



NEWS & INFORMATION

350 Maple Street • Des Moines, Iowa 50319 • 515.281.5979

Rob Berntsen, Chair

Krista Tanner, Board member

Darrell Hanson, Board member

December 14, 2009

For Immediate Release

24-09

Contact: Rob Hillesland 515.281.3551

Email: rob.hillesland@iub.state.ia.us

Web site: www.state.ia.us/iub

IUB order sets advance ratemaking principles for utility wind project

The Iowa Utilities Board (IUB) today issued a written decision order detailing its conditional approval of a settlement agreement filed by MidAmerican Energy Company (MEC) and the Office of Consumer Advocate to establish advance ratemaking principles for MEC's proposed Wind VII Iowa electric generation project. The order is available at <https://efs.iowa.gov>, under Docket No. RPU-2009-0003.

Wind VII is a proposal to build as much as 1,001 Megawatts of new wind-powered electric generation in Iowa between 2010 and 2012. This would be in addition to approximately 1,285 Megawatts of wind-powered generation that MEC already owns and operates in Iowa.

On March 25, 2009, MEC requested the IUB's review to establish future regulatory treatment for the project. In today's decision order, the IUB determined that this wind project would be a reasonable long-term source of electricity and that MEC customers stand to benefit from it, particularly because it would provide an additional renewable source of electricity to MEC's electric generation portfolio. The IUB found this to be critical in helping MEC in its efforts to reduce carbon dioxide emissions from its generation fleet. Today's written order will allow MEC to move forward with its project under the conditions imposed by the Board.

A concern raised in this case pertaining to this wind project was that it would give MEC market power and "chill" wind development by independent power producers. To address this issue, MEC will be required to make a future compliance filing with the Board before making any substantial investment beyond the first 750 Megawatts of new wind generation. In that compliance filing, MEC will need to update the market power analysis in the record for this case to demonstrate that the additional wind generation will not give MEC too much control over wind-driven electric generation in Iowa and surrounding states.

(MORE)

The Board imposed two other conditions on the approved settlement. MEC must notify the Board within 30 days if it accepts the advance ratemaking principles awarded in this rate case. If it proceeds, MEC will be required to file bi-annual status reports with the IUB until the project becomes operational. It must also promptly file with the IUB copies of all transmission studies, system impact studies, generator outlet studies, or other studies it conducts to comply with any regulatory requirements.

The Board also rejected waiving the application of double leverage as a ratemaking principle in this proceeding, which is explained in its written order. Double leveraging is a ratemaking adjustment the Board has used in the past to properly address capital costs for utility subsidiaries.

The IUB has had authority to establish advance ratemaking principles for proposed Iowa-based generating facilities since 2001, when the Iowa Legislature approved a statute that encourages the development of new electric generation by rate-regulated utilities in the state. In addition to being set in advance, the ratemaking principles will be effective for the regulated life of the project.

###