EXHIBIT 1

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Midwest Independent Transmission System Operator, Inc. and Midwest Independent Transmission System Operator, Inc. Transmission Owners	)))))	**Docket No. ER10-1791-000**

MOTION TO INTERVENE AND PROTEST OF MIDAMERICAN ENERGY COMPANY

Pursuant to Rules 211, 212, and 214 of the Federal Energy Regulatory Commission's ("Commission" or "FERC") Rules of Practice and Procedure,[1] MidAmerican Energy Company ("MidAmerican") respectfully submits its Motion to Intervene and Protest in the above-captioned proceeding.

I. Service List Designations

MidAmerican designates the following persons to receive service and communications on its behalf with regard to this proceeding:

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[1] 18 C.F.R. §§ 385.211, 212, and 214

II. Description of MidAmerican

The exact name of MidAmerican is MidAmerican Energy Company. MidAmerican, an Iowa corporation, is an electric and natural gas utility serving regulated retail customers in the states of Iowa, Illinois, South Dakota, and Nebraska, and competitive retail customers in the central and eastern United States. Additionally, MidAmerican is actively engaged in marketing wholesale electric power in various regions. Its corporate headquarters is located at 666 Grand Avenue, Suite 500, Des Moines, Iowa 50309-2580. MidAmerican is subject to the jurisdiction of the Commission, the Iowa Utilities Board, the Illinois Commerce Commission, the South Dakota Public Utilities Commission, and certain Nebraska municipalities. On September 1, 2009, MidAmerican became a Transmission Owning member of the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO").

III. Background

On July 15, 2010, the Midwest ISO and the Midwest ISO Transmission Owners, consisting of a majority of the Transmission Owners that are members of the Midwest ISO[2] (together, the "Filing Parties") filed revisions to the Midwest ISO Open Access Transmission, Energy and Operating Reserve Markets Tariff ("Tariff"). The Filing Parties are proposing a new category of transmission projects designated as Multi Value Projects ("MVPs"); a broad cost allocation methodology for such MVPs; changes to the method of allocating costs of Network Upgrades to Generator Interconnection Projects

[2] See footnote 2 of the filing for a list of those Midwest ISO Transmission Owners that are joining in the filing.

("GIPs") to eliminate certain free riders; and retention of the existing cost allocation for GIPs, Baseline Reliability Projects ("BRPs"), and Market Efficiency Projects ("MEPs"), previously known as Regionally Beneficial Projects ("RBPs").

By notice issued July 20, 2010, the Commission set September 10, 2010 as the deadline for the filing of interventions and comments.

IV. Motion for Leave to Intervene and Protest

As a Transmission Owning Member of the Midwest ISO, MidAmerican has a substantial interest in and will be affected by the outcome of this proceeding, which interest cannot be adequately represented by any other party. MidAmerican seeks to intervene and protest in this proceeding to protect its interest and that of the public it serves.

V. Summary of Comments

MidAmerican is appreciative of the Midwest ISO, the Cost Allocation and Regional Planning ("CARP") working group of the Organization of MISO States, Inc. ("OMS"), and the numerous stakeholders for a robust and constructive stakeholder process that preceded the Filing Parties proposing cost allocation for MVPs. While MidAmerican did not join with the Filing Parties in this proceeding, MidAmerican submits that the filing is a significant step forward in developing a broad cost allocation method that is intended to facilitate major transmission projects, which provide multiple values and/or which responds to public policy and regulatory requirements. This is a significant step forward because at this point broad cost allocation is the final missing link to the development of a robust transmission system in the Midwest ISO footprint that

was begun with the Commission's prior orders addressing regional planning in Order Nos. 888-890 and in terms of incentives for transmission construction in Order No. 679.[3]

A. Summary of Concerns and Recommendations for Improvements

Unfortunately, while MidAmerican agrees with a number of aspects of the Filing Parties' broad cost allocation proposal, MidAmerican is concerned with one key aspect and several lesser aspects of the proposal, as follows:

1. MidAmerican's main issue of concern is the lack of fairness with regard to allocating transmission costs to generation versus load. Simply put, Generator Owners should pay a portion of the cost of MVPs. Generator Owners are a different group from Load Serving Entities. Generator Owners, as well as Load Serving Entities, will be beneficiaries and users of the MVPs, the costs of which are allocated by the approach proposed by the Filing Parties.
2. The OMS CARP proposed to allocate 20% of the costs of Unique Purpose Projects ("UPPs")[4] to Generator Owners.[5] The OMS CARP proposal is a more

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[3] *Promoting Transmission Investment Through Pricing Reform*, Order No. 679, FERC Stats. & Regs. ¶ 31,222 (2006), *order on reh'g*, Order No. 679-A, FERC Stats. & Regs. ¶ 31,236, *order on reh'g*, Order No. 679-B, 119 FERC ¶61,062 (2007).

[4] UPPs are defined at http://www.misostates.org/CARP17SupportingTransmissionOwnersProposalWhitepaper_Modified%20_41310_.pdf as projects that "facilitate the development of renewable or low carbon or no carbon resources (including nuclear resources) that are location-constrained, including remote generation resources". The UPPs are similar to Criterion 1 MVPs in the proposal of the Filing Parties. As provided on page 21 of the Filing Letter, Criterion 1 MVPs primarily support "energy policy mandates or laws that directly or indirectly govern the minimum or maximum amount of energy that can be generated by specific types of generation" or for example, renewable or low carbon or no carbon resources.

[5] CARP 17 - Final Vote Document- revised April 22 posted as meeting materials for the OMS 17th CARP meeting held on April 21-22, 2010 in Carmel, IN on the CARP web site ("OMS CARP Proposal") provides other aspects which are different from the cost allocation proposed by the Filing Parties.

equitable approach to broad cost allocation in the Midwest ISO than the approach proposed by the Filing Parties because it allocates costs to both Load Serving Entities and to Generator Owners. The OMS CARP proposal was supported by a consensus of state authorities.[6] Further, the market impacts that the Midwest ISO has attributed to allocating a portion of the MVPs to Generator Owners are not significant, or are at least no more significant in terms of market impacts with regard to the OMS CARP approach, than the market impacts of the approach proposed by the Filing Parties and, in any event, such market impacts are offset by the consideration of equity.

3. MidAmerican has concerns with several other issues with regard to the proposed Tariff changes. These include the need to (1) add a provision requiring that MVPs either provide multi-state benefits or meet multi-state requirements; (2) clarify the definition of MVP by adding a provision that MVPs include transmission projects that meet documented state or federal public policy mandates or laws beyond the energy policy mandates currently in the proposal of the Filing Parties concerning the amounts of required or allowable energy by type of generation[7] ; and (3) add a requirement that estimated benefits from multiple scenarios of economic conditions or public policy or multiple "futures" are

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[6] 10 out of 13 state OMS CARP representatives voted for the OMS CARP proposal as recorded in the minutes for the April 28, 2010 Midwest ISO RECB Task Force and posted in the materials for the May 24-25 Midwest ISO RECB Task Force meeting on the Midwest ISO web site ("OMS CARP April 28 2010 Minutes").

[7] Examples include energy policy mandates such as no-carbon, low-carbon, and renewable portfolio standards.

combined into a single estimate of expected MVP benefits by weighting estimated benefits from futures by the relative likelihood of such futures as described in the detailed comments and meeting materials for the Midwest ISO Planning Advisory Committee ("PAC").[8]

4. MidAmerican also is concerned about the need to revise the Midwest ISO Regional Expansion Criteria and Benefits ("RECB") II cost allocation approach for Market Efficiency Projects. The current approach, which includes a benefit/cost ratio hurdles from 1.2:1 to 3.0:1, depending on the time until planned in-service date, has resulted in only one project qualifying for RECB II cost allocation in the Midwest ISO Transmission Expansion Plan ("MTEP") 2008 and the MTEP 2009, the two MTEPs that have been approved by the Midwest ISO Board while the RECB II cost allocation procedures were available to be used in allocating costs associated with MTEP transmission investments.[9]

Therefore, MidAmerican requests that the Commission order the Filing Parties to:

1. Revise the tariff changes to include the allocation of a significant portion of the costs of MVPs to Generator Owners with the current Network Upgrade approach

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[8] Transmission Planning BPM Section 4.4 Proposed language PAC 06302010 redlined.pdf , materials for the July 7, 2010 meeting of the MISO Planning Advisory Committee (PAC) on the Midwest ISO web site. Midwest ISO has proposed to include the changes in the Midwest ISO Business Practice Manual rather than the Tariff.

[9] MTEP 08 Midwest ISO Transmission Expansion Plan 2008, page 198 and MTEP 09 Midwest ISO Transmission Expansion Plan 2009, page 24. Also, Midwest ISO Tariff Attachment FF, Original Sheet No. 3448 and 3449.

maintained. Full consideration should be given to adopting the OMS CARP method as the basis for a revised cost allocation approach for MVPs.

2. Add a multi-state requirement to the definition of MVPs; clarify the definition of MVP to include transmission projects that meet state or federal policy mandates beyond the state or federal energy policy mandates as currently proposed by the Filing Parties concerning the amounts of required or allowable energy by type of generation ; and add a requirement that potential futures are weighted by the likelihood of such futures.

3. Revise the Midwest ISO RECB II approach for Market Efficiency Projects in a separate stakeholder process to better encourage Market Efficiency Projects and provide a Compliance Filing no later than one year from the date of Commission's order in this proceeding. The stakeholder process should give full consideration to adopting a benefit/cost ratio hurdle of 1.0:1 – the benefit/cost ratio for Criterion 2 MVPs as proposed by the Filing Parties. If the Commission does not choose to order the Filing Parties to establish such a stakeholder process, MidAmerican requests the Commission require the Midwest ISO to revise the benefit/cost ratio hurdle in RECB II to 1.0:1.

B. Summary of Aspects of Support

MidAmerican supports a significant portion of the Filing Parties' proposal for broad cost allocation without change. These aspects include:

1. The approach proposed by the Filing Parties to maintain the current Network Upgrade approach, which the OMS CARP proposal also includes. Since many

Network Upgrades that are currently assigned to Interconnection Customers may be categorized as MVPs with this approach, on the average, the approach will significantly reduce the costs assigned to new generators while providing a price signal to new generators to locate near MVPs or existing transmission.[10]

2. The proposed approach to determine Network Upgrades that are eligible to be categorized as a Shared Network Upgrade ("SNU") and shared among generators who benefit from the upgrades.[11]
3. The proposal to cost allocate only future transmission projects since a broad cost allocation is not needed for existing transmission facilities or transmission projects already approved by the Midwest ISO Board for construction.[12]

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[10] *Midwest ISO,* Docket No. ER10-1791, Filing Letter, page 37.

[11] *Id.*, page 37.

[12] *Id.*, pages 20 and 21.

VI. Comments

MidAmerican provides its detailed comments in the following section by first describing in detail its concerns and then areas of the filing that MidAmerican supports.

A. A Portion of MVP Costs Should Be Allocated to Generator Owners.

The MVPs include regional projects, such as the starter projects in Tab J of the filing, which will result in about $4.6 billion investment over the next 10 years and provide multiple values, including $400 million to $1.3 billion in aggregate annual adjusted production cost savings, as provided on page 16 of the Filing Letter. Such facilities at least partially benefit Generator Owners who are a different group than Load Serving Entities and therefore, such costs should be allocated to Generator Owners as well as Load Serving Entities.

The Midwest ISO first introduced the stakeholders to some new concepts concerning cost allocation at a July 29, 2009 meeting of the Midwest ISO RECB Task Force with the "Transmission Injection/Withdrawal Cost Allocation Whitepaper"[13]. On page 2 of that paper, it is indicated that injections are energy sources that provide energy to the regional transmission organization ("RTO") transmission system such as internal generation and imports, and that withdrawals are internal loads and energy exports. The Midwest ISO and many stakeholders recognized it as one approach that is appropriate for

[13] Transmission Injection/Withdrawal Cost Allocation Whitepaper July 24, 2009 Version 1.0 available on the Midwest ISO web site as material for the July 29, 2009 Midwest ISO Regional Expansion Criteria and Benefits (RECB) Task Force.

consideration as a broad cost allocation approach for regional projects.[14] The injection/withdrawal cost allocation method is intended to allocate the annual revenue requirements of a transmission facility to all users or beneficiaries of the transmission facility on an equitable basis including the costs associated with both injections (including internal generation and imports) and withdrawals (including load and exports). Further, the method is intended to allocate some transmission costs to existing loads and generators given that all loads and generators benefit from a robust interconnected transmission system.

On page 2 of the Filing Letter, the Filing Parties state that the "new MVP transmission project category, and its associated broad-based cost allocation, are designed to: (1) facilitate the integration of large amounts of location-constrained resources, including renewable generation resources...." Despite this statement in the Filing Letter, the Midwest ISO filing does not include any mechanism to assign MVP costs to Generator Owners. It is inherently unfair that one of the key reasons for the MVP category and allocation is to facilitate the integration of location-constrained resources which are primarily facilities of Generator Owners and not Load Serving Entities and yet not allocate any portion of MVPs to these Generator Owners.

On page 14 of the Filing Letter, the Filing Parties state that "the courts and the Commission have consistently found that an integrated transmission network, such as the

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[14] RECBTF Motion 1 Results Final 20100112.pdf which is a straw poll on a motion to move forward with further defining and to develop business rules needed to implement the Injection/Withdrawal methodology available on the Midwest ISO web site as material for the December 16, 2009 Midwest ISO meeting.

Midwest ISO's benefits all users of the network" and on page 3 of the Filing Letter, they state that consistent "with the cost-causation principle that is the touchstone of just and reasonable cost allocation, the enclosed revisions allocate new transmission project costs to those that use and benefit from the new facilities." The proposal put forth by the Midwest ISO results in all of the costs being assigned to loads and exports despite the fact that Generator Owners also benefit from MVPs. It is unfair that users of the MVPs include Load Serving Entities and Generator Owners and yet Generator Owners are not assigned any costs. The fact that no MVP costs are assigned to Generator Owners even though Generator Owners do in fact benefit from MVPs results in the filing not meeting the requirement that cost allocations be at least roughly commensurate with benefits.[15]

Further, while MidAmerican recognizes that the discussions in stakeholder meetings do not represent the final views of the stakeholders, including the Midwest ISO, it should be noted that up until the last month before the filing, the Midwest ISO provided for the allocation of some of the costs of the regional overlay (made up of MVPs) to generators, as well as, loads.[16]

The Commission should require the Midwest ISO to revise its proposal to assign some costs of the MVPs to Generator Owners (the "injections" in the injection/withdrawal approach to cost allocation) in order to avoid allowing Generator Owners to become free riders at the expense of Load Serving Entities.

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[15] *Illinois Commerce Commission v. FERC*, 576 F.3d 470, 477-478 (7th Cir. 2009).

[16] Cost Allocation Straw Proposal 060310.pdf available on the Midwest ISO web site for the meeting materials for the June 10 and 11, 2010 Midwest ISO RECB Task Force.

B. The OMS CARP Proposal Is an Equitable Approach.

The final result of a consensus of state authorities in the Midwest ISO footprint, the OMS CARP, for the most part provides an equitable approach for the broad cost allocation of MVPs. The OMS CARP indicated consensus for this proposal[17] as a compromise of the interests of the state authorities across the Midwest ISO footprint.

Under the OMS CARP approach, Unique Purpose Projects ("UPPs") and RECB II Market Efficiency Projects were proposed to be allocated 80% to MWh load and exports and 20%[18] to MW existing and new generation and imports on a region wide basis using net demonstrated capability.[19] In the OMS CARP state authority consensus approach, UPPs are allocated in a similar manner to Criterion 1 MVPs[20] but differently than the cost allocation proposed by the Filing Parties in other aspects.[21] The OMS

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[17] 10 out of 13 state OMS CARP representatives voted for the OMS CARP proposal as recorded in OMS CARP April 28 2010 Minutes.

[18] In the OMS CARP approach, the Transmission Usage Analysis that the Filing Parties mention on page 17 of their filing letter would be used to determine this percentage and after 5 years the Transmission Usage Analysis would be reviewed to determine if this quantity should be changed.

[19] OMS CARP Proposal is described at http://www.misostates.org/CARP17FinalVoteDocument4-22-10.pdf as amendments to the Midwest ISO Straw Proposal as set forth in its March 22, 2010 document entitled: "Transmission Cost Allocation Design."

[20] UPPs are defined at http://www.misostates.org/CARP17SupportingTransmissionOwnersProposalWhitepaper_Modified%20_41310_.pdf as projects that "facilitate the development of renewable or low carbon or no carbon resources (including nuclear resources) that are location-constrained, including remote generation resources". The UPPs are similar to Criterion 1 MVPs in the proposal of the Filing Parties. As provided on page 21 of the Filing Letter, Criterion 1 MVPs primarily support "energy policy mandates or laws that directly or indirectly govern the minimum or maximum amount of energy that can be generated by specific types of generation" or for example, renewable or low carbon or no carbon resources.

[21] CARP 17 - Final Vote Document- revised April 22 posted as meeting materials for the OMS 17th CARP meeting held on April 21-22, 2010 in Carmel, IN on the CARP web site ("OMS CARP Proposal") provides other aspects which are different from the cost allocation proposed by the Filing Parties.

CARP state authority consensus approach would be equitable by assigning some of the costs to Generator Owners. MidAmerican does not support **all** of the aspects of the of the OMS CARP approach; however, MidAmerican still believes that the approach is more equitable than the Filing Parties' proposal because at least some of the MVPs costs are allocated to Generator Owners.[22]

C. The Potential Market Distortions of Allocating MVP Costs to Generation with the OMS CARP Approach Are Insignificant.

The testimony of Mr. Ramey of the Midwest ISO is relied upon by the Filing Parties to provide a summary of the market impacts of their proposal. For the purpose of this summary, Mr. Ramey refers to market impact analysis performed by LECG, LLC ("LECG") for the Midwest ISO as noted on page 2 of his testimony. LECG prepared two reports during the stakeholder process resulting in this filing: one dated March 5, 2010 and one dated June 9, 2010.[23] Each of these reports provided an assessment of the market impacts of the draft Midwest ISO broad cost allocation at that time without consideration of fairness. In fact, both reports indicate on their separate page 11s that assessing the balance of equities either quantitatively or qualitatively is not the focus of the LECG analysis; rather that the focus of the analysis is to "provide a qualitative assessment of the market impacts" of proposed cost allocation approaches. The later

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[22] For example, MidAmerican does not support including RECB II in the broad cost allocation for MVPs. RECB II projects are not MVPs and therefore the costs of such projects are appropriately allocated using a different method than the cost allocation method proposed for MVPs.

[23] LECG - Evaluation of MISO Injection-Withdrawal Transmission Cost Allocation Design 20100305.pdf available on the Midwest ISO web site for the March 11 and 12, 2010 MISO RECB meeting. Also, Cost Allocation Straw Proposal 060310.pdf available on the Midwest ISO web site for the June 10 and 11, 2010 MISO RECB meeting.

report provides more insight into the issue of allocating costs to generation across the entire Midwest ISO footprint as provided by the OMS CARP approach, and, therefore, this report is referred to throughout the rest of this section.

At the time of the second LECG report dated June 9, 2010, the Midwest ISO was still proposing an injection/withdrawal approach but with an 80/20 allocation of MVPs to load versus generation and imports. From this report, the market impacts of the OMS CARP cost allocation approach, which involves an injection/withdrawal-like approach with an 80/20 allocation of UPPs (similar to MVPs) to load and exports versus generation, can be deduced.

On page 4 of Mr. Ramey's testimony, he mentions generation market distortions and that as a result of these distortions the Filing Parties' broad cost allocation proposal was structured such that 100% of the costs of MVPs are allocated to load, export, and wheel-through transactions. A key issue associated with adoption of MidAmerican's proposed position that some MVP costs be assigned to Generation Owners via the OMS CARP approach is whether or not the alleged market distortion associated with assigning MVP costs to generation in the manner of the OMS CARP approach is in fact valid.[24]

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[24] It should be noted that there are other market distortion issues presented in the LECG reports that would need to be considered when developing a broad cost allocation proposal based upon the OMS CARP consensus approach. These include the prospective nature of the transmission usage analysis, as presented in page 32 of the March 5, 2010 LECG report; the market distortion impacts of energy storage generation facilities which can be resolved with adjustments to the way costs are allocated to these facilities; and allocation of costs to both imports and exports. These issues are not discussed in MidAmerican's comments because they are not central to the main design difference between the OMS CARP consensus approach and the approach proposed by the Filing Parties, which is whether costs should be allocated to generation and the corresponding market impacts. MidAmerican would propose that these other market issues be considered in developing the full design of the broad cost allocation from the OMS CARP approach. Many of them can be resolved in the same way that they are resolved in the broad cost allocation proposed by the Filing Parties.

There are five primary potential market distortions associated with allocating MVP costs to generation in the manner of the OMS CARP approach across the Midwest ISO footprint per LECG June 9, 2010 report. As detailed below, for each potential market distortion, LECG has also identified offsetting factors that may minimize or eliminate the impacts, or suggest that the LECG-identified impact would not occur with adoption of the OMS CARP proposal. In the following paragraphs, these potential market distortions are discussed one-by-one, including an assessment of the impacts of these potential distortions.

LECG states that broadly allocating MVP costs to generation in the manner of the OMS CARP approach will:

1. Raise the cost of generation to serve Midwest ISO load in a way that adversely affects reliability within the Midwest ISO footprint by resulting in a reduction in available generation.[25] However, LECG also states that if the Midwest ISO Module E resource adequacy requirements work effectively, any such increases in generation costs would not lead to an undue reduction in available generation because they would be offset by an increase in capacity payments, either through bilateral contracts or the voluntary auction process."[26] It must be presumed from

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[25] Page 30 of June 9, 2010 LECG Report.

[26] *Id.*, page 32.

Commission acceptance that the Midwest ISO established a proper design for Module E.[27]

2. Fail to insure that sponsors of new generation have an incentive to pursue only those generation projects that, together with the transmission investment required to support such projects, provide benefits greater than their costs.[28] However, LECG also states that "complete elimination of the generator access charge if zero percent of the MVP transmission costs were allocated to generation might somewhat exacerbate this adverse effect as none of the MVP transmission costs would be imposed on generator...."[29]
3. Distort generation investment between load and high availability generation in a way that raises the cost of meeting consumer electricity demand within the Midwest ISO footprint. LECG states that assigning "transmission charges on a per megawatt nominal capacity basis, rather than based on some availability adjusted measure, will not have a symmetric impact on intermittent and conventional generation."[30] Therefore, with the OMS CARP approach, this issue is resolved because the generator access charges are assigned to net demonstrated

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[27] http://www.midwestmarket.org/publish/Document/1d44c3_11e1d03fcc5_-7cf90a48324a/Modules.pdf?action=download&_property=Attachment.

[28] Page 31 of June 9, 2010 LECG Report.

[29] *Id.*, page 34.

[30] *Id.*, page 31.

capability or equivalent.[31] Therefore, in the case of the intermittent generation such net demonstrated capability involves adjusting the nameplate MW downward to reflect its intermittent nature and thus indirectly to reflect the reduced availability of the intermittent generation.

4. Result in unpredictable future transmission access charges. This could impact the riskiness of investments in new generation and/or the willingness of generators to enter into long-term contracts or could lead to some increase in the required margins in such forward capacity contracts. However, LECG notes that "the effect is not expected to be material if Module E operates as intended as these costs would be borne by load serving entities under capacity contracts."[32] Both the approach proposed by the Filing Parties and the OMS CARP approach provide for cost benefit and economic analysis in the transmission planning process to mitigate any uncertainty. Further, as indicated before, the Commission has accepted Module E of the Tariff as provided in the Tariff.[33]

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[31] In this way, if the net demonstrated MW capability of a wind farm is 10% of the MW nameplate, then the MVP transmission costs are assigned to the wind farm based upon the 10% of the MW nameplate rather than the full MW nameplate of the wind farm. The net demonstrated MW capability is based on history concerning the intermittent nature of wind farms and therefore, indirectly the history of the availability of wind farms.

[32] Page 37 of June 9, 2010 LECG Report.

[33] http://www.midwestmarket.org/publish/Document/1d44c3_11e1d03fcc5_-7cf90a48324a/Modules.pdf?action=download&_property=Attachment.

5. Result in access charges paid by **generation** under the MVP methodology[34] that may be far less than the actual transmission costs incurred to allow use of that generation to meet load elsewhere in the Midwest ISO as noted on page 42 of the June 9 LECG report. However, while the MVP methodology, "is clearly not perfect in this assignment of costs" it is "not apparent that it is systematically worse than other methodologies that socialize the costs of these transmission investments, as long as the projects funded by the MVP charges are subjected to some form of cost benefit or other economic analysis somewhere in the transmission project approval process."[35]

As a result, MidAmerican concludes that the generation-related market impacts that Todd Ramey addresses are not significant, or are at least no more significant in terms of market impacts with regard to the OMS CARP proposal, than the market impacts of the approach proposed by the Filing Parties and, in any event, such market impacts are offset by the consideration of equity. Therefore, the Midwest ISO's justification for not allocating any costs to Generator Owners based on market effects does not apply to the OMS CARP proposal for 20% to generation in the footprint.

D. The Commission Should Retain RECB I for Reliability Projects But Address Shortcomings of RECB II for Market Efficiency Projects Within One Year.

On page 4 of the Filing Parties' letter, the Midwest ISO notes that both of the existing cost allocation processes, RECB I for Baseline Reliability Projects and RECB II

[34] The draft MVP methodology at the time of the June 9, 2010 LECG Report assigned 20% of the MVP costs to generation.

[35] Page 42 of June 9, 2010 LECG Report.

for Regional Beneficial Projects (renamed Market Efficiency Projects) are retained at this time. The Midwest ISO agrees with stakeholders that such cost allocation methodology will be subject to continued review and evaluation through the stakeholder process. RECB I has sufficiently provided for the cost allocation of projects resulting in the sharing of approximately $2.48 billion of investment in MTEP 2006 through MTEP 2009. [36] In contrast, the RECB II process has resulted in only one project with an investment of $5,655,000 in MTEP 2009 being qualified for the RECB II cost allocation over the MTEP 2008 and the MTEP 2009, the two MTEPs that have been approved by the Midwest ISO Board while the RECB II cost allocation procedures were available.[37] As a result of the projects that have been cost allocated, RECB I must be working reasonably well while RECB II is not working as intended in that undoubtedly there must be more than one Market Efficiency project that should be cost allocated in a footprint as large as that of the Midwest ISO. MidAmerican notes that in the Commission's Notice of Proposed Rulemaking ("NOPR") on Transmission Planning and Cost Allocation, Docket No. RM10-23-000, the Commission indicated that if a cost allocation approach includes a benefit/cost ratio hurdle for economic projects, such hurdle should not be higher than 1.25:1.[38] The RECB II cost allocation approach has a benefit/cost hurdle of from 1.2:1 to 3.0:1 depending on the time until planned in-service date; while the approach the Filing

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[36] From Midwest ISO MTEP 2006, 2007, 2008 and 2009 reports.

[37] From Midwest ISO MTEP 2008 and 2009 reports.

[38] *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, 131 FERC ¶ 61,253, page 92.

Parties are proposing for broad cost allocation of MVPs includes a benefit/cost ratio hurdle of 1.0:1.[39] Therefore, the Commission should require that the Midwest ISO revise the RECB II cost allocation approach to meet the requirements of the FERC NOPR and submit a Compliance Filing within one year of the date of the order in this proceeding to resolve the issues with RECB II methodology in such a way as to provide more incentive to the construction of reasonable Market Efficiency projects. This process should give full consideration to adopting a benefit/cost ratio hurdle of 1.0:1. If the Commission chooses not to order the Midwest ISO to establish such a stakeholder process, the Commission should require the Midwest ISO to modify its RECB II cost allocation method to incorporate a benefit/cost ratio hurdle of 1.0:1.

E. The Midwest ISO's Transmission Planning Requirements Should Be Modified.

A key element of the filing made by the Filing Parties is the aspect in which projects are determined by the transmission planning process to be part of the Midwest ISO Transmission Expansion Plan. Given the importance of the transmission planning process in being the "gate keeper" for the projects that are included in Appendix A and therefore potentially eligible for broad cost allocation, the details of such a process need to be clearly described in Attachment FF to the Tariff.

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[39] Filing Letter, page 21.

In various places in the filing, there are references to the need for a robust and strong interconnected transmission system.[40] In addition, on page 10 of Mr. Webb's testimony, he identifies that "addressing transmission issues farther in the future than the expected lead-time for construction are typically held in Appendix B to allow for adjustment, should requirements change." On page 2 of the Filing Letter, Midwest ISO indicates that the "new MVP transmission project category, and its associated broad-based cost allocation, are designed to", in part, "address multiple reliability needs and provide economic opportunities through regional transmission development." These statements reflect the goal to develop regional improvements as part of "robust least regrets" plans.

Therefore, MidAmerican requests the Commission direct the Filing Parties to make the following changes to ensure that regional improvements are developed as a part of "robust least regrets" plans:

1. Add a seventh provision to II.C.2 that all MVPs must provide quantifiable value to beneficiaries in each of two or more states or meet mandates in more than one state so as to ensure that transmission projects produce broad enough benefits, or meet mandates that are broad enough, to justify broad cost allocation to the Midwest ISO footprint. Under the proposed tariff language, one requirement to

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[40] For example, on page 8 of Mr. Moeller's testimony, he notes that "the Midwest Governor's Association ("MGA") indicated its belief that a strong, robust regional transmission system is critical for the MGA states to meet their RPS [Renewable Portfolio Standard] mandates and goals." On page 9 of Mr. Moeller's testimony, he states that Midwest ISO's principles for guiding its planning efforts ensure a "delivery infrastructure sufficiently robust to meet North American Electric Reliability Corporation ("NERC") or Regional Entity reliability standards and to enable competition among wholesale energy suppliers."

qualifying a project as an MVP is that the project must provide benefits across more than one pricing zone. The consequence of such language is that projects which benefit only one state can meet the criteria. This likely unintended consequence occurs because in the Midwest ISO there are several instances of states having more than one pricing zone but the pricing zones only contain facilities within that one state. Examples include Illinois, Indiana, Michigan, Minnesota and Wisconsin. With MidAmerican's suggested changes to the filed tariff provisions, a transmission project that only has the purpose of delivering energy from renewable resources in one state to the load in the same state would not automatically be classified as an MVP. In order for such a project to be classified as an MVP, the project would have to also meet the compliance requirements of two or more states or provide quantifiable economic value to each of two or more states. This is a reasonable limitation to projects that are to provide regional benefits and therefore justify broad cost allocation to the Midwest ISO footprint. Without such a requirement, the cost allocation cannot be shown to meet the requirement that costs are allocated roughly commensurate with benefits.[41]

2. Clarify the definition of MVP by adding a provision that MVPs include transmission projects that meet documented state or federal public policy mandates or laws other than the energy policy mandates currently in the proposal

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[41] *Illinois Commerce Commission v. FERC*, 576 F.3d 470, 477-478 (7th Cir. 2009).

of the Filing Parties. Criterion 1 on Original Sheet No. 3451A provides that a "Multi Value Project must be developed through the transmission expansion planning process for the purpose of enabling the Transmission System to reliably and economically deliver energy in support of documented energy policy mandates or laws that have been enacted or adopted through state or federal legislation or regulatory requirement that directly or indirectly govern the minimum or maximum amount of energy that can be generated by specific types of generation." Criterion 1 of the Tariff should be modified to also provide for projects that meet other documented public policy mandates or requirements that have been enacted or adopted through state or federal legislation or regulatory requirement beyond the energy policy mandates or laws providing for requirements such as no-carbon, low-carbon, or renewable portfolio standards. In combination with the provision for MVP projects to provide multi-state benefits or meet multi-state requirements, this addition provides appropriate incentive to encourage multi-state transmission construction.

3. MidAmerican notes that one concern with the evaluation of the benefits of MVPs is the approach that is used to develop a forecast of the benefits of each MVP. This evaluation typically involves a method of combining the estimated benefits from multiple scenarios or multiple futures into a single estimate of expected MVP benefits. The multiple scenarios represent different possible future economic conditions or public policy decisions as provided on page 10 of Mr. Lawhorn's testimony. As Mr. Lawhorn indicates the "futures utilize a wide range

of assumptions around demand growth levels, inflation rates, fuel costs, wind penetrations, and carbon regulations." In the past, one way the Midwest ISO has developed a single estimate of benefits for proposed Market Efficiency projects was by taking a simple average of the estimated benefits for each future.[42] The Midwest ISO has developed a method that improves this process by using a weighting factor for each future based upon the estimated likelihood of that future relative to other futures in collaboration with the PAC.[43] This method is a significant improvement in the estimating of benefits for proposed transmission system improvements. As a result, the Commission should require the Midwest ISO to make changes to the Tariff to provide this weighting factor approach for determining the benefits in all Midwest ISO cost allocations.

F. MidAmerican Supports the Proposal to Maintain the Current Network Upgrade Approach and to Develop the SNU Project Category.

MidAmerican supports the continued use of the Network Upgrade for GIPs cost allocation approach currently in place and as provided in the Filing Parties' proposal. This approach includes 90% cost assignment to new generators for 345 kV and above network upgrades with the rest of the costs allocated to footprint load, while 100% of the costs are assigned to new generators for below-345 kV network upgrades. While this is no change from the current formula, this approach typically will result in substantially

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[42]Page 210 of MTEP 09 Report_2009_12_Final.pdf which is under Documents/Planning Information/Expansion Planning/Midwest ISO Transmission Expansion Plan (MTEP)/Approved Midwest ISO Transmission Expansion Plan (MTEP)/MTEP 2009 on the Midwest ISO web site.

[43] Transmission Planning BPM Section 4.4 Proposed languagePAC 06302010 redlined.pdf, materials for the July 7, 2010 meeting of the MISO Planning Advisory Committee (PAC) on the Midwest ISO web site.

less cost responsibility imposed on the Generator Owner for Network Upgrades under either the OMS approach or the Midwest ISO proposal than currently. As indicated on page 30 of the Filing Parties' letter, "Network Upgrades that could be assigned to Interconnection Customers under the current GIP cost allocation may now be designated as MVPs that individual Interconnection Customers would not be required to fund." Further, the approach provides a locational pricing signal to new generators to locate near an MVP.

Development of the Shared Network Upgrade ("SNU") project category ensures that Interconnection Customers that pay for Network Upgrades receive compensation from future Interconnection Customers benefitting from those Network Upgrades. MidAmerican supports this approach to reduce free riders with regard to Interconnection Customer Network Upgrades.

G. MidAmerican Supports the Proposal to Apply the Cost Allocation to Future Projects Only.

MidAmerican supports the requirement that projects must be approved after July 15, 2010 by the Midwest ISO Board of Directors to be eligible for consideration as an MVP. This definition insures that facilities planned and constructed without the availability of incentives will not be provided an unanticipated subsidy of broad cost allocation provided in the filing. Reallocating the cost of such projects would needlessly result in unfair cost shifts of these existing facilities.

VII. Conclusion

For the foregoing reasons, MidAmerican moves to intervene and protest in this proceeding and to be afforded all of the rights appropriate to a party.

DATED this 10th day of September, 2010.

Respectfully Submitted,

MIDAMERICAN ENERGY COMPANY

BY: */s/ Suzan M. Stewart*

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Certificate of Service

I hereby certify that a copy of the foregoing document has been served on this day upon each person designated on the official service list compiled by the Secretary for this proceeding.

Dated at Sioux City, Iowa, this 10th day of September, 2010.

/s/ Suzan M. Stewart
Suzan M. Stewart