<u>MidAmerican Energy Holdings Company</u>
<u>Renewable Energy Portfolio Legislative Mandates</u>

- MidAmerican Energy Holdings Company believes that market-based incentives for renewable energy development such as federal and state production tax credits provide the most effective and efficient means of increasing the deployment of renewable resources. These market incentives are preferable to renewable portfolio standard mandates ("RPS") because RPS mandates typically are not sufficiently flexible to permit cost-effective implementation.

- If a state or federal government concludes to adopt an RPS, the following should be considered:
  - The RPS provisions should be developed after thorough economic analysis and evaluation of resource availability, transmission capacity, costs, and customer impacts.
  - Any RPS requirements should apply equally to all entities serving retail electric load.
  - RPS requirements should not be imposed if they are not cost effective for customers.
  - The RPS should be designed to permit flexibility in implementation. Requirements and timetables should be long-term goal-oriented. A specific end-date for achieving the goals can be established, but arbitrary and incremental stair step mandates tied to specific years should be avoided as such mandates fail to account for year-to-year variations in cost, load and renewable generation.
  - The RPS should be designed to permit flexibility in the manner of achieving the goals, allowing the purchase or use of all cost-effective resources and renewable energy credits, regardless of whether the resources or credits are generated in a particular state or region.
  - The RPS should enable utilities in areas with limited renewable resources to meet at least a portion of any requirements through investments in energy efficiency and demand-side management programs.
  - Any RPS should avoid creating uncertainties and facilitate administration. For these reasons, an RPS should be based upon percentages of capacity (i.e., megawatts) in the generation portfolio serving load rather than projected retail sales (i.e., kilowatthours) in a future period.
  - Penalties should be limited to situations in which an entity does not engage in good-faith efforts to develop or purchase cost-effective renewable resources. No entity should be subject to penalties for force majeure conditions.
  - Any federal RPS should facilitate development of a national renewable energy credit trading market. To facilitate trading, the environmental attributes (e.g., renewable energy credits) should be disaggregated from the megawatts/kilowatthours.
  - Any federal RPS must be reconciled with existing state RPS programs, but state programs should not be allowed to frustrate the development of a national renewable energy credit trading market.
  - If an entity subject to an RPS is rate regulated, all reasonable costs of the RPS should be included in such rates on a fully compensatory basis. If the entity is subject to rate regulation in multiple jurisdictions, any failure by the jurisdictions to agree upon a method of allocating the costs of the RPS should not deny the entity the opportunity to be fully compensated.

June 08, 2006