

## STIPULATION AND AGREEMENT

Dated July 17, 2008

### Article I – Introduction

In Docket Nos. RPU-03-1, RPU-04-3, RPU-05-4, RPU-07-2, and RPU-08-2 the Iowa Utilities Board (“Board”) issued orders approving settlements between the Iowa Office of Consumer Advocate (“OCA”) and MidAmerican Energy Company (“MidAmerican”) addressing ratemaking principles pursuant to Iowa Code Section 476.53 for the construction of rate-regulated wind generation projects. MidAmerican and the OCA support the development of additional new wind generation resources where the projected revenues of the wind generation resources offset, or exceed, the projected costs. The project that MidAmerican may undertake pursuant to this Stipulation and Agreement shall be referred to as the “Wind VI Iowa Project.”

### Article II – Purpose

This Stipulation and Agreement has been prepared and executed by the signatories for the purpose of stipulating to their mutually-agreed position regarding the Wind VI Iowa Project. In consideration of the mutual agreements set forth herein, the signatories stipulate their belief that the Board should issue an order that allows the terms and provisions of this Stipulation and Agreement to be fully implemented.

### Article III – Ratemaking Principles

The signatories to this Stipulation and Agreement agree to support the Wind VI Iowa Project with the following ratemaking principles:

<b>Topic</b>	<b>Ratemaking Principle</b>
<b>Iowa Jurisdictional Allocation</b>	The Wind VI Iowa Project will be allocated to Iowa in the same manner as the Greater Des Moines Energy Center, Walter Scott Jr. Energy Center Unit No. 4, and prior wind projects.

<p><b>Soft Cost Cap: Results of Economic Test</b></p>	<p>Based upon the economic test set forth below, the soft cost cap for the Wind VI Iowa Project is \$120.368m or \$2.293m per MW (including AFUDC).</p> <p>Economic Test: The Wind VI Iowa Project is projected to earn its revenue requirement, including its allowed cost of capital, and therefore is qualified for rate treatment under these ratemaking principles. This has been determined by developing a conventional annual revenue requirement for the 20-year life of the Project, present valuing the annual revenue requirements, levelizing them, and then converting the levelized value to cents per kWh value. In turn, the incremental benefits (revenues) of the Wind VI Iowa Project, converted to a comparable dollar per kWh basis, were subtracted from the revenue requirement. If the net result of this subtraction had been a positive dollar per kWh (i.e., the costs exceed the benefits), the Wind VI Iowa Project would have been judged not to earn its revenue requirement and would not have qualified for rate treatment under these ratemaking principles. However, because the net result of this calculation was zero or a negative dollar per kWh (i.e., the benefits equal or exceed the costs), it has been determined that the Wind VI Iowa Project will earn its revenue requirement and therefore should qualify for rate treatment under these ratemaking principles. MidAmerican performed the above-mentioned economic test in good faith using reasonable estimates of projected costs and other reasonable assumptions.</p> <p>In the event that actual capital costs of the Wind VI Iowa Project are lower than the soft cost cap identified above, rate base shall consist of actual costs. In the event that actual capital costs exceed the projected soft cost cap resulting in an economic evaluation greater than zero, as defined in the above paragraph, then MidAmerican shall be required to establish the prudence and reasonableness of such excess before it can be included in rates.</p>
<p><b>Size Cap</b></p>	<p>The ratemaking principles shall be applicable to all new MidAmerican wind capacity up to 52.5 MW.</p>
<p><b>Depreciation</b></p>	<p>The depreciation life of the Wind VI Iowa Project for ratemaking purposes shall be 20 years.</p>
<p><b>Return on Equity</b></p>	<p>The allowed return on common equity investment (ROE) on the portion of the Wind VI Iowa Project included in Iowa electric rate base shall be 11.7%.</p>
<p><b>Bonus Depreciation Benefits</b></p>	<p>In recognition of the likely receipt of bonus depreciation arising out of the 2008 Economic Stimulus Act, a contingent revenue sharing credit of \$2,315 per MW for each megawatt of Wind VI Iowa Project capacity that qualifies for bonus depreciation shall be used to offset the capital costs of Walter Scott, Jr. Energy Center Unit 4 from</p>

	2008-2013 without regard to whether MidAmerican's revenue sharing net income exceeds 11.75%. The contingency shall be whether MidAmerican receives the bonus depreciation benefits for the Wind VI Iowa Project.
<b>Renewable Energy and CO2 Credits and the Like</b>	The Iowa jurisdictional portion of any revenues from the sale of renewable energy credits, carbon dioxide credits or other environmentally related benefits associated with the Wind VI Iowa Project shall be recorded above-the-line, in FERC accounts 456 and 411.8, by MidAmerican, through the 20-year depreciation life of such Projects (and thereafter as ordered by the Board in a contested case proceeding), such revenues and benefits shall be recorded in the accounts specified in Appendix 2 and included in the revenue sharing calculations of items "g" and "h" of the Stipulation and Settlement in Docket No. RPU-03-1.
<b>Federal Production Tax Credit</b>	The Iowa jurisdictional portion of any federal production tax credits associated with the Wind VI Iowa Project shall be recorded above-the-line, in FERC account 409.1, by MidAmerican, through its 20-year depreciation life (and thereafter as ordered by the Board in a contested case proceeding), such federal production tax credits shall be recorded in the accounts specified in Appendix 2 and included in the revenue sharing calculations of items "g" and "h" of the Stipulation and Settlement in Docket No. RPU-03-1.
<b>Wholesale Sales Revenue</b>	Through the revenue sharing calculation for calendar year 2013, the Iowa jurisdictional portion of wholesale sales revenue associated with the Wind VI Iowa Project shall be recorded above-the-line in the accounts specified in Appendix 2 and included in the revenue sharing calculations of items "g" and "h" of the Stipulation and Settlement in Docket No. RPU-03-1. Thereafter, the ratemaking treatment of the Iowa jurisdictional portion of wholesale sales revenue associated with the Wind VI Iowa Project shall be determined by the Board in a contested case proceeding.

**Article IV – Joint Motion**

The signatories shall jointly file with the Board this Stipulation and Agreement in the docket initiated by MidAmerican's filing of a ratemaking principles application pursuant to Iowa Code Section 476.53 for the Wind VI Iowa Project. The signatories shall also file with the Board a joint motion requesting that the Board accept this Stipulation and Agreement without condition or modification.

### **Article V – Condition Precedent**

This Stipulation shall not become effective unless and until the Board accepts the same in its entirety without condition or modification.

### **Article VI – Privilege and Limitation**

This Stipulation and Agreement is made pursuant to Iowa Code §17A.10 and 199 I.A.C. §7.2(11). This Stipulation and Agreement relates only to the specific matters referenced herein, and neither signatory waives any claim or right that it may otherwise have with respect to any matter not expressly provided for herein. Except as expressly provided in this Stipulation and Agreement, neither signatory shall be deemed to have approved, accepted, agreed or consented to any ratemaking principle, any method of cost of service determination, or any method of cost allocation underlying the provisions of this Stipulation and Agreement or be prejudiced or bound thereby in any other current or future proceeding before any agency. Except as necessary to implement Article III, this Stipulation and Agreement shall not, directly or indirectly, be referred to as precedent in any other current or future proceeding before the Board.

### **Article VII – Execution**

To facilitate and expedite execution, this Stipulation and Agreement may be executed by the signatories in multiple conformed copies which, when the original signature pages are consolidated into a single document, shall constitute a fully-executed document binding upon all the signatories. The facsimile signatures of the signatories shall be deemed to constitute original signatures, and facsimile copies hereof shall be deemed to constitute duplicate originals.

### **Article VIII – Modification and Amendment**

This Stipulation and Agreement shall not be amended or modified except by an instrument in writing signed by all signatories.

**Article IX – Term**

This Stipulation and Agreement shall remain in effect as long as the Wind VI Iowa facilities covered by the Ratemaking Principles in Article III continue to provide regulated electric service to Iowa consumers.

**Article X – Binding Nature**

This Stipulation and Agreement shall be binding on the signatories. The signatories shall take no actions directly or indirectly to eliminate or otherwise limit or expand the scope or effect of this Stipulation and Agreement throughout its term.

**Article XI – Further Assurances**

The signatories agree to cooperate in order to effectuate the full and complete intent of the signatories as expressed in this Stipulation and Agreement.

**Article XII – Entire Agreement**

This Stipulation and Agreement contains the entire agreement between the signatories. There are no additional terms, whether consistent or inconsistent, oral or written, that have not been incorporated into this Stipulation and Agreement

MIDAMERICAN ENERGY COMPANY

OFFICE OF CONSUMER ADOCATE

(Signature)



(Signature)



Name: William J. Fehrman

Name: John R. Perkins

Date: 7/13/08

Date: 7/13/08