

COUNCIL ACTION FORM

SUBJECT: JOINT PRICING ZONE AGREEMENT WITH MIDAMERICAN AND CEDAR FALLS ELECTRIC UTILITIES

BACKGROUND:

On April 8, 2014, the City Council approved documents for permitting the Ames Municipal Electric Utility to become a Transmission Owner in the Midcontinent Independent System Operator (MISO). On June 1, 2014, the utility will be able to use Network Transmission Service to deliver energy purchases from the energy market to its customers. **This agreement defines the method by which MISO transmission revenues are distributed between Ames, MidAmerican Energy and Cedar Falls Utilities (representing Cedar Falls, Atlantic, Montezuma, Tipton, Eldridge, Pella and IPPA municipal utilities).**

In September 2013, changes were made to the network service program which caused the City to re-evaluate the point-to-point service currently being used. Qualified 69kV transmission facilities could now be included in a transmission "credit" calculation. This agreement outlines the process for determining the credits received using electric load information and transmission investments of the City together with those of MidAmerican Energy and several other municipal utilities already using network service, such as Cedar Falls, Pella, and Atlantic. It is done this way because Ames, along with several other municipal utilities, is part of the MidAmerican Energy local balancing authority.

In FY 2012/13, the City paid \$1,345,567 for point-to-point transmission service, and this fiscal year to date the City has paid \$1,106,926. Shown on the last page of the attached agreement is a sample revenue sharing illustration based on actual data. After receiving credits for Ames current transmission investment, one month of transmission service will cost approximately \$31,000. **Over the year, this will result in a transmission cost savings of over \$900,000.** As the new 161kV transmission facilities are placed in service and included in the investment calculation, the City's net transmission cost will continue to decrease each year. Depending on several factors, the City could reach a point where our investments fully offset our transmission costs, and the utility actually begins to receive monthly payments for these investments.

It is customary for staff to bring an agreement to Council for signature after the other party has signed. In this case, Cedar Falls Utilities signed on April 16, 2014, but MidAmerican will not be able to sign the agreement until April 23, 2014. They then must file the agreement with the Federal Energy Regulatory Commission (FERC). If successfully approved by the City Council, Ames will begin receiving transmission

credits as of the effective date approved by the FERC, which is currently estimated to be June 1st.

Staff met with the Electric Utility Operations Review and Advisory Board (EUORAB) on March 26th and presented an overview of how the utility currently purchases transmission service and the changes that would take place if we were to become a transmission owner in MISO. The EUORAB accepted the staff recommendation to become a transmission owner in MISO, and to forward this recommendation to the City Council.

ALTERNATIVES:

1. Approve the attached joint pricing agreement with MidAmerican Energy and Cedar Falls Utilities. This alternative will allow the Ames Municipal Electric utility to take advantage of the transmission credits and thus lower our transmission costs each year.
2. Do not approve these agreements. If this alternative is followed, the cost of transmission service to the Ames Municipal Electric utility will be approximately \$1,500,000 per year.

MANAGER'S RECOMMENDED ACTION:

Transmission service is necessary to purchase low cost energy and wind energy from the electric grid. Point-to-point transmission service has served the City well when we first entered the MISO energy market. **Today, with in the inclusion of transmission credits for our 69kV facilities and the addition of the new 161kV line, Ames can receive credits for its investment into the transmission grid.** This agreement creates fair and equitable treatment of transmission investments and service to our customers. Network service becomes the low cost option for transmission service.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as stated above.

JOINT PRICING ZONE REVENUE ALLOCATION AGREEMENT

This Joint Pricing Zone Revenue Allocation Agreement ("Agreement") is made and entered into as of the __ day of _____, 2014, by and between MidAmerican Energy Company, an Iowa corporation ("MidAmerican"), the Municipal Electric Utility of the City of Cedar Falls, Iowa ("Cedar Falls"), a municipal utility organized under the laws of the state of Iowa, and the City of Ames, Iowa ("Ames"), a municipal corporation, with offices in the City of Ames, Iowa, and any successors thereof, which are referred to herein collectively as "Parties" and singularly as "Party," with respect to the allocation of certain transmission revenues that the Midcontinent Independent System Operator, Inc. ("MISO") distributes to the MidAmerican pricing zone (a zone that includes facilities and loads of MidAmerican, Cedar Falls and Ames, hereinafter referred to as "MidAmerican Zone") and charges for (1) transmission services and (2) payments among the Parties for network use of each other's transmission facilities in the MidAmerican pricing zone that are not billed by MISO.

WITNESSETH:

WHEREAS, MidAmerican and Cedar Falls became MISO Transmission Owners in the MidAmerican Zone on September 1, 2009 and Ames will become a MISO Transmission Owner in the MidAmerican Zone on June 1, 2014 and take transmission service under the MISO Open Access Transmission, Energy and Operating Reserves Markets Tariff ("Tariff"); and

WHEREAS, the revenue requirements for each Party's transmission facilities in the MidAmerican Zone are included in the MISO transmission service rates for the MidAmerican Zone; and

WHEREAS, MISO collects revenues for a pricing zone and remits those revenues to a single Transmission Owner regardless of the number of Transmission Owners within that zone; and

WHEREAS, MISO distributes all revenues to MidAmerican for the MidAmerican Zone; and

WHEREAS, the city of Atlantic, the city of Montezuma, the city of Tipton, the city of Eldridge, the city of Pella and the Iowa Public Power Agency ("IPPA") own transmission facilities in the MidAmerican Zone and have assigned any rights to transmission revenues recovered for such facilities to Cedar Falls; and

WHEREAS, the Municipal Energy Agency of Nebraska ("MEAN"), the city of Waverly and the city of Indianola own transmission facilities in the MidAmerican Zone and receive consideration for such ownership via the provisions of Section 30.9 of the MISO Tariff which result in MEAN's, Waverly's and Indianola's facilities being considered as part of MidAmerican's facilities for the purpose of this Agreement; and

WHEREAS, MISO does not bill the Parties and does not collect revenues for the MISO network transmission service provided to Ames, Cedar Falls and MidAmerican in the MidAmerican Zone; and

WHEREAS, MISO does not bill all of the parties who have assigned their transmission facilities to Cedar Falls for MISO network transmission service and does not collect revenues for the MISO network transmission service provided to such parties; and

WHEREAS, this Agreement addresses the allocation of MISO revenues among the Parties identified herein so that each Party will recover its proportionate share of these MISO revenues; and

WHEREAS, this Agreement also addresses payments among the Parties, as well as the parties who have assigned their transmission facilities to Cedar Falls, for network integration transmission service in the MidAmerican Zone that are not billed by MISO.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, the sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Capitalized terms used in this Agreement without other definitions will have the meanings set forth below or, if not set forth below, as defined in the Tariff:

Agreement: This Joint Pricing Zone Revenue Allocation Agreement, including any attachments hereto, or amendments thereof.

Annual Transmission Revenue Requirement ("ATRR"): The Annual Transmission Revenue Requirement for each Party's facilities in the MidAmerican Zone, as reflected in that Party's Attachment O. In the case of Cedar Falls, the ATRR of the facilities owned by Cedar Falls, Atlantic, Montezuma, Tipton, Eldridge, Pella and IPPA shall be summed to determine the Cedar Falls ATRR.

ATRR Allocator: The *pro rata* share of each Party's ATRR relative to the Zonal Revenue Requirement, expressed to two decimal places and computed annually (and recalculated whenever there is a change to any Party's ATRR).

Attachment O: Attachment O to the Tariff. For each month that this Agreement is in effect, MidAmerican will use Attachment O data on which the Zonal Transmission Rate for that month is based to determine the Facilities Value, Annual Transmission Revenue Requirement, and Network Load for each Party.

Facilities Value: The gross book value of the Transmission Facilities in the MidAmerican Zone owned by, or assigned to, each Party, as reflected in that Party's Attachment O. In the case of Cedar Falls, the gross book value of the facilities owned by

Cedar Falls, Atlantic, Montezuma, Tipton, Eldridge, Pella and IPPA shall be summed to determine the Cedar Falls Facilities Value.

FERC or Commission: The Federal Energy Regulatory Commission or its successor.

FPA: The Federal Power Act, 16 U.S.C. §§ 791a-825r, *as amended by* Pub. L. No. 109-58, 119 Stat 594 (2005).

Gross Book Value ("GBV") Allocator: The *pro rata* share of each Party's Facilities Value relative to the Zonal Facilities Value (in terms of gross book value), expressed to two decimal places and computed annually.

Governmental Authority: Any court, tribunal, agency, commission, or similar governing entity having jurisdiction over the applicable Party or subject matter.

Imputed Transmission Charge ("ITC"): The imputed charge for network integration transmission service utilized by each Party not otherwise billed for MISO network transmission service by MISO to serve its Network Load in the Joint Pricing Zone.

Inter-Zonal Revenues: Transmission revenues collected under Tariff Schedules 7, 8, and 9 for transactions outside of the MidAmerican Zone or sourcing in the MidAmerican Zone and sinking outside of the MidAmerican Zone. Inter-Zonal Revenues are collected by (or on behalf of) MISO under the Tariff, distributed to MidAmerican for the Joint Pricing Zone, and allocated among the Parties using the GBV Allocator.

Intra-Zonal Revenues: Revenues received under Tariff Schedules 7, 8, and 9 from transmission service provided within the MidAmerican Zone for transactions inside the pricing zone or sinking in the MidAmerican Zone. Intra-Zonal Revenues are collected by (or on behalf of) MISO under the Tariff, distributed to MidAmerican for the Joint Pricing Zone, and allocated among the Parties using the ATRR Allocator.

Joint Pricing Zone or JPZ: The MidAmerican Zone, which includes transmission facilities owned by the Parties hereto or facilities for which all rights to receive revenues which have been assigned to a Party.

MISO Adjustments: Adjustments to Intra-Zonal Revenues or Inter-Zonal Revenues made by MISO after such revenues have been distributed to MidAmerican. Credits or debits made by MISO to revenues for periods during which this Agreement is in effect will be added to, or subtracted from, the total amount of Inter-Zonal Revenues and Intra-Zonal Revenues available for distribution among the Parties.

Monthly Network Revenues: The *pro rata* share of revenues associated with the Imputed Transmission Charge to which each Party is entitled, which is allocated using the ATRR Allocator.

Net Revenues: The amount that each Party is entitled to receive (if this amount is positive) or obligated to pay (if this amount is negative) under this Agreement each month.

Network Load: The 12-month average of each Party's system coincident peak load in the MidAmerican Zone, as reflected in that Party's Attachment O, excluding any load that already pays Tariff Schedule 9 charges directly to MISO. In the case of Cedar Falls, the Network Load of Cedar Falls and Atlantic shall be summed to determine the Cedar Falls Network Load.

MidAmerican Zone: Zone 24 of Schedule 9 of the Tariff.

Parties: The signatories to this Agreement, including any entities that become signatories pursuant to Section 6.2 of this Agreement.

Revenue Share: The revenues to which each Party is entitled prior to deduction of its Imputed Transmission Charge, which includes its Monthly Network Revenues, its share of Inter-Zonal Revenues, and its share of Intra-Zonal Revenues, as calculated on a monthly basis.

Tariff: The Open Access Transmission, Energy and Operating Reserves Markets Tariff for the Midwest Independent Transmission System Operator, Inc. on file with the Commission as MISO FERC Electric Tariff, Fourth Revised Volume No. 1, or any successor tariff.

Transmission Owner: A signatory to the MISO Agreement that meets the criteria for the term "Owner" set forth therein.

Transmission Owners' Agreement or MISO Agreement: Agreement of Transmission Facilities Owners to Organize the Midcontinent Independent System Operator, Inc., a Delaware Non-Stock Corporation, on file with the FERC as Midcontinent Independent System Operator, Inc. FERC Electric Tariff, Rate Schedule No. 1, or any successor agreement.

Transmission Facilities: These facilities shall include (i) all Parties' non-radial facilities at or above 69 kilovolts (hereinafter "kV") and (ii) all non-radial transformers where the two (2) highest voltages qualify under the voltage criteria of item (i) above.

Zonal Facilities Value: The sum of the Parties' Facilities Values.

Zonal ITC: The sum of the Parties' Imputed Transmission Charges.

Zonal Transmission Rate: The rate for monthly service provided in the Joint Pricing Zone under Tariff Schedule 9.

Zonal Revenue Requirement: The sum of the Parties' Annual Transmission Revenue Requirements.

ARTICLE II

RELATIONSHIP BETWEEN MISO AND THE PARTIES

2.1 Relationship between MISO and the Parties. As the Tariff administrator and independent operator of a regional transmission system that includes the facilities in the JPZ, MISO distributes Inter-Zonal Revenues and Intra-Zonal Revenues to MidAmerican. Pursuant to the Transmission Owners' Agreement, each of the Parties is entitled to a portion of such Inter-Zonal Revenues and Intra-Zonal Revenues.

2.2 Relationship among MidAmerican, Cedar Falls and Ames.

- (a) MidAmerican will bill, allocate and distribute all amounts due to, or owed by, the Parties under this Agreement. Cedar Falls shall be responsible for determining the amounts to be retained by itself and the amounts it will distribute to Atlantic, Montezuma, Tipton, Eldridge, Pella and IPPA and for distributing such amounts to such entities.
- (b) Cedar Falls will pay any amounts owed under this Agreement to MidAmerican. Cedar Falls shall be responsible for determining the amounts it is required to pay itself as well as the amounts to be paid to Cedar Falls by Atlantic, Montezuma, Tipton, Eldridge, Pella and IPPA.
- (c) Ames will pay any amounts owed under this Agreement to MidAmerican.

2.3 Services Provided by MidAmerican. Each Party shall pay MidAmerican \$240/month for billing and accounting services associated with MidAmerican performing its obligations under this Agreement. Such payment shall be reflected in the monthly payment/receipt in accordance with Section 3.4.

ARTICLE III

REVENUE DISTRIBUTION METHOD

3.1 Periodic Calculations. As necessary to reflect changes to Facilities Values or ATRRs, the Parties will update their respective Attachment O templates. MidAmerican will use that information to calculate the following:

- (a) **Zonal Facilities Value; GBV Allocator.** To determine the Zonal Facilities Value, MidAmerican will calculate the sum of all Parties' Facilities Values. MidAmerican will determine a GBV Allocator for each Party based on the *pro rata* share of that Party's Facilities Value relative to the Zonal Facilities Value.
- (b) **Zonal Revenue Requirement; ATRR Allocator.** To determine the Zonal Revenue Requirement, MidAmerican will calculate the sum of all Parties' Annual Transmission Revenue Requirements. MidAmerican will determine an ATRR

Allocator for each Party based on the *pro rata* share of that Party's Annual Transmission Revenue Requirement relative to the Zonal Revenue Requirement.

(c) **Imputed Transmission Charge.** To determine the Imputed Transmission Charge for each Party, MidAmerican will multiply that Party's Network Load by the Zonal Transmission Rate.

(d) **Zonal ITC.** To determine the Zonal ITC, MidAmerican will calculate the sum of all Parties' Imputed Transmission Charges (Cedar Falls Imputed Transmission Charge + MidAmerican Imputed Transmission Charge + Ames Imputed Transmission Charge).

(e) **Monthly Network Revenues.** To determine each Party's Monthly Network Revenues, MidAmerican will multiply that Party's ATRR Allocator by the Zonal ITC.

3.2 Distribution of Periodic Calculations. The computations detailed in Section 3.1 above will be calculated at least annually and recalculated any time there is a change in Attachment O impacting any Party's Facilities Value, Annual Transmission Revenue Requirement, or Imputed Transmission Charge. MidAmerican will provide this calculation to Cedar Falls and Ames within thirty (30) days of a change in the Attachment O data and calculations posted by MISO.

3.3 Monthly Calculations. The following computations will be made on a monthly basis:

(a) **Revenue Shares.** To calculate the Revenue Share for each Party, MidAmerican will determine the sum of the following three (3) numbers, as illustrated below:

(i) the product of the Inter-Zonal Revenues for the preceding month (net of MISO Adjustments) and that Party's GBV Allocator;

(ii) the product of the Intra-Zonal Revenues for the preceding month (net of MISO Adjustments) and that Party's ATRR Allocator; and

(iii) that Party's Monthly Network Revenues.

Revenue Share (Illustration)

<u>Cedar Falls Revenue Share</u> =	Cedar Falls GBV Allocator x Inter-Zonal Revenues	+	Cedar Falls ATRR Allocator x Intra-Zonal Revenues	+	Cedar Falls ATRR Allocator x Zonal ITC
<u>Ames Revenue Share</u> =	Ames GBV Allocator x Inter-Zonal Revenues	+	Ames ATRR Allocator x Intra-Zonal Revenues	+	Ames ATRR Allocator x Zonal ITC

(b) **Net Revenues.** To calculate the Net Revenues for each Party, MidAmerican will subtract that Party's Imputed Transmission Charge from its Revenue Share.

3.4 Monthly Payments. The following payments will be made on a monthly basis:

(a) **Cedar Falls Payment/Receipt.**

- (i) If Cedar Falls' Net Revenues are positive, then MidAmerican will pay an amount equal to Cedar Falls' Net Revenues to Cedar Falls. Cedar Falls shall be responsible for determining the portion of the payment it receives from MidAmerican to be retained by Cedar Falls and the portion of the payment it receives from MidAmerican to be distributed to Atlantic, Montezuma, Tipton, Eldridge, Pella and IPPA and for distributing such amounts to such entities.
- (ii) If Cedar Falls' Net Revenues are negative, then Cedar Falls will pay an amount equal to Cedar Falls' Net Revenues to MidAmerican. Cedar Falls shall make a single payment on behalf of itself as well as for Atlantic. Cedar Falls shall be responsible for determining the amounts it is required to pay on behalf of itself as well as the amounts to be paid by Atlantic. In no event shall Cedar Falls fail to make a payment to MidAmerican on the basis that Atlantic, failed to make a payment to Cedar Falls.

(b) **Ames Payment/Receipt.**

- (i) If Ames' Net Revenues are positive, then MidAmerican will pay an amount equal to Ames' Net Revenues to Ames.

(ii) If Ames' Net Revenues are negative, then Ames will pay an amount equal to Ames' Net Revenues to MidAmerican.

(c) **Timing Of Monthly Payments/Receipts.** MidAmerican shall make payments to the Parties within 10 days of receiving revenues from the Midwest ISO. The Parties shall make payments to MidAmerican within 7 days of receiving the monthly statement of Net Revenues from MidAmerican.

3.5 Illustration of Revenue Allocation. Distribution of Joint Pricing Zone revenues under this Article III is illustrated in Attachment A hereto.

3.6 Provision of Information. Within 10 days of receiving the monthly revenue statement from the Midwest ISO, MidAmerican will update the information in Attachments A for the preceding month and distribute it to the other Parties, including the calculations for Revenue Share and Net Revenues for each Party, as well as calculations for Inter-Zonal Revenues and Intra-Zonal Revenues for the MidAmerican Zone.

3.7 Data and Records Requirements. MidAmerican will maintain records substantiating all revenues that it allocates, distributes, or receives under this Agreement. Cedar Falls and Ames will maintain records substantiating all information they provide to MidAmerican and documenting all amounts that they pay or receive under this Agreement. The records maintained by all Parties pursuant to this Section 3.7 shall be subject to the audit requirements of Section 8.9.

ARTICLE IV

TERM AND WITHDRAWAL

4.1 Effective Date. The allocation and distribution of revenues set forth in Article III of this Agreement will be deemed effective in the following manner:

(a) The calculation of Imputed Transmission Charge and Monthly Network Revenue will be deemed effective as of the effective date approved by FERC for all Parties having an Attachment O approved by MISO; and

(b) The calculation of Intra Zonal Revenues and Inter Zonal Revenues will be deemed effective as of the date approved by FERC for all Parties having an Attachment O approved by MISO.

4.2 Termination. This Agreement will remain in effect for two years after the date of its execution and continue thereafter so long as the rates for service under the Tariff are zonal-based rates and MidAmerican and at least one of the other Parties is a Transmission Owner. Starting on the second anniversary of the execution of this Agreement, any Party may terminate its participation in this Agreement by providing two (2) years' prior written notice of its intent to terminate.

4.3 Withdrawal from MISO. Notwithstanding the requirements of Section 4.2, upon one year's prior written notice to the other Parties, a Party may withdraw from this Agreement if such Party is withdrawing from MISO. Up to and after its withdrawal, the withdrawing Party will be entitled to receive, or obligated to pay, revenues in accordance with Article III for the period up to its withdrawal. All of the withdrawing Party's other rights and obligations hereunder will terminate upon withdrawal, subject to financial settlement for the period ending on the date of termination. This Agreement will remain in effect for any Party not withdrawing unless (i) MidAmerican withdraws or (ii) all Parties except MidAmerican withdraw. In the event that MidAmerican withdraws from MISO, MidAmerican will negotiate in good faith with the other Parties to effectuate an equitable allocation of the revenues and costs covered by this Agreement, applying a methodology that is consistent with the principles established by this Agreement. Nothing in this Agreement will be construed as affecting the rights of any Party hereto to: (i) unilaterally make an application to FERC to withdraw from MISO; or (ii) challenge such withdrawal from MISO by any other Party.

4.4 Material Changes to MISO Tariff. In the event that the Commission approves a change to the MISO Tariff that has a material impact in the sole judgment of the affected Party on the revenue-sharing provisions in Article III of this Agreement, the Parties shall negotiate in good faith to amend this Agreement. If the Parties are unable to reach agreement on amendments to this Agreement, any Party may terminate its participation in the Agreement upon one year's prior written notice to the other Parties.

ARTICLE V

OTHER TARIFF SCHEDULES AND CHARGES

5.1 Revenues Collected Pursuant to Other Tariff Schedules. Unless specifically addressed by this Agreement, revenues collected by MISO pursuant to Tariff Schedules that are in effect at the time of execution of this Agreement, but are not explicitly referenced in this Agreement, will not be distributed under this Agreement. In the event that the Commission approves new Schedules to the Tariff which result in additional revenues being collected based on transmission investment and distributed to MidAmerican in part on behalf of the other Parties, the Parties will negotiate in good faith to establish an equitable methodology for allocation of revenues collected thereunder, applying the principles established by this Agreement.

5.2 Revenues Collected for Wholesale Distribution Service on Distribution Facilities. Revenues received by MidAmerican for Wholesale Distribution Service provided by any Party other than MidAmerican shall be remitted by MidAmerican to the appropriate Wholesale Distribution Service provider.

ARTICLE VI

AMENDMENT AND NEW PARTIES

6.1 Amendment. This Agreement may be amended only by a written instrument duly executed by all of the Parties. No modification to any of the provisions herein will be binding on any of the Parties unless approved in writing by all of the Parties.

6.2 New Parties. In order to share in distribution of revenues on a comparable basis with the other Parties to this Agreement, a new Transmission Owner in the Joint Pricing Zone may become a Party to this Agreement, as amended to include such new Party.

ARTICLE VII

DISPUTE RESOLUTION

7.1 Dispute Resolution Process. Any dispute or controversy relating to this Agreement shall be referred to one or more designated representative(s) of each affected Party for resolution on an informal basis as promptly as practicable. Any Party may initiate this process by providing written notice of the dispute to the other Parties. In the event that the Parties are unable to resolve the dispute within sixty (60) days of such written notice, the dispute may be referred to formal alternative dispute resolution processes if mutually agreeable to the Parties. If no satisfactory resolution is reached, the processes set forth in this provision will terminate. Thereafter, such dispute or controversy may be submitted to any Governmental Authority having jurisdiction under applicable law.

7.2 Reimbursement. Any amounts owed by any Party upon the resolution of a dispute shall be paid within ten (10) days following resolution of that dispute, including interest from the original due date at a rate equal to the FERC Electric Interest Rate, unless otherwise agreed by the Parties.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

8.1 Descriptive Headings. The descriptive headings in this Agreement have been inserted for convenience of reference and shall not affect the construction of this Agreement.

8.2 Governing Law and Venue. This Agreement shall be interpreted and enforced according to the laws of the State of Iowa, except to the extent preempted by the laws of the United States of America. Any action arising hereunder that involves questions of state law shall be instituted and litigated in the courts of Iowa.

8.3 Successors and Assigns. This Agreement shall inure to the benefit of, and be binding upon, the Parties' successors and assigns.

8.4 Delivery of Notices. Notices required under this Agreement shall be in writing, and shall be sent by certified mail/return receipt requested, overnight courier, or other reliable and verifiable means. Any notice required under this Agreement will be deemed to have been given either: i) upon delivery, if sent by certified mail/return receipt requested or overnight courier; or ii) upon confirmation, if given by other reliable means.

8.5 Entire Agreement; Non Waiver. This Agreement, including any attachments hereto, constitutes the entire agreement among the Parties with respect to the subject matter of this Agreement, and its interpretation shall not be affected by previous or contemporary oral or written representations made by any Party unless such representations are contained in this Agreement. Waiver or failure to insist upon strict compliance with such obligation, covenant, agreement, or condition will not operate as a waiver of, or estoppel with respect to, any subsequent or other failure

8.6 Counterparts. This Agreement may be executed in counterparts, all of which will constitute one agreement and will have the same force and effect as an original instrument.

8.7 Section 206 Right. Each Party will retain all rights it may have pursuant to Section 206 of the Federal Power Act., 16 U.S.C. § 824e, *amended by* Pub. L. No. 109-58, §§ 1285-86, 119 Stat. 594, 980-81 (2005).

8.8 Section 205 Right. During the term of this Agreement, the provisions hereof will not be subject to any changes pursuant to the provisions of Section 205 of the Federal Power Act, 16 U.S.C. § 824d, absent the agreement of all Parties hereto. The standard of review for any changes other than those expressly provided for herein will be the "public interest" standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956).

8.9 Audits. The Parties will maintain and retain for six (6) years the books and records needed to substantiate the calculations performed pursuant to Article III, and all data substantiating allocation of revenues or costs under this Agreement. Any Party may conduct, at its own expense, audits of any other Party's books and records that relate to this Agreement. Such audits will be conducted at reasonable, mutually agreed-upon times, and the Parties will cooperate in good faith to effectuate such audits.

8.10 Regulatory Approval. This Agreement is subject to regulatory approvals. In the event that FERC or any Governmental Authority disapproves or refuses to accept this Agreement in whole or in part, this Agreement will cease to be effective, except that the Parties will be obligated to attempt expeditiously and in good faith to negotiate a substitute agreement that addresses the reasons for such refusal or disapproval. In negotiating a substitute agreement, no Party will be required to accept any change that would reasonably be expected to reduce its expected economic benefit from the transaction.

8.11 Limitations. Nothing contained herein shall be construed to create an association, joint venture, trust, or partnership. Each Party will remain liable for its share of charges or

assessments incurred under the Tariff or MISO Agreement, including congestion costs, lost revenue charges, exit fees and comparable costs.

8.12 Indemnification. Each Party shall indemnify and save each other Party harmless from all damages, losses, claims, costs, legal fees, and/or expenses for injury to or death of any person, or damage to any property, resulting from the operation of facilities controlled by it within the Joint Pricing Zone, unless and to the extent caused by the negligence or intentional wrongdoing of one of the other Parties.

IN WITNESS THEREOF, the Parties, by their duly authorized agents, have hereunder executed this Agreement.

MIDAMERICAN ENERGY COMPANY
An Iowa Corporation

By: _____
Jeffery Gust
Vice President - Compliance and Standards

Date _____

**THE MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS,
IOWA**

An Iowa Municipal Utility

By: _____
NAME: _____
TITLE: _____

Date _____

THE CITY OF AMES, IOWA

A Municipal Corporation

By: _____

NAME: _____

TITLE: _____

Date _____

ATTACHMENT A: REVENUE-SHARING ILLUSTRATION FOR CEDAR FALLS SUB-ZONE
 February 2014

Cedar Falls Sub-Zone Imputed Transmission Charge (ITC)			
	Cedar Falls Sub-Zone Average 12CP Load (kW)	Zonal Transmission Rate (Monthly)	Cedar Falls Sub-Zone Imputed Transmission Charge (Monthly)
	101,873	\$ 2.506	\$ (255,285.89)

Zonal ITC			
	Imputed Transmission Charge (Monthly)	Cedar Falls Sub-Zone ATRR Allocator	Cedar Falls Sub-Zone Share of Monthly Network Revenues
MidAmerican	\$ 9,418,303.60		
Ames	\$ 257,243.02		
Cedar Falls Sub-Zone	\$ 255,285.89		
Zonal ITC	\$ 9,930,832.52	3.69%	\$ 366,323.79

Joint-Zonal Revenue Sharing			
Inter-Zonal Revenues and Adjustments	MISO Monthly Revenues and Adjustments	Cedar Falls Sub-Zone GBV Allocator	Cedar Falls Sub-Zone Share of Inter-Zonal Revenues
Basic Transmission Service Revenue - GBV Basis	\$ 436,168.53		
Basic Transmission Service Revenue - TPF Basis	\$ -		
MISO Adjustment to Inter-Zonal Revenues	\$ -		
Total Inter-Zonal Revenues (net of adjustments)	\$ 436,168.53	3.19%	\$ 13,918.00
Intra-Zonal Revenues and Adjustments	MISO Monthly Revenues and Adjustments	Cedar Falls Sub-Zone ATRR Allocator	Cedar Falls Sub-Zone Share of Intra-Zonal Revenues
Intra-Zonal Revenues	\$ 2,236,537.78		
MISO True-up to Intra-Zonal Revenues	\$ (10,136.31)		
MISO Adjustments to Intra-Zonal Revenues	\$ -		
Total Intra-Zonal Revenues (net of adjustments)	\$ 2,226,401.47	3.69%	\$ 82,126.43

Total Due To Cedar Falls Sub-Zone	\$ 207,082.32
<small>Cedar Falls Monthly Network Revenues + Cedar Falls Share of Intra-Zonal and Inter-Zonal Revenues</small>	

GBV and ATRR Allocator Calculations		
Gross Book Value (GBV)	2012/2014 Fac Value	GBV Allocator
MidAmerican	\$ 1,142,118,307	95.62%
Ames	\$ 14,237,255	1.19%
Cedar Falls Sub-Zone	\$ 38,115,176	3.19%
Zonal Facilities Value	\$ 1,194,470,738	100.00%
Annual Transmission Revenue Requirement (ATRR)	2012/2014 ATRR	ATRR Allocator
MidAmerican	\$ 140,516,204	94.49%
Ames	\$ 2,703,235	1.82%
Cedar Falls Sub-Zone	\$ 5,485,351	3.69%
Zonal Revenue Requirement	\$ 148,704,790	100.00%

DEFINITIONS
TPF - Transmission Participation Factor
GBV - Gross Book Value

ATTACHMENT A: REVENUE-SHARING ILLUSTRATION FOR Ames SUB-ZONE
 February 2014

Ames Sub-Zone Imputed Transmission Charge (ITC)			
	Ames Sub-Zone Average 12CP Load (kW)	Zonal Transmission Rate (Monthly)	Ames Sub-Zone Imputed Transmission Charge (Monthly)
	102,654	\$ 2.506	\$ (257,243.02)

Zonal ITC			
	Imputed Transmission Charge (Monthly)	AmesSub-Zone ATRR Allocator	Ames Sub-Zone Share of Monthly Network Revenues
MidAmerican	\$ 9,418,303.60		
Ames	\$ 257,243.02		
Cedar Falls Sub-Zone	\$ 255,285.89		
Zonal ITC	\$ 9,930,832.52	1.82%	\$ 180,527.97

Joint-Zonal Revenue Sharing			
Inter-Zonal Revenues and Adjustments	MISO Monthly Revenues and Adjustments	Ames Sub-Zone GBV Allocator	Ames Sub-Zone Share of Inter-Zonal Revenues
Basic Transmission Service Revenue - GBV Basis	\$ 436,168.53		
Basic Transmission Service Revenue - TPF Basis	\$ -		
MISO Adjustment to Inter-Zonal Revenues	\$ -		
Total Inter-Zonal Revenues (net of adjustments)	\$ 436,168.53	1.19%	\$ 5,198.82
Intra-Zonal Revenues and Adjustments	MISO Monthly Revenues and Adjustments	Ames Sub-Zone ATRR Allocator	Ames Sub-Zone Share of Intra-Zonal Revenues
Intra-Zonal Revenues	\$ 2,236,537.78		
MISO True-up to Intra-Zonal Revenues	\$ (10,136.31)		
MISO Adjustments to Intra-Zonal Revenues	\$ -		
Total Intra-Zonal Revenues (net of adjustments)	\$ 2,226,401.47	1.82%	\$ 40,472.71

Total Due To Ames Sub-Zone	\$ (31,043.51)
Ames Monthly Network Revenues + Ames Share of Intra-Zonal and Inter-Zonal Revenues	

GBV and ATRR Allocator Calculations		
Gross Book Value (GBV)	2012/2014 Fac Value	GBV Allocator
MidAmerican	\$ 1,142,118,307	95.62%
Ames	\$ 14,237,255	1.19%
Cedar Falls Sub-Zone	\$ 38,115,176	3.19%
Zonal Facilities Value	\$ 1,194,470,738	100.00%
Annual Transmission Revenue Requirement (ATRR)	2012/2014 ATRR	ATRR Allocator
MidAmerican	\$ 140,516,204	94.49%
Ames	\$ 2,703,235	1.82%
Cedar Falls Sub-Zone	\$ 5,485,351	3.69%
Zonal Revenue Requirement	\$ 148,704,790	100.00%

DEFINITIONS
TPF - Transmission Participation Factor
GBV - Gross Book Value