

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

MidAmerican Energy Company	:	
	:	Docket No. 11-_____
Petition for Order Recommending	:	
Delineation of Transmission and	:	
Local Distribution Facilities	:	

DIRECT TESTIMONY
OF
DEHN A. STEVENS

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

2 A. My name is Dehn A. Stevens. My business address is 106 East Second Street,
3 Davenport, Iowa 52801.

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

5 A. I am employed by MidAmerican Energy Company (“MidAmerican”) as Manager
6 – Transmission Services.

7 **Q. What is your educational and employment experience?**

8 A. I received a Bachelor of Science degree in Electrical Engineering in 1991 from
9 Iowa State University. I have been employed by MidAmerican or its predecessor
10 company, Iowa-Illinois Gas and Electric Company (“Iowa-Illinois”), since 1991.
11 My duties have included working as an engineer in the electric design division
12 and as an engineer in the electric planning division for Iowa-Illinois. With Iowa-
13 Illinois’ merger into MidAmerican on July 1, 1995, I became an engineer in the
14 system planning department and was subsequently promoted to Senior Engineer

1 in the System Planning Department in 1996. In 1998, I was promoted to
2 Supervisor – Transmission and Distribution Planning and subsequently to
3 Supervisor - Electric System Planning when the name of the Department was
4 changed. On December 1, 2008 I was promoted to my present position. I am a
5 member of the Institute of Electrical and Electronics Engineers (“IEEE”) and
6 have served as Chair of the Executive Committee of the IEEE’s Iowa-Illinois
7 Section. I am also a registered professional engineer in the state of Iowa.

8 **Q. Please describe activities that occur in your area of responsibility at**
9 **MidAmerican.**

10 A. I develop strategy and business plans for efficient, safe, reliable and regulatory-
11 compliant utilization of the MidAmerican transmission system. I manage the
12 business use of MidAmerican’s high-voltage distribution and transmission assets,
13 including existing and new interconnections. With MidAmerican being a
14 Transmission Owner in the Midwest Independent Transmission System Operator,
15 Inc. (“Midwest ISO”), my responsibilities include the development of annual rate
16 updates to MidAmerican’s formula transmission rate template and participation as
17 one of MidAmerican’s primary representatives to the Midwest ISO Transmission
18 Owners Committee. I direct the handling of requests and the processing of
19 transmission-related agreements and the development of transmission-related
20 rates and charges and I represent the Company’s interest in regional transmission-
21 related forums.

22 **Q. Have you previously testified before the Illinois Commerce Commission**
23 **(“Commission”) or other regulatory authorities?**

1 A. Yes. In addition, I have testified before or submitted written testimony to the
2 Iowa Utilities Board, the South Dakota Public Utilities Commission and the
3 Federal Energy Regulatory Commission (“FERC”).

PURPOSE OF DIRECT TESTIMONY

4 **Q. What is the purpose of your direct testimony in this proceeding?**

5 A. In Docket No. 98-0816, the Commission adopted and recommended to FERC a
6 delineation of MidAmerican’s electric facilities between transmission and local
7 distribution, the 1998 Technical Report for Delineation of Transmission and
8 Local Distribution Facilities (“1998 Delineation”). Under my supervision and
9 direction, a revision of the 1998 Delineation has been prepared taking into
10 account current conditions. I sponsor the Technical Report for Delineation of
11 Transmission and Local Distribution updated June 7, 2011 (“2011 Delineation”),
12 which is MidAmerican Exhibit DAS 1.1. I support MidAmerican’s request that
13 the Commission (1) adopt and recommend to FERC the 2011 Delineation and (2)
14 authorize the reclassification of the re-delineated 69 kV lines and 161 kV and 69
15 kV substation components from high voltage distribution to transmission accounts
16 (“reclassified facilities”). In addition to sponsoring the 2011 Delineation, I
17 support the reasons why revising MidAmerican’s delineation of transmission and
18 local distribution facilities is appropriate at this time and I describe the
19 engineering basis underlying the 2011 Delineation. I also describe the impacts of
20 the 2011 Delineation on MidAmerican’s transmission rates. MidAmerican
21 witness Dale Miller supports the accounting entries to be made to effectuate the
22 reclassification. MidAmerican witness Melanie Acord testifies to the impact of

1 the redelineation on retail rates.

BACKGROUND

2 **Q. Please provide some background as to why MidAmerican is seeking to revise**
3 **its delineation of transmission and distribution and is asking the Commission**
4 **to authorize the associated reclassification.**

5 A. The 1998 Delineation was based on then-current assumptions and methods. The
6 approach taken in preparation of the 1998 Delineation was based extensively on
7 guidelines provided in a Mid-Continent Area Power Pool (“MAPP”) document
8 entitled “MAPP RTC Application Guidelines for Delineation of Transmission and
9 local Distribution Facilities and Wholesale Access on Local Distribution
10 Facilities” dated October 5, 1998. There have been extensive changes in the
11 region in which MidAmerican operates since the 1998 Delineation.

12 **Q. Please explain these changes.**

13 A. The changes are many and include:

14 1. The development of the Midwest ISO regional transmission organization.

15 The operation of the Midwest ISO encompasses:

- 16 a. A regional point-to-point and network transmission service tariff;
- 17 b. Day-ahead and real-time energy markets;
- 18 c. Secured constrained dispatch respecting transmission constraints
19 and including locational marginal pricing; and
- 20 d. Ancillary services markets.

21 The development of the Midwest ISO day-ahead and real-time markets
22 has had a fundamental effect on the dispatch of electric generators to serve

1 load. Prior to the development of the market, all wholesale transactions
2 were made on a bilateral basis with one selling entity and one purchasing
3 entity. A reservation for transmission service was required to transport the
4 energy from the seller to the buyer and energy tags were used to track
5 which transactions were flowing in which directions. During times of
6 congestion, high line loadings were relieved by curtailing individual
7 transactions.

8 Following the development of the market, a centralized system of
9 offers and bids has almost completely replaced the paradigm of bilateral
10 transactions. Transmission service is not required to transport energy in
11 the energy market footprint and energy tags are not generally used to track
12 individual transactions within the footprint. Congestion is handled
13 through a centralized dispatch which respects transmission limitations.

14 The net result is that whereas the approach used in the 1998
15 Delineation of studying the effect of transactions from sub-region to sub-
16 region in order to determine which particular facilities are used to provide
17 transmission service was appropriate at that time, with the current
18 Midwest ISO market structure, other approaches are now more appropriate
19 to make that determination.

- 20 2. Substantial changes in generation affecting the MidAmerican electric
21 system including:

- 22 a. The addition of significant natural gas fired generating plants at
23 locations where generation did not previously exist including:

- 1 i. The Greater Des Moines Energy Center in Des Moines;
- 2 ii. The Emery plant in Mason City, Iowa;
- 3 iii. Several plants in northwestern Illinois including the
- 4 Cordova Energy Center near the Quad Cities and the
- 5 Nelson facility, several plants in southern Minnesota
- 6 including the Lakefield Generating Station and the Pleasant
- 7 Valley Generating Station, several plants in eastern
- 8 Nebraska including the Cass County and Beatrice facilities
- 9 and the Spencer Creek facility in northern Missouri;
- 10 b. The addition of several coal plants such as:
 - 11 i. Walter Scott Energy Center Unit No. 4 (Council Bluffs,
 - 12 Iowa);
 - 13 ii. Nebraska City Unit No. 2;
 - 14 iii. Iatan Unit No.2 (near Kansas City); and
- 15 c. The addition of numerous wind plants at locations where
- 16 generation did not previously exist such as:
 - 17 i. MidAmerican projects totaling 1,393 MW in operation as
 - 18 of the date of this filing and another 593 MW to be
 - 19 installed by the end of 2011;
 - 20 ii. Non-MidAmerican projects connected to the MidAmerican
 - 21 system totaling 252 MW in operation as of the date of this
 - 22 filing and another 550 MW to be connected by the end of
 - 23 2011;

- 1 iii. A number of wind farms totaling approximately 2,500 MW
- 2 connected to the ITC Midwest LLC (“ITC Midwest LLC”)
- 3 system;
- 4 iv. A number of wind farms connected to the Commonwealth
- 5 Edison and Ameren Illinois systems.

6 The development of such substantial amounts of generation, with

7 most being located far from previous generation locations, and

8 connected at voltage levels below 345 kV, has had a significant effect

9 on flows across MidAmerican’s electric system. In particular, the

10 development of the two large combined cycle plants in central and

11 north-central Iowa and the construction of wind farms in western

12 Illinois, western, north-western and north-central Iowa connected to

13 the 161 kV system, have resulted in significant instances where energy

14 flows from local generation to local load as opposed to the traditional

15 flow from base load power plants to remote load.

16 3. Substantial changes in transmission topography in Iowa and Illinois such

17 as:

- 18 a. The completion of the Des Moines 345 kV “Loop”, the Council
- 19 Bluffs to Grimes 345 kV line and the LeMars, Iowa area 161 kV
- 20 line;
- 21 b. The installation of new 345-161 kV transformers at locations
- 22 including Norwalk, Council Bluffs, Grimes and Oak Grove in the
- 23 Illinois Quad Cities;

- 1 c. The installation of several new 161-69 kV substations including
2 Wall Lake, Buena Vista, LeMars and near Atlantic.

3 The changes in transmission topography have resulted in fundamental
4 changes in flows across MidAmerican’s electric system. For example, the
5 addition of 161-69 kV substations causes a shift in the flows from other
6 sources and reduces the electrical impedance between the higher voltage
7 systems and the 69 kV systems. Such reductions in impedance cause
8 more power to flow across the 69 kV system, especially during outages of
9 higher voltage facilities.

- 10 4. MidAmerican’s integration into the Midwest ISO resulting in the former
11 MidAmerican balancing authority area being integrated into the multi-
12 state Midwest ISO balancing authority area. With the Midwest ISO
13 dispatching all of the generation within its footprint to serve load, the
14 traditional pattern of dispatching generation to serve load within
15 MidAmerican’s system and block scheduling energy from a selling entity
16 to a buying entity no longer occurs. Rather, the Midwest ISO security
17 constrained generation dispatch algorithm solves every 5 minutes to
18 balance load, losses, generation and net interchange across the entire 13-
19 state footprint while respecting transmission system constraints. This is
20 another reason the approach used in the original delineation of studying
21 the effect of transactions from sub-region to sub-region is no longer
22 appropriate.

1 5. The migration of most former MAPP members into the Midwest ISO and
2 some of the former MAPP members into the Southwest Power Pool, Inc.
3 regional transmission organization has resulted in the termination of the
4 MAPP regional transmission tariff, leaving MAPP as an organization with
5 only a few of the original features remaining (the generation reserve
6 sharing pool, the regional transmission tariff and the regional transmission
7 committee no longer exist). As noted previously, a fundamental basis of
8 the 1998 Delineation was the application of the MAPP delineation
9 guidelines. Those guidelines are no longer relevant given the substantial
10 changes to MAPP which have occurred.

11 **Q. What other changes have occurred since the original Commission adoption**
12 **of MidAmerican’s delineation?**

13
14 There are two matters pending at FERC in which parties are challenging
15 MidAmerican’s classification of transmission facilities versus distribution
16 facilities.¹ In each case, extensive testimony has been submitted supporting the
17 assertion that certain facilities presently delineated as distribution are in fact
18 currently performing a transmission function, even though they may not be
19 integrated transmission. In *Pella*, FERC has ruled that certain 69 kV facilities
20 owned by the City of Pella and interconnected to the MidAmerican system
21 perform transmission functions, although it acknowledged that the Pella facilities

¹ *City of Pella, Iowa v. Midwest Independent Transmission System Operator, Inc. and MidAmerican Energy Company*, Docket No. EL10-77-000, 134 FERC ¶ 61,081 (2011) *rhg. requested* (“Pella”); and *MidAmerican Energy Company*, Docket No. ER09-823-000 (“Clipper”).

1 are not integrated with the transmission system. This case remains pending on
2 rehearing. In *Clipper*, the FERC staff and Clipper have each filed testimony
3 taking the position that MidAmerican's 69 kV facilities in the vicinity of Carroll,
4 Iowa perform transmission functions, even though the facilities are only looped to
5 serve that geographic area.

6 **Q. What is the effect of the Pella decision and the *Clipper* testimony on
7 MidAmerican?**

8 A. The effect of these matters is that non-radial 69 kV facilities are recognized as
9 used in providing transmission service. Those who own (in the case of Pella) or
10 paid for (in the case of Clipper) the facilities are entitled to compensation for their
11 use. Assuming that the final resolution of these cases is to uphold the position
12 that 69 kV facilities perform transmission functions, Pella and Clipper will be
13 entitled to compensation through Midwest ISO rolled-in transmission rates.

14 **Q. Why does this create an issue?**

15 A. Not all similarly situated facilities owned by MidAmerican or other entities within
16 MidAmerican's system are included in rolled-in transmission rates. Other
17 utilities, such as the Iowa city utilities of Cedar Falls, Atlantic, Waverly, and
18 Indianola have comparable 69 kV facilities. Presumably, these facilities also
19 perform transmission functions, yet their costs cannot be recovered through
20 MidAmerican rolled-in transmission rates.

The Seven-Factor Test

21 **Q. What is the seven-factor test that you used in assessing the MidAmerican
22 electrical facilities?**

1 A. In Order No. 888, FERC adopted seven indicators or factors to be considered in
2 determining whether facilities constitute local distribution or transmission. The
3 seven factors are:

- 4 1. Local distribution facilities are normally in close proximity to retail
5 customers.
- 6 2. Local distribution facilities are primarily radial in character.
- 7 3. Power flows into local distribution systems; it rarely, if ever, flows out.
- 8 4. When power enters a local distribution system, it is not reconsigned or
9 transported on to some other market.
- 10 5. Power entering a local distribution system is consumed in a comparatively
11 restricted geographical area.
- 12 6. Meters are based at the transmission/local distribution interface to measure
13 flows into the local distribution system.
- 14 7. Local distribution systems will be of reduced voltage.²

15 **Q. Has FERC provided any direction regarding the application of the seven**
16 **factors?**

17 A. Yes. In Order No. 888, FERC stated that the jurisdictional delineation involves
18 case-specific determinations. FERC also indicated that it will defer to state
19 regulatory authorities concerning the delineation between local distribution
20 facilities and transmission facilities. However, FERC continues to have
21 jurisdiction over wholesale wheeling arrangements over facilities which are

² *Promoting Wholesale Competition through Open Access Non-discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, 75 FERC ¶ 61,080 (1996), pp. 401-402.

1 classified as local distribution.

2 **Q. Do you sponsor an updated delineation of MidAmerican electrical facilities**
3 **based on the application of the seven factors of Order No. 888 to current**
4 **conditions?**

5 A. Yes, I do. The updated Technical Report, or 2011 Delineation, has been prepared
6 under my supervision and direction. It is attached as MidAmerican Exhibit DAS
7 1.1.

8 **Q. Please generally describe the assumptions and methods used in the 2011**
9 **Delineation.**

10 A. A variety of analytical methods were used to assess each of the seven factors
11 against MidAmerican's transmission and distribution plant. These include (1)
12 power flow analysis; (2) estimates of distances between facilities; and (3) current
13 facility utilization. To develop plant accounting data, MidAmerican relied on its
14 plant records.

15 **Q. Please describe the conclusions of the 2011 Delineation.**

16 A. The 2011 Delineation finds that all networked 345 kV, 161 kV and 69 kV
17 facilities perform a transmission function.

18 **Q. What reclassifications are required as a result of this conclusion?**

19 A. MidAmerican requested and received authorization from the FERC to reclassify
20 the high voltage distribution to transmission in its books of accounts in Docket
21 Nos. AC10-9 (high voltage urban-center facilities) and AC10-142 (networked 161
22 kV substation facilities). Therefore, all networked 345 kV and 161 kV facilities
23 are presently accounted for in transmission plant accounts. However, the

1 networked 69 kV lines, as well as certain 161 kV and 69 kV substation
2 components associated with the networked 69 kV facilities, must be re-classified
3 from high voltage distribution accounts to transmission accounts. The
4 approximate total (in all states) of the original cost of the assets to be re-classified
5 is \$229,008,278. The amount to be re-classified in Illinois is approximately
6 \$14,523,637.

7 **Q. What is the value of the plant that is proposed to be re-classified in
8 comparison to MidAmerican's total distribution plant?**

9 A. To provide some context, the total amount to be transferred represents
10 approximately 9.8% of the total original cost of MidAmerican's facilities
11 presently accounted for in distribution accounts.

12 **Q. What will be the results of this reclassification?**

13 A. The reclassification will cause all of MidAmerican's networked 161 kV and 69
14 kV facilities which are subject to the functional control of the Midwest ISO to be
15 accounted for and ultimately reflected in FERC-jurisdictional transmission rates.
16 At the same time, in all respects, MidAmerican's facilities will remain in the
17 service of Illinois customers. The only changes for the re-classified facilities is
18 that, just as other transmission facilities, they will be subject to the functional
19 control of the Midwest ISO and their costs will be recovered from users through
20 FERC-tariffed rates.

21 **Q. Please describe the key similarities and differences between the findings of
22 the 2011 Delineation and the 1998 Delineation, as supplemented by the
23 accounting changes approved by FERC in 2009 and 2010.**

1 A. First in many regards, both delineations showed consistent results. There are no
2 changes in the following original findings:

- 3 1. All networked 345 kV and 161 kV lines perform a transmission function
4 and should be categorized as transmission facilities.
- 5 2. 345 kV and 161 kV substations which connect 345 kV and 161 kV
6 transmission lines together perform a transmission function and should be
7 categorized in whole or in part as transmission facilities.
- 8 3. The 161 kV portion of load-serving substations should be classified as
9 transmission facilities.
- 10 4. Radial 345 kV and 161 kV lines, as well as radial 69 kV lines and all of
11 the 34.5 kV lines should remain categorized as distribution facilities.

12 Despite these similarities between the two reports, there is one group of
13 key differences, which is related to 69 kV facilities. The 2011 Delineation
14 concludes that all networked 69 kV lines should be categorized as transmission
15 facilities. This key difference is driven by the change in how MidAmerican's 69
16 kV system is being used due to the substantial changes that have occurred as
17 discussed above. The second key difference is that the associated 69 kV
18 substations should also be categorized as transmission.

19 **Q. Please describe the 69 kV line facilities to be reclassified as transmission**
20 **facilities.**

21 A. All 69 kV lines operating in a networked fashion will be reclassified as
22 transmission facilities. A total of approximately 1,375 miles of 69 kV line,
23 including 78 miles located in Illinois, will be reclassified as transmission.

1 Approximately 51 miles of 69 kV line in Illinois will remain distribution. In all of
2 MidAmerican's system, 529 miles of 69 kV line will remain classified as
3 distribution.

4 **Q. What is the book value of the 69 kV line facilities to be reclassified and how**
5 **was that book value determined?**

6 A. Unlike 345 kV and 161 kV lines, 69 kV lines are not accounted for in unique
7 property accounts for each line. Rather, the 69 kV line investment is accounted
8 for in mass plant accounts grouped by type of facility and by state. The 69 kV
9 line facility mass plant accounts include Accounts 360.50 (Land Rights), 361.40
10 (Structures and Improvements), 364.40 (Poles, Towers and Fixtures), 365.40
11 (Overhead Conductors and Devices), 366.40 (Underground Conduit) and 367.40
12 (Underground Conductors and Devices). To determine the amount of the balance
13 of the distribution plant accounts to be reclassified into transmission plant
14 accounts, the ratio of the number of miles of networked 69 kV lines in a state, as
15 determined in the 2011 Delineation, to the total number of miles of 69 kV lines in
16 that same state was multiplied by the mass plant account information for that
17 state. For example, in Illinois, 78 miles of 69 kV line were determined to be
18 networked and there are 129 total miles of 69 kV line in Illinois. The ratio of
19 78/129, or 60.58%, was multiplied by each Illinois 69 kV mass plant account.
20 The amounts in Illinois to be reclassified are summarized in the testimony of Dale
21 Miller.

22 **Q. Please describe the 69 kV and 161 kV substation facilities to be reclassified.**

23 A. The same approach used in the 1998 Delineation was used to determine the 69 kV

1 and 161 kV substation facilities to be reclassified. This approach classifies
2 substations consistent with the facilities connecting to each substation. The 1998
3 Delineation classifies an entire substation as transmission if all lines connecting to
4 it are transmission. Likewise, if all lines connecting to a substation are
5 distribution, then the substation is classified as distribution.

6 In cases where both transmission and distribution lines connect to a
7 substation, the substation is categorized as a “combination” substation and the
8 investment in the substation is allocated to both transmission and distribution
9 accounts according to a specific methodology.

10 Given the variety of substations, it useful to group certain types of
11 substations together for the purpose of explaining how changes in the balances of
12 transmission and distribution plant accounts were determined in accordance with
13 the reclassifications of the 2011 Delineation.

14 **1. Combination substations to be reclassified as 100% transmission.**

15 In such substations, no facilities remain classified as distribution.

16 Typically, such a substation includes only 69 kV and 161 kV facilities
17 although there may be cases where the substation also includes 345 kV
18 facilities. Such substations were classified as combination substations
19 in the 1998 Delineation. The facilities in such substations reclassified
20 as transmission include 161-69 kV transformers and related protective
21 devices, 69 kV station dead-end structures, station bus, station bus
22 supports and bus structures, 69 kV transmission line breakers, 69 kV
23 transmission line switches, 69 kV switches used for isolation of

1 transmission line circuit breakers, transmission line protective relays
2 and 69 kV instrument transformers (used for transmission line
3 protective relaying and metering). Transmission facilities also include
4 shunt 69 kV capacitors.

5 **2. Combination substations classified in the 1998 Delineation which**
6 **remain combination substations but with additional facilities**
7 **classified as transmission.** Such substations include connections to
8 radial facilities such as 161-13 kV transformers, 69-13 kV
9 transformers or radial 69 kV lines. The additional facilities in such
10 substations reclassified as transmission include the same types of
11 facilities in Case No. 1 above.

12 **3. 69 kV substations which are reclassified as combination**
13 **substations.** As with the 1998 Delineation, a “three or more”
14 approach was used to classify substations as new combination
15 transmission and distribution substations. Under the “three or more”
16 approach, a 69 kV substation is a candidate to become a combination
17 substation only if at least three networked 69 kV lines or at least two
18 networked 69 kV lines and one 69 kV capacitor connect to the
19 substation. By using these criteria, 31 additional combination
20 substations resulted instead of approximately 90 additional
21 combination substations which would result without regard to the
22 “three or more” rule. To the extent accounting procedures allow for
23 more streamlined approaches in the future, the utilization of the “three

1 or more” rule may be changed.

2 The determination of which specific facilities in 69 kV
3 combination substations are allocated to transmission accounts versus
4 distribution accounts follows the same approach outlined in Case No.
5 2 above. Common facilities in networked 69 kV substations are
6 allocated to transmission and distribution accounts by pro-rating based
7 on the original cost of the transmission and distribution facilities in the
8 substation. Distribution facilities are those facilities within networked
9 69 kV substations which are operated radial to the 69 kV networked
10 system and include 69-13 kV transformers, 69-4 kV transformers,
11 transformer 69 kV breakers and/or circuit switchers, transformer 69
12 kV switches, transformer protective relaying, transformer metering, 13
13 kV facilities and 4 kV facilities. In addition, the portion of the
14 common facilities that is not allocated to transmission accounts will
15 remain in distribution accounts.

16 **Q. How are common facilities allocated?**

17 A. In addition to facilities that are dedicated to serving a networked transmission
18 purpose, some facilities within substations serve a common purpose between
19 transmission and local distribution. Such common facilities include substation
20 land, rock, fence, control buildings, station batteries, station grounding systems,
21 station service transformers and communications equipment. Common facilities
22 are allocated to transmission and distribution accounts by pro-rating based on the
23 original cost of the transmission and distribution facilities in the substation.

1 Because the proportion of transmission and distribution facilities changed, the
2 allocation of common facilities to transmission accounts also changed.

3 **Q. Why weren't these facilities reflected in the rates charged by the Midwest**
4 **ISO for MidAmerican transmission service when MidAmerican initially**
5 **integrated its transmission facilities on September 1, 2009?**

6 A. The Midwest ISO Tariff requires transmission owners to base their classifications
7 on a state-approved seven-factor analysis. Thus, in 2009, the classifications in the
8 1998 Delineation were required to be used to determine the facilities included in
9 the Midwest ISO's formula transmission rate template.³ Therefore, no 69 kV
10 lines, 161-69 kV transformers or 69 kV substation facilities are presently included
11 in rates charged by the Midwest ISO for transmission service in the MidAmerican
12 pricing zone because the facilities are not classified as FERC-jurisdictional
13 transmission assets under a state-authorized seven-factor analysis.

14 In addition, FERC's analysis in *Pella* and the direct testimony filed in
15 *Clipper* was not available at the time of Midwest ISO integration.

16 **Q. At the conclusion of the reclassification, will all networked facilities with**
17 **voltages over 69 kV be classified as transmission?**

18 A. Not all networked facilities will be classified as transmission. Networked 69 kV
19 lines will be classified as transmission. Substation facilities with voltages of 69
20 kV will be classified as transmission as long as they are located within a
21 substation that is classified as 100% transmission or is a combination substation
22 classified as transmission. Combination substations not meeting the "3 or more"
23 test include some transmission facilities that will not be classified to transmission

³ Attachment O to the Midwest ISO tariff is the formula rate template.

1 accounts.

2 **Q. Will the reclassified facilities be used to provide transmission service across**
3 **the MidAmerican footprint?**

4 A. Yes. The 2011 Delineation demonstrates that the facilities are presently used to
5 provide transmission service and are an integral part of MidAmerican's
6 transmission system. Upon receipt of all approvals, the costs of the reclassified
7 facilities will be included in transmission rates under the Midwest ISO's Open
8 Access Transmission, Energy and Operating Reserve Markets Tariff. The
9 Midwest ISO evaluates and sells transmission service considering the limitations
10 of MidAmerican's facilities, which, upon reclassification, will include the 69 kV
11 facilities. In addition, the Midwest ISO operates a day-ahead and real time energy
12 market which considers transmission limitations including facilities under the
13 Midwest ISO's functional control such as the subject facilities when they are
14 reclassified.

15 **Q. What are the plans for reflecting the reclassified facilities in the Midwest ISO**
16 **transmission rates?**

17 A. At the present time the reclassified facilities are not included in the Midwest ISO
18 transmission rates. The Midwest ISO transmission rate design features zonal rates
19 for each pricing zone as well as a through-and-out rate. The zonal rate for the
20 MidAmerican zone is based on account balances as of December 31 of the prior
21 year reported in the FERC Form No. 1. The Midwest ISO through-and-out rate is
22 based on the aggregate revenue requirements of all of the transmission owner
23 pricing zones. New rates take effect each June 1. Because the reclassified

1 facilities are not presently included in FERC transmission accounts, no revenue
2 requirements related to the facilities are included in MidAmerican's pricing zone
3 rate development or in the Midwest ISO's through-and-out rate. Upon receipt of
4 regulatory approvals for the 2011 Delineation, MidAmerican will reflect the
5 reclassified plant as transmission on its FERC Form No. 1 and use the new
6 balances to develop its transmission rate in accordance with the Midwest ISO
7 timetable.

8 **Q. What rate of return on equity is included in the Midwest ISO transmission**
9 **rate?**

10 A. The historical Midwest ISO rate template MidAmerican proposes to use presently
11 includes a rate of return on common equity of 12.38%.

12 **Q. Will there be any changes in transmission revenues received by**
13 **MidAmerican as a result of implementation of the 2011 Delineation?**

14 A. To the extent the zonal rate increases from use of the Midwest ISO rate template
15 to set transmission rates, MidAmerican anticipates booking more transmission
16 revenues from network and point to point service. The additional revenues are
17 expected to be substantially offset by decreases in 69 kV direct assignment
18 charges and by increased revenue credits to entities owning 69 kV facilities within
19 MidAmerican's system.

20 **Q. Will MidAmerican experience any staffing changes result from the**
21 **redelineation and reclassification?**

22 A. Not at this time. The same transmission operators that are responsible today for
23 physical control of the above-100 kV transmission facilities that are subject to the

1 Midwest ISO's functional control also control the 69 kV and higher voltage
2 distribution facilities. There are no plans to change these responsibilities when
3 the 2011 Redelineation is approved.

4 **Q. Do you anticipate the implementation of the 2011 redelineation will have any
5 impact on MidAmerican's public utility service and reliability?**

6 A. The facilities proposed to be reclassified to transmission are key elements of
7 MidAmerican's electrical system and will continue to be operated in a cost-
8 effective manner using good utility practice. Implementation of the 2011
9 Delineation reorganization is expected to maintain or enhance MidAmerican's
10 public utility service and reliability. This is because much of what MidAmerican
11 presently does in its role of providing reliable public utility service will not
12 change. For example:

- 13 • MidAmerican will continue to engineer, design, permit, construct,
14 maintain, repair and replace its transmission and distribution
15 assets. The Midwest ISO will provide operational oversight in
16 nearly the same way it does today related to the high voltage
17 transmission system.
- 18 • The Midwest ISO will continue to serve as MidAmerican's
19 Reliability Coordinator, a role it has been performing for many
20 years. MidAmerican will remain as its own Transmission Operator
21 under NERC reliability standards. As it does today, MidAmerican
22 will follow the Midwest ISO's direction in operating the
23 redelineated transmission facilities.
- 24 • MidAmerican, in carrying out its planning responsibilities to meet
25 reliability needs for all loads connected to the MidAmerican
26 transmission facilities, will continue to develop plans involving
27 modification to any of the MidAmerican transmission facilities.
28 The redelineated transmission facilities will be subject to the
29 MidAmerican local transmission planning process under
30 Attachment FF – MidAmerican to the Midwest ISO Tariff, which
31 covers local planning on the MidAmerican transmission system.
32 MidAmerican will continue to budget for expenditures relative to
33
34

1 its transmission and distribution facilities that serve its retail load
2 as it does today.
3
4

5 **Q. When does MidAmerican anticipate that its transmission rates reflecting the**
6 **reclassified facilities will be take effect?**

7 A. Provided state regulatory recommendations are timely received, MidAmerican
8 contemplates making the required FERC filing for approval in the first quarter of
9 2012. Assuming FERC accepts the filing, MidAmerican anticipates that it will
10 make the appropriate ledger entries by December 31, 2012, such that the 2012
11 FERC Form No. 1 filing reflects the reclassification. Barring any changes to
12 MidAmerican's rate template with respect to historical versus future test years,
13 MidAmerican will report modified amounts in its transmission rate template to
14 the Midwest ISO filed in Spring 2013 such that the amounts are utilized for rates
15 to be effective June 1, 2013. In the event MidAmerican transitions to a forward
16 looking rate template in 2012, the reclassified amounts would be reflected in rates
17 effective January 1, 2013.

18 **Q. Please summarize the impacts of this change on MidAmerican's Illinois**
19 **customers.**

20 A. Just as it did in 1998, the Commission should adopt the 2011 Delineation and
21 recommend it to FERC. It is based on the most current information and power
22 flows. Based on the 2011 Delineation, in all respects, MidAmerican's facilities
23 remain in the service of Illinois generation and delivery customers; the only
24 change for transmission facilities is that they are subject to the functional control
25 of the Midwest ISO and their costs are recovered from users through FERC-

1 tariffed rates.

2 **Q. Does this conclude your testimony?**

3 **A. Yes, it does.**