

173 FERC ¶ 61,228  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, DC 20426

December 17, 2020

In Reply Refer To:  
Midcontinent Independent System  
Operator, Inc.  
MidAmerican Energy Company  
Docket No. ER21-161-000

MidAmerican Energy Company  
666 Grand Avenue  
Suite 500  
Des Moines, IA 50309

Attention: Kady J. Billam, Esq.  
Attorney for MidAmerican Energy Company

Dear Ms. Billam:

1. On October 20, 2020, pursuant to section 205 of the Federal Power Act (FPA)<sup>1</sup> and Part 35 of the Commission's regulations,<sup>2</sup> Midcontinent Independent System Operator, Inc. (MISO) and MidAmerican Energy Company (MidAmerican) filed revisions to MidAmerican's Attachment O formula rate template in the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff) to modify the method by which MidAmerican calculates average Accumulated Deferred Income Tax (ADIT) balances in its annual transmission formula rate true-up calculation so as to preserve the effect of the application of the proration methodology used in the projected test year calculation.<sup>3</sup> As discussed below, we accept MidAmerican's proposed formula rate revisions, effective January 1, 2021.

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<sup>1</sup> 16 U.S.C. § 824d.

<sup>2</sup> 18 C.F.R. pt. 35 (2020).

<sup>3</sup> MISO joins in the filing in its role as the administrator of the Tariff but takes no position on the substance of the filing. In this order, for ease of reference, we refer to the applicant as MidAmerican.

2. MidAmerican states that when determining depreciation, utilities that employ a projected test year must apply a proration methodology set forth in section 1.167(l)-1(h)(6)(ii) of the Internal Revenue Service's (IRS) regulations to determine the amount of the reserve for deferred taxes to be excluded from rate base.<sup>4</sup> MidAmerican states that it uses a projected test year, and Note F of its Attachment O presently clarifies that the calculation of ADIT balances for the projected test year revenue requirement will utilize the IRS's proration methodology. MidAmerican states that it now proposes to apply the IRS's required proration methodology in the annual true-up calculation in addition to the calculation of the projected test year revenue requirement in order to comply with IRS guidance that the proration calculation be applied to a portion of ADIT balances in the annual true-up.<sup>5</sup>

3. Specifically, MidAmerican proposes to revise Note F of its Attachment O formula rate template to explicitly state that the IRS's proration methodology will be applied to the calculation of the annual true-up as it relates to deferred taxes recorded in Account 282. In addition, MidAmerican proposes to revise Note F to include the following language describing how the IRS's proration methodology will be applied:

Differences attributable to over-projection of ADIT in the annual projection will result in a proportionate reversal of the projected prorated ADIT activity to the extent of the over-projection. Differences attributable to under-projection of the ADIT in the annual projection will result in an adjustment to the projected prorated ADIT activity by the difference between the projected monthly activity and the actual monthly activity. However, when projected monthly ADIT activity is an increase and actual monthly ADIT activity is a decrease, actual monthly ADIT activity will be used. Likewise, when projected monthly ADIT activity is a decrease and actual monthly ADIT activity is an increase, actual monthly ADIT activity will be used.

MidAmerican also proposes to include a revised ADIT work paper in its Attachment O formula rate template that demonstrates how the IRS's proration will be applied in calculating the annual true-up.<sup>6</sup>

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<sup>4</sup> Filing, Transmittal at 2 (citing Treas. Reg. § 1.167(l)-1(h)(6)(ii)).

<sup>5</sup> *Id.*

<sup>6</sup> *Id.* at 2-3.

4. MidAmerican requests that its filing be made effective January 1, 2021. MidAmerican states that this effective date will allow MidAmerican to apply the new methodology in its annual true-up for rate year 2020. MidAmerican states that the proposed revisions do not change or increase any rates, but rather conform the template to recent IRS guidance and ensure consistency between the calculation methodology used in the projections and true-ups for MidAmerican's formula rate template.<sup>7</sup>

5. Notice of MidAmerican's filing was published in the *Federal Register*, 85 Fed. Reg. 68,066 (Oct. 27, 2020), with interventions and protests due on or before November 10, 2020. None were filed.

6. We find that MidAmerican's proposed Tariff revisions represent a method of compliance with IRS regulations, similar to proposals we have accepted previously.<sup>8</sup> Accordingly, we accept the revisions, effective January 1, 2021, as requested.

7. We note that MidAmerican is only permitted to apply the formula rate revisions prospectively.<sup>9</sup> Thus, when MidAmerican calculates its true-up of estimated 2020 charges to actual 2020 costs in 2021, it must calculate its actual costs using the formula that was in effect for the applicable time period (i.e., the revisions accepted herein cannot be applied to its formula rate true-up for 2020 charges).<sup>10</sup>

By direction of the Commission. Commissioner Clements is not participating.

Kimberly D. Bose,  
Secretary.

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<sup>7</sup> *Id.* at 3-4.

<sup>8</sup> See, e.g., *Midcontinent Indep. Sys. Operator, Inc.*, 157 FERC ¶ 61,250, at PP 25-26 (2016), *order on reh'g*, 161 FERC ¶ 61,020 (2017).

<sup>9</sup> See *Midcontinent Indep. Sys. Operator, Inc.*, 157 FERC ¶ 61,250 at P 27, *order on reh'g*, 161 FERC ¶ 61,020 at PP 6-8; see also *Midcontinent Indep. Sys. Operator, Inc.*, 171 FERC ¶ 61,090, at P 22, *order on reh'g*, 173 FERC ¶ 61,034, at PP 26-29 (2020) (accepting formula rate revisions by Ameren Illinois Company prospectively only).

<sup>10</sup> *Wisconsin Elec. Power Co.*, 165 FERC ¶ 61,223, at P 25 & n.40 (2018), *order on reh'g*, 167 FERC ¶ 61,163, at PP 20-22 (2019).