery Clause
660 MidAmerican proposes to remove all AEP costs from base rates, eliminate the
661 AEP Recovery Clause and roll all AEP costs into the EAC.

662 **Q. Please provide an overview of how the EAC will function.**

663 A. Prior to each monthly billing cycle, MidAmerican will estimate the next two
664 months' cost to generate and procure energy for its Iowa jurisdictional retail
665 load, net of PTC and REC offsets. These net costs, along with applicable true-
666 up of costs from prior months will be divided by the next two months'
667 estimated Iowa retail kilowatt-hour sales to determine an EAC factor rounded
668 to the nearest \$.00001/kWh. The factor will be applied to kilowatt-hour sales
669 beginning with the first billing cycle of the next month and continuing through
670 the last billing cycle. EAC charges will be billed monthly on a uniform per
671 kilowatt-hour basis to all customers in all customer classes. The charge will be
672 shown as a separate line item on the customer's monthly bill. The EAC tariff
673 sheets included as Exhibit __ (DLK-1), Schedule B provide the formula for this
674 calculation. An example calculation using May 2012 information is included as
675 Exhibit __ (DLK-1), Schedule C.

676 **Q. Does the implementation of an EAC in this proceeding increase total costs**
677 **to customers?**

678 A. No. All test-year costs and benefits included in the EAC would be recovered
679 through base rates if an EAC were not implemented. Witness Tunning’s pro
680 forma adjustment Exhibit ___ (RRT-1), Schedule G removes these costs from
681 base rates. Over time, the EAC will allow current costs and benefits to be
682 reflected in customer bills.

Transmission Cost Adjustment Clause

683 **Q. Please provide an overview of MidAmerican’s proposal for recovery of**
684 **transmission-related revenue requirements from customers.**

685 A. As outlined by MidAmerican witness Stevens’ direct testimony,
686 MidAmerican’s jurisdictional transmission revenues and costs will be separated
687 into two parts: those revenues and costs that are recovered in base rates and
688 those costs that are recovered through the Transmission Cost Adjustment
689 (“TCA”) clause.

690 **Q. Please describe how MidAmerican separates the transmission costs**
691 **between base rates and the TCA.**

692 A. MidAmerican’s revenue requirement includes pro forma adjustments as
693 described by MidAmerican witness Stevens that remove transmission costs
694 associated with Midcontinent Independent System Operator, Inc. (“MISO”)
695 Tariff Schedules 9, 10, 10-FERC, 26, and 26-A. Witness Tunning’s pro forma
696 adjustment Exhibit ___ (RRT-1), Schedule H removes these costs from base
697 rates. These costs will be recovered through the TCA.

698 The balance of transmission costs and revenues that remain in the
699 revenue requirement will be included in the base rates.

700 **Q. Please describe how the transmission costs and revenues will be allocated**
701 **to customer classes and recovered in rates.**

702 A. As discussed in MidAmerican witness Rea's direct testimony, MidAmerican's
703 cost of service study calculates functional revenue requirements. The revenue
704 requirement calculated for the transmission function is allocated to customer
705 class based on a 12-CP allocation. For energy-only rate classes, the
706 transmission revenue requirement will be collected as a per kWh charge; for
707 demand rate classes, the transmission revenue requirement will be collected on
708 a per kW charge basis. This same class cost allocation and cost recovery
709 method will be used for the costs included in the TCA.

710 **Q. Please provide an overview of how the TCA will function.**

711 A. Annually, forecasted MISO Schedule 9, 10, 26 and 26-A costs will be netted
712 with forecasted MISO Schedule 26 and 26-A administrative and general
713 revenues for the upcoming year. Net costs will be allocated to customer class
714 based on the 12-CP allocation. The allocated costs will be divided by forecasted
715 annual kilowatt-hour sales for those customer classes with energy only rates to
716 determine a TCA factor rounded to the nearest \$0.00001. The factor will be
717 applied to kilowatt-hour sales.

718 The allocated costs will be divided by annual kW demand sales for
719 those customer classes with kW demand rate components to determine a TCA
720 factor rounded to the nearest cent. The factor will be applied to all kW demand
721 sales. The TCA rates are calculated in Exhibit ____ (DLK-1) Schedule E.

722 **Q. Will the forecasting TCA costs be reconciled to actual costs?**

723 A. Yes. As described in MidAmerican witness Stevens' direct testimony, the TCA
724 will be based on forecasted costs and forecasted sales. By March 1 of each year,
725 MidAmerican will file an update to the TCA rates based on new MISO rates,
726 and will reconcile the previous twelve-month TCA revenues against actual
727 costs imposed by MISO for that same twelve-month period.

728 **Q. Does MidAmerican foresee updating the TCA more frequently than**
729 **annually?**

730 A. While MidAmerican does not anticipate the need to update the TCA factor
731 more than once per year, it is possible for MISO to make mid-year adjustments
732 to its rates that would impact the charges billed to MidAmerican. In those cases,
733 it is likely MidAmerican will update the TCA factor to avoid a large over or
734 under-collection at the end of the twelve-month period. In addition, the TCA
735 will be updated should the cumulative deviation of actual transmission
736 expenses and revenues exceed fifty percent.

737 **Q. Will MidAmerican include other MISO Tariff Schedules in the TCA**
738 **factor?**

739 A. Yes. MidAmerican is seeking approval to include new MISO Tariff Schedules
740 in the TCA. MidAmerican will file a compliance tariff filing to show the
741 additional TCA element at the time new MISO Tariff Schedules become
742 effective.

743 **Q. How does MidAmerican propose to reflect the TCA on customer bills?**

744 A. MidAmerican proposes to reflect the TCA charges as a separate line item on
745 customer bills.

746 **Q. Does this conclude your prepared direct testimony?**

747 **A. Yes, it does.**

May 17, 2013

**IOWA UTILITIES BOARD
RPU-2013-0004**

STATE OF IOWA)
) ss:
COUNTY OF SCOTT)

I, Debra L. Kutsunis, being first duly sworn, depose and state that the statements contained in the foregoing prepared direct testimony are true and correct to the best of my knowledge, information and belief, and that such prepared direct testimony constitutes my sworn statement in this proceeding.

/s/ Debra L. Kutsunis

Debra L. Kutsunis

Subscribed and sworn to before me this 9th day of May 2013.

/s/ Debbie Sanders

Notary Public in and for the State of Iowa
Commission No. 771043
My Commission expires January 1, 2015