

MidAmerican 2013 Formula Transmission Rate Template
Answers to Frequently Asked Questions
November 27, 2012
Appended December 5, 2012

Customer Question: With respect to the 69 kV facilities re-delineation, which 69 kV facilities were re-classified as transmission facilities?

MidAmerican Response: The 69 kV facilities which remained in distribution plant accounts included the radial and radially operated 69 kV lines. Approximately 72% of the 69 kV line-miles were re-classified to transmission plant accounts. In addition, with respect to 69 kV substation facilities, only 69 kV substations with three or more non-radial 69 kV line connections or two lines and a 69 kV capacitor bank were partially re-classified as transmission facilities. The 69 kV facilities included in transmission rates are including in the listing of transmission facilities on the MISO web site at the following location:
<https://www.midwestiso.org/StakeholderCenter/Members/Pages/TransmissionFacilities.aspx>

Customer Question: With respect to the Attachment GG and Attachment MM adjustments, it is understood that MidAmerican will not collect revenues from MidAmerican projects in 2013 but with respect to costs allocated to MidAmerican’s pricing zone from other MISO transmission owner projects, is there any estimate of the magnitude of those costs available?

MidAmerican response: MidAmerican provided a summary of the costs on a \$/MW basis for Schedule 26 charges and a \$/MW-Hr basis for the Schedule 26-A charges consistent with the amounts MidAmerican budgeted internally as of that date via e-mail dated September 11, 2012. That e-mail provided the costs as follows:

Year	Schedule 26 Rate (\$/MW-YR)	Sch. 26-A Rate (\$/MWh)
2012	\$6	\$0.04
2013	\$9	\$0.23
2014	\$143	\$0.53
2015	\$391	\$1.00
2016	\$1,440	\$1.18
2017	\$1,874	\$1.48
2018	\$2,399	\$1.79
2019	\$3,159	\$2.06
2020	\$3,732	\$2.35
2021	\$4,605	\$2.65
2022	\$5,686	\$2.95

Customer Question: What return on equity is the return based on?

MidAmerican Response: The ROE was set at 12.38% consistent with the FERC-accepted MISO Transmission Owner rate.

Customer Question: With respect to the 12CP loads, the loads have increased over the past several years. What is the load growth assumption based on?

MidAmerican Response: The load forecast is primarily based on MidAmerican's internal native load forecast. The network customer loads in the divisor of MidAmerican rate template are the actual 2011 12 CP loads. The loads do not include the network loads of other MISO transmission owners (such as Cedar Falls Utilities) which loads are included on a different transmission owner rate template associated with MidAmerican's pricing zone.

Customer Question: Are changes to rates beyond 2013 available? What are the key drivers of those costs?

MidAmerican response: The 2013 rate template contains the most current forecast of costs and incremental capital additions. Things such as storms can increase O&M costs and capital costs in 2013 from the amounts projected as of today. Beyond 2013, the primary driver of changes in terms of MidAmerican's transmission rates will be the multi-value projects for which costs will be collected through Schedule 26-A. Other factors such as transmission additions associated with plant retirements could also impact transmission rates.

Customer Question: With respect to the four months of 2012 in which MidAmerican's 69 kV facilities were classified as transmission facilities, how and when will the rates reflect that change in classification?

MidAmerican response: The 2012 year-end plant account balances will be reported on the 2012 FERC Form No. 1. The 2012 true-up calculation will reference the 2012 FERC Form No.1 with the exception of the transmission plant account balances for which MidAmerican currently plans to use an average of transmission plant accounts in the 2012 true-up calculation. The four months of 2012 with higher transmission plant account balances will be included in that average calculation. The true-up of 2012 rates (over-collection or under-collection of revenue requirements) will be collected in the 2014 rate year.

Customer Question: Will the presentation from the October 30, 2012 customer meeting be posed?

MidAmerican Response: Yes. Following the meeting it will be posted on OASIS and customers will be notified.

Customer Question: When was the reduction in 69 kV direct assignment facilities charges in effect?

MidAmerican Response: The changes in charges were effective on September 1, 2012. Bills for the month of September reflected the changes.

December 5, 2012 Addendum Based on MISO Pricing Staff Review

MISO Question: Attachment O, Schedule 1 Recoverable Expenses box (Nonlevelized-IOU tab, cell N243) - The Acct 561.BA for Sch. 24 cell shows \$0 revenue requirement for MEC. Are there no directly assignable Local Balancing Authority (LBA) costs for MEC? Please explain where MEC's LBA costs are recorded.

MidAmerican Response: MidAmerican does not presently book any costs to Acct 561.BA. MidAmerican is exploring the possibility of booking costs in the future to Acct 561.BA and future rate templates may include such costs.

MISO Follow-up Question: Does MEC have any directly assignable LBA costs? If yes, where are they currently booked, if not in Acct. 561.BA?

MidAmerican Response: No, MidAmerican does not have any directly assignable LBA costs.

MISO Question: Attachment O, Schedule 1 Recoverable Expenses box (Nonlevelized-IOU tab, cells N246 – N248) - The three Revenue Credit for Sched 1 Acct 561.1 – 561.3 lines are shown as \$0. Please confirm that MEC has no Sched 1 revenue credits that should be reported here.

MidAmerican response: MidAmerican calculates the Schedule 1 expenses and revenue credits based on the previous year's historical data. For 2011, MidAmerican did not receive any Schedule 1 revenues.

MISO Question: Attachment O, P. 5, Note K - Please provide a brief explanation of the calculation behind the 15.88% value for the "percent of federal income tax deductible for state purposes." It appears that you are taking 50% of an effective Federal Income Tax rate of 31.762% to arrive at your value. Please provide your answer in layman's terms, if possible.

MidAmerican response: In the states that MidAmerican conducts business, Iowa is the only one that allows a deduction for Federal taxes in the calculation of its state taxes. This deduction is 50% of the Federal taxes owed. MidAmerican therefore applies the 50% multiplier to the effective Federal Income Tax Rate.

MISO Question: Attachment O, P. 2, Line 19 - The value of (\$34,700,925) is 21% higher than the (\$44,320,655) amount included in your 2012 Attachment O forecast. Please provide a brief explanation for this material difference.

MidAmerican Response: It is first noted that projected 2013 accumulated deferred income tax balances are in total significantly higher than 2012 projected balances. The increased projected balances result in significant changes in each of the Adjustments to Rate Base items in the rate template. As for relative differences between the various adjustments, MidAmerican forecasts accumulated deferred income tax for the following year on an aggregate basis. The aggregate amount is then allocated to the various Adjustments To Rate Base items in the rate template based on MidAmerican prior year's FERC Form No. 1 ratios comprising the accumulated deferred income tax balances. Those ratios changed from the 2010 FERC Form 1 to the 2011 FERC Form 1 which accounts for the relative differences between adjustment items.

MISO Follow-Up Question: You state above that the accumulated deferred income tax balance in total are significantly than the 2012 balances. Please provide a brief explanation for that increase.

MidAmerican Response: The increase is due to new MidAmerican production projects going into service in 2013 that are eligible for accelerated/bonus depreciation for income tax purposes.

MISO Question: Attachment O, P. 2, Line 21 - The value of (\$376,615,867) is 352% lower than the (\$83,304,294) amount included in your 2012 Attachment O forecast. Please provide a brief explanation for this material difference.

MidAmerican Response: See response to previous question.

MISO Question: Attachment O, P. 2, Line 22 - The value of \$193,031,890 is 47% lower than the \$364,002,258 amount included in your 2012 Attachment O forecast. Please provide a brief explanation for this material difference.

MidAmerican Response: See response to previous question.

MISO Question: Attachment O, P. 2, Line 28 - The value of \$36,999,487 is 43% lower than the \$65,311,713 amount included in your 2012 Attachment O forecast. Please provide a brief explanation for this material difference.

MidAmerican Response: The forecasted pre-payment balance is expected to be lower in 2013 as opposed to the forecasted 2012 amount.