

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

MidAmerican Energy Company	:	
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Application pursuant to Section 6-102(b) of	:	
the Public Utilities Act for an order	:	Docket No. 15-0480
authorizing the issuance and sale of up to	:	
\$750,000,000 aggregate principal amount of	:	
Long-Term Debt	:	

ORDER

By the Commission:

I. PROCEDURAL HISTORY

On August 19, 2015, MidAmerican Energy Company (“MidAmerican”) filed a verified Application, including supporting testimony and financial statements pursuant to Section 6-102(b) of the Public Utilities Act, 220 ILCS 5/6-102(b) (the “Act”). The Application seeks Commission approval of a proposed issuance of \$750,000,000 aggregate principal amount of Long-Term Debt by MidAmerican.

On August 31, 2015, Commission Staff submitted its Affidavit in this proceeding and did not contest the Application. No petitions seeking leave to intervene were received and there are no contested issues. Therefore a hearing was waived.

II. MIDAMERICAN’S POSITION

MidAmerican intends to issue and sell up to \$750,000,000 aggregate principal amount of Long-Term Debt in one or more transactions during the three-year period commencing with the date of the issuance of the Commission’s Order in this Docket. In its Application, MidAmerican avers that the terms of the Long-Term Debt, including, but not limited to, the maturity, rate or method of calculation of interest and dates for payment thereof, and any redemption, prepayment or sinking fund provisions, will be determined at the time of sale. MidAmerican intends to issue the Long-Term Debt depending on market conditions at the time of the offering. MidAmerican is currently contemplating issuing the Long-Term Debt as fixed-rate with a maturity of three, five, seven, ten or thirty years. MidAmerican states the current interest rates on nominal United States Treasury securities having constant maturities range from 1.08% to 2.84% and the corporate credit spreads above the comparable United States Treasury securities for recent issuances of similarly rated debt were in the range of 47 to 88 basis points. MidAmerican also states that due to capital market fluctuations, the actual interest rate, which may be fixed or floating, will be determined at the time of

each offering, or periodically during the terms of the Long-Term Debt.

MidAmerican expects to sell the Long-Term Debt in one or more underwritten public offerings during the three-year period described earlier pursuant to one or more pricing supplements and prospectus supplements and the underlying base prospectus to be filed with the Securities and Exchange Commission (the “SEC”). MidAmerican has a currently effective registration statement on Form S-3 (No. 333-192077) on file with the SEC for the registration of \$800,000,000 of long-term debt securities, which includes the Long-Term Debt that is the subject of this Application, through November 12, 2016. MidAmerican states it will amend this currently effective registration statement or file another registration statement with the SEC so that the entire amount of the Long-Term Debt that is the subject of the Application is registered prior to any offering of such Long-Term Debt. An underwriting agreement containing terms similar to those contained in previous underwriting agreements to which MidAmerican was a party will be executed between MidAmerican and the underwriters selected before the offering or offerings of the Long-Term Debt.

MidAmerican relates that, upon application, it received authority from the Federal Energy Regulatory Commission (“FERC”) on March 16, 2015 in Docket No. ES15-8-000 to issue up to \$1,700,000,000 of long-term indebtedness, including the Long-Term Debt, during the two-year period beginning April 1, 2015 and ending March 31, 2017. The authority granted in that proceeding superseded the authority granted in Docket No. ES14-4-000 in which FERC authorized MidAmerican to issue up to \$925,000,000 of long-term debt securities during the two-year period beginning December 31, 2013. MidAmerican states it is required to obtain this authority from FERC in order to comply with the Federal Power Act and the applicable FERC rules issued thereunder. To the extent FERC authority to issue the Long-Term Debt is required prior to the expiration of the three-year period following the date of the Commission’s Order approving the Application, MidAmerican will file the necessary application requesting such authority.

MidAmerican further relates the authority requested in the Application is supplemental to the current authority it received from the Commission by Orders dated December 19, 2012 in Docket No. 12-0657 and December 9, 2013 in Docket No. 13-0634. Of the original \$1,500,000,000 of long-term debt authorized in Docket No. 12-0657, \$50,000,000 remains following the issuance and sale of \$950,000,000 and \$500,000,000 of first mortgage bonds September 19, 2013 and April 3, 2014, respectively. This authority expires December 19, 2015. The full amount of \$750,000,000 authorized in Docket No. 13-0634 is available for issuances of long-term debt during the three-year period ending December 9, 2016.

MidAmerican will use all of the proceeds from the sale of the Long-Term Debt in question to fund the debt portion of the financing requirements of its Capital Projects as described below during the three year period following the date of the Commission’s Order approving the Application. The Capital Projects will directly or indirectly benefit all of MidAmerican’s customers, including those located in the State of Illinois. MidAmerican states that none of the proceeds of any Long-Term Debt issued pursuant to the Application will be used to refund any of MidAmerican’s debt maturing during the three-year period following the date of the Commission’s Order approving the Application.

The Capital Projects described by MidAmerican are set forth below.

The Capital Projects consist of annual capital projects, electric transmission facilities, environmental enhancements to existing coal generating facilities and wind generation facilities.

a. Annual capital projects (“Annual Projects”) consist of regular capital items budgeted for calendar years 2015, 2016 and 2017 as part of MidAmerican’s ongoing capital equipment replacement and improvement program. Each year MidAmerican expends funds to replace aging capital equipment, upgrade existing facilities and add new facilities to meet customer demand and growth. For example, funds may be spent on (i) adding new gas and electric distribution facilities to meet customer growth across MidAmerican’s service territory, (ii) replacing or upgrading certain distribution or transmission facilities due to life limitation or wear in order to maintain service reliability, (iii) replacing or upgrading major equipment and other components at MidAmerican’s gas, coal, wind or nuclear generating facilities due to life limitation, wear or regulatory requirements, or procuring nuclear fuel needed for refueling of the Quad Cities Station and (iv) replacing, expanding or upgrading MidAmerican’s information technology infrastructure, including hardware and software. The total costs of the Annual Projects are budgeted for an aggregate of \$1,073,000,000 for the three-year period.

b. The electric transmission capital project (“Transmission Project”) is the Ottumwa Generating Station (“OGS”)-Adair Project which is included in the Midcontinent Independent System Operator, Inc. portfolio of “Multi-Value Projects.” It consists of the Ottumwa, Iowa to Adair, Missouri 345 kV and 161 kV transmission line and additional substation work at the OGS Substation. As part of the OGS-Adair Project, some 161 kV facilities will be rebuilt as double-circuit 345 kV/161 kV facilities to utilize the existing rights-of-way. MidAmerican will construct and own an estimated 16 miles of the project which is estimated to cost approximately \$45,000,000 of which \$28,000,000 is planned to be expended in calendar years 2016 and 2017 and is expected to be placed in service in 2018.

c. The environmental enhancement projects (“Environmental Projects”) include the installation of certain pollution control equipment at OGS, the closure of coal ash ponds and the construction of “monofill” disposal facilities at MidAmerican’s generating facilities at an aggregate estimated capital expenditure of \$178,000,000 during the calendar years 2016 and 2017.

d. The wind capital project consists of a wind generating project (“Wind IX Project”) located in Iowa and comprised of facilities currently under construction by MidAmerican. The Wind IX Project has a nameplate capacity of 161.3 megawatts and a planned capital cost of approximately \$231,000,000, which amount includes the cost of associated transmission facilities and allowance for funds used during construction. The Wind IX Project is scheduled for commercial operation and to be placed in service by December 31, 2015.

MidAmerican also avers that the capital financing requirements for the Capital Projects are based on project costs and a 50% debt-to-total capitalization structure. MidAmerican used a 50% debt-to-total capitalization ratio in its Application since it is consistent with the range of equity capital required in order for MidAmerican to maintain its ratings assigned by the credit-rating

agencies. According to MidAmerican, the planned costs of the Capital Projects aggregate approximately \$1,510,000,000. A targeted 50% debt-to-total capitalization would result in a capital financing requirement of \$755,000,000 of which \$750,000,000 is being included in the Application for authority to issue and sell Long-Term Debt. MidAmerican states the balance of the funding for the Capital Projects is expected to be from internal sources or will be the subject of a future application requesting authority to issue and sell long-term debt to be filed with the Commission.

MidAmerican included the following table outlining the planned financing requirement for the Capital Projects:

<u>Capital Projects</u>	<u>Total¹</u>
Annual Projects	\$1,073
Transmission Project	\$28
Environmental Projects	\$178
Wind IX Project	\$231
Total Capital Project Costs	<u>\$1,510</u>
Total Debt Requirement	\$755
Total Debt Authority Requested ²	<u>\$750</u>

¹ In millions

² Capital Projects costs are expected to be financed with 50% debt and the balance from internally generated sources; however, the debt requirement for the capital costs of the Capital Projects is limited to \$750,000,000 in the Application

MidAmerican avers that issuance of the Long-Term Debt will be accomplished within the FERC authority granted to MidAmerican as discussed above and pursuant to an effective registration statement filed with the SEC. It contemplates the Long-Term Debt will be issued from time to time during the three-year period following the date of the Commission's Order approving the Application.

With regard to fees, MidAmerican states that, within 30 days after service of the Commission's Order authorizing the Long-Term Debt, it will pay the Commission the fee required by Section 6-108 of the Act for the entire \$750,000,000 of the Long-Term Debt. MidAmerican states that the fee will reflect the percentage of its utility property located in Illinois. Using the statutory rate of \$0.24 per one hundred dollars of principal amount of the Long-Term Debt, MidAmerican calculated the fee to be \$88,486, based on a 4.9159% factor that is determined by taking the Company's net gas (\$54,002,245) and electric (\$424,775,112) utility plant allocated to Illinois (total of \$478,777,357), as shown in MidAmerican's Form 21 ILCC, page 2a, column (j) plus column (k),

line 6, as of December 31, 2014, and dividing that sum by MidAmerican's total net utility plant (\$9,739,362,243) as shown in MidAmerican's Form 21 ILCC, page 2, column (d), line 6, as of December 31, 2014.

III. STAFF'S POSITION

Staff reviewed MidAmerican's Application, the Direct Testimony of James C. Galt (Application Exhibit A), and supplemental information provided by the Company in support of its Application. Staff does not object to MidAmerican's proposal to incur up to \$750,000,000 of new indebtedness for the purpose of financing its Capital Projects.

Staff recommends that MidAmerican (1) provide proper identification numbers on the proposed indebtedness when issued and (2) be required to file quarterly reports with the Commission's Chief Clerk in accordance with 83 Illinois Administrative Code Part 240 ("Part 240"). Staff also recommends that the authority granted extend no later than three years from the date of issuance of the Order. With regard to Section 6-108, Staff states that MidAmerican is obligated to pay the fee required under Section 6-108 with respect to \$750,000,000 of the Long-Term Debt. Staff concurs with MidAmerican's calculation of the fee in the amount of \$88,486. Staff states the fee is to be paid no later than 30 days after service of the Commission Order authorizing the issuance of the Long-Term Debt. Staff also requests that the utility be specifically directed by the Commission that payment and reporting requirements are mandatory, and that failure to make payment and filings could result in action against the utility seeking penalties for failure to comply with a Commission Order, the requirements of a statute, or the rules of the Commission.

IV. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) MidAmerican Energy Company is a corporation engaged in the sale and distribution of electricity in Illinois and, as such, is a "public utility" within the meaning of the Act;
- (2) the Commission has jurisdiction over MidAmerican Energy Company and subject-matter jurisdiction;
- (3) the recitals of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) MidAmerican Energy Company's proposed issuance of \$750,000,000 aggregate principal amount of Long-Term Debt, the proceeds of which are to be used for financing a portion of the cost of the Capital Projects, as described herein, is subject to the provisions of Section 6-102(b) of the Act and should be approved in accordance with that statute;
- (5) the funds to be obtained from the issuance of the Long-Term Debt are reasonably

required for the purposes described above and will be used for the purposes so specified;

- (6) the authority granted extends no later than three years from the date of issuance of this Order;
- (7) in accordance with Section 6-101 of the Act, MidAmerican Energy Company shall, before issuance of the Long-Term Debt described herein, cause one of the following ten identification numbers to be placed on the face of each series of such securities:

- III. C.C. No. _____

- (8) MidAmerican Energy Company shall comply with the reporting requirement of Part 240; the reporting requirements are mandatory and failure to make the mandated filings could result in action against the Company seeking penalties for failure to comply with a Commission Order, the requirements of statute, or the rules of the Commission; and
- (9) MidAmerican Energy Company shall pay a fee in the amount of \$88,486 in accordance with Section 6-108 of the Act.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the proposed issuance by MidAmerican Energy Company of \$750,000,000 aggregate principal amount of Long-Term Debt, in up to ten series, the proceeds of which shall be applied to financing a portion of the cost of constructing the Capital Projects, as described above, is subject to the provisions of Section 6-102(b) of the Act; this debt is approved in accordance with that statute.

IT IS FURTHER ORDERED that MidAmerican Energy Company shall comply with Findings (4) through (9) of this Order.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this ____ day of _____, 2015.

(SIGNED) BRIEN J. SHEAHAN

Chairman