

FILE

Confidential Release

Case Number: 02-1893-GA-CRS

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Application

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The Public Utilities Commission of Ohio

PUCO USE ONLY – Version: June 2002

Date Received	Case Number	Certification Number
	02-1893-GA-CRS	

CERTIFICATION APPLICATION FOR RETAIL NATURAL GAS SUPPLIERS

This PDF form is designed with interactive fields. You may input information directly onto the form, or download the form, by saving it to your local disk, for later use.

Please print or type all required information. Identify all attachments with an exhibit label and title (Example: Exhibit A-16 Company History). All attachments should bear the legal name of the Applicant. Applicants should file completed applications and all related correspondence with the Public Utilities Commission of Ohio, Docketing Division, 10th Floor, 180 East Broad Street, Columbus, Ohio 43215-3793.

A. APPLICANT INFORMATION

A-1 Applicant intends to be certified as: (check all that apply)

- ☒ Retail Natural Gas Supplier
- ☒ Retail Natural Gas Marketer

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DOCKETING DIVISION
Public Utilities Commission of Ohio

A-2 Applicant's legal name, address, telephone number and web site address

Legal Name MidAmerican Energy Company

Address 4299 NW Urbandale Dr, Urbandale, IA 50322

Telephone # 515-281-2900

Web site address (if any) www.midamerican.com

A-3 List name, address, telephone number, and web site address under which applicant will do business in Ohio

Name MidAmerican Energy Company

Address 4299 NW Urbandale Dr, Urbandale, IA 50322

Telephone # 515-281-2900

Web site address (if any) www.midamerican.com

A-4 List all names under which the applicant does business in North America

MidAmerican Energy Company

A-5 Contact person for regulatory or emergency matters

Name Misty Allen

Title Senior Regulatory Analyst

Business address 4299 NW Urbandale Dr

Telephone # 515-242-4267

Fax # 515-242-4399

E-mail address (if any) mallen@midamerican.com

A-6 Provide "Proof of an Ohio Office and Employee," in accordance with Section 4922.22 of the Ohio Revised Code, by listing name, Ohio office address, telephone number, and web site address of the designated Ohio Employee

Name Joseph M. Hirschak Title Administrative Assistant
Business address 13791 Rustic Dr, Beachwood, OH 44133
Telephone # 440-582-2378 Fax # 440-582-2378 E-mail address (if any) jmhirschak@midamerican.com

A-7 Contact person for Commission Staff use in investigating customer complaints:

Name Kay Twigg Title MGR-UNREGULATED SERVICES
Business address 106 E Second St, Davenport, IA 52801
Telephone # 563 333-8598 Fax # 563-333-8563 E-mail address (if any) katwigg@midamerican.com

A-8 Applicant's address and toll-free number for customer service and complaints

Customer Service address 106 E Second St, Davenport, IA 52801
Toll-free Telephone # 800-432-8574 Fax # 563-333-8563 E-mail address (if any) _____

A-9 Applicant's federal employer identification number # 42-1425214

A-10 Applicant's form of ownership (check one)

<input type="checkbox"/> Sole Proprietorship	<input type="checkbox"/> Partnership
<input type="checkbox"/> Limited Liability Partnership (LLP)	<input type="checkbox"/> Limited Liability Company (LLC)
<input checked="" type="checkbox"/> Corporation	<input type="checkbox"/> Other _____

A-11 (Check all that apply) Identify each natural gas company service area in which the applicant is currently providing service or intends to provide service, including identification of each customer class that the applicant is currently serving or intends to serve, for example, residential, small commercial, mercantile commercial, and industrial. (A mercantile customer, as defined in (L)(1) of Section 4929.01 of the Revised Code, means a customer that consumes, other than for residential use, more than 500,000 cubic feet of natural gas per year at a single location within the state or consumes natural gas, other than for residential use, as part of an undertaking having more than three locations within or outside of this state. In accordance with (L)(2) of Section 4929.01 of the Revised Code, "Mercantile customer" excludes a not-for-profit customer that consumes, other than for residential use, more than 500,000 cubic feet of natural gas per year at a single location within this state or consumes natural gas, other than for residential use, as part of an undertaking having more than three locations within or outside this state that has filed the necessary declaration with the Public Utilities Commission.)

Cincinnati Gas & Electric	Residential	<input checked="" type="checkbox"/> Commercial	<input checked="" type="checkbox"/> Mercantile	<input checked="" type="checkbox"/> Industrial
Columbia Gas of Ohio	Residential	<input checked="" type="checkbox"/> Commercial	<input checked="" type="checkbox"/> Mercantile	<input checked="" type="checkbox"/> Industrial
Dominion East Ohio	Residential	<input checked="" type="checkbox"/> Commercial	<input checked="" type="checkbox"/> Mercantile	<input checked="" type="checkbox"/> Industrial

A-12 If applicant or an affiliated interest participated in any of Ohio's Natural Gas Choice Programs, for each service area and customer class, provide approximate start date(s) and/or end date(s) that the applicant began delivering and/or ended services.

Cincinnati Gas & Electric

Residential	Beginning Date of Service:	<input type="text"/>	End Date:	<input type="text"/>
Commercial	Beginning Date of Service:	FEB 2002	End Date:	<input type="text"/>
Mercantile	Beginning Date of Service:	FEB 2002	End Date:	<input type="text"/>
Industrial	Beginning Date of Service:	<input type="text"/>	End Date:	<input type="text"/>

Columbia Gas of Ohio

Residential	Beginning Date of Service:	<input type="text"/>	End Date:	<input type="text"/>
Commercial	Beginning Date of Service:	AUG 1996	End Date:	<input type="text"/>
Mercantile	Beginning Date of Service:	AUG 1996	End Date:	<input type="text"/>
Industrial	Beginning Date of Service:	<input type="text"/>	End Date:	<input type="text"/>

Dominion East Ohio

Residential	Beginning Date of Service:	DEC 2000	End Date:	<input type="text"/>
Commercial	Beginning Date of Service:	DEC 2000	End Date:	<input type="text"/>
Mercantile	Beginning Date of Service:	<input type="text"/>	End Date:	<input type="text"/>
Industrial	Beginning Date of Service:	<input type="text"/>	End Date:	<input type="text"/>

A-13 If not currently participating in any of Ohio's three Natural Gas Choice Programs, provide the approximate start date that the applicant proposes to begin delivering services:

Cincinnati Gas & Electric	Intended Start Date:	<input type="text"/>
Columbia Gas of Ohio	Intended Start Date:	<input type="text"/>
Dominion East Ohio	Intended Start Date:	<input type="text"/>

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

A-14 Exhibit A-14 "Principal Officers, Directors & Partners" provide the names, titles, addresses and telephone numbers of the applicant's principal officers, directors, partners, or other similar officials.

A-15 Exhibit A-15 "Corporate Structure," provide a description of the applicant's corporate structure, including a graphical depiction of such structure, and a list of all affiliate and subsidiary companies that supply retail or wholesale natural gas or electricity to customers in North America.

A-16 Exhibit A-16 "Company History," provide a concise description of the applicant's company history and principal business interests.

A-17 Exhibit A-17 "Articles of Incorporation and Bylaws," if applicable provide the articles of incorporation filed with the state or jurisdiction in which the applicant is incorporated and any amendments thereto.

A-18 Exhibit A-18 "Secretary of State," provide evidence that the applicant has registered with the Ohio Secretary of the State.

B. APPLICANT MANAGERIAL CAPABILITY AND EXPERIENCE

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

- B-1 Exhibit B-1 "Jurisdictions of Operation,"** provide a list of all jurisdictions in which the applicant or any affiliated interest of the applicant is, at the date of filing the application, certified, licensed, registered, or otherwise authorized to provide retail natural gas service, or retail or wholesale electric services.
- B-2 Exhibit B-2 "Experience & Plans,"** provide a description of the applicant's experience and plan for contracting with customers, providing contracted services, providing billing statements, and responding to customer inquiries and complaints in accordance with Commission rules adopted pursuant to Section 4929.22 of the Revised Code and contained in Chapter 4901:1-29 of the Ohio Administrative Code.
- B-3 Exhibit B-3 "Summary of Experience,"** provide a concise summary of the applicant's experience in providing the service(s) it is seeking to be certified to provide (e.g. number and types of customers served, utility service areas, volume of gas supplied, etc.).
- B-4 Exhibit B-4 "Disclosure of Liabilities and Investigations,"** provide a description of all existing, pending or past rulings, judgments, contingent liabilities, revocation of authority, regulatory investigations, or any other matter that could adversely impact the applicant's financial or operational status or ability to provide the services it is seeking to be certified to provide.
- B-5** Disclose whether the applicant, a predecessor of the applicant, or any principal officer of the applicant have ever been convicted or held liable for fraud or for violation of any consumer protection or antitrust laws within the past five years.
- ✓ No Yes

If yes, provide a separate attachment labeled as **Exhibit B-5 "Disclosure of Consumer Protection Violations"** detailing such violation(s) and providing all relevant documents.

- B-6** Disclose whether the applicant or a predecessor of the applicant has had any certification, license, or application to provide retail natural gas, or retail or wholesale electric service denied, curtailed, suspended, or revoked, or whether the applicant had ever been terminated from any of Ohio's Natural Gas Choice programs, or whether applicant has been in default for failure to deliver natural gas.
- ✓ No Yes

If yes, provide a separate attachment labeled as **Exhibit B-6 "Disclosure of Certification Denial, Curtailment, Suspension, or Revocation"** detailing such action(s) and providing all relevant documents.

C. APPLICANT FINANCIAL CAPABILITY AND EXPERIENCE

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

- C-1 Exhibit C-1 "Annual Reports,"** provide the two most recent Annual Reports to Shareholders. If applicant does not have annual reports, the applicant should provide similar information, labeled as Exhibit C-1, or indicate that Exhibit C-1 is not applicable and why.
- C-2 Exhibit C-2 "SEC Filings,"** provide the most recent 10-K/8-K Filings with the SEC. If applicant does not have such filings, it may submit those of its parent company. If the applicant does not have such filings, then the applicant may indicate in Exhibit C-2 that the applicant is not required to file with the SEC and why.
- C-3 Exhibit C-3 "Financial Statements,"** provide copies of the applicant's two most recent years of audited financial statements (balance sheet, income statement, and cash flow statement). If audited financial statements are not available, provide officer certified financial statements. If the applicant has not been in business long enough to satisfy this requirement, it shall file audited or officer certified financial statements covering the life of the business.
- C-4 Exhibit C-4 "Financial Arrangements,"** provide copies of the applicant's financial arrangements to conduct competitive retail natural gas service (CRNGS) as a business activity (e.g., guarantees, bank commitments, contractual arrangements, credit agreements, etc.,).
- C-5 Exhibit C-5 "Forecasted Financial Statements,"** provide two years of forecasted financial statements (balance sheet, income statement, and cash flow statement) for the applicant's CRNGS operation, along with a list of assumptions, and the name, address, email address, and telephone number of the preparer.
- C-6 Exhibit C-6 "Credit Rating,"** provide a statement disclosing the applicant's credit rating as reported by two of the following organizations: Duff & Phelps, Dun and Bradstreet Information Services, Fitch IBCA, Moody's Investors Service, Standard & Poors, or a similar organization. In instances where an applicant does not have its own credit ratings, it may substitute the credit ratings of a parent or affiliate organization, provided the applicant submits a statement signed by a principal officer of the applicant's parent or affiliate organization that guarantees the obligations of the applicant.
- C-7 Exhibit C-7 "Credit Report,"** provide a copy of the applicant's credit report from Experian, Dun and Bradstreet, or a similar organization.
- C-8 Exhibit C-8 "Bankruptcy Information,"** provide a list and description of any reorganizations, protection from creditors, or any other form of bankruptcy filings made by the applicant, a parent or affiliate organization that guarantees the obligations of the applicant or any officer of the applicant in the current year or within the two most recent years preceding the application.
- C-9 Exhibit C-9 "Merger Information,"** provide a statement describing any dissolution or merger or acquisition of the applicant within the five most recent years preceding the application, or at any time as a participant in the Ohio Natural Gas Choice programs.

D. APPLICANT TECHNICAL CAPABILITY

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

- D-1 Exhibit D-1 "Operations"** provide a written description of the operational nature of the applicant's business. Please include whether the applicant's operations will include the contracting of natural gas purchases for retail sales, the nomination and scheduling of retail natural gas for delivery, and the provision of retail ancillary services, as well as other services used to supply natural gas to the natural gas company city gate for retail customers.
- D-2 Exhibit D-2 "Operations Expertise,"** given the operational nature of the applicant's business, provide evidence of the applicant's experience and technical expertise in performing such operations.
- D-3 Exhibit D-3 "Key Technical Personnel,"** provide the names, titles, email addresses, telephone numbers, and background of key personnel involved in the operational aspects of the applicant's business.

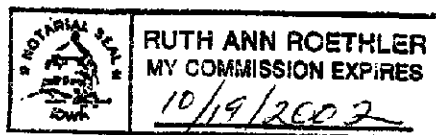
Jack Kuehner
Signature of Applicant and Title

Sworn and subscribed before me this 23rd day of July, 2002
Month Year

Ruth Ann Roethler
Signature of official administering oath

JACK KUEHNER, VP - MARKETING & SALES
Print Name and Title

My commission expires on



Notary

Seal

<u>Principal Officers, Directors, & Partners</u>	<u>Address</u>	<u>Telephone Number</u>
David L. Sokol Chairman / Director	302 So. 36 th Street/ Suite 400 Omaha, NE 68131	402/231-1400
Gregory E. Abel Chief Executive Officer / Director	666 Grand Avenue Des Moines, IA 50303	515/242-4000
Douglas L. Anderson Senior Vice President / Director	302 So. 36 th Street/ Suite 400 Omaha, NE 68131	402/231-1642
Patrick J. Goodman Senior Vice President & Chief Financial Office / Director	666 Grand Avenue Des Moines, IA 50303	515/281-2905
Jack L. Alexander Senior Vice President	666 Grand Avenue Des Moines, IA 50303	515/424-4044
Keith D. Hartje Senior Vice President	666 Grand Avenue Des Moines, IA 50303	515/281-2575
Todd M. Raba Senior Vice President	666 Grand Avenue Des Moines, IA 50303	515/281-2326
James Averweg Vice President & Asst. Secretary	One River Center Place 106 E Second Street Davenport, IA 52801	563/333-8110
Brent E. Gale Vice President & Asst. Secretary	666 Grand Avenue Des Moines, IA 50303	515/242-4002
Brian K. Hankel Vice President & Treasurer	666 Grand Avenue Des Moines, IA 50303	515/281-2904
James J. Howard Vice President & Asst. Secretary	666 Grand Avenue Des Moines, IA 50303	515/281-2647

<u>Principal Officers, Directors, & Partners</u>	<u>Address</u>	<u>Telephone Number</u>
Paul J. Leighton Vice President, Corporate Secretary & Asst. Secretary	666 Grand Avenue Des Moines, IA 50303	515/242-4099
Thomas B. Specketer Vice President & Controller	666 Grand Avenue Des Moines, IA 50303	515/281-2979
Steven R. Weiss Vice President & General Counsel	666 Grand Avenue Des Moines, IA 50303	515/281-2644
Cathy S. Woollums Vice President	One River Center Place 106 E Second Street Davenport, IA 52801	563/333-8009
David L. Graham Vice President	One River Center Place 106 E Second Street Davenport, IA 52801	563/333-8205
Mark Hewett Vice President	4299 NW Urbandale Drive Urbandale, IA 50322	515/281-2799
Garry W. Osborn Vice President	666 Grand Avenue Des Moines, IA 50303	515/281-2661
Jack Kelleher Vice President	4299 NW Urbandale Drive Urbandale, IA 50322	515/281-2339
James J. Sellner Director, Taxation	666 Grand Avenue Des Moines, IA 50303	515/281-2914

MidAmerican Energy Company is an indirect wholly owned subsidiary of MidAmerican Energy Holdings Company. MidAmerican Energy Holdings Company (incorporated) is owned entirely by an investor group that includes Berkshire Hathaway Inc., Omaha, Nebraska businessman Walter Scott, Jr., MidAmerican's Chief Executive Officer, Greg Abel, and MidAmerican's Chairman, David L. Sokol.

MidAmerican Energy Company provides both regulated and unregulated electric and gas service to more than 1.3 million customers in Iowa, Illinois, Ohio, Nebraska, Kentucky and South Dakota. The company is headquartered in Des Moines, Iowa, and is organized into two units: energy delivery, and supply and marketing. The supply and marketing unit has electric generation assets in Iowa and Illinois. MidAmerican Energy Company supplies gas and electric retail and wholesale services in the following states:

- Regulated Electric Services:
 - Illinois
 - Iowa
 - South Dakota
- Regulated Gas Services:
 - Illinois
 - Iowa
 - Nebraska
 - South Dakota
- Unregulated Electric Services:
 - Illinois
 - Iowa
- Unregulated Gas Services:
 - Illinois
 - Iowa
 - Kentucky
 - Nebraska
 - Ohio
 - South Dakota

CE Generation LLC is fifty percent (50%) owned by MidAmerican Energy Holdings Company and as such is an affiliate of MidAmerican Energy Company. CE Generation LLC is an electric generation company that provides electrical energy to the wholesale energy market through its subsidiaries listed below:

- California Energy Development Corp.
 - Yuma CoGeneration Associates - Gas fired electric generation station.
- Falcon Seaboard Resources, Inc.
 - Power Resources, LTD - Gas fired electric generation station.

- Saranac Power Partners
- Magma Power Co.
 - Vulcan BN/Geo. Power Co. – Geothermal electric generation station.
 - Del Ranch LP - Geothermal electric generation station.
 - Elmore LP - Geothermal electric generation station.
 - Leathers LP - Geothermal electric generation station.
 - Salton Sea Power Gen., LP - Geothermal electric generation station.

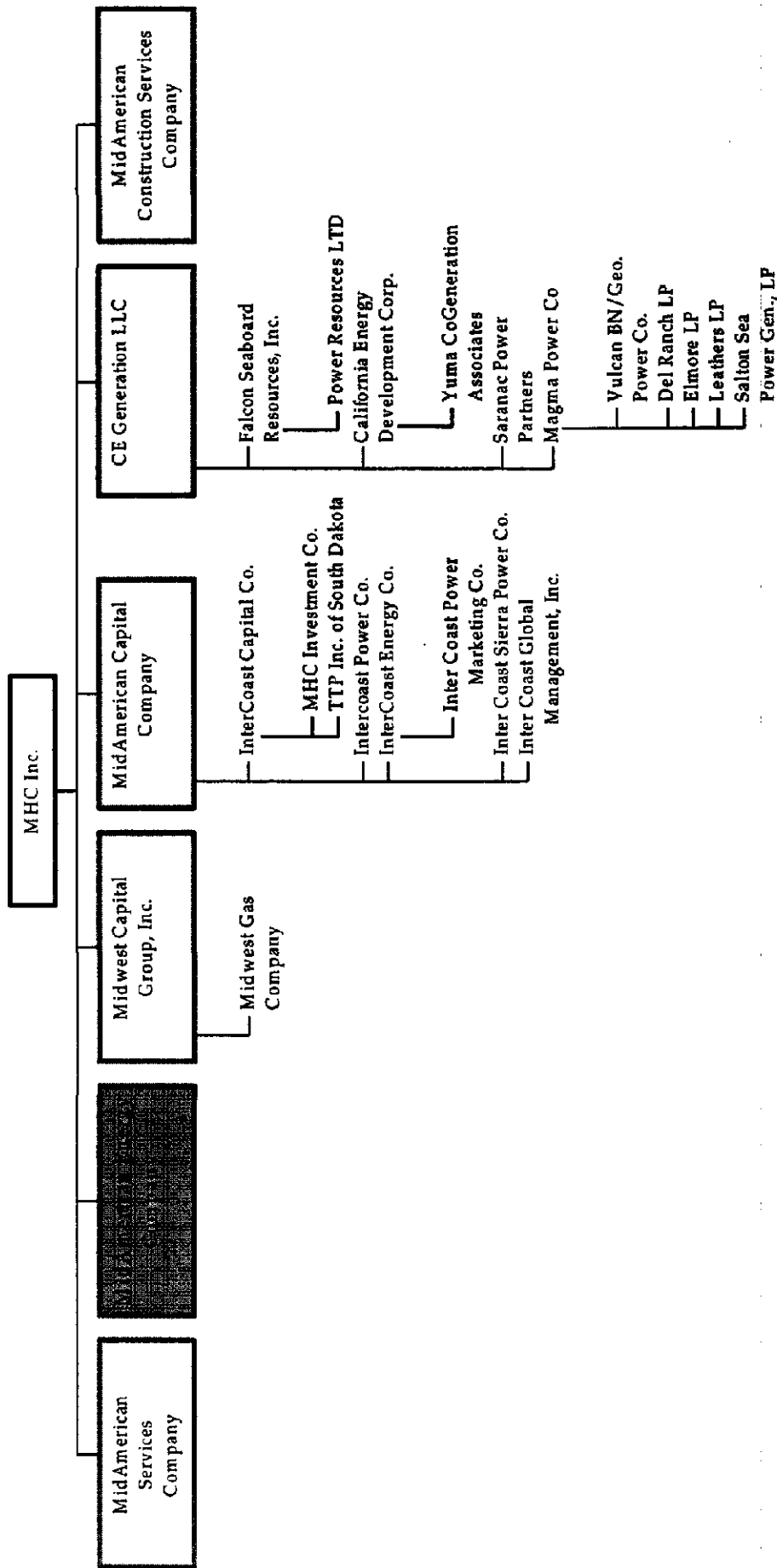
MidAmerican Capital Company is an indirect wholly owned subsidiary of MidAmerican Energy Holdings Company and as such is an affiliate of MidAmerican Energy Company. MidAmerican Capital Company has subsidiaries that are involved as listed below in retail and wholesale gas and electric customers:

- InterCoast Capital Co.
 - MHC Investment Company – 25% equity interest in an investment fund that invests in microgeneration product and services.
 - TTP Inc. of South Dakota – General partnership in a gas fired electric generation station.
 - MWR Capital Inc. – 7% ownership in coal fired electric generation station in Arizona.
- InterCoast Power Co. – Limited partnerships in three 30 MW solar generating stations in Southern California and a 12.8% interest in a 72 MW wind power project in California.
- InterCoast Energy Company
 - InterCoast Energy Company – Inactive energy company.
- InterCoast Sierra Power Company – 3% interest in an energy investment fund that funds Independent Power Projects.
- InterCoast Global Management, Inc. – Interest in gas and oil wells in various states.

Midwest Capital Group, Inc. is an indirect wholly owned subsidiary of MidAmerican Energy Holdings Company and as such is an affiliate of MidAmerican Energy Company. A subsidiary of Midwest Capital Group is Midwest Gas Company, which is inactive.

MidAmerican Services Company is an indirect wholly owned subsidiary of MidAmerican Energy Holdings Company and as such is an affiliate of MidAmerican Energy Company. MidAmerican Services Company provides unregulated energy contracting services, such as lighting retrofits, back up generation services, air compression services and heating, ventilation and air conditioning services to customers.

MidAmerican Construction Services Company is an indirect wholly owned subsidiary of MidAmerican Energy Holdings Company and as such is an affiliate of MidAmerican Energy Company. MidAmerican Construction Services Company provides electric transmission and distribution construction services to third parties.



MidAmerican Energy Company, a wholly owned subsidiary of MidAmerican Energy Holdings Company, provides both regulated and unregulated electric and gas service to more than 1.3 million customers in Iowa, Illinois, Ohio, Nebraska, Kentucky and South Dakota. The company is headquartered in Des Moines, Iowa, and is organized into three units: energy delivery, generation, and retail.

The company's energy delivery group consists of delivery and transmission systems for electricity and natural gas. As Iowa's largest energy company, MidAmerican owns and operates thousands of miles of electric transmission wires and local electric and natural gas distribution systems. MidAmerican Energy Company provides safe and reliable service to approximately 660,000 electric customers and 638,000 natural gas customers.

MidAmerican Energy meets the needs of its electric customers with approximately 4,500 megawatts of net-generating capacity. Electricity is generated with 71 percent fueled by coal, 28 percent by nuclear and one percent by natural gas and oil. MidAmerican Energy is one of the lowest-cost generators of electricity and the owner of five of the 50 lowest-cost, steam-electric power production plants in the U.S. In addition to providing energy directly to its customers, the company sells approximately 30 percent of its output in the wholesale market. MidAmerican Energy supplies natural gas to customers using three of the four interstate natural gas pipelines supplying Iowa.

As restructuring of the electric industry unfolds, competition in retail energy services will increase. MidAmerican Energy formed its unregulated retail business unit to actively participate in the retail opportunities that will arise in the open marketplace. The unregulated retail division offers gas and electricity services, as well as other value-added products and services, which target consumer, general business, and major accounts.

Founded in 1885 as Des Moines Edison Light and Power Company, it became MidAmerican Energy Company after a 1995 merger of Midwest Resources Inc. and Iowa-Illinois Gas and Electric Company. In 1999, CalEnergy Company Inc. acquired the company, and changed the parent company's name to MidAmerican Energy Holdings Company. In March 2000, the company became privately held by an investment group. Information about MidAmerican is available on the Internet at <http://www.midamericanenergy.com>.

MidAmerican Energy Company

EXHIBIT A-17
"Articles of Incorporation & ByLaws"

The following Exhibit A-17 is MidAmerican Energy Company incorporation filed with the Iowa Secretary of State and the all amendments there to.

IOWA

No. W00197036
Date: 10/27/1998

SECRETARY OF STATE

490 DP-000177228
MIDAMERICAN ENERGY COMPANY

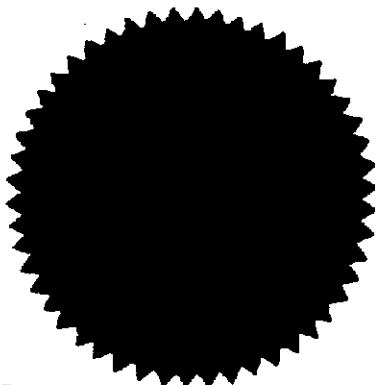
ACKNOWLEDGMENT OF DOCUMENT FILED

The Secretary of State acknowledges receipt of the following document:

Articles of Amendment

The document was filed on October 27, 1998, at 02:29 PM, to be effective as of October 27, 1998, at 02:29 PM.

The amount of \$50.00 was received in full payment of the filing fee.



Paul D. Pate

SECRETARY OF STATE



ARTICLES OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
MIDAMERICAN ENERGY COMPANY

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

Pursuant to the provisions of Section 490.601, and in accordance with Section 490.602(4), of the Iowa Business Corporation Act, the undersigned corporation hereby adopts the following Articles of Amendment to the corporation's Restated Articles of Incorporation.

1. The name of the corporation is:

MidAmerican Energy Company

2. On October 27, 1998, the Board of Directors of MidAmerican Energy Company, an Iowa corporation ("Corporation"), duly adopted the following Articles of Amendment to the Restated Articles of Incorporation of the Corporation, as amended, canceling the following shares of Preferred Stock of the Corporation:

<u>Series</u>	<u>Number of Shares Canceled</u>
\$3.30 Series	7

3. The total number of authorized Preferred Stock for the following Series, is remaining after the cancellation:

<u>Series</u>	<u>Number of Shares Remaining</u>
\$3.30 Series	49,451

The Articles of Amendment to the Restated Articles of Incorporation were adopted by the Board of Directors without action by the shareholders. These Articles of Amendment to the Restated Articles of Incorporation are to be effective when filed by the Secretary of State.

FILED
IOWA
SECRETARY OF STATE

10/29/98
2:29 pm

W197036



MIDAMERICAN ENERGY COMPANY

P. J. Leighton
P. J. Leighton, Vice President and
Corporate Secretary

00221

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SECRETARY OF
STATE OF
IOWA
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No. W00187687
Date: 08/05/1998

SECRETARY OF STATE

490 DP-000177228
MIDAMERICAN ENERGY COMPANY

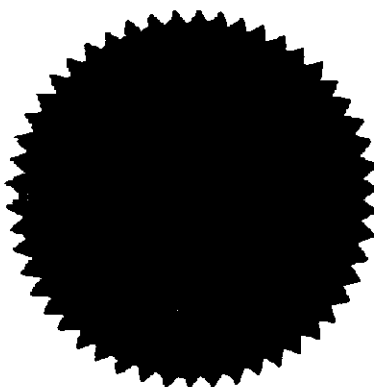
ACKNOWLEDGMENT OF DOCUMENT FILED

The Secretary of State acknowledges receipt of the following document:

Articles of Amendment

The document was filed on August 5, 1998, at 01:08 PM, to be effective as of August 5, 1998, at 01:08 PM.

The amount of \$50.00 was received in full payment of the filing fee.



Paul D. Pate

SECRETARY OF STATE



ARTICLES OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
MIDAMERICAN ENERGY COMPANY

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

Pursuant to the provisions of Section 490.601, and in accordance with Section 490.602(4), of the Iowa Business Corporation Act, the undersigned corporation hereby adopts the following Articles of Amendment to the corporation's Restated Articles of Incorporation.

1. The name of the corporation is:

MidAmerican Energy Company

2. On August 5, 1998, the Board of Directors of MidAmerican Energy Company, an Iowa corporation ("Corporation"), duly adopted the following Articles of Amendment to the Restated Articles of Incorporation of the Corporation, as amended, canceling the following series of Preferred Stock of the Corporation in its entirety:


<u>Series</u>	<u>Number of Shares Canceled</u>
\$3.30 Series	5

3. The total number of authorized Preferred Stock for the following Series, is remaining after the cancellation:

<u>Series</u>	<u>Number of Shares Remaining</u>
\$3.30 Series	49,458

The Articles of Amendment to the Restated Articles of Incorporation were adopted by the Board of Directors without action by the shareholders. These Articles of Amendment to the Restated Articles of Incorporation are to be effective when filed by the Secretary of State.

MIDAMERICAN ENERGY COMPANY


P. J. Leighton, Vice President and
Corporate Secretary

AMD0898

FILED
IOWA
SECRETARY OF STATE

8-5-98
1:08pm

W187687



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RECEIVED

AUG 05 1998

SECRETARY OF STATE

505716 AVENUE \$50.00 SFO

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IOWA

No. W00186774
Date: 07/28/1998

SECRETARY OF STATE

490 DP-000177228
MIDAMERICAN ENERGY COMPANY

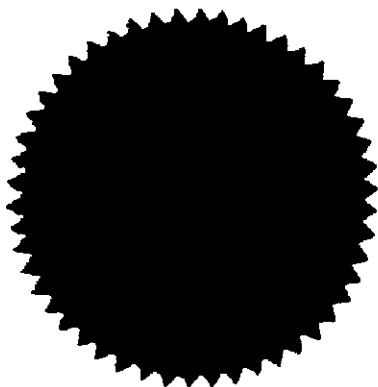
ACKNOWLEDGMENT OF DOCUMENT FILED

The Secretary of State acknowledges receipt of the following document:

Articles of Amendment

The document was filed on July 27, 1998, at 08:38 AM, to be effective as of July 27, 1998, at 08:38 AM.

The amount of \$50.00 was received in full payment of the filing fee.



Paul D. Pate

SECRETARY OF STATE



Printed on
Recycled Paper

ARTICLES OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
MIDAMERICAN ENERGY COMPANY

177228

RECEIVED

JUL 27 1998

SECRETARY OF STATE

501988 AMEN 110 \$50.00

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

Pursuant to the provisions of Section 490.601, and in accordance with Section 490.602(4), of the Iowa Business Corporation Act, the undersigned corporation hereby adopts the following Articles of Amendment to the corporation's Restated Articles of Incorporation.

1. The name of the corporation is:

MidAmerican Energy Company

2. On July 27, 1998, the Board of Directors of MidAmerican Energy Company, an Iowa corporation ("Corporation"), duly adopted the following Articles of Amendment to the Restated Articles of Incorporation of the Corporation, as amended, canceling the following series of Preferred Stock of the Corporation in its entirety:

<u>Series</u>	<u>Number of Shares Canceled</u>
\$3.30 Series	4

3. The total number of authorized Preferred Stock for the following Series, is remaining after the cancellation:

<u>Series</u>	<u>Number of Shares Remaining</u>
\$3.30 Series	49,463

The Articles of Amendment to the Restated Articles of Incorporation were adopted by the Board of Directors without action by the shareholders. These Articles of Amendment to the Restated Articles of Incorporation are to be effective when filed by the Secretary of State.

MIDAMERICAN ENERGY COMPANY

FILED
IOWA
SECRETARY OF STATE

7-27-98

8:38 am

W186774



P. J. Leighton
P. J. Leighton, Vice President and
Corporate Secretary

①

IOWA

No. W00179721
Date: 04/29/1998

SECRETARY OF STATE

490 DP-000177228
MIDAMERICAN ENERGY COMPANY

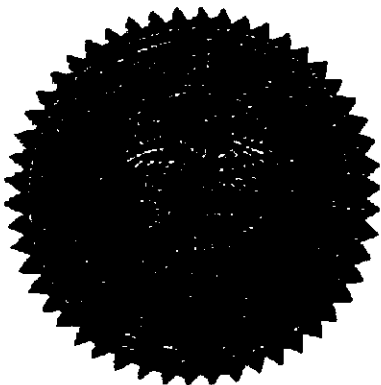
ACKNOWLEDGMENT OF DOCUMENT FILED

The Secretary of State acknowledges receipt of the following document:

Articles of Amendment

The document was filed on April 28, 1998, at 10:29 AM, to be effective as of April 28, 1998, at 10:29 AM.

The amount of \$50.00 was received in full payment of the filing fee.



Paul D. Pate

SECRETARY OF STATE



Printed on
Recycled Paper

ARTICLES OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
MIDAMERICAN ENERGY COMPANY

177228

RECEIVED

APR 28 1998

SECRETARY OF STATE

53735 AVENUE #50.00 DJC

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

Pursuant to the provisions of Section 490.601, and in accordance with Section 490.602(4), of the Iowa Business Corporation Act, the undersigned corporation hereby adopts the following Articles of Amendment to the corporation's Restated Articles of Incorporation.

1. The name of the corporation is:

MidAmerican Energy Company

2. On April 27, 1998, the Board of Directors of MidAmerican Energy Company, an Iowa corporation ("Corporation"), duly adopted the following Articles of Amendment to the Restated Articles of Incorporation of the Corporation, as amended, canceling the following series of Preferred Stock of the Corporation in its entirety:

<u>Series</u>	<u>Number of Shares Canceled</u>
\$3.30 Series	4
\$3.75 Series	5
\$4.20 Series	7

3. The total number of authorized Preferred Stock for the following Series, is remaining after the cancellation:

<u>Series</u>	<u>Number of Shares Remaining</u>
\$3.30 Series	49,467
\$3.75 Series	38,303
\$4.20 Series	47,362

The Articles of Amendment to the Restated Articles of Incorporation were adopted by the Board of Directors without action by the shareholders. These Articles of Amendment to the Restated Articles of Incorporation are to be effective when filed by the Secretary of State.

FILED
IOWA
SECRETARY OF STATE

4-28-98

10:29 AM

W179721



MIDAMERICAN ENERGY COMPANY

P. J. Leighton
P. J. Leighton, Vice President and
Corporate Secretary

IOWA

No. W00172554
Date: 02/17/1998

SECRETARY OF STATE

490 DP-000177228
MIDAMERICAN ENERGY COMPANY

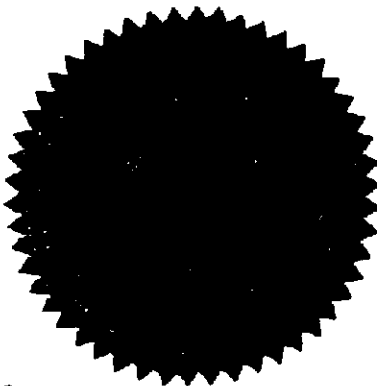
ACKNOWLEDGMENT OF DOCUMENT FILED

The Secretary of State acknowledges receipt of the following document:

Articles of Amendment

The document was filed on February 17, 1998, at 01:11 PM, to be effective as of February 17, 1998, at 01:11 PM.

The amount of \$50.00 was received in full payment of the filing fee.



Paul D. Pate

SECRETARY OF STATE



Printed on
Recycled Paper

ARTICLES OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
MIDAMERICAN ENERGY COMPANY

177228

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

Pursuant to the provisions of Section 490.601, and in accordance with Section 490.602(4), of the Iowa Business Corporation Act, the undersigned corporation hereby adopts the following Articles of Amendment to the corporation's Restated Articles of Incorporation.

1. The name of the corporation is:

MidAmerican Energy Company

2. On January 26, 1998, the Board of Directors of MidAmerican Energy Company, an Iowa corporation ("Corporation"), duly adopted the following Articles of Amendment to the Restated Articles of Incorporation of the Corporation, as amended, canceling the following series of Preferred Stock of the Corporation in its entirety:

<u>Series</u>	<u>Number of Shares Canceled</u>
\$3.30 Series	10

3. The total number of authorized Preferred Stock for the following Series, is remaining after the cancellation:

<u>Series</u>	<u>Number of Shares Remaining</u>
\$3.30 Series	49,471

The Articles of Amendment to the Restated Articles of Incorporation were adopted by the Board of Directors without action by the shareholders. These Articles of Amendment to the Restated Articles of Incorporation are to be effective when filed by the Secretary of State.

FILED
IOWA
SECRETARY OF STATE

2-17-1998
1:11 PM
W172554



MIDAMERICAN ENERGY COMPANY


P. J. Leighton, Vice President and
Corporate Secretary

526311 AMEND 150.00 DJC 2

X

17

IOWA

No. W00166243
Date: 12/24/1997

SECRETARY OF STATE

490 DP-000177228
MIDAMERICAN ENERGY COMPANY

ACKNOWLEDGMENT OF DOCUMENT FILED

The Secretary of State acknowledges receipt of the following document:

Articles of Amendment

The document was filed on December 23, 1997, at 09:35 AM, to be effective as of December 23, 1997, at 09:35 AM.

The amount of \$50.00 was received in full payment of the filing fee.



Paul D. Pate

SECRETARY OF STATE



Printed on
Revised Paper

ARTICLES OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
MIDAMERICAN ENERGY COMPANY

177228

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

Pursuant to the provisions of Section 490.601, and in accordance with Section 490.602(4), of the Iowa Business Corporation Act, the undersigned corporation hereby adopts the following Articles of Amendment to the corporation's Restated Articles of Incorporation.

1. The name of the corporation is:

MidAmerican Energy Company

2. On December 22, 1997, the Board of Directors of MidAmerican Energy Company, an Iowa corporation ("Corporation"), duly adopted the following Articles of Amendment to the Restated Articles of Incorporation of the Corporation, as amended, canceling the following series of Preferred Stock of the Corporation in its entirety:

<u>Series</u>	<u>Number of Shares Canceled</u>
\$3.30 Series	1

3. The total number of authorized Preferred Stock for the following Series, is remaining after the cancellation:

<u>Series</u>	<u>Number of Shares Remaining</u>
\$3.30 Series	49,481

The Articles of Amendment to the Restated Articles of Incorporation were adopted by the Board of Directors without action by the shareholders. These Articles of Amendment to the Restated Articles of Incorporation are to be effective when filed by the Secretary of State.

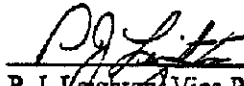
FILED
IOWA
SECRETARY OF STATE

12-23-1997
9:35AM

W166243



MIDAMERICAN ENERGY COMPANY


P. J. Houghton, Vice President and
Corporate Secretary

519671 AMEN 123 \$10.00 510

97

IOWA

No. W00163744
Date: 11/12/1997

SECRETARY OF STATE

490 DP-000177228
MIDAMERICAN ENERGY COMPANY

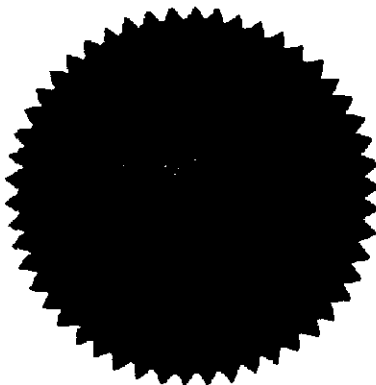
ACKNOWLEDGMENT OF DOCUMENT FILED

The Secretary of State acknowledges receipt of the following document:

Articles of Amendment

The document was filed on November 12, 1997, at 01:04 PM, to be effective as of November 12, 1997, at 01:04 PM.

The amount of \$50.00 was received in full payment of the filing fee.



Paul D. Pate

SECRETARY OF STATE



Printed on
Recycled Paper

ARTICLES OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
MIDAMERICAN ENERGY COMPANY

177228

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

Pursuant to the provisions of Section 490.601, and in accordance with Section 490.602(4), of the Iowa Business Corporation Act, the undersigned corporation hereby adopts the following Articles of Amendment to the corporation's Restated Articles of Incorporation.

1. The name of the corporation is:

MidAmerican Energy Company

2. On November 7, 1997, the Board of Directors of MidAmerican Energy Company, an Iowa corporation ("Corporation"), duly adopted the following Articles of Amendment to the Restated Articles of Incorporation of the Corporation, as amended, canceling the following series of Preferred Stock of the Corporation in its entirety:

<u>Series</u>	<u>Number of Shares Canceled</u>
\$3.30 Series	3

3. The total number of authorized Preferred Stock for the following Series, is remaining after the cancellation:

<u>Series</u>	<u>Number of Shares Remaining</u>
\$3.30 Series	49,482

The Articles of Amendment to the Restated Articles of Incorporation were adopted by the Board of Directors without action by the shareholders. These Articles of Amendment to the Restated Articles of Incorporation are to be effective when filed by the Secretary of State.

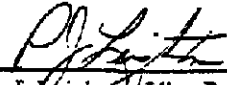
MIDAMERICAN ENERGY COMPANY

FILED
IOWA
SECRETARY OF STATE

11-12-1997
1:04PM

W163744




P. J. Leighton, Vice President and
Corporate Secretary

515365 AMEND \$50.00 DJC 2

1

IOWA

No. W00163266
Date: 11/04/1997

SECRETARY OF STATE

490 DP-000177228
MIDAMERICAN ENERGY COMPANY

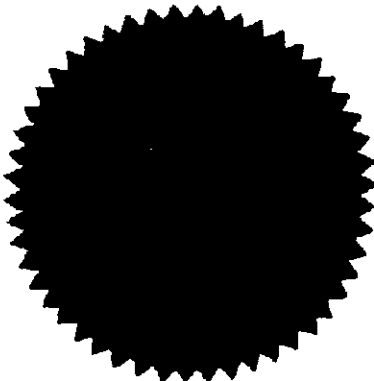
ACKNOWLEDGMENT OF DOCUMENT FILED

The Secretary of State acknowledges receipt of the following document:

Articles of Amendment

The document was filed on November 3, 1997, at 09:29 AM, to be effective as of November 3, 1997, at 09:29 AM.

The amount of \$50.00 was received in full payment of the filing fee.



Paul D. Pate

SECRETARY OF STATE



ARTICLES OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
MIDAMERICAN ENERGY COMPANY

177228

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

Pursuant to the provisions of Section 490.601, and in accordance with Section 490.602(4), of the Iowa Business Corporation Act, the undersigned corporation hereby adopts the following Articles of Amendment to the corporation's Restated Articles of Incorporation.

1. The name of the corporation is:

MidAmerican Energy Company

2. On October 27, 1997, the Board of Directors of MidAmerican Energy Company, an Iowa corporation ("Corporation"), duly adopted the following Articles of Amendment to the Restated Articles of Incorporation of the Corporation, as amended, canceling the following series of Preferred Stock of the Corporation in its entirety:

<u>Series</u>	<u>Number of Shares Canceled</u>
\$3.75 Series	10

3. The total number of authorized Preferred Stock for the following Series, is remaining after the cancellation:

<u>Series</u>	<u>Number of Shares Remaining</u>
\$3.75 Series	38,310

The Articles of Amendment to the Restated Articles of Incorporation were adopted by the Board of Directors without action by the shareholders. These Articles of Amendment to the Restated Articles of Incorporation are to be effective when filed by the Secretary of State.

MIDAMERICAN ENERGY COMPANY

FILED
IOWA
SECRETARY OF STATE

11-3-97

9:29 am
W163266

AMD1097



P. J. Leighton
P. J. Leighton, Vice President and
Corporate Secretary

0090

IOWA

No. W00153466
Date: 08/13/1997

SECRETARY OF STATE

490 DP-00017228
MIDAMERICAN ENERGY COMPANY

ACKNOWLEDGMENT OF DOCUMENT FILED

The Secretary of State acknowledges receipt of the following document:

Articles of Amendment

The document was filed on August 11, 1997, at 11:00 AM, to be effective as of August 11, 1997, at 11:00 AM.

The amount of \$50.00 was received in full payment of the filing fee.



Paul D. Pate

SECRETARY OF STATE



Printed on
Recycled Paper

ARTICLES OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
MIDAMERICAN ENERGY COMPANY

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

Pursuant to the provisions of Section 490.601, and in accordance with Section 490.602(4), of the Iowa Business Corporation Act, the undersigned corporation hereby adopts the following Articles of Amendment to the corporation's Restated Articles of Incorporation.

1. The name of the corporation is:

MidAmerican Energy Company

2. On August 7, 1997, the Board of Directors of MidAmerican Energy Company, an Iowa corporation ("Corporation"), duly adopted the following Articles of Amendment to the Restated Articles of Incorporation of the Corporation, as amended, canceling the following series of Preferred Stock of the Corporation in its entirety:

<u>Series</u>	<u>Number of Shares Canceled</u>
\$3.30 Series	5

3. The total number of authorized Preferred Stock for the following Series, is remaining after the cancellation:

<u>Series</u>	<u>Number of Shares Remaining</u>
\$3.30 Series	49,485

The Articles of Amendment to the Restated Articles of Incorporation were adopted by the Board of Directors without action by the shareholders. These Articles of Amendment to the Restated Articles of Incorporation are to be effective when filed by the Secretary of State.

FILED
IOWA
SECRETARY OF STATE

3-11-97

11:00 AM

W153466



MIDAMERICAN ENERGY COMPANY


P. J. Leighton, Vice President and
Corporate Secretary

00229

177228
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505356 AMEN

IOWA

No. W00153465
Date: 08/13/1997

SECRETARY OF STATE

490 DP-000177228
MIDAMERICAN ENERGY COMPANY

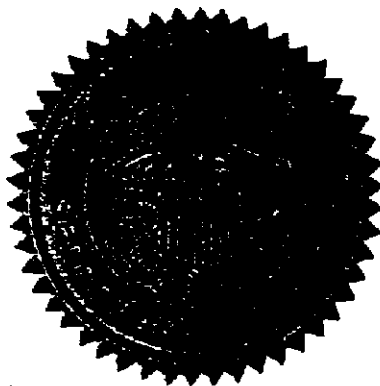
ACKNOWLEDGMENT OF DOCUMENT FILED

The Secretary of State acknowledges receipt of the following document:

Articles of Amendment

The document was filed on August 11, 1997, at 10:57 AM, to be effective as of August 11, 1997, at 10:57 AM.

The amount of \$50.00 was received in full payment of the filing fee.



Paul D. Pate

SECRETARY OF STATE



177228

ARTICLES OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
MIDAMERICAN ENERGY COMPANY

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

Pursuant to the provisions of Section 490.601, and in accordance with Section 490.602(4), of the Iowa Business Corporation Act, the undersigned corporation hereby adopts the following Articles of Amendment to the corporation's Restated Articles of Incorporation.

1. The name of the corporation is:

MidAmerican Energy Company

2. Article VA of the Restated Articles of Incorporation, as amended, is hereby amended by deleting the second sentence thereof in its entirety and substituting the following sentence therefor:

The number of directors of the Corporation shall be fixed by the Bylaws but shall be no less than three (3) and no greater than twenty-two (22), and such number may be increased or decreased from time to time in accordance with the Bylaws, but no decrease shall have the effect of shortening the term of any incumbent director.

3. The date of adoption of the amendment was April 17, 1997.
- 4A. The amendment was approved by the shareholders. The designation, number of outstanding shares, number of votes entitled to be cast by each voting group entitled to vote separately on the amendment, and the number of votes of each voting group indisputably represented is as follows:

<u>Designation of Group</u>	<u>Shares Outstanding</u>	<u>Votes Entitled To Be Cast On Amendment</u>	<u>Votes Represented</u>
Common Stock	100,751,713	100,751,713	100,751,713

2
00227

505356 AMEND 0

\$50.00 DJC

2


- 4B. The total number of undisputed votes cast for and against the amendment by each voting group entitled to vote separately on the amendment are as follows:

<u>Voting Group</u>	<u>Votes For</u>	<u>Votes Against</u>
Common Stock	100,751,713	0

The number of votes cast for the amendment by each voting group was sufficient for approval by that voting group.

These Articles of Amendment to the Restated Articles of Incorporation, as amended, are to be effective when filed by the Secretary of State.

MIDAMERICAN ENERGY COMPANY



P. J. Leighton, Vice President and
Corporate Secretary

AMD41797

FILED
IOWA
SECRETARY OF STATE
8-11-04
10:57 AM
W153465



10228

ARTICLES OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
MIDAMERICAN ENERGY COMPANY

177228

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

Pursuant to the provisions of Section 490.601, and in accordance with Section 490.602(4), of the Iowa Business Corporation Act, the undersigned corporation hereby adopts the following Articles of Amendment to the corporation's Restated Articles of Incorporation.

1. The name of the corporation is:

MidAmerican Energy Company

2. On May 8, 1997, the Board of Directors of MidAmerican Energy Company, an Iowa corporation ("Corporation"), duly adopted the following Articles of Amendment to the Restated Articles of Incorporation of the Corporation, canceling the following series of Preferred Stock of the Corporation in its entirety:

<u>Series</u>	<u>Number of Shares Canceled</u>
\$3.30 Series	33
\$4.35 Series	5

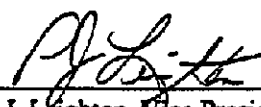
3. The total number of authorized Preferred Stock for the following Series, is remaining after the cancellation:

<u>Series</u>	<u>Number of Shares Remaining</u>
\$3.30 Series	49,490
\$4.35 Series	49,945

The Articles of Amendment to the Restated Articles of Incorporation were adopted by the Board of Directors without action by the shareholders. These Articles of Amendment to the Restated Articles of Incorporation are to be effective when filed by the Secretary of State.

FILED
IOWA
SECRETARY OF STATE
5-9-97
3:33pm
W145453

MIDAMERICAN ENERGY COMPANY


P. J. Leighton, Vice President and
Corporate Secretary

00680

MER-
05.08.9



526517 AMEN10 \$50.00 JAB 2

ARTICLES OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
MIDAMERICAN ENERGY COMPANY

177228

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

Pursuant to the provisions of Section 490.601, and in accordance with Section 490.602(4), of the Iowa Business Corporation Act, the undersigned corporation hereby adopts the following Articles of Amendment to the corporation's Restated Articles of Incorporation.

1. The name of the corporation is:

MidAmerican Energy Company

2. On January 22, 1997, the Board of Directors of MidAmerican Energy Company, an Iowa corporation ("Corporation"), duly adopted the following Articles of Amendment to the Restated Articles of Incorporation of the Corporation, canceling the following series of Preferred Stock of the Corporation in its entirety:

<u>Series</u>	<u>Number of Shares Canceled</u>
\$1.7375 Series	1,888,0000

3. The total number of authorized Preferred Stock for the following Series, is remaining after the cancellation:

<u>Series</u>	<u>Number of Shares Remaining</u>
\$1.7375 Series	0

The Articles of Amendment to the Restated Articles of Incorporation were adopted by the Board of Directors without action by the shareholders. These Articles of Amendment to the Restated Articles of Incorporation are to be effective when filed by the Secretary of State.

FILED
IOWA
SECRETARY OF STATE

2/4/97

11:29 AM
W135065

MIDAMERICAN ENERGY COMPANY

P. J. Leighton
P. J. Leighton, Vice President and
Corporate Secretary

00157

512529 AMEN10 \$50.00 JAB 2

ARTICLES OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
MIDAMERICAN ENERGY COMPANY

177228

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

Pursuant to the provisions of Section 490.601, and in accordance with Section 490.602(4), of the Iowa Business Corporation Act, the undersigned corporation hereby adopts the following Articles of Amendment to the corporation's Restated Articles of Incorporation.

1. The name of the corporation is:

MidAmerican Energy Company

2. As of October 30, 1996, the Board of Directors of MidAmerican Energy Company, an Iowa corporation ("Corporation"), duly adopted the following Articles of Amendment to the Restated Articles of Incorporation of the Corporation, canceling the following Preferred Stock:

<u>Series</u>	<u>Number of Shares Canceled</u>
\$1.7375 Series	43,000

3. The total number of authorized Preferred Stock for the following Series, is remaining after the cancellation:

<u>Series</u>	<u>Number of Shares Remaining</u>
\$1.7375 Series	1,888,000

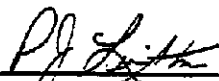
The Articles of Amendment to the Restated Articles of Incorporation were adopted by the Board of Directors without action by the shareholders. These Articles of Amendment to the Restated Articles of Incorporation are to be effective when filed by the Secretary of State.

MIDAMERICAN ENERGY COMPANY

FILED
IOWA
SECRETARY OF STATE

11-4-96
1:15 PM
W126413




P. J. Leighton, Vice President and
Corporate Secretary

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502489 AMEN10 \$50.00 DONNA 2

ARTICLES OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
MIDAMERICAN ENERGY COMPANY

JUL 21 1996

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

Pursuant to the provisions of Section 490.601, and in accordance with Section 490.602(4), of the Iowa Business Corporation Act, the undersigned corporation hereby adopts the following Articles of Amendment to the corporation's Restated Articles of Incorporation.

1. The name of the corporation is:

MidAmerican Energy Company

2. As of July 24, 1996, the Board of Directors of MidAmerican Energy Company, an Iowa corporation ("Corporation"), duly adopted the following Articles of Amendment to the Restated Articles of Incorporation of the Corporation, canceling the following Preferred Stock:


<u>Series</u>	<u>Number of Shares Canceled</u>
\$1.7375 Series	119,000

3. The total number of authorized Preferred Stock for the following Series, is remaining after the cancellation:

<u>Series</u>	<u>Number of Shares Remaining</u>
\$1.7375 Series	1,931,000

The Articles of Amendment to the Restated Articles of Incorporation were adopted by the Board of Directors without action by the shareholders. These Articles of Amendment to the Restated Articles of Incorporation are to be effective when filed by the Secretary of State.

MIDAMERICAN ENERGY COMPANY


P. J. Leighton, Vice President and
Secretary

ARTICLES OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
MIDAMERICAN ENERGY COMPANY

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

177228
APR 24 1996
SECRETARY OF STATE

Pursuant to the provisions of Section 490.601, and in accordance with Section 490.602(4), of the Iowa Business Corporation Act, the undersigned corporation hereby adopts the following Articles of Amendment to the corporation's Restated Articles of Incorporation.

1. The name of the corporation is:

Mid-American Energy Company

2. As of April 23, 1996, the Board of Directors of MidAmerican Energy Company, an Iowa corporation ("Corporation"), duly adopted the following Articles of Amendment to the Restated Articles of Incorporation of the Corporation, cancelling the following Preferred Stock:

<u>Series</u>	<u>Number of Shares Cancelled</u>
\$1.7375 Series	350,000

3. The total number of authorized Preferred Stock for the following Series, is remaining after the cancellation:

<u>Series</u>	<u>Number of Shares Remaining</u>
\$1.7375 Series	2,050,000

The Articles of Amendment to the Restated Articles of Incorporation were adopted by the Board of Directors without action by the shareholders. These Articles of Amendment to the Restated Articles of Incorporation are to be effective when filed by the Secretary of State.

MIDAMERICAN ENERGY COMPANY

P. J. Leighton
P. J. Leighton, Vice President and
Secretary

MER-146.wpd
04/23/1996

PAUL D. PATE
Secretary of State
FILED
Date: 4-24-96 00778

0425961376.0001211391MEN*808 150.0

ARTICLES OF CORRECTION
OF
MIDAMERICAN ENERGY COMPANY

JAN 18 1996

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

SECRETARY OF STATE

Pursuant to section 124 of the Iowa Business Corporation Act, the undersigned corporation adopts the following articles of correction.

1. The name of the corporation is MidAmerican Energy Company.
2. The document to be corrected is the Articles of Amendment to the Restated Articles of Incorporation of MidAmerican Energy Company.
3. The document to be corrected was filed by the secretary of state on December 28, 1995.
4. The incorrect statements in the document to be corrected are as follows:

Series
\$3.30 Series

Number of Shares Cancelled
7

Series
\$3.30 Series

Number of Shares Remaining
49,615

5. The reason that the document is incorrect is due to the fact that the 7 should have been 99 and the 49,615 should have been 49,523.
6. The corrected statement is as follows:


Series
\$3.30 Series

Number of Shares Cancelled
99

Series
\$3.30 Series

Number of Shares Remaining
49,523

MIDAMERICAN ENERGY COMPANY



P. J. Leighten, Vice President and
Corporate Secretary

ARTICLES OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
MIDAMERICAN ENERGY COMPANY

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

Pursuant to the provisions of Section 490.601, and in accordance with Section 490.602(4), of the Iowa Business Corporation Act, the undersigned corporation hereby adopts the following Articles of Amendment to the corporation's Restated Articles of Incorporation.

1. The name of the corporation is:

MidAmerican Energy Company


2. As of December 13, 1995, the Board of Directors of MidAmerican Energy Company, an Iowa corporation ("Corporation"), duly adopted the following Articles of Amendment to the Restated Articles of Incorporation of the Corporation, cancelling the following Preferred Stock:

<u>Series</u>	<u>Number of Shares Cancelled</u>
\$3.30 Series	7

3. The total number of authorized Preferred Stock for the following Series, is remaining after the cancellation:

<u>Series</u>	<u>Number of Shares Remaining</u>
\$3.30 Series	49,615

The Articles of Amendment to the Restated Articles of Incorporation were adopted by the Board of Directors without action by the shareholders. These Articles of Amendment to the Restated Articles of Incorporation are to be effective when filed by the Secretary of State.

PAUL D. PATE Secretary of State FILED Date: 12-28-95 Time: 2:08 Receipt: 30536	MIDAMERICAN ENERGY COMPANY  P. J. Leighton, Vice President and Secretary
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MER-1.65
12/21/1996

10823

ANNEX B

ARTICLES OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
MIDAMERICAN ENERGY COMPANY

RECEIVED

JUN 30 1995

SECRETARY OF STATE

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

Pursuant to the provisions of Section 490.601, and in accordance with Section 490.602(4), of the Iowa Business Corporation Act, the undersigned corporation hereby adopts the following Articles of Amendment to the corporation's Restated Articles of Incorporation.

1. The name of the corporation is:

MidAmerican Energy Company

2. As of June 30, 1995, the Board of Directors of MidAmerican Energy Company, an Iowa corporation ("Corporation"), duly adopted the following Articles of Amendment to the Restated Articles of Incorporation ("Articles of Incorporation") of the Corporation, determining certain terms of its class of shares designated in Article III of its Articles of Incorporation as Preferred Stock, no par value ("Preferred Stock"), and creating and determining the terms of the ten series of Preferred Stock (collectively, the "Merger Series") to be issued on the date on which the merger ("Merger") of Midwest Resources Inc., an Iowa corporation ("Midwest Resources"), Midwest Power Systems Inc., an Iowa corporation ("Midwest Power"), and Iowa-Illinois Gas and Electric Company, an Illinois corporation ("Iowa-Illinois"), with and into the Corporation becomes effective ("Effective Date of the Merger"), upon the conversion of (i) all shares of each series of Midwest Power Preferred Stock, no par value ("Midwest Power Preferred Stock"), into shares of a particular series of Preferred Stock, and (ii) all shares of each series of Iowa-Illinois Preference Shares, without par value ("Iowa-Illinois Preference Stock"), into shares of a particular series of Preferred Stock, including the certain preferences, limitations and relative rights of holders of shares of Preferred Stock, and the designation, preferences, limitations and relative rights of each Merger Series.

3. The text of the Amendment determining the terms of the Preferred Stock and the terms of each Merger Series, is as follows:

A. *Designations.* Each Merger Series is given one of the following distinguishing designations:

\$1.7375 Series
 \$3.30 Series
 \$3.75 Series
 \$3.90 Series
 \$4.20 Series
 \$4.35 Series
 \$4.40 Series
 \$4.80 Series
 \$5.25 Series
 \$7.80 Series

B. *Number of Shares.* Each Merger Series shall consist of the following number of shares of Preferred Stock:

<u>Series</u>	<u>Number of Shares</u>
\$1.7375 Series	2,400,000
\$3.30 Series	49,622
\$3.75 Series	38,320
\$3.90 Series	32,630
\$4.20 Series	47,369
\$4.35 Series	49,950
\$4.40 Series	50,000
\$4.80 Series	49,898
\$5.25 Series	100,000
\$7.80 Series	400,000

C. *Distributions ("Dividends").*

(1) The holders of the shares of each Merger Series in preference to the holders of Common Stock and the holders of any other shares of the Corporation which rank junior to the Preferred Stock, shall be entitled to receive, but only when and as declared by the Board of Directors, out of any assets legally available therefor, Dividends in lawful money of the United States of America, in the amount per annum set forth in the designation of such Merger Series in these Articles of Amendment creating such Merger Series, and no more.

(2) Dividends on the Merger Series shares shall be payable quarterly on the first day of each of the months of March, June, September and December ("Dividend Payment Date") with respect to the quarterly Dividend period ending on the date preceding each such Dividend Payment Date, to shareholders of record as of a date to be fixed by the Board of Directors, not exceeding thirty (30)

days and not less than ten (10) days preceding such Dividend Payment Dates; provided, however, that the first Dividend payable on the \$5.25 Series and the \$7.80 Series shall be paid as follows:

(a) if a regular Dividend Payment Date for the shares of Iowa-Illinois Preference Stock which were converted into shares of such Merger Series in the merger of Midwest Resources, Midwest Power and Iowa-Illinois with and into the Corporation ("Iowa-Illinois Payment Date"), occurs after the Effective Date of the Merger but before the first Dividend Payment Date after the Effective Date of the Merger ("First Dividend Payment Date"), then

(i) a Dividend shall be paid on the shares of such Merger Series on the Iowa-Illinois Payment Date in the regular quarterly amount, and

(ii) a Dividend shall be paid on the shares of such Merger Series on the First Dividend Payment Date, but only in the amount obtained by multiplying the regular quarterly amount of such Dividend by a fraction (A) the numerator of which is the number of days in the period commencing on the Iowa-Illinois Payment Date and ending on and including the day prior to the First Dividend Payment Date, and (B) the denominator of which is the number of days in the period commencing on the Dividend Payment Date preceding the Effective Date of the Merger and ending on and including the day prior to the First Dividend Payment Date; or

(b) if the First Dividend Payment Date occurs before an Iowa-Illinois Payment Date, a Dividend shall be paid on the shares of such Merger Series on the First Dividend Payment Date, but only in the amount obtained by multiplying the regular quarterly amount of such Dividend by a fraction (i) the numerator of which is the number of days in the period commencing on the Iowa-Illinois Payment Date preceding the Effective Date of the Merger and ending on and including the day prior to the First Dividend Payment Date, and (ii) the denominator of which is the number of days in the period commencing on the Dividend Payment Date preceding the Effective Date of the Merger and ending on and including the day prior to the First Dividend Payment Date.

(3) Except as provided in Section C (2), Dividends on each Merger Series share shall be cumulative from the Dividend Payment Date preceding the Effective Date of the Merger. Accumulations of Dividends shall not bear interest.

(4) Except as provided in Section C (2), no Dividend shall be paid upon, or declared and set apart for, any Merger Series share for any quarterly period or portion thereof unless (i) at the same time a like proportionate Dividend for the same quarterly period or portion thereof shall be paid upon, or declared and set aside, for all Merger Series shares and all other shares of Preferred Stock on which Dividends are payable on a Dividend Payment Date and (ii) no Dividends on any other shares of Preferred Stock are accrued and unpaid.

(5) So long as any Merger Series shares are outstanding, the Corporation shall not (i) pay or declare or set aside any Dividend or other distribution on any shares of Common Stock or on any other junior shares of the Corporation which rank below the Preferred Stock with respect to any assets, Dividends or other distributions or upon Liquidation or (ii) purchase, redeem or otherwise acquire for value any shares of Common Stock or such junior shares, in each case unless and until full Dividends have been declared and paid upon or set apart for payment on all shares of Preferred Stock, with respect to all Dividend periods and the Dividend period which includes the date of such Dividend or distribution on Common Stock or such junior shares; provided, however, that the foregoing terms of this Section C (5) shall not apply to the declaration and payment of Dividends or other distributions on any shares of Common Stock or such junior shares if payable solely in shares of Common Stock or such junior shares, nor to the acquisition of shares of Common Stock or such junior shares in exchange for, or through the application of the proceeds of the sale of, any shares of Common Stock or such junior shares.

D. *Redemption.*

(1) Subject to the limitations set forth in Section F, the outstanding shares of each Merger Series may be redeemed by the Corporation, at its option, by action of its Board of Directors, as a whole at any time or in part from time to time, by paying in cash on a redemption date specified by the Board of Directors, the following redemption prices, in each case plus an amount equal to accrued and unpaid Dividends thereon to such redemption date:

\$1.7375 Series:

\$26.3900 per share on December 1, 1994
through November 30, 1995

\$26.0425 per share on December 1, 1995
through November 30, 1996

\$25.6950 per share on December 1, 1996
through November 30, 1997

\$25.3475 per share on December 1, 1997
through November 30, 1998

\$25.000 per share on or after December 1,
1998

\$5.50 Series:

\$101.50 per share

\$3.75 Series:

\$102.75 per share

\$3.90 Series:

\$105.00 per share

\$4.20 Series:

\$103.439 per share

\$4.35 Series:

\$102.00 per share

\$4.40 Series:

\$101.50 per share

\$4.80 Series:

\$102.70 per share

\$5.25 Series:

\$101.97 per share on November 1, 1998
through October 31, 1999

\$101.31 per share on November 1, 1999
through October 31, 2000

\$100.66 per share on November 1, 2000
through October 31, 2001

\$100.00 per share on or after November 1,
2001

\$7.80 Series:

\$107.80 per share on May 1, 1996 through
April 30, 2001

\$103.90 per share on May 1, 2001 through
April 30, 2002

\$101.95 per share on or after May 1, 2002

provided, however, that (i) prior to December 1, 1998, no shares of the \$1.7375 Series may be redeemed through a refunding, directly or indirectly, by or in anticipation of the incurring of any debt which has an interest cost, or the issuance of stock ranking equally with or prior to the \$1.7375 Series as to Dividends or assets which has a Dividend cost to the Corporation (computed in accordance with generally accepted financial practice), of less than 7.15% per annum, (ii) prior

to November 1, 1998, no shares of the \$5.25 Series may be redeemed at the option of the Corporation, and (iii) prior to May 1, 1996, no shares of the \$7.80 Series may be redeemed at the option of the Corporation.

(2) Subject to the limitations set forth in Section F, the Corporation shall on November 1, 2003 redeem all shares of the \$5.25 Series then outstanding at \$100.00 per share, plus accrued and unpaid Dividends thereon through October 31, 2003.

(3) "Accrued and unpaid Dividends" as used in this Amendment with respect to any Merger Series share means the amount, if any, by which the applicable amount of Dividend per annum from the date after which Dividends on such share become cumulative to the date in question, exceeds the Dividends actually paid or declared and set aside for payment thereon.

(4) Notice of any proposed redemption of any Merger Series shares shall be given by the Corporation by mailing a copy of such notice not more than sixty (60) nor less than thirty (30) days prior to the date fixed for such redemption to the holders of record of such shares to be redeemed, at their respective addresses then appearing on the books of the Corporation; but no failure to mail such notice or any defect therein, or in the mailing thereof, shall affect the validity of the proceedings for the redemption of any Merger Series shares so to be redeemed.

(5) In case of redemption of only a part of the shares of any Merger Series at the time outstanding, the shares of such Merger Series to be redeemed shall be selected by lot in such manner as the Board of Directors may determine.

(6) On the redemption date specified in the notice of such redemption the Corporation shall, and at any time within sixty (60) days prior to such redemption date may, deposit in trust, for the account of the holders of the Merger Series shares to be redeemed, funds necessary for such redemption with a bank or trust company in good standing, organized under the laws of the United State of America or of the State of Iowa, doing business in the City of Des Moines, Iowa, having combined capital, surplus and undivided profits of at least \$2,500,000 and designated in such notice of redemption.

(7) Notice having been given and funds necessary for such redemption having been deposited, all as provided in this Section D, all Merger Series shares with respect to the redemption of which such notice shall be given and deposit made, shall thenceforth, whether or not the date fixed for such redemption shall have yet occurred, or the certificates for such shares shall have been

surrendered for cancellation, be deemed no longer to be outstanding for any purpose, and all rights with respect to such shares shall thereupon cease and terminate except only the right of the holders of the certificates for such shares to receive, out of the funds so deposited in trust, upon or after the redemption date (unless an earlier date is fixed by the Board of Directors), the redemption funds, without interest, to which they are entitled upon endorsement, if required, and surrender of their certificates for such shares.

(8) At the expiration of six (6) years after the redemption date such trust shall terminate and any such moneys then remaining on deposit with such bank or trust company which are unclaimed by the holders of the certificates for the Merger Series shares which have been so redeemed, plus interest thereon, if any, shall be paid by such bank or trust company to the Corporation, free of trust, and thereafter the holders of the certificates for such shares shall have no claim against such bank or trust company but only claims as unsecured creditors against the Corporation for the amount payable upon the redemption thereof, without interest.

(9) Any interest on or other accretions to funds deposited with such bank or trust company pursuant to this Section D shall belong to the Corporation.

E. *Sinking Fund.* Subject to the limitations set forth in Section F, while any shares of the \$7.80 Series shall remain outstanding, the Corporation shall on or before May 1, 2001, and on or before May 1 of each year thereafter to and including May 1, 2005 (each such May 1 being hereinafter in this Section E called a "Sinking Fund Redemption Date"), set aside, separate and apart from its other funds, an amount equal to \$6,660,000 (or such lesser amount as may be sufficient to redeem all of the shares of the \$7.80 Series then outstanding) as a mandatory sinking fund payment for the exclusive benefit of shares of the \$7.80 Series, plus such further amount as shall equal the accrued and unpaid Dividends on the shares of the \$7.80 Series to be redeemed out of such payment (as hereinafter in this Section E provided) through the day preceding the applicable Sinking Fund Redemption Date. The obligation of the Corporation to make such payments shall be cumulative, so that if for any reason the full amount thereof shall not be set aside for any year, the amount of the deficiency from time to time shall be added to the amount due from the Corporation on subsequent Sinking Fund Redemption Dates until the deficiency shall have been fully satisfied. The Corporation shall be entitled to credit against any such mandatory sinking fund payment shares of the \$7.80 Series redeemed, purchased or otherwise acquired by the Corporation, except through application of any sinking fund payment (whether mandatory or optional), and not theretofore so credited, at the sinking fund redemption price hereinafter specified in this Section E.

In addition to the mandatory sinking fund payments required by the immediately preceding paragraph, the Corporation may at its option, in respect of any Sinking Fund Redemption Date, set aside, separate and apart from its other funds, an amount not in excess of \$6,660,000 as an optional sinking fund payment for the exclusive benefit of shares of the \$7.80 Series, plus such further amount as shall equal the accrued and unpaid Dividends on the shares of the \$7.80 Series to be redeemed out of such payment (as hereinafter in this Section E provided) through the day preceding the applicable Sinking Fund Redemption Date. The privilege of making such payments shall not be cumulative, and no such payment shall relieve the Corporation to any extent from its obligation to make any subsequent mandatory sinking fund payment.

Any amounts set aside by the Corporation pursuant to this Section E shall be applied on the date of such setting aside if a Sinking Fund Redemption Date or otherwise on the first Sinking Fund Redemption Date occurring thereafter to the redemption of shares of the \$7.80 Series at \$100.00 per share, plus accrued and unpaid Dividends through the day preceding the applicable Sinking Fund Redemption Date, in the manner and upon the notice provided in Section D. If any Sinking Fund Redemption Date shall be a Saturday, Sunday or other day on which banking institutions in Chicago, Illinois or New York, New York are authorized or obligated to remain closed, such term shall be construed to refer to the next preceding business day.

Subject to the limitations stated in Section F, the Corporation shall on May 1, 2006 redeem any shares of the \$7.80 Series then outstanding at \$100.00 per share, plus accrued and unpaid Dividends through April 30, 2006.

F. Repurchase.

(1) The Corporation may from time to time purchase or otherwise acquire Merger Series shares at a price not exceeding the amount at the time payable in the event of redemption thereof otherwise than through the operation of the applicable sinking fund, if any.

(2) If and so long as the Corporation shall be in default in the payment of any quarterly Dividend on any Merger Series shares, or shall be in default in the payment of funds into or the setting aside of funds for any sinking fund created for any Merger Series shares, the Corporation shall not (other than by the use of unapplied funds, if any, paid into or set aside for a sinking fund or funds prior to such default):

(a) redeem any Merger Series shares, unless all Merger Series shares are redeemed, or

(b) purchase or otherwise acquire for a valuable consideration any Merger Series shares, except pursuant to offers of sale made by the holders of Merger Series shares in response to an invitation for tenders given by mail by the Corporation simultaneously to the holders of record of all Merger Series shares then outstanding, at their respective addresses then appearing on the books of the Corporation.

G. *Preference on Liquidation.*

(1) Before any distribution of any assets of the Corporation shall be made to the holders of any Common Stock or any other junior shares of the Corporation which rank below the Preferred Stock with respect to any assets, Dividends or other distributions:

(a) in the event of any liquidation, dissolution or winding up ("Liquidation") of the Corporation which is voluntary:

(i) the holders of the shares of the \$1.7375 Series, \$3.30 Series, \$3.75 Series, \$4.35 Series, \$4.40 Series, \$4.80 Series, \$5.25 Series and \$7.80 Series shall be entitled to receive an amount per share equal to the amount which would then be payable upon such share in the event of redemption thereof in accordance with Section D(1), except that prior to November 1, 1998, the holders of the shares of the \$5.25 Series shall be entitled to receive \$105.25 per share and prior to May 1, 2001, the holders of the shares of the \$7.80 Series shall be entitled to receive \$107.80 per share, and no more; and

(ii) the holders of the shares of the \$3.90 Series and \$4.20 Series shall be entitled to receive the amount of one hundred dollars (\$100) per share plus accrued and unpaid Dividends to the date of payment of such amount, and no more.

(b) in the event of any Liquidation of the Corporation which is involuntary:

(i) the holders of the shares of the \$3.30 Series, \$3.75 Series, \$3.90 Series, \$4.20 Series, \$4.35 Series, \$4.40 Series, \$4.80 Series, \$5.25 Series and \$7.80 Series shall be entitled to receive the amount of one hundred dollars (\$100) per share plus accrued and unpaid Dividends to the date of payment of such amount, and no more; and

(ii) the holders of the shares of the \$1.7375 Series shall be entitled to receive the amount of twenty-five dollars (\$25.00) per share plus accrued and unpaid Dividends to the date of payment of such amount, and no more.

(2) If upon any Liquidation the assets distributable among the holders of the shares of Preferred Stock shall be insufficient to permit the payment of the full preferential amounts to which they shall be entitled, then the entire assets of the Corporation to be distributed shall be distributed among the holders of the shares of Preferred Stock then outstanding ratably in proportion to the amounts to which such holders are respectively entitled.

(3) If upon any Liquidation the holders of the shares of Preferred Stock shall receive the full preferential amounts to which they shall be entitled, the remaining assets and funds of the Corporation shall be distributed among the holders of the shares of Common Stock and of any other junior shares of the Corporation which rank below the Preferred Stock with respect to any assets, or Dividends or other distributions, according to their respective rights and preferences and according to their respective shares.

(4) Neither a consolidation nor a merger of the Corporation, nor a sale or transfer of substantially all its assets as an entirety, nor a redemption or a purchase or other acquisition by the Corporation of less than all of its shares of any class at the time outstanding, shall be regarded as a Liquidation within the meaning of this Section G.

H. Voting Rights.

(1) Except to the extent required by law or as permitted by this Section H, the holders of Merger Series shares shall have no voting rights.

(2) If at any time Dividends on any Preferred Stock shall be accrued and unpaid in an amount equivalent to six or more full quarterly Dividends, the holders of all shares of Preferred Stock, voting together as a single class for such purpose, shall be entitled until, but only until, all Dividends accrued and unpaid on all shares of Preferred Stock shall have been paid (or deposited in trust for payment on or before the next succeeding Dividend Payment Date with respect to Merger Series shares, and on or before the next succeeding date or dates upon which Dividends are payable on other series of Preferred Stock), to elect two (2) Directors of the Corporation.

(3) While the holders of the shares of Preferred Stock remain entitled to elect two (2) Directors of the Corporation, the payment of Dividends on Preferred Stock, including accrued and unpaid Dividends, shall not be unreasonably withheld if the financial condition of the Corporation permits payment thereof.

(4) The right of the holders of the shares of Preferred Stock under this Section H to elect two (2) Directors of the Corporation may be exercised at any annual meeting of shareholders or, within the limitations of this Section H, at a special meeting of shareholders held for such purpose; whenever such right shall have become vested, upon request signed by any holder of record of shares of Preferred Stock and delivered to the Corporation at its principal office not less than ninety (90) days prior to the date for the annual meeting next following the date of such vesting, the President of the Corporation shall call a special meeting of shareholders, to be held within sixty (60) days after the receipt of such request, for the purpose of electing a new Board of Directors, of which two (2) shall, subject to the provisions of this Section H, be elected by a vote of the holders of the Preferred Stock to serve until the next annual meeting or until their successors shall be elected and shall qualify.

(5) No such special meeting shall be required to be held within 120 days after such a prior special meeting, and the term of office of each Director of the Corporation shall terminate at the time of any such special meeting or adjournment thereof, notwithstanding that the term for which such Director had been elected shall not then have expired, and provided that the successor of such Director is duly elected and qualified.

(6) In the event that at any special meeting at which the holders of the shares of Preferred Stock shall be entitled to elect two (2) Directors of the Corporation, a quorum of the holders of the shares of Preferred Stock shall not be present in person or by proxy, the holders of Common Stock, if a quorum thereof be present in person or by proxy, shall temporarily elect the Directors of the Corporation, which holders of the shares of Preferred Stock were entitled but failed to elect, such Directors to be designated as having been so elected and their respective terms of office to expire at such times thereafter as their successors shall be elected by holders of the shares of Preferred Stock as provided in this Section H.

(7) Whenever the holders of the shares of Preferred Stock shall be entitled to elect two (2) Directors, any holder of record of a share of Preferred Stock shall have the right, during regular business hours, in person or by a duly authorized representative, to examine the Corporation stock records of the Preferred Stock for the purpose of communicating with other holders of Preferred Stock with respect to the exercise of such right of election, and to make a list of such holders.

(8) Whenever, under the terms of this Section H, the holders of the shares of Preferred Stock shall be divested of the right to elect two (2) Directors, upon request signed by any holder of record of Common Stock and delivered to the Corporation at its principal office not less than ninety (90) days prior to the date for the annual meeting next following the date of such divesting, the President of the Corporation shall call a special meeting of the holders of Common Stock to be held within sixty (60) days after the receipt of such request for the purpose of electing a new Board of Directors to serve until the next annual meeting or until their respective successors shall be elected and shall qualify.

(9) The term of office of each Director of the Corporation shall terminate at the time of any such special meeting or adjournment thereof at which a quorum of holders of Common Stock shall be present in person or by proxy, notwithstanding that the term for which such Director had been elected shall not then have expired, and provided that the successor to such Director is duly elected and qualified.

(10) If, during any interval between annual meetings of shareholders for the election of Directors and while the holders of the shares of Preferred Stock shall be entitled to elect two (2) Directors, a Director in office who has been elected by the holders of the shares of Preferred Stock, shall, by reason of resignation, death or removal, cease to be a Director, (a) the vacancy or vacancies shall be filled by vote of the remaining Director then in office who was elected by the holders of the shares of Preferred Stock or who succeeded to a Director so elected, and (b) if any vacancy which occurred more than six months prior to the date of the next ensuing annual meeting is not so filled within forty (40) days after the occurrence thereof, the President of the Corporation shall call a special meeting of the holders of the shares of Preferred Stock and such vacancy shall be filled at such special meeting.

(11) A Director elected by holders of the shares of Preferred Stock may be removed from office only by vote of the holders of a majority of the votes of the outstanding shares of Preferred Stock.

(12) At any annual or special meeting of the shareholders held for any purpose, including the purpose of electing Directors when the holders of the shares of Preferred Stock shall be entitled to elect two (2) Directors, the presence in person or by proxy of holders of a majority of the votes of the outstanding shares of Preferred Stock shall be required to constitute a quorum of the holders of the shares of Preferred Stock.


(13) At any meeting of shareholders at which the holders of the shares of Preferred Stock are required to vote by law or are permitted to vote by any articles of amendment to the Articles of Incorporation, each holder of Merger Series shares shall have one vote for each such Merger Series share except the holders of \$1.7375 Series shares, which shall have 1/4 vote for each such \$1.7375 Series share, and each holder of shares of each other series of Preferred Stock shall have the number or fraction of votes set forth for each such share in the articles of amendment to the Articles of Incorporation in which the terms of such series are determined, in each case standing in the name of such holder on the books of the Corporation on the record date fixed for such purpose, or, if no record date is fixed, on the date on which such vote is taken.

(14) The holders of shares of Preferred Stock shall not be entitled to receive notice of any meeting at which they are not entitled to vote.

I. *No Preemptive Rights.* No holder of Merger Series shares as such shall have any preemptive or preferential right to purchase or subscribe for any shares of stock or rights or options to purchase stock or any other securities of the Corporation of any kind whatsoever whether now or hereafter authorized.

The Articles of Amendment to the Restated Articles of Incorporation were adopted by the Board of Directors without action by the shareholders. These Articles of Amendment to the Restated Articles of Incorporation are to be effective when filed by the Secretary of State.

MIDAMERICAN ENERGY COMPANY



P. J. Leighton, Vice President and
Secretary

RESTATED
ARTICLES OF INCORPORATION
OF
MIDAMERICAN ENERGY COMPANY

RECEIVED
JUN 30 1995
SECRETARY OF STATE

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:

Pursuant to the provisions of Section 409.1007 of the Iowa Business Corporation Act, the undersigned corporation hereby adopts the following Restated Articles of Incorporation ("Articles of Incorporation"):

ARTICLE I

The name of the corporation is "MidAmerican Energy Company" (hereinafter sometimes called the "Corporation") and its registered office shall be located at 666 Grand Avenue, Des Moines, Iowa 50306 with the right to establish and maintain branch offices at such other points within and without the State of Iowa as the Board of Directors of the Corporation may, from time to time, determine. The name of the Corporation's registered agent at such registered office is Paul J. Leighton, Vice President and Corporate Secretary.

ARTICLE II

The nature of the business or purposes to be conducted or promoted is to engage in any or all lawful act or activity for which a corporation may be incorporated under the Iowa Business Corporation Act.

ARTICLE III

A. The aggregate number of shares which the Corporation shall have authority to issue is 350,000,000 shares of Common Stock, no par value ("Common Stock"), and 100,000,000 shares of Preferred Stock, no par value ("Preferred Stock").

B. The shares of authorized Common Stock shall be identical in all respects and shall have equal rights and privileges. For all purposes, each registered holder of Common Stock shall, at each meeting of shareholders, be entitled to one vote for each share of Common Stock held, either in person or by proxy duly authorized in writing. Except to the extent required by law or as permitted by these Articles of Incorporation, as amended from time to time, the registered holders of the shares of Common Stock shall have unlimited and exclusive voting rights.

C. The Board of Directors, at any time or from time to time, may, and is hereby authorized to, issue and dispose of any of the authorized and unissued shares of Common Stock and any treasury shares for such kind and amount of consideration and to such persons, firms or corporations, as may be determined by the Board of Directors, subject to any provisions of law then applicable. The holders of Common Stock shall have no preemptive rights to acquire or subscribe to any shares, or securities convertible into shares, of Common Stock.

D. The Board of Directors, at any time or from time to time may, and is hereby authorized to, divide the authorized and unissued shares of Preferred Stock into one or more classes or series and in connection with the creation of any class or series to determine, in whole or in part, to the full extent now or hereafter permitted by law, by adopting one or more articles of amendment to the Articles of Incorporation providing for the creation thereof, the designation, preferences, limitations and relative rights of such class or series, which may provide for special, conditional or limited voting rights, or no rights to vote at all, and to issue and dispose of any of such shares and any treasury shares for such kind and amount of consideration and to such persons, firms or corporations, as may be determined by the Board of Directors, subject to any provisions of law then applicable.

E. The Board of Directors, at any time or from time to time may, and is hereby authorized to, create and issue, whether or not in connection with the issuance and sale of any shares of Common Stock, Preferred Stock or other securities of the Corporation, warrants, rights and/or options entitling the holders thereof to purchase from the Corporation any shares of Common Stock, Preferred Stock or other securities of the Corporation. Such warrants, rights or options shall be evidenced by such instrument or instruments as shall be approved by the Board of Directors of the Corporation. The terms upon which, the time or times (which may be limited or unlimited in duration) at or within which, and the price or prices (which shall be not less than the minimum amount prescribed by law, if any) at which any such shares or other securities may be purchased from the Corporation upon the exercise of any such warrant, right or option shall be fixed and stated in the resolution or resolutions of the Board of Directors providing for the creation and issuance of such warrants, rights or options. The Board of Directors is hereby authorized to create and issue any such warrants, rights or options from time to time for such consideration, if any, and to such persons, firms or corporations, as the Board of Directors may determine.

F. The Corporation may authorize the issuance of some or all of the shares of any or all of the classes of its capital stock without certificates.

G. The Corporation shall not be required to issue certificates representing any fraction or fractions of a share of stock of any class but may issue in lieu thereof one or more non-dividend bearing and non-voting scrip certificates in such form or forms as shall be approved by the Board of Directors, each scrip certificate representing a fractional interest in one share of stock of any class. Such scrip certificates upon presentation together with similar scrip certificates representing in the aggregate an interest in one or more full shares of stock of any class shall entitle the holders thereof to receive one or more full shares of stock of such class. Such scrip certificates may contain such

terms and conditions as shall be fixed by the Board of Directors and may become void and of no effect after a period to be determined by the Board of Directors and to be specified in such scrip certificates.

H. The Corporation shall be entitled to treat the person in whose name any share of Common Stock or Preferred Stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any person, whether or not the Corporation shall have notice thereof except as may be expressly provided otherwise by the laws of the State of Iowa.

ARTICLE IV

The term of corporate existence of the Corporation shall be perpetual.

ARTICLE V

A. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed under the direction of, the Board of Directors. The number of directors of the Corporation shall be fixed by the Bylaws but shall be no less than ten (10) and no greater than twenty-two (22), and such number may be increased or decreased from time to time in accordance with the Bylaws, but no decrease shall have the effect of shortening the term of any incumbent director. Directors shall be elected by the shareholders at each annual meeting of the Corporation as specified herein and in the Bylaws. Directors need not be shareholders.

B. Each director shall serve until his or her successor is elected and qualified or until his or her prior death, retirement, resignation or removal. Should a vacancy occur or be created, whether arising through death, resignation or removal of a director or through an increase in the number of directors, such vacancy shall be filled solely by a majority vote of the remaining directors though less than a quorum of the Board of Directors. A director so elected to fill a vacancy shall serve for the remainder of the then present term of office of the Board of Directors.

C. Any director or the entire Board of Directors may be removed for cause as set forth in this paragraph C. Removal of a director for cause must be approved by the affirmative vote of the holders of shares of capital stock of the Corporation having at least 75% of the votes of all outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, only at a meeting called for the purpose of removing the director and after notice stating that the purpose, or one of the purposes, of the meeting is removal of the director. Any action for removal of a director must be taken within one year of such cause.

D. The Board of Directors, by a vote of a majority of the entire Board of Directors, may appoint from the directors an executive committee and such other committees as they may deem judicious; and to such extent as shall be provided in the resolution of the Board of Directors or in the Bylaws, may delegate to such committees all or any of the powers of the Board of Directors which may be lawfully delegated, and such committees shall have and thereupon may exercise all or any of the powers so delegated to them. The Board of Directors or the Bylaws may provide the number of members necessary to constitute a quorum of any committee and the number of affirmative votes necessary for action by any committee.

E. The Board of Directors shall elect such officers of the Corporation as specified in the Bylaws. All vacancies in the offices of the Corporation shall be filled by the Board of Directors. The Board of Directors shall also have authority to appoint such other managing officers as they may from time to time determine.

ARTICLE VI

Special meetings of shareholders of the Corporation may be called at any time by the Chairman of the Board of Directors or by the President on at least ten days' notice to each shareholder entitled to vote at the special meeting, by mail at such shareholder's last known post office address, specifying the time, place and purpose or purposes of the special meeting.

ARTICLE VII

The private property of the shareholders of the Corporation shall be exempt from all corporate debts.

ARTICLE VIII

A. In addition to any affirmative vote required by law or under any other provision of these Articles of Incorporation:

- (i) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with or into any Other Entity (as hereinafter defined); or
- (ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of related transactions) to or with any Other Entity of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value (as hereinafter defined) of \$25,000,000 or more; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of related transactions) of any securities of the Corporation or any Subsidiary to any Other Entity in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$25,000,000 or more; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation; or

(v) any reclassification of securities (including any reverse stock split), recapitalization, reorganization, merger or consolidation of the Corporation with any of its Subsidiaries or any similar transaction (whether or not with or into or otherwise involving any Other Entity) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Other Entity; or

(vi) any direct or indirect purchase or other acquisition by the Corporation of any equity security (as defined in Rule 3a11-1 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on June 30, 1995) of any class from an Interested Securityholder (as hereinafter defined) who has beneficially owned such securities for less than two years prior to the date of such purchase or any agreement in respect thereof,

shall require the affirmative vote of the holders of shares of capital stock of the Corporation having at least 75% (excluding, in the case of (i) through (v) above, shares beneficially owned by a 25% Shareholder (as hereinafter defined), and, in the case of (vi) above, shares beneficially owned by such Interested Securityholder) of the votes of all outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, considered for the purpose of this Article VIII as one class ("Voting Shares"). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that some lesser percentage vote may be specified, by law or in any agreement with any national securities exchange or otherwise.

B. The provisions of paragraph A of this Article VIII shall not be applicable to any particular Business Combination (as hereinafter defined), and such Business Combination shall require only such affirmative vote as is required by law and any other provision of these Articles of Incorporation, if all of the conditions specified in either of the following subparagraphs 1 and 2 shall have been satisfied.

1. A majority of the Continuing Directors (as hereinafter defined) shall have approved the Business Combination (but only if a majority of the Board of Directors are Continuing Directors); or

2. All of the following conditions shall have been met:

a. The ratio of:

(i) the aggregate amount of the cash and the Fair Market Value as of the date of consummation of the Business Combination of other consideration to be received per share by holders of a particular class or series of Voting Shares in such Business Combination

to

(ii) the Fair Market Value per share of such class or series of Voting Shares on the date of the first public announcement of such Business Combination or the date on which any 25% Shareholder became a 25% Shareholder, whichever is higher

is at least as great as the ratio (which ratio shall equal the number one in the event that such 25% Shareholder has never beneficially owned any shares of such class or series of Voting Shares) of

(x) the highest per share price (including brokerage commissions, transfer taxes and soliciting dealers' fees) which such 25% Shareholder has theretofore paid for any share of such class or series of Voting Shares acquired by it

to

(y) the Fair Market Value per share of such class or series of Voting Shares on the date of the initial acquisition by such 25% Shareholder of any share of such class or series of Voting Shares;

b. The aggregate amount of the cash and Fair Market Value as of the date of consummation of the Business Combination of other consideration to be received per share by holders of each class or series of Preferred Stock in such Business Combination is not less than the highest preferential amount per share to which holders of shares of such class or series of Preferred Stock would, respectively, be entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, regardless of whether the Business Combination to be consummated constitutes such an event;

c. The consideration to be received by holders of a particular class or series of Voting Shares in such Business Combination shall be in cash or in the same form and of the same kind as the consideration paid by the 25% Shareholder in acquiring the shares of such class or series of Voting Shares already owned by it;

d. After such 25% Shareholder has acquired ownership of not less than 25% of the then outstanding Voting Shares (a "25% Interest") and prior to the consummation of such Business Combination:

(i) the 25% Shareholder shall have taken steps to ensure that the Corporation's Board of Directors includes at all times representation by Continuing Director(s) proportionate to the ratio that the Voting Shares which from time to time are owned by persons who are not 25% Shareholders ("Public Holders") bear to all Voting Shares outstanding at such respective times (with a Continuing Director to occupy any resulting fractional board position);

(ii) there shall have been no reduction in the rate of distributions ("Dividends") payable on the Common Stock except as may have been approved by a majority vote of the Continuing Directors;

(iii) such 25% Shareholder shall not have acquired any newly issued shares of stock, directly or indirectly, from the Corporation (except upon conversion of convertible securities acquired by it prior to obtaining a 25% Interest or as a result of a pro rata stock Dividend or stock split); and

(iv) such 25% Shareholder shall not have acquired any additional Voting Shares or securities convertible into or exchangeable for Voting Shares except as a part of the transaction which resulted in such 25% Shareholder acquiring its 25% Interest;

e. Prior to or upon the consummation of such Business Combination, such 25% Shareholder shall not have (i) received the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or tax credits provided by the Corporation, or (ii) made any major change in the Corporation's business or equity capital structure without the unanimous approval of the entire Board of Directors; and

f. A proxy statement responsive to the requirements of the Securities Exchange Act of 1934 and the General Rules and Regulations promulgated thereunder shall have been mailed to all holders of Voting Shares for the purpose of soliciting shareholders' approval of such Business Combination. Such proxy statement shall contain at the front thereof in a prominent place, any recommendations

as to the advisability (or inadvisability) of the Business Combination which the Continuing Directors, or any of them, may have furnished in writing and, if deemed advisable by a majority of the Continuing Directors, an opinion of a reputable investment banking firm as to the fairness (or lack of fairness) of the terms of such Business Combination, from a financial point of view, to the holders of Voting Shares other than any 25% Shareholder (such investment banking firm to be selected by a majority of the Continuing Directors, to be furnished with all information it reasonably requests and to be paid a reasonable fee for its services upon receipt by the Corporation of such opinion).

C. For the purposes of this Article VIII:

1. The term "Business Combination" shall mean any transaction which is referred to in any one or more of clauses (i) through (v) of paragraph A of this Article VIII;

2. The term "Other Entity" shall include (a) any 25% Shareholder and (b) any other person (whether or not itself a 25% Shareholder) which after any Business Combination, would be an Affiliate (as hereinafter defined) of any 25% Shareholder;

3. The term "person" shall mean any individual, firm, trust, partnership, association, corporation or other entity;

4. The term "25% Shareholder" shall mean, in respect to any Business Combination, any person (other than the Corporation or any Subsidiary) who or which, as of the record date for the determination of shareholders entitled to notice of and to vote on such Business Combination, or immediately prior to the consummation of any such transactions,

(a) is the beneficial owner, directly or indirectly, of not less than 25% of the Voting Shares, or

(b) is an Affiliate of the Corporation and at any time within five years prior thereto was the beneficial owner, directly or indirectly, of not less than 25% of the then outstanding Voting Shares, or

(c) is an assignee of or has otherwise succeeded to any shares of capital stock of the Corporation which were at any time within five years prior thereto beneficially owned by any 25% Shareholder, and such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933;

5. A person shall be the beneficial owner of any Voting Shares

(a) which such person or any of its Affiliates and Associates (as hereinafter defined) beneficially own, directly or indirectly, or

(b) which such person or any of its Affiliates or Associates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding, or

(c) which are beneficially owned, directly or indirectly, by any other person with which such first mentioned person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of capital stock of the Corporation;

6. The outstanding Voting Shares shall include shares deemed owned through application of subparagraph 5 of this paragraph C above but shall not include any other Voting Shares which may be issuable pursuant to any agreement or upon exercise of conversion rights, warrants or options, or otherwise;

7. The term "Continuing Director" shall mean (a) a person who was a member of the Board of Directors elected by the Public Holders prior to the date as of which any 25% Shareholder acquired in excess of 10% of the then outstanding Voting Shares or (b) a person designated (before his or her initial election as a director) as a Continuing Director by a majority of the then Continuing Directors;

8. The term "other consideration to be received" shall include, without limitation, Voting Shares retained by Public Holders in the event of a Business Combination in which the Corporation is the surviving corporation;

9. The terms "Affiliate" and "Associate" shall have the respective meanings given those terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on June 30, 1995;

10. The term "Subsidiary" shall mean any corporation or other entity of which a majority of the outstanding voting securities or other equity interests having the power, under ordinary circumstances, to elect a majority of the directors or otherwise to direct the management and policies, of such corporation or other entity, is owned, directly or indirectly, by the Corporation;

11. The term "Interested Securityholder" shall mean, with respect to any transaction which is referred to in Clause (vi) of paragraph A of this Article VIII, any person

(other than the Corporation or any Subsidiary) who or which, as of the record date for the determination of shareholders entitled to notice of and to vote on such transaction, or immediately prior to the consummation of any such transaction,

(a) is the beneficial owner, directly or indirectly, of not less than five percent of the Voting Shares, or

(b) is an Affiliate of the Corporation and at any time within two years prior thereto was the beneficial owner, directly or indirectly, of not less than five percent of the then outstanding Voting Shares, or

(c) is an assignee of or has otherwise succeeded to any shares of the class of securities to be acquired which were at any time within two years prior thereto beneficially owned by an Interested Securityholder, and such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933; and

12. The term "Fair Market Value" shall mean (i) in the case of capital stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such capital stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such capital stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such capital stock is not listed on such exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such capital stock is listed, or, if such capital stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such capital stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available the fair market value on the date in question of a share of such capital stock as determined by a majority of the Continuing Directors in good faith; and (ii) in the case of property other than cash or capital stock, the fair market value of such property on the date in question as determined in good faith by a majority of the Continuing Directors; provided that any such determination by the Continuing Directors shall only be effective if made at a meeting at which a majority of Continuing Directors is present.

D. A majority of the Continuing Directors shall have the power and duty to determine for purposes of this Article VIII, on the basis of information known to them, (i) the number of Voting Shares beneficially owned by any person, (ii) whether a person is an Affiliate or Associate of another, (iii) whether a person has an agreement, arrangement or understanding with another as to the matters referred to in subparagraph 4 of paragraph C, (iv) whether the assets subject to any Business Combination have an aggregate Fair Market Value of \$25,000,000 or more, and (v) such other matters with respect to which a determination is required under this Article VIII.

E. Nothing contained in this Article VIII shall be construed to relieve any 25% Shareholder from any fiduciary obligation imposed by law.

ARTICLE IX

Any amendment, alteration, change or repeal of Article VA, VB and VC, Article VIII or this Article IX of these Articles of Incorporation shall require the affirmative vote of the holders of shares of capital stock of the Corporation having at least 75% of the votes of all outstanding Voting Shares (as defined in Article VIII), excluding from such affirmative vote shares beneficially owned by any 25% Shareholder or by any Interested Securityholder in the case of an amendment of the provisions of paragraph A of Article VIII that exclude from an affirmative vote required pursuant to such paragraph A shares beneficially owned by 25% Shareholders or shares beneficially owned by Interested Securityholders, as the case may be.

ARTICLE X

The Board of Directors may make Bylaws and from time to time may alter, amend or repeal any Bylaws; but any Bylaws made by the Board of Directors may be altered or repealed by the shareholders entitled to vote generally at any annual meeting or at any special meeting provided notice of such proposed alteration or repeal be included in the notice of meeting.

ARTICLE XI

A. A director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, except for liability:

(i) for any breach of the director's duty of loyalty to the Corporation or its shareholders; or

(ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; or

(iii) for any transaction from which the director derives an improper personal benefit; or

(iv) under Section 490.833, or a successor provision, of the Iowa Business Corporation Act.

B. If, after the date these Articles of Incorporation are filed with the Secretary of State of the State of Iowa, the Iowa Business Corporation Act is amended to authorize corporate action

further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be deemed eliminated or limited to the fullest extent permitted by the Iowa Business Corporation Act, as so amended. Any repeal or modification of Section A or Section B of this Article XI, by the shareholders of the Corporation shall be prospective only and shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE XII

A. Each person who was or is a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative, investigative, or arbitration and whether formal or informal ("proceeding"), by reasons of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director, officer or employee of the Corporation or is or was serving at the request of the Corporation as a director, officer or employee of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity while serving as a director, officer or employee or in any other capacity while serving as a director, officer or employee, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Iowa Business Corporation Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than the Iowa Business Corporation Act permitted the Corporation to provide prior to such amendment), against all reasonable expenses, liability and loss (including, without limitation, attorneys' fees, all costs, judgments, fines, Employee Retirement Income Security Act excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith. Such right shall be a contract right and shall include the right to be paid by the Corporation expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that the payment of such expenses incurred by a director, officer or employee in his or her capacity as a director, officer or employee (and not in any other capacity in which service was or is rendered by such person while a director, officer or employee including, without limitation, service to an employee benefit plan) in advance of the final disposition of such proceeding, shall be made only upon delivery to the Corporation of (i) a written undertaking, by or on behalf of such director, officer or employee, to repay all amounts so advanced if it should be determined ultimately that such director, officer or employee is not entitled to be indemnified under this Article XII or otherwise, or (ii) a written affirmation by or on behalf of such director, officer or employee that, in such person's good faith belief, such person has met the standards of conduct set forth in the Iowa Business Corporation Act.

B. If a claim under Section A is not paid in full by the Corporation within thirty (30) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to also be paid the expenses of prosecuting such claim. It shall be a defense to any such action that the claimant has not met the standards of conduct which

make it permissible under the Iowa Business Corporation Act for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. The failure of the Corporation (including its Board of Directors, independent legal counsel or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Iowa Business Corporation Act, shall not be a defense to the action or create a presumption that the claimant had not met the applicable standard of conduct.

C. Indemnification provided hereunder shall, in the case of the death of the person entitled to indemnification, inure to the benefit of such person's heirs, executors or other lawful representatives. The invalidity or unenforceability of any provision of this Article XII shall not affect the validity or enforceability of any other provision of this Article XII.

D. Any action taken or omitted to be taken by (i) any director, officer or employee in good faith and in compliance with or pursuant to any order, determination, approval or permission made or given by a commission, board, official or other agency of the United States or of any state or other governmental authority with respect to the property or affairs of the Corporation or any such business corporation, not-for-profit corporation, joint venture, trade association or other entity over which such commission, board, official or agency has jurisdiction or authority or purports to have jurisdiction or authority or (ii) by any director of the Corporation pursuant to Section D of Article VIII shall be presumed to be in compliance with the standard of conduct set forth in Section 490.851 (or any successor provision) of the Iowa Business Corporation Act whether or not, in the case of clause (i), it may thereafter be determined that such order, determination, approval or permission was unauthorized, erroneous, unlawful or otherwise improper.

E. Unless finally determined, the termination of any litigation, whether by judgment, settlement, conviction or upon a plea of *nolo contendere*, or its equivalent, shall not create a presumption that the action taken or omitted to be taken by the person seeking indemnification did not comply with the standard of conduct set forth in Section 490.851 (or any successor provision) of the Iowa Business Corporation Act.

F. The rights conferred on any person by this Article XII shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Articles of Incorporation, Bylaws, agreement, vote of shareholders or disinterested directors or otherwise.

G. The Corporation may maintain insurance, at its expense, to protect itself and any such director, officer or employee of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Iowa Business Corporation Act.

The duly adopted Restated Articles of Incorporation supersede the original Articles of Incorporation and all amendments thereto.

The Restated Articles of Incorporation amend the Articles of Incorporation requiring shareholder approval. The Restated Articles of Incorporation were approved by the shareholders. The designation, number of outstanding shares, number of votes entitled to be cast by each voting group entitled to vote separately on the Restated Articles of Incorporation, and the number of votes of each voting group indisputably represented are as follows:

<u>Designation Of Group</u>	<u>Shares Outstanding</u>	<u>Votes Entitled To Be Cast On Restated Articles</u>	<u>Votes Represented at Meeting</u>
Common Stock	1,000	1,000	1,000

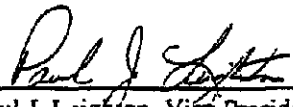
The total number of undisputed votes cast for and against the Restated Articles of Incorporation by each voting group entitled to vote separately on the Restated Articles of Incorporation are as follows:

<u>Voting Group</u>	<u>Votes For</u>	<u>Votes Against</u>
Common Stock	1,000	0

The number of votes cast for the Restated Articles of Incorporation by each voting group was sufficient for approval by that voting group.

These Restated Articles of Incorporation are to be effective when filed by the Secretary of State.

MIDAMERICAN ENERGY COMPANY



Paul J. Leighton, Vice President and
Secretary



The State of Ohio
❖ *Certificate* ❖

Secretary of State - J. Kenneth Blackwell

1145918

It is hereby certified that the Secretary of State of Ohio has custody of the business records for MIDAMERICAN ENERGY COMPANY and that said business records show the filing and recording of:

Document(s)
FOREIGN LICENSE/FOR-PROFIT

Document No(s):
200006000218

**Authorization to transact business in Ohio is hereby given, until
surrender, expiration or cancellation of this license.*

United States of America
State of Ohio
Office of the Secretary of State



Witness my hand and the seal of the Secretary
of State at Columbus, Ohio, This 25th day of
January, A.D. 2000

J. Kenneth Blackwell
J. Kenneth Blackwell
Secretary of State

UNITED STATES OF AMERICA,
STATE OF OHIO,
OFFICE OF THE SECRETARY OF STATE.

}

I, J. Kenneth Blackwell, do hereby certify that I am the duly elected, qualified and present acting Secretary of State for the State of Ohio, and as such have custody of the records of Ohio and Foreign corporations; that said records show MIDAMERICAN ENERGY COMPANY, an Iowa foreign corporation, having qualified to do business within the State of Ohio, under License No. 1145918, is currently in GOOD STANDING upon the records of this office.



WITNESS my hand and official seal at

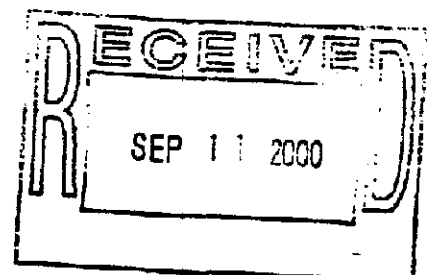
Columbus, Ohio on

September 1, 2000

J. Kenneth Blackwell

J. Kenneth Blackwell

Secretary of State



A list of all jurisdictions in which the applicant or any affiliated interest of the applicant is, at the date of filing the application, certified, licensed, registered, or otherwise authorized to provide retail or wholesale gas sales.

MidAmerican Energy Company
{Retail and Wholesale Gas Sales}

Regulated Services

Iowa
Illinois
South Dakota
Nebraska

Unregulated Services

IA - Alliant Energy
IA - MidAmerican Energy
IA - Peoples Natural Gas
IL - Nicor
IL - Peoples Gas Light & Coke
IL - NorthShore
IL - Illinois Power
IL - Central Illinois Public Service
IL - Central Illinois Light Company
OH - Columbia of Ohio
OH - Dominion East Ohio
OH - Cincinnati Gas & Electric

MidAmerican Energy Company ("MidAmerican"), Iowa's largest utility, provides regulated and unregulated electric and natural gas service in a 10,600 square mile area with a population of 1.7 million. The service area includes much of Iowa and portions of Illinois, Nebraska, and South Dakota. The largest communities served by MidAmerican are Des Moines, Cedar Rapids, Sioux City, Waterloo, Iowa City and Council Bluffs, Iowa; the Quad Cities area of Iowa and Illinois; and Sioux Falls, South Dakota. MidAmerican provides service to 653,000 electric customers and 622,000 natural gas customers.

MidAmerican through its Retail Business Unit ("Retail"), provides gas supply to customers who have chosen MidAmerican as their unregulated gas supplier primarily in Illinois, Iowa and Ohio. MidAmerican's Gas Trading group purchases gas from other suppliers.

The Retail group forecasts and schedules its' energy load in each service territory separately. Additionally, the retail group reserves and arranges transportation service, calculates and supplies losses and settles with incumbent utilities the difference between scheduled and actual customer usage.

MidAmerican Energy Company has no existing, pending or past rulings, judgments, contingent liabilities, impending revocation of authority, regulatory investigations, or any other matter of a material nature that could adversely impact its financial or operational status or which would adversely impact its ability to serve as a Retail Generation Provider in the State of Ohio.

MidAmerican Energy Company is a wholly owned subsidiary of MidAmerican Energy Holdings Company. As such, there are no shareholder annual reports for this entity. Similar information and data is being provided in the 10-K Reports within Exhibit C-2, "SEC Filings".

Exhibit C-2 contains MidAmerican Energy Company's 10-K Filing with the SEC for fiscal year ending December 31, 2001.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2001

<u>Commission File Number</u>	<u>Registrant's Name, State of Incorporation, Address and Telephone Number</u>	<u>IRS Employer Identification No.</u>
1-11505	MIDAMERICAN ENERGY COMPANY (An Iowa Corporation) 666 Grand Ave. PO Box 657 Des Moines, Iowa 50303 515-242-4300	42-1425214

Securities registered pursuant to Section 12(b) of the Act: None.

Securities registered pursuant to Section 12(g) of the Act:

Preferred Stock, \$3.30 Series, no par value
Preferred Stock, \$3.75 Series, no par value
Preferred Stock, \$3.90 Series, no par value
Preferred Stock, \$4.20 Series, no par value
Preferred Stock, \$4.35 Series, no par value
Preferred Stock, \$4.40 Series, no par value
Preferred Stock, \$4.80 Series, no par value
Preferred Stock, \$7.80 Series, no par value

Title of each Class

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [X].

All common stock of MidAmerican Energy Company is held by MHC Inc. As of March 20, 2002, 70,980,203 shares of common stock, without par value, were outstanding.

MidAmerican Energy Company meets the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and is therefore filing this Form 10-K with the reduced disclosure format specified in General Instruction I(2) of Form 10-K.

MIDAMERICAN ENERGY COMPANY

2001 Annual Report on Form 10-K

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PART I

ITEM 1. BUSINESS

(a) General Overview

MidAmerican Energy Company is a public utility company headquartered in Des Moines, Iowa, and incorporated in the state of Iowa. MidAmerican Energy is a wholly owned subsidiary of MHC Inc., formerly known as MidAmerican Energy Holdings Company.

On March 12, 1999, CalEnergy Company, Inc. acquired MHC. As a part of this transaction, the former CalEnergy, a Delaware corporation, was reincorporated as an Iowa corporation and changed its name to MidAmerican Energy Holdings Company. As a result, all direct and indirect subsidiaries of MHC, including MidAmerican Energy, each became an indirect subsidiary of MidAmerican Energy Holdings. MHC is a wholly owned subsidiary of MidAmerican Funding, LLC, whose sole member is MidAmerican Energy Holdings.

On March 14, 2000, an investor group including Berkshire Hathaway Inc., Walter Scott, Jr., David L. Sokol and Gregory E. Abel completed its acquisition of MidAmerican Energy Holdings in accordance with a previously disclosed agreement and plan of merger, dated October 24, 1999, among MidAmerican Energy Holdings, Teton Formation L.L.C. and Teton Acquisition Corp. Mr. Scott is an Omaha, Nebraska businessman and a director of MidAmerican Energy Holdings, Mr. Sokol is Chairman and Chief Executive Officer of MidAmerican Energy Holdings, and Mr. Abel is Chief Operating Officer of MidAmerican Energy Holdings. In accordance with the merger agreement, Teton Acquisition was merged with and into MidAmerican Energy Holdings, maintaining the name MidAmerican Energy Holdings Company. With the completion of the transaction, MidAmerican Energy Holdings is now a privately owned company with publicly traded fixed-income securities.

(b) Financial Information About Industry Segments

Financial information on MidAmerican Energy's segments of business is included under the Note titled "Segment Information" in Notes to Consolidated Financial Statements included in Part IV, Item 14 of this Form 10-K.

(c) Description of Business

MidAmerican Energy is the largest energy company headquartered in Iowa, with assets as of December 31, 2001, and revenues for 2001 totaling \$3.6 billion and \$2.7 billion, respectively. MidAmerican Energy is principally engaged in the business of generating, transmitting, distributing and selling electric energy and in distributing, selling and transporting natural gas. MidAmerican Energy distributes electricity at retail in Council Bluffs, Des Moines, Fort Dodge, Iowa City, Sioux City and Waterloo, Iowa; the Quad Cities (Davenport and Bettendorf, Iowa and Rock Island, Moline and East Moline, Illinois); and a number of adjacent communities and areas. It also distributes natural gas at retail in Cedar Rapids, Des Moines, Fort Dodge, Iowa City, Sioux City and Waterloo, Iowa; the Quad Cities; Sioux Falls, South Dakota; and a number of adjacent communities and areas. As of December 31, 2001, MidAmerican Energy had 673,000 retail electric customers and 652,000 retail natural gas customers.

In addition to retail sales, MidAmerican Energy sells electric energy and natural gas to other utilities, marketers and municipalities outside of MidAmerican Energy's delivery system. These sales are referred to as wholesale sales. It also transports natural gas through its distribution system for a number of end-use customers who have independently secured their supply of natural gas.

MidAmerican Energy's regulated electric and gas operations are conducted under franchises, certificates, permits and licenses obtained from state and local authorities. The franchises, with various expiration dates, are typically for 25-year terms.

MidAmerican Energy has a residential, agricultural, commercial and diversified industrial customer group, in which no single industry or customer accounted for more than 4% of its total 2001 electric operating revenues or 4% of its total 2001 gas operating margin. Among the primary industries served by MidAmerican Energy are those which are concerned with food products, the manufacturing, processing and fabrication of primary metals, real estate, farm and other non-electrical machinery, and cement and gypsum products.

MidAmerican Energy also conducts a number of nonregulated business activities, including natural gas marketing. Refer to the "Nonregulated Operations" section later in Part I for further discussion.

For the year ended December 31, 2001, MidAmerican Energy derived approximately 48% of its gross operating revenues from its regulated electric business, 32% from its regulated gas business and 20% from its nonregulated business activities. For 2000 and 1999, the corresponding percentages were 48% electric, 37% gas and 15% nonregulated; and 63% electric, 30% gas and 7% nonregulated, respectively. The change in revenue mix is principally driven by an increase in natural gas prices and in nonregulated natural gas sales activity.

The following tables present historical regulated electric sales data related to customer class and jurisdictions.

**Total Regulated Electric Sales
By Customer Class**

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Residential	20.6%	20.7%	21.0%
Small General Service	15.3	15.9	16.7
Large General Service	25.8	28.6	26.9
Other	7.3	5.4	4.5
Sales for Resale	<u>31.0</u>	<u>29.4</u>	<u>30.9</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

**Regulated Retail Electric Sales
By State**

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Iowa	88.6%	89.3%	88.9%
Illinois	10.6	10.0	10.4
South Dakota	<u>0.8</u>	<u>0.7</u>	<u>0.7</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The following tables present historical regulated gas sales data, excluding transportation throughput, related to customer class and jurisdictions.

**Total Regulated Gas Sales
By Customer Class**

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Residential	34.5%	34.9%	39.1%
Small General Service	18.2	17.4	19.8
Large General Service	1.5	2.2	2.4
Other	1.7	1.2	1.7
Sales for resale	<u>44.1</u>	<u>44.3</u>	<u>37.0</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

**Regulated Retail Gas Sales
By State**

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Iowa	78.9%	78.0%	78.8%
Illinois	9.8	10.2	10.3
South Dakota	10.5	11.0	10.1
Nebraska	<u>0.8</u>	<u>0.8</u>	<u>0.8</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

There are seasonal variations in MidAmerican Energy's electric and gas businesses which are principally related to the use of energy for air conditioning and heating. In 2001, 38% of MidAmerican Energy's regulated electric revenues were reported in the months of June, July, August and September, and 59% of MidAmerican Energy's regulated gas revenues were reported in the months of January, February, March and December.

At December 31, 2001, MidAmerican Energy had 3,768 full-time employees of which 1,756 were covered by union contracts. MidAmerican Energy has five separate contracts with locals of the International Brotherhood of Electrical Workers (IBEW), the United Association of Plumbers and Pipefitters and the United Paper Workers International Union. One contract with IBEW locals 109 and 499 expires February 29, 2004, and covers 1,675 employee members.

REGULATED ELECTRIC OPERATIONS

The annual hourly peak demand on MidAmerican Energy's electric system occurs principally as a result of air conditioning use during the cooling season. In August 2001, MidAmerican Energy recorded an hourly peak demand of 3,758 MW, which was 75 MW less than MidAmerican Energy's record hourly peak of 3,833 MW set in July 1999.

MidAmerican Energy's accredited net generating capability in the summer of 2001 was 4,735 MW. Accredited net generating capability represents the amount of generation available to meet the requirements on MidAmerican Energy's system, net of the effect of capacity purchases and sales, and consists of MidAmerican Energy-owned generation and generation under power purchase contracts. The net generating capability at any time may be less than it would otherwise be due to regulatory restrictions,

fuel restrictions and generating units being temporarily out of service for inspection, maintenance, refueling or modifications. Refer to Item 2, Properties, for detail of the accredited net generating capability for the summer of 2001.

MidAmerican Energy is interconnected with Iowa utilities and utilities in neighboring states and is involved in an electric power pooling agreement known as Mid-Continent Area Power Pool (MAPP). MAPP is a voluntary association of electric utilities doing business in Minnesota, Nebraska, North Dakota and the Canadian provinces of Saskatchewan and Manitoba and portions of Iowa, Montana, South Dakota and Wisconsin. Its membership also includes power marketers, regulatory agencies and independent power producers. MAPP facilitates operation of the transmission system and is responsible for the safety and reliability of the bulk electric system.

In November 2001, MAPPCOR, the contractor to MAPP, sold its transmission-related assets to the Midwest Independent Transmission System Operator, Inc. (Midwest ISO). The Midwest ISO now has responsibility for administration of MAPP's Open-Access Transmission Tariff.

Each MAPP participant is required to maintain for emergency purposes a net generating capability reserve of at least 15% above its system peak demand. If a participant's capability reserve falls below the 15% minimum, significant penalties could be contractually imposed by MAPP. MidAmerican Energy's reserve margin at peak demand for 2001 was approximately 25%.

MidAmerican Energy's transmission system connects its generating facilities with distribution substations and interconnects with 14 other transmission providers in Iowa and five adjacent states. Under normal operating conditions, MidAmerican Energy's transmission system is unconstrained and has adequate capacity to deliver energy to MidAmerican Energy's distribution system and to export and import energy with other interconnected systems. Refer to Item 2, Properties, for detail of transmission lines.

In December 1999, the Federal Energy Regulatory Commission (FERC) issued Order No. 2000 establishing, among other things, minimum characteristics and functions for regional transmission organizations. Public utilities that were not a member of an independent system operator at the time of the order were required to submit a plan by which its transmission facilities would be transferred to a regional transmission organization. On September 28, 2001 MidAmerican Energy and five other electric utilities filed with the FERC a plan to create TRANSLink Transmission Company LLC and to integrate their electric transmission systems into a single, coordinated system operating as a for-profit independent transmission company in conjunction with a FERC-approved regional transmission organization. FERC approval of the plan is pending. Transferring operation and control of MidAmerican Energy's transmission assets to other entities could increase costs for MidAmerican Energy; however, the actual impact of TRANSLink on MidAmerican Energy's future transmission costs is not yet known.

Fuel Supply for Electric Operations

MidAmerican Energy's sources of fuel for electric generation were as follows for the periods shown:

	Year Ended December 31,		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Coal	74.4%	75.9%	70.9%
Nuclear*	24.3	23.6	28.2
Gas*	1.2	0.3	0.7
Oil/Hydro	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

*Nuclear and gas include generation purchased through power purchase contracts with Nebraska Public Power District and Cordova Energy Company LLC, respectively. Refer to Item 2, Properties, for detail of generating facilities.

MidAmerican Energy is no longer allowed to recover through energy adjustment clauses a portion of its energy costs relating to retail sales. Accordingly, fluctuations in energy costs now affect MidAmerican Energy's earnings.

All of the coal-fired generating stations operated by MidAmerican Energy are fueled by low-sulfur, western coal from the Powder River Basin and Hanna Basin mines. MidAmerican Energy's coal supply portfolio includes multiple suppliers and mines under agreements of varying term and quantity flexibility. MidAmerican Energy regularly monitors the western coal market, looking for opportunities to improve its coal supply portfolio. MidAmerican Energy believes its sources of coal supply are, and will continue to be, satisfactory. Additional information regarding MidAmerican Energy's coal supply contracts is included in Note (4)(h) of Notes to Consolidated Financial Statements in Part IV, Item 14, of this Form 10-K.

MidAmerican Energy can use both Union Pacific Railroad and Burlington Northern and Santa Fe Railway as originating carriers of its coal supply. Coal is delivered directly to Neal Energy Center by Union Pacific and to Council Bluffs Energy Center by Union Pacific or Burlington Northern. Coal for MidAmerican Energy's Louisa and Riverside Energy Centers is delivered to an interchange point by either Burlington Northern or Union Pacific for transportation to its destination by the I&M Rail Link. MidAmerican Energy believes its coal transportation arrangements are adequate to meet its coal delivery needs.

MidAmerican Energy uses natural gas and oil as fuel for intermediate and peak demand electric generation, igniter fuel, transmission support and standby purposes. These sources are presently in adequate supply and available to meet MidAmerican Energy's needs.

MidAmerican Energy has an agreement with Cordova Energy Company LLC, a subsidiary of MidAmerican Energy Holdings, to purchase electric capacity and energy from a gas-fired combined cycle generation plant which started commercial operation in June 2001. The agreement, which terminates in May 2004, provides for MidAmerican Energy to purchase up to 50% of the net capacity of the plant and to supply the fuel stock required to generate the energy purchased.

MidAmerican Energy is a 25% joint owner of Quad Cities Generating Station, a nuclear power plant. Exelon Generation Company, LLC, the other joint owner and the operator of Quad Cities Station is a subsidiary of Exelon Corporation.

Approximately one-third of the nuclear fuel assemblies in the core at Quad Cities Station Units 1 and 2 is replaced every 24 months. Unit 2 began a refueling outage in February 2002 and Unit 1 is scheduled for the fall of 2002.

MidAmerican Energy has been advised by Exelon Generation that the majority of its uranium concentrate and uranium conversion requirements for Quad Cities Station through 2002 can be met under existing supplies or commitments. Exelon Generation foresees no problem in obtaining the remaining requirements now or obtaining future requirements. Exelon Generation further advises that enrichment services contracted through 2007 provide flexibility as to the quantity purchased. Commitments for fuel fabrication have been obtained at least through 2007. Exelon Generation does not anticipate that it will have difficulty in contracting for uranium concentrates for conversion, enrichment or fabrication of nuclear fuel needed to operate Quad Cities Station.

MidAmerican Energy purchases one-half of the power and energy of Cooper Nuclear Station through a long-term power purchase contract with Nebraska Public Power District. Approximately 25% of the fuel in the core at Cooper must be replaced approximately every 18 months. A refueling outage was completed in early January 2002. Nebraska Public Power District has informed MidAmerican Energy that it either has sufficient materials and services available to meet foreseeable Cooper requirements or that such materials and services are readily available from suppliers.

Under the Nuclear Waste Policy Act of 1982, the U.S. Department of Energy is responsible for the selection and development of repositories for, and the permanent disposal of, spent nuclear fuel and high-level radioactive wastes. Exelon Generation and Nebraska Public Power District, as required by the Nuclear Waste Act, each signed a contract with the Department of Energy to provide for the disposal of spent nuclear fuel and high-level radioactive waste beginning not later than January 1998. The Department of Energy did not begin receiving spent nuclear fuel on the scheduled date, and it is expected that the schedule will be significantly delayed. The costs incurred by the Department of Energy for disposal activities are being financed by fees charged to owners and generators of the waste. The Nebraska Public Power District has informed MidAmerican Energy that there is on-site storage capability at Cooper sufficient to permit such interim storage at least through 2004, the remaining term of the long-term power purchase contract. Exelon Generation has informed MidAmerican Energy that existing on-site storage capability at Quad Cities Station is sufficient to permit interim storage into 2005. For Quad Cities Station, Exelon Generation has informed MidAmerican Energy that they plan to develop interim spent fuel storage installation at Quad Cities Station to store additional spent nuclear fuel in dry casks. Exelon Generation expects the bulk of the construction work will be done in 2004.

REGULATED NATURAL GAS OPERATIONS

MidAmerican Energy is engaged in the procurement, transportation, storage and distribution of natural gas for utility and end-use customers in the Midwest. MidAmerican Energy purchases natural gas from various suppliers, transports it from the production area to MidAmerican Energy's service territory under contracts with interstate pipelines, stores it in various storage facilities to manage fluctuations in system demand and seasonal pricing, and distributes it to customers through MidAmerican Energy's distribution system.

MidAmerican Energy also transports through its distribution system natural gas purchased independently by a number of end-use customers. During 2001, approximately 31% of total gas delivered through MidAmerican Energy's system was under gas transportation service.

Fuel Supply and Capacity

MidAmerican Energy purchases gas supplies from producers and third party marketers. To ensure system reliability, a geographically diverse supply portfolio with varying terms and contract conditions is utilized for the gas supplies.

MidAmerican Energy has rights to firm pipeline capacity to transport gas to its service territory through direct interconnects to the pipeline systems of Northern Natural Gas, Natural Gas Pipeline Company of America, Northern Border Pipeline Company and ANR Pipeline Company. Firm capacity in excess of MidAmerican Energy's system needs, resulting from differences between the capacity portfolio and seasonal system demand, can be resold to other companies to achieve optimum use of the available capacity. Past Iowa Utilities Board and South Dakota Public Utility Commission rulings have allowed MidAmerican Energy to retain 30% of Iowa and South Dakota margins, respectively, earned on the resold capacity, with the remaining 70% being returned to customers through the purchased gas adjustment clause.

MidAmerican Energy's cost of gas is recovered from customers through purchased gas adjustment clauses. In 1995, the Iowa Utilities Board gave initial approval of MidAmerican Energy's Incentive Gas Supply Procurement Program, which currently has been extended through 2002. Under the program, as amended, MidAmerican Energy is required to file with the Iowa Utilities Board every six months a comparison of its gas procurement costs to an index-based reference price. If MidAmerican Energy's cost of gas for the period is less or greater than an established tolerance band around the reference price, then MidAmerican Energy shares a portion of the savings or costs with customers. A similar program is in effect in South Dakota. Since the implementation of the program, MidAmerican Energy has successfully achieved and shared savings with its natural gas customers.

MidAmerican Energy utilizes leased gas storage to meet peak day requirements and to manage the daily changes in demand due to changes in weather. The storage gas is typically replaced during the summer months. In addition, MidAmerican Energy also utilizes three liquefied natural gas plants and two propane-air plants to meet peak day demands.

On February 2, 1996, MidAmerican Energy had its highest peak-day delivery of 1,143,026 MMBtus. This peak-day delivery consisted of approximately 88% traditional sales service and 12% transportation service of customer-owned gas. MidAmerican Energy's 2001/2002 winter heating season peak-day delivery of 932,615 MMBtus was reached on March 3, 2002. This peak-day delivery included approximately 73% traditional sales service and 27% transportation service.

The supply sources utilized by MidAmerican Energy to meet its 2001/2002 peak-day deliveries to its traditional sales service customers were:

	Thousands of MMBtus	Percent of Total
Leased Storage and Peak Shaving Plants	260.3	38.4%
Firm Supply	<u>418.1</u>	<u>61.6</u>
Total	<u>678.4</u>	<u>100.0%</u>

MidAmerican Energy has strategically built multiple pipeline interconnections into several of its larger communities. MidAmerican Energy operates interconnects with Northern Natural Gas, Natural Gas Pipeline, Northern Border, and ANR Pipeline Company into the Quad Cities; with Northern Natural Gas, Natural Gas Pipeline, and Northern Border into Cedar Rapids/Iowa City; and with Northern Natural Gas and Natural Gas Pipeline into Des Moines. Multiple pipeline interconnects create competition among pipeline suppliers for transportation capacity to serve those communities, thus reducing costs. In addition, multiple pipeline interconnects give MidAmerican Energy the ability to optimize delivery of the lowest cost supply from the various pipeline supply basins into these communities and increase delivery reliability. Benefits to MidAmerican Energy's system customers are shared with all jurisdictions through a consolidated purchased gas adjustment clause.

MidAmerican Energy does not anticipate difficulties in meeting its future demands through the use of its supply portfolio and pipeline interconnections for the foreseeable future.

NONREGULATED OPERATIONS

MidAmerican Energy's nonregulated operations include a variety of activities outside of the traditional regulated electric and gas services. A majority of MidAmerican Energy's nonregulated revenue is generated by its nonregulated natural gas marketing services. MidAmerican Energy purchases gas from producers and third party marketers and sells it to wholesalers and end-users. MidAmerican Energy's nonregulated natural gas marketing services currently operate in Iowa, Illinois, Kansas, Ohio, South Dakota and other states to a lesser extent. In addition, MidAmerican Energy manages gas supplies for a number of commercial end-users and sells these customers gas to meet their supply requirements. Sales volumes for these nonregulated gas marketing services totaled 124 million MMBtus, 78 million MMBtus, and 43 million MMBtus for 2001, 2000 and 1999, respectively.

As of December 31, 2000, all non-residential customers in Illinois had been phased in to allow them to select their provider of electric supply services. Residential customers all receive the opportunity to select their electric supplier beginning May 1, 2002. MidAmerican Energy's nonregulated revenues include agency fees and other revenues related to these supply services.

Nonregulated revenues of MidAmerican Energy also include awards received for successful performance under its Incentive Gas Supply Procurement Plan discussed in the "Regulated Natural Gas Operations" section.

Historical nonregulated revenues for MidAmerican Energy are shown below (in millions):

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Nonregulated wholesale gas	\$400	\$282	\$100
Nonregulated retail gas	118	71	1
Nonregulated retail electric	10	17	11
Other	<u>16</u>	<u>20</u>	<u>10</u>
	<u>\$544</u>	<u>\$390</u>	<u>\$122</u>

REGULATION

General Utility Regulation

MidAmerican Energy is a public utility within the meaning of the Federal Power Act and a natural gas company within the meaning of the Natural Gas Act. Therefore, it is subject to regulation by the FERC in regard to numerous activities, including the issuance of securities, accounting policies and practices, electricity sales for resale rates, the establishment and regulation of electric interconnections and transmission services and replacement of certain gas utility property.

MidAmerican Energy is regulated by the Illinois Commerce Commission as to bundled retail rates, unbundled delivery services, services that have not been declared to be competitive, issuance of securities, affiliate transactions, construction, acquisition and sale of utility property, acquisition and sale of securities and in other respects as provided by the laws of Illinois. MidAmerican Energy is regulated by the Iowa Utilities Board as to retail rates, services, construction of utility property and in other respects as provided by the laws of Iowa. MidAmerican Energy is also subject to regulation by the South Dakota Public Utility Commission as to electric and gas retail rates and service as provided by the laws of South Dakota.

Rate Regulation

Under Iowa law, temporary collection of higher rates can begin, subject to refund, 90 days after filing with the Iowa Utilities Board for that portion of such higher rates approved by the Iowa Utilities Board based on prior ratemaking principles and a rate of return on common equity previously approved. If the Iowa Utilities Board has not issued a final order within ten months after the filing date, the temporary rates cease to be subject to refund and any balance of the requested rate increase may then be collected subject to refund. Exceptions to the ten-month limitation provide for extensions due to a utility's lack of due diligence in the rate proceeding, judicial appeals and situations involving new generating units being placed in service. MidAmerican Energy's cost of gas is reflected in its Iowa gas rates through the Iowa Uniform Purchased Gas Adjustment Clause.

South Dakota law authorizes its Public Utility Commission to suspend new rates for up to six months during the pendency of rate proceedings; however, the rates are permitted to be implemented after six months subject to refund pending a final order in the proceeding.

Under Illinois law, new rates may become effective 45 days after filing with the Illinois Commerce Commission, or on such earlier date as the Illinois Commerce Commission may approve, subject to its authority to suspend the proposed new rates, subject to hearing, for a period not to exceed approximately eleven months after filing. Under Illinois electric tariffs, MidAmerican Energy's Fuel Cost Adjustment Clause reflects changes in the cost of all fuels used for electric generation, including certain fuel transportation costs, nuclear fuel disposition costs and the effects of energy transactions (other than capacity and margins on interchange sales) with other utilities. MidAmerican Energy's cost of gas is reflected in its Illinois gas rates through the Illinois Uniform Purchased Gas Adjustment Clause.

In December 1997, Illinois enacted a law to restructure Illinois' electric utility industry. The law changes how and what electric services are regulated by the Illinois Commerce Commission and transitions portions of the traditional electric services to a competitive environment. In general, the law limits the Illinois Commerce Commission's regulatory authority over a utility's generation and also relaxes its regulatory authority over many corporate transactions, such as the transfer of generation assets to affiliates. Special authority and limitations of authority apply during the transition to a competitive marketplace. Also, the law permits utilities to eliminate their fuel adjustment clauses and incorporates provisions by

which earnings in excess of allowed amounts are either partially refunded to customers or are used to accelerate a company's regulatory asset cost recovery. Electric rates are frozen, subject to certain exceptions allowing for increases, until 2005.

The FERC regulates MidAmerican Energy's rates charged to wholesale customers.

Refer to the information under the caption "Legislative and Regulatory Evolution" in the "Operating Activities and Other Matters" section of MD&A in Part IV, Item 14 of this Form 10-K for additional discussion of matters affecting utility regulation.

Nuclear Regulation

MidAmerican Energy is subject to the jurisdiction of the Nuclear Regulatory Commission with respect to its license and 25% ownership interest in Quad Cities Station Units 1 and 2. Exelon Generation is the operator of Quad Cities Station and is under contract with MidAmerican Energy to secure and keep in effect all necessary Nuclear Regulatory Commission licenses and authorizations.

Under the terms of a long-term power purchase contract with Nebraska Public Power District, MidAmerican Energy has contracted to purchase through September 21, 2004, one-half of the power and energy from Cooper, which is located near Brownville, Nebraska. MidAmerican Energy pays for one-half of the fixed and operating costs of Cooper (excluding depreciation but including debt service) and MidAmerican Energy's share of fuel costs (including the Department of Energy disposal fee) based upon energy delivered. MidAmerican Energy is not subject to the jurisdiction of the Nuclear Regulatory Commission with respect to Cooper and the long-term power purchase contract with Nebraska Public Power District. Nebraska Public Power District, as the sole owner, licensee and operator of Cooper, is thereby the only entity subject to the jurisdiction of the Nuclear Regulatory Commission with respect to Cooper. Under the terms of the long-term power purchase contract, Nebraska Public Power District is required to assure that Cooper is in compliance with all of the Nuclear Regulatory Commission regulations.

The Nuclear Regulatory Commission's regulations control the granting of permits and licenses for the construction and operation of nuclear generating stations and subject such stations to continuing review and regulation. The Nuclear Regulatory Commission review and regulatory process covers, among other things, operations, maintenance, and environmental and radiological aspects of such stations. The Nuclear Regulatory Commission may modify, suspend or revoke licenses and impose civil penalties for failure to comply with the Atomic Energy Act, the regulations under such Act or the terms of such licenses.

Federal regulations provide that any nuclear operating facility may be required to cease operation if the Nuclear Regulatory Commission determines there are deficiencies in state, local or utility emergency preparedness plans relating to such facility, and the deficiencies are not corrected. Exelon Generation and Nebraska Public Power District have advised MidAmerican Energy that emergency preparedness plans for Quad Cities Station and Cooper, respectively, have been approved by the Nuclear Regulatory Commission. Exelon Generation and Nebraska Public Power District have also advised MidAmerican Energy that state and local plans relating to Quad Cities Station and Cooper, respectively, have been approved by the Federal Emergency Management Agency.

The Nuclear Regulatory Commission also regulates the decommissioning of nuclear power plants including the planning and funding for the eventual decommissioning of the plants. In response to these regulations, MidAmerican Energy submitted a report to the Nuclear Regulatory Commission in July 1990, and every two years thereafter, providing "reasonable assurance" that funds will be available to pay the

costs of decommissioning its share of Quad Cities Station. Nebraska Public Power District has advised MidAmerican Energy that a report addressing decommissioning funding for Cooper has been submitted to the Nuclear Regulatory Commission.

MidAmerican Energy has established external trusts for the investment of funds collected for nuclear decommissioning associated with Quad Cities Station. Nebraska Public Power District maintains an internal account and an external trust for decommissioning funds associated with Cooper to which MidAmerican Energy has made contributions in the past. MidAmerican Energy is currently accumulating funds in a separate MidAmerican Energy bank account. Electric tariffs currently in effect include provisions for annualized collection of estimated decommissioning costs at Quad Cities Station and Cooper. In Illinois, Cooper nuclear decommissioning costs are included in customer billings through a mechanism that permits annual adjustments. In Iowa, Quad Cities Station and Cooper decommissioning costs are reflected in base rates. MidAmerican Energy's cost related to decommissioning funding in 2001 was \$19.9 million. Refer to Note (4)(g) - Cooper Litigation, in Notes to Consolidated Financial Statements in Part IV, Item 14 of this Form 10-K for discussion of a proceeding related to Cooper.

Environmental Regulations

MidAmerican Energy is subject to numerous legislative and regulatory environmental protection requirements involving air and water pollution, waste management, hazardous chemical use, noise abatement, land use aesthetics and atomic radiation.

State and federal environmental laws and regulations currently have, and future modifications may have, the effect of (i) increasing the lead time for the construction of new facilities, (ii) significantly increasing the total cost of new facilities, (iii) requiring modification of MidAmerican Energy's existing facilities, (iv) increasing the risk of delay on construction projects, (v) increasing MidAmerican Energy's cost of waste disposal and (vi) reducing the reliability of service provided by MidAmerican Energy and the amount of energy available from MidAmerican Energy's facilities. Any of such items could have a substantial impact on amounts required to be expended by MidAmerican Energy in the future.

Air Quality -

Essentially all utility generating units are subject to the provisions of the Clean Air Act Amendments of 1990 which address continuous emissions monitoring, permit requirements and fees and emissions of certain substances. MidAmerican Energy has five jointly owned and six wholly owned coal-fired generating units, which represent approximately 60% of MidAmerican Energy's electric generating capability. MidAmerican Energy's generating units meet all requirements under Title IV of the Clean Air Act Amendments of 1990. Title IV, which is also known as the Acid Rain Program, sets forth requirements for the emission of sulfur dioxide and nitrogen oxides at electric utility generating stations.

In accordance with the requirements of Section 112 of the Clean Air Act Amendments of 1990, the EPA has performed a study of the hazards to public health reasonably anticipated to occur as a result of emissions of hazardous air pollutants by electric utility steam generating units. In February 1998, EPA issued its Final Report to Congress, indicating that mercury is the hazardous air pollutant of greatest potential concern from coal-fired generating units and that additional research and monitoring are necessary. As such the EPA issued a request under Section 114 of the Clean Air Act Amendments of 1990 requiring all electric utilities to provide information that will allow the EPA to calculate the annual mercury emissions from each coal-fired generating unit for the calendar year 1999. In December 2000, the EPA concluded that it is appropriate and necessary to regulate mercury emissions from coal-fired generating units. It is anticipated that rules will be developed to regulate these emissions in 2003 or 2004.

The cost to MidAmerican Energy of reducing its mercury emissions would depend on available technology at the time, but could be material.

Refer to Note (4)(c) in Notes to Consolidated Financial Statements in Part IV, Item 14, of this Form 10-K for additional information regarding air quality regulation.

Hazardous Materials and Waste Management -

The U.S. Environmental Protection Agency, or EPA, and state environmental agencies have determined that contaminated wastes remaining at certain decommissioned manufactured gas plant facilities may pose a threat to the public health or the environment if such contaminants are in sufficient quantities and at such concentrations as to warrant remedial action.

MidAmerican Energy estimates the range of possible costs for investigation, remediation and monitoring for these sites to be \$22 million to \$68 million. MidAmerican Energy has evaluated or is evaluating 27 properties that were, at one time, sites of gas manufacturing plants in which MidAmerican Energy may be a potentially responsible party. MidAmerican Energy's estimate of the probable cost for these sites as of December 31, 2001, was \$22 million. The Illinois Commerce Commission has approved the use of a tariff rider that permits recovery of the actual costs of litigation, investigation and remediation relating to former manufactured gas plant sites. MidAmerican Energy's present rates in Iowa provide for a fixed annual recovery of manufactured gas plant costs.

Additional information relating to MidAmerican Energy's manufactured gas plant facilities is included under Note (4)(b) in Notes to Consolidated Financial Statements in Part IV, Item 14, of this Form 10-K.

Pursuant to the Toxic Substances Control Act, a federal law administered by the EPA, MidAmerican Energy developed a comprehensive program for the use, handling, control and disposal of all polychlorinated biphenyls, referred to herein as PCBs, contained in electrical equipment. The future use of equipment containing PCBs will be minimized. Capacitors, transformers and other miscellaneous equipment are being purchased with a non-PCB dielectric fluid. MidAmerican Energy's exposure to PCB liability has been reduced through the orderly replacement of a number of such electrical devices with similar non-PCB electrical devices.

ITEM 2. PROPERTIES

MidAmerican Energy's utility properties consist of physical assets necessary and appropriate to render electric and gas service in its service territories. Electric property consists primarily of generation, transmission and distribution facilities. Gas property consists primarily of distribution plant, including feeder lines to communities served from natural gas pipelines owned by others. It is the opinion of management that the principal depreciable properties owned by MidAmerican Energy are in good operating condition and well maintained.

The net accredited generating capacity of MidAmerican Energy, along with participation purchases and sales, net, are shown for summer 2001 accreditation.

<u>Plant</u>	<u>Percent Ownership</u>	<u>Fuel</u>	<u>Company's Share of Accredited Generating Capability (MW)</u>
Steam Electric Generating Plants:			
Council Bluffs Energy Center			
Unit No. 1	100.0	Coal	43
Unit No. 2	100.0	Coal	88
Unit No. 3	79.1	Coal	534
George Neal Station			
Unit No. 1	100.0	Coal	135
Unit No. 2	100.0	Coal	300
Unit No. 3	72.0	Coal	371
Unit No. 4	40.6	Coal	261
Louisa Unit	88.0	Coal	616
Ottumwa Unit	52.0	Coal	368
Riverside Station			
Unit No. 3	100.0	Coal	5
Unit No. 5	100.0	Coal	130
			<u>2,851</u>
Combustion Turbines:			
Coralville - 4 units	100.0	Gas/Oil	64
Electrifarm - 3 units	100.0	Gas/Oil	200
Moline - 4 units	100.0	Gas/Oil	64
Parr - 2 units	100.0	Gas/Oil	32
Pleasant Hill Energy Center - 3 units	100.0	Oil	160
River Hills Energy Center - 8 units	100.0	Gas/Oil	120
Sycamore Energy Center - 2 units	100.0	Gas/Oil	149
			<u>789</u>
Nuclear:			
Cooper	(1)	Nuclear	379
Quad Cities Station			
Unit No. 1	25.0	Nuclear	190
Unit No. 2	25.0	Nuclear	193
			<u>762</u>
Combined Cycle: Cordova Energy Center	(2)	Gas	250
Hydro: Moline - 4 units	100.0	Water	3
Portable Power Modules - 28 units	100.0	Oil	<u>56</u>
Net Accredited Generating Capacity			4,711
Participation Purchases and Sales, Net			<u>24</u>
Total Net Accredited Generating Capability			<u>4,735</u>

(1) Cooper is owned by the Nebraska Public Power District and the amount shown is MidAmerican Energy's entitlement (50%) of Cooper's accredited capacity under a power purchase contract extending to September 2004.

(2) Cordova is owned by Cordova Energy Company LLC, a subsidiary of MidAmerican Energy Holdings. The amount shown above is MidAmerican Energy's entitlement (50%) of Cordova's net accredited capacity under a purchase power contract extending to May 2004.

The electric transmission system of MidAmerican Energy at December 31, 2001, included 897 miles of 345-kV lines and 1,122 miles of 161-kV lines.

The gas distribution facilities of MidAmerican Energy at December 31, 2001, included 20,561 miles of gas mains and services.

Substantially all the former Iowa-Illinois Gas and Electric Company utility property and franchises, and substantially all of the former Midwest Power Systems electric utility property located in Iowa, or approximately 79% of gross utility plant, is pledged to secure mortgage bonds.

ITEM 3. LEGAL PROCEEDINGS

MidAmerican Energy and its subsidiaries have no material legal proceedings except for the following:

Environmental Matters

Information on MidAmerican Energy's environmental matters is included in Item 1 - Business and under "Environmental Matters" within "Operating Activities and Other Matters" in Management's Discussion and Analysis in Part IV, Item 14 of this Form 10-K.

Cooper Litigation

Information on MidAmerican Energy's litigation with Nebraska Public Power District regarding Cooper Nuclear Station is included in Note (4)(g) of Notes to Consolidated Financial Statements.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MidAmerican Energy's outstanding common stock is held entirely by MHC and is not publicly traded.

ITEM 6. SELECTED FINANCIAL DATA

Reference is made to Part IV of this report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reference is made to Part IV of this report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Reference is made to Note (1)(i) – "Accounting for Derivatives" in Notes to Consolidated Financial Statements in Part IV, Item 14, of this report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to Part IV of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the current directors and executive officers of MidAmerican Energy is as follows:

(a) Identification

<u>Name</u>	<u>Age</u>	<u>Present Position</u>	<u>Served in Present Position Since</u>	<u>Served as Director Since</u>
David L. Sokol	45	Chairman and Director	1999	1999
Gregory E. Abel	39	President, Chief Executive Officer and Director	2002	1999
Jack L. Alexander	54	Senior Vice President	1998	
Douglas L. Anderson	44	Senior Vice President	2001	2001
Patrick J. Goodman	35	Senior Vice President, Chief Financial Officer and Director	1999	1999
Keith D. Hartje	52	Senior Vice President	1999	
Todd M. Raba	45	Senior Vice President	2001	

Officers are elected annually by the Board of Directors. There are no family relationships among these officers, nor any arrangements or understanding between any officer and any other person pursuant to which the officer was selected.

(b) Business Experience

David L. Sokol

Chairman and Director of MidAmerican Energy since March 1999. Mr. Sokol has been Chief Executive Officer of MidAmerican Energy Holdings since April 19, 1993 and served as President of MidAmerican Energy Holdings from April 19, 1993 until January 21, 1995. He has been Chairman of the Board of Directors of MidAmerican Energy Holdings since May 1994 and a director since March 1991. Formerly, among other positions held in the independent power industry, Mr. Sokol served as President and Chief Executive Officer of Kiewit Energy Company and Ogden Projects, Inc.

Gregory E. Abel

Chief Executive Officer and Director of MidAmerican Energy since March 1999 and President since January 1, 2002. Mr. Abel joined MidAmerican Energy Holdings in 1992. Mr. Abel is a Chartered

Accountant and from 1984 to 1992 he was employed by PriceWaterhouse. As a Manager in the San Francisco office of PriceWaterhouse, he was responsible for clients in the energy industry.

Jack L. Alexander

Senior Vice President of MidAmerican Energy since November 1, 1998. Mr. Alexander served as Vice President of MidAmerican Energy from November 1, 1996, to October 31, 1998, and held various executive and management positions with MidAmerican Energy and its predecessors for more than five years prior thereto.

Douglas L. Anderson

Senior Vice President and Director of MidAmerican Energy since May 2001. Mr. Anderson joined MidAmerican Energy Holdings in 1993 and has served in various legal positions including General Counsel of MidAmerican Energy Holdings' independent power affiliates. From 1990 to 1993, Mr. Anderson was a corporate attorney with Fraser, Stryker. Prior to that, Mr. Anderson was a principal in the firm Anderson and Anderson.

Patrick J. Goodman

Senior Vice President, Chief Financial Officer and Director of MidAmerican Energy since April 1999. Mr. Goodman joined MidAmerican Energy Holdings in June 1995, and served in various accounting positions including Senior Vice President and Chief Accounting Officer. Prior to joining MidAmerican Energy Holdings, Mr. Goodman was a financial manager for National Indemnity Company and a senior associate at Coopers & Lybrand.

Keith D. Hartje

Senior Vice President of MidAmerican Energy since March 1999. Mr. Hartje served as Vice President of MidAmerican Energy from 1996 to March 1999, and held various executive and management positions with MidAmerican Energy and its predecessors for more than five years prior thereto.

Todd M. Raba

Senior Vice President of MidAmerican Energy since July 2001. Mr. Raba joined MidAmerican Energy in 1997 as Vice President. Prior to joining MidAmerican Energy, he was employed for 13 years with Rollins Environmental Services.

ITEM 11. EXECUTIVE COMPENSATION

Information required by Item 11 is omitted pursuant to General Instruction I(2)(c) to Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by Item 12 is omitted pursuant to General Instruction I(2)(c) to Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by Item 13 is omitted pursuant to General Instruction I(2)(c) to Form 10-K.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)1. Financial Statements (included herein)

	<u>Page No.</u>
Selected Consolidated Financial Data	22
Management's Discussion and Analysis of Financial Condition And Results of Operations	23
Consolidated Statements of Income For the Years Ended December 31, 2001, 2000 and 1999	39
Consolidated Statements of Comprehensive Income For the Years Ended December 31, 2001, 2000 and 1999	40
Consolidated Balance Sheets As of December 31, 2001 and 2000	41
Consolidated Statements of Cash Flows For the Years Ended December 31, 2001, 2000 and 1999	42
Consolidated Statements of Capitalization As of December 31, 2001 and 2000	43
Consolidated Statements of Retained Earnings For the Years Ended December 31, 2001, 2000 and 1999	44
Notes to Consolidated Financial Statements	45
Independent Auditors' Report	73

(a)2. Financial Statement Schedules (included herein)

The following schedule should be read in conjunction with the aforementioned financial statements.

	<u>Page No.</u>
MidAmerican Energy Company Consolidated Valuation and Qualifying Accounts (Schedule II)	74

Other schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the financial statements or notes thereto.

(a)3. Exhibits

See Exhibit Index on page 76.

(b) Reports on Form 8-K

None.

MIDAMERICAN ENERGY COMPANY
SELECTED CONSOLIDATED FINANCIAL DATA
(In thousands)

	<u>December 31</u>				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Income Statement Data:					
Revenues.....	\$2,731,073	\$2,532,359	\$1,860,274	\$1,744,978	\$1,748,459
Operating income	333,574	338,756	300,064	280,920	287,309
Net income from continuing operations..	152,778	165,456	127,331	115,593	125,941
Earnings on common from continuing operations.....	148,234	160,501	122,376	110,641	119,453
Balance Sheet Data:					
Total assets.....	\$3,577,892	\$3,823,566	\$3,609,591	\$3,585,530	\$3,542,307
Long-term debt (a)	820,594	921,682	870,499	930,966	1,044,663
Power purchase obligation (a).....	25,867	52,282	68,049	83,127	97,504
Short-term borrowings	89,350	81,600	204,000	206,221	122,500
Preferred stock:					
Not subject to mandatory redemption	31,759	31,759	31,759	31,759	31,763
Subject to mandatory redemption (b).	126,680	150,000	150,000	150,000	150,000
Common shareholder's equity	1,219,057	1,161,968	1,057,855	972,278	985,744

(a) Includes amounts due within one year.

(b) Includes MidAmerican Energy-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely MidAmerican Energy junior subordinated debentures.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

MidAmerican Energy Company is a public utility company headquartered in Des Moines, Iowa, and incorporated in the state of Iowa. On December 1, 1996, MidAmerican Energy became, through a corporate reorganization, a wholly owned subsidiary of MHC Inc., formerly known as MidAmerican Energy Holdings Company.

On March 12, 1999, CalEnergy Company, Inc. acquired MHC. As a part of this transaction, the former CalEnergy, a Delaware corporation, was reincorporated as an Iowa corporation and changed its name to MidAmerican Energy Holdings Company. As a result, all direct and indirect subsidiaries of MHC, including MidAmerican Energy, each became an indirect subsidiary of MidAmerican Energy Holdings. MHC is a wholly owned subsidiary of MidAmerican Funding, LLC, whose sole member is MidAmerican Energy Holdings.

FORWARD-LOOKING STATEMENTS

From time to time, MidAmerican Energy may make forward-looking statements within the meaning of the federal securities laws that involve judgments, assumptions and other uncertainties beyond its control. These forward-looking statements may include, among others, statements concerning revenue and cost trends, cost recovery, cost reduction strategies and anticipated outcomes, pricing strategies, changes in the utility industry, planned capital expenditures, financing needs and availability, statements of MidAmerican Energy's expectations, beliefs, future plans and strategies, anticipated events or trends and similar comments concerning matters that are not historical facts. These type of forward-looking statements are based on current expectations and involve a number of known and unknown risks and uncertainties that could cause the actual results and performance of MidAmerican Energy to differ materially from any expected future results or performance, expressed or implied, by the forward-looking statements. In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, MidAmerican Energy has identified important factors that could cause actual results to differ materially from those expectations, including weather effects on sales and revenues, fuel prices, fuel transportation and other operating uncertainties, acquisition uncertainty, uncertainties relating to economic and political conditions and uncertainties regarding the impact of regulations, changes in government policy, utility industry deregulation and competition. MidAmerican Energy assumes no responsibility to update forward-looking information contained herein.

RESULTS OF OPERATIONS

Following is a discussion of the various factors affecting MidAmerican Energy's results of operations.

REGULATED GROSS MARGIN

Regulated Electric Gross Margin:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
		(In millions)	
Operating revenues	\$1,318	\$1,212	\$1,179
Cost of fuel, energy and capacity	<u>276</u>	<u>249</u>	<u>223</u>
Electric gross margin	<u>\$1,042</u>	<u>\$ 963</u>	<u>\$ 956</u>

2001 vs. 2000

Electric gross margin for 2001, increased \$79 million compared to 2000 due principally to an improvement in wholesale sales margins.

MidAmerican Energy's margins on wholesale sales increased \$63.5 million compared to 2000. The increase was due to an increase in the average margin per unit sold and an 11.7% increase in related sales volumes compared to 2000. Wholesale sales are the delivery of energy to other utilities, municipalities and marketers outside of MidAmerican Energy's delivery system.

Additionally, electric margin for 2001 increased \$21.6 million compared to 2000 due to a refund accrual in 2000 that reduced electric margin. The refund accrual was for a revenue sharing arrangement in Iowa that terminated December 31, 2000. Refer to "Rate Matters" in the "Operating Activities and Other Matters" section of MD&A for a discussion of the current arrangement.

The impact of temperatures increased electric gross margin approximately \$2 million compared to 2000. Temperature conditions during the cooling season in 2001 were slightly hotter than 2000 while temperatures during the heating season in 2001 were slightly milder than in 2000. Other usage factors not dependent on weather increased electric margin by \$9.7 million compared to 2000. In total, retail sales of electricity increased 3.2% in 2001.

In 2001, MidAmerican Energy recorded gains from the sales of emission allowances which improved electric margin by \$3.3 million compared to 2000. Revenues from transmission services increased \$4.0 million compared to 2000 due to additional revenues from the Mid-Continent Area Power Pool.

An increase in the average cost of energy per unit sold for Iowa retail sales reduced electric gross margin by \$20.3 million compared to 2000. The increase in the average cost of energy per unit sold was due in part to increased coal costs and increased use of combustion turbines and combined cycle plants.

Electric revenues from the recovery of energy efficiency program costs decreased \$6.0 million compared to 2000. Changes in these revenues are substantially matched with corresponding changes in other operating expenses. MidAmerican Energy began recovering from customers its remaining deferred energy efficiency costs and current, ongoing energy efficiency costs on September 29, 1997. Deferred energy efficiency costs are costs previously incurred by MidAmerican Energy, which, in accordance with rate treatment, were not charged to expense until recovery from customers began. Recovery of deferred energy efficiency costs occurred over a four-year period from the date collection began for each phase. The decrease in 2001 of the recovery of energy efficiency program costs is due to completion in 2001 of the final recovery phase. Approximately \$28.8 million of MidAmerican Energy's 2001 electric revenues were from the recovery of energy efficiency program costs compared to \$34.8 million in 2000.

2000 vs. 1999

Electric gross margin for 2000, increased \$7 million compared to 1999 due principally to an improvement in wholesale sales margins.

MidAmerican Energy's margins on wholesale sales increased \$13.4 million compared to 1999. An increase in the average margin per unit sold more than offset a 3.2% decrease in sales volumes compared to 1999.

The impact of temperatures increased electric gross margin approximately \$5 million compared to 1999. Although temperatures during the first nine months of 2000 were more moderate than the comparable period in 1999, temperatures during fourth quarter of 2000 were significantly colder than temperatures in the fourth quarter of 1999, resulting in the overall positive effect on electric margin. Other usage factors not dependent on weather increased electric margin by \$3.5 million compared to 1999. In total, retail sales of electricity increased 4.2% in 2000.

Revenues from electric transmission services increased \$1.3 million in 2000 compared to 1999 due to additional revenues from Mid-Continent Area Power Pool.

A refund accrual for a revenue sharing arrangement in Iowa was \$5.2 million greater in 2000 than in 1999, resulting in a decrease in electric margin. An increase in the cost of energy per unit sold reduced electric gross margin by \$6.2 million compared to 1999.

Electric revenues from the recovery of energy efficiency program costs decreased \$2.3 million compared to 1999. Changes in these revenues are substantially matched with corresponding changes in other operating expenses. The decrease in 2000 of the recovery of energy efficiency program costs is due to completion in 1999 of two of the recovery phases. One phase remains and will be completed in 2001. Approximately \$34.8 million of MidAmerican Energy's 2000 electric revenues were from the recovery of energy efficiency program costs compared to \$37.1 million in 1999.

Additionally, electric revenues from recovery mechanisms related to Cooper Nuclear Station costs, decommissioning costs and manufactured gas plant costs decreased \$2.1 million compared to 1999. The decreases relate principally to corresponding decreases in costs for which the recovery mechanisms were established.

Regulated Gas Gross Margin:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
		(In millions)	
Operating revenues	\$ 869	\$ 930	\$ 560
Cost of gas sold	<u>675</u>	<u>721</u>	<u>364</u>
Gas gross margin	<u>\$ 194</u>	<u>\$ 209</u>	<u>\$ 196</u>

2001 vs. 2000

Regulated gas revenues include purchase gas adjustment clauses through which MidAmerican Energy is allowed to recover the cost of gas sold from its retail gas utility customers. Consequently, fluctuations in the cost of gas sold do not affect gross margin or net income because revenues reflect comparable fluctuations from purchase gas adjustment clauses.

Warmer temperature conditions in the second and fourth quarters of 2001 compared to the same quarters in 2000 and conservation by customers due to higher prices in early 2001 resulted in approximately a \$9 million decrease in gas margin compared to 2000. Other usage factors not dependent on weather resulted in a \$4.7 million decrease in gas margin compared to 2000. In total, retail sales of natural gas decreased 7.2% compared to 2000. The decrease in gas margin due to warmer temperature conditions was partially mitigated by a \$1.7 million gain on a weather derivative financial instrument.

Recovery of gas energy efficiency costs decreased \$1.2 million for 2001 compared to 2000 due to the completion of the final four-year recovery phase. Consistent with electric revenues, changes in gas revenues from energy efficiency cost recovery are substantially offset by corresponding changes in other operating expenses. Additionally, margin on gas transported decreased \$1.1 million.

2000 vs. 1999

In 2000, MidAmerican Energy's per-unit cost of gas increased compared to 1999, which resulted in a \$285 million increase in revenues and cost of gas sold for 2000.

Colder temperatures in 2000 compared to 1999, due primarily to the fourth quarter of 2000, resulted in a \$5 million increase in gas margin compared to 1999. Customer growth and other usage factors not dependent on weather resulted in a \$4.2 million increase in gas margin compared to 1999. In total, retail sales of natural gas increased 5.8% compared to 1999.

Changes in retail gas rates increased gas margin by approximately \$4.3 million compared to 1999. On January 22, 1999, the Iowa Utilities Board approved a \$6.7 million annual interim increase in gas rates for Iowa retail customers. An additional increase was implemented on May 27, 1999, as a result of the Iowa Utilities Board's approval of a final rate increase of \$13.9 million annually. Rates for South Dakota customers increased \$2.4 million annually effective May 1, 1999. On July 11, 2000, the Illinois Commerce Commission issued an order approving a gas rate increase totaling \$2.1 million annually effective July 18, 2000.

Recovery of gas energy efficiency costs decreased \$2.5 million for 2000 compared to 1999. Consistent with electric revenues, changes in gas revenues from energy efficiency cost recovery are substantially offset by corresponding changes in other operating expenses.

REGULATED OPERATING EXPENSES

Other Operating Expenses -

Regulated other operating expenses increased \$15.2 million for 2001 compared to 2000. Increases include a \$15.9 million increase in pension and other post-employment benefits costs, a \$6.7 million increase in the allowance for uncollectible accounts, a \$5.5 million increase in Cooper Nuclear Station costs and a \$4.2 million increase in electric distribution expense. The increases were partially offset by a \$7.3 million reduction in Quad Cities Station operating expenses, a \$4.5 million reduction in energy efficiency amortization and program costs and decreases in various other costs.

Other operating expenses decreased \$26.8 million for 2000 compared to 1999. Information technology expenses were \$8.5 million lower for 2000 due principally to consulting and other costs in 1999 to support newly implemented systems and for Y2K preparation. During 1999, MidAmerican Energy incurred transition costs related to MHC's March 1999 merger. The absence of similar costs in 2000 resulted in a \$13.7 million reduction of other operating expenses in 2000 compared to 1999. Energy

efficiency costs decreased \$3.8 million compared to 1999 due to the completion of two recovery phases in 1999. Other factors contributing to the decrease in other operating expenses were reductions in employee incentive plan costs and injuries and damages costs and an increase in 2000 of a reserve distribution from an insurance fund compared to the distribution in 1999.

Maintenance -

Maintenance expenses for 2001 compared to 2000 increased \$11.3 million. Fossil fuel generating plant maintenance expenses increased \$8.6 million, while maintenance costs for Quad Cities Station (nuclear) decreased \$5.7 million. Electric distribution system maintenance increased \$5.4 million in part due to a more aggressive tree-trimming program. Gas distribution maintenance expenses increased \$3.0 million. Maintenance expenses for 2000 increased \$11.0 million compared to 1999 due to reliability maintenance at generating plants and an increase in forestry service costs and related overhead distribution maintenance.

Depreciation and Amortization -

Depreciation and amortization expense increased \$53.2 million in 2001 compared to 2000. During 2001, MidAmerican Energy recorded \$47.1 million of amortization expense related to the establishment of a regulatory liability for a revenue sharing arrangement in Iowa. The Iowa Utilities Board approved a settlement agreement, which includes the revenue sharing arrangement, in December 2001. Refer to "Rate Matters" in the "Operating Activities and Other Matters" section of MD&A for further discussion. In addition, utility plant depreciation expense increased as a result of an increase in depreciation rates in 2001 and an increase in utility plant.

Depreciation and amortization expense increased \$6.6 million in 2000 compared to 1999. Utility plant depreciation expense increased as a result of an increase in utility plant. Amortization of regulatory assets for MidAmerican Energy's Iowa operations increased in accordance with an Iowa revenue sharing plan. Depreciation expense related to nuclear decommissioning funding for MidAmerican Energy's Illinois operations decreased for 2000 compared to 1999.

Property and Other Taxes -

Property and other taxes decreased for 2001 and 2000 compared to the respective prior years due principally to a reduction in MidAmerican Energy's Iowa property tax assessed values.

NONREGULATED OPERATING REVENUES AND OPERATING EXPENSES

Nonregulated Gas Gross Margin -

	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(In millions)		
Operating revenues	\$ 518.3	\$ 353.0	\$ 100.4
Cost of gas sold	<u>509.7</u>	<u>349.9</u>	<u>99.1</u>
Gross margin	<u>\$ 8.6</u>	<u>\$ 3.1</u>	<u>\$ 1.3</u>

The nonregulated natural gas marketing operations include wholesale and retail activities. Approximately 77% of the nonregulated natural gas revenues for 2001 are from wholesale sales.

Gross margin for the nonregulated natural gas operations increased \$5.5 million to \$8.6 million for 2001 compared to 2000. The improvement in gross margin reflects an increase in margin per unit and sales volumes. Revenues from nonregulated natural gas operations increased \$165.3 million compared to 2000. Sales volumes increased 47 million MMBtus (60%) resulting in a \$212.0 million increase in revenues. A decrease in the average price per unit sold, reflective of a 9% decrease in the average cost of gas, partially offset the increase due to sales volumes, reducing revenues by \$46.7 million. Related cost of sales increased \$159.8 million for 2001 due to the increase in sales volumes, offset partially by the decrease in the average cost of gas.

Revenues from nonregulated natural gas marketing operations increased \$252.6 million for 2000 compared to 1999. An increase in the average price per unit sold, reflective of a 95% increase in the average cost of gas, accounted for \$171.2 million of the increase in revenues. Sales volumes increased 35 million MMBtus (81%) resulting in an \$81.4 million increase in revenues. The increase in sales volumes was driven principally by the addition of larger-use wholesale customers and the addition of retail customer activity. The \$250.8 million increase in related cost of sales reflects the increases in cost per unit sold and sales volumes.

Other Nonregulated Revenues and Cost of Sales -

As of December 31, 2000, all non-residential customers in Illinois had been phased in to allow them to select their electric power supplier. For 2001 compared to 2000, gross margin related to these sales increased \$4.4 million to \$4.5 million. No revenues or cost of sales were incurred in 1999 related to these activities.

Nonregulated revenues for 2001 include \$6.2 million from MidAmerican Energy's market access service project, compared to \$17.9 million in 2000; the related cost of sales totaled \$5.4 million for 2001 and \$16.9 million for 2000. The pilot project, which concluded in May 2001, allowed larger Iowa customers that were participating in the project to choose their electric power supplier. MidAmerican Energy's revenues from project participants related to non-supply services, such as distribution and transmission, are reflected in regulated electric revenues. In 1999, revenues and cost of sales related to the market access service project totaled \$10.9 million and \$9.7 million, respectively.

MidAmerican Energy's nonregulated revenues also include pre-tax income from awards for successful performance under its incentive gas procurement program. Under the program, if MidAmerican Energy's cost of gas varies from an established reference price range, then the savings or cost is shared between customers and shareholders. The awards totaled \$4.1 million, \$3.9 million and \$1.6 million in 2001, 2000 and 1999, respectively.

MidAmerican Energy performs work for its customers that is not regulated, including distribution maintenance. In mid-2000, an affiliated company began doing most of this work. Accordingly, nonregulated revenues and costs related to these activities decreased for MidAmerican Energy in 2001 compared to 2000. Increased efforts in these services in 2000 contributed to the increase in nonregulated revenues for 2000 compared to 1999.

Nonregulated Operating Expenses: Other -

Other operating expenses for MidAmerican Energy's nonregulated services decreased \$2.3 million in 2001 compared to 2000 and increased \$3.5 million for 2000 compared to 1999. The variances were due principally to costs related to nonregulated distribution services performed for customers, which, beginning in mid-2000, were performed by an affiliate of MidAmerican Energy.

NON-OPERATING INCOME AND INTEREST EXPENSE

Interest and Dividend Income-

Interest income and dividend income decreased \$2.4 million for 2001 compared to 2000. A decrease in interest from a joint plant operator for funds held by it reduced interest income by approximately \$2.3 million, while interest related to income tax refunds decreased \$6.1 million. A reduction in interest rates also reduced interest income for 2001. Interest income increased \$5.4 million compared to 2000 for interest income on a note receivable related to MidAmerican Energy's accounts receivable sold. The increase in the note receivable is a result of the increased balance in receivables sold. The increase in interest income for 2000 compared to 1999 was due to \$6.1 million of interest income from income tax refunds, \$2.9 million of interest from a joint plant operator for funds held by it and a \$2.5 million increase in interest on a note receivable related to sold accounts receivable. Additionally, MidAmerican Energy had a more favorable cash position from August to December 2000.

Other, Net -

Other, Net, which includes a number of non-operating income and deduction items, decreased Non-Operating Income by \$5.8 million, \$1.5 million and \$3.7 million in 2001, 2000 and 1999, respectively.

Other, Net includes a discount on sold accounts receivable, net of a subservicer fee charged to MidAmerican Energy Funding Corporation for servicing the accounts. The discount is designed to cover the expenses of MidAmerican Energy Funding Corporation, including bad debt expense, subservicer fees, monthly administrative costs and interest. The discount is recorded in Other, Net because it is not reflected in utility cost of service for regulatory purposes. The discount, net of the subservicer fee, reduced Other, Net by \$13.1 million, \$8.3 million and \$7.9 million in 2001, 2000 and 1999, respectively.

Income related to the cash surrender value of corporate-owned life insurance policies totaled \$5.3 million, \$9.3 million and \$0.3 million for 2001, 2000 and 1999, respectively. The income for 2001 includes a gain from common stock received as a result of an initial stock offering by one of the insurance providers. Income for 2000 includes \$7.4 million related to benefits paid on several policies.

Other, Net for 2001 reflects \$1.6 million of income for an allowance for equity funds used during construction. As a regulated public utility, MidAmerican Energy is allowed to capitalize, and record as income, a cost of construction for equity funds used, based on guidelines set forth by the Federal Energy Regulatory Commission.

In 1999, MidAmerican Energy recorded a \$5.4 million pre-tax gain from the sale of rail cars which are used to service its coal-fired generating plants and \$1.5 million of costs related to potential business opportunities.

Fixed Charges and Preferred Dividends -

MidAmerican Energy's interest on long-term debt decreased in 2001 and 2000 compared to their respective prior years due to long-term debt maturities in each year and, for 2001 compared to 2000, a reduction in interest rates on variable rate debt. The decreases for 2001 were partially offset by an increase resulting from the issuance of \$162 million of medium-term notes in July 2000.

Preferred dividends decreased due to the reacquisition of preferred shares in April and November 2001. A loss of \$0.2 million on those acquisitions is reflected in preferred dividends.

LIQUIDITY AND CAPITAL RESOURCES

MidAmerican Energy has available a variety of sources of liquidity and capital resources, both internal and external. These resources provide funds required for current operations, construction expenditures, dividends, debt retirement and other capital requirements.

As reflected on the Consolidated Statements of Cash Flows, MidAmerican Energy's net cash provided from operating activities was \$476 million, \$359 million and \$330 million in 2001, 2000 and 1999, respectively.

INVESTING ACTIVITIES AND PLANS

Utility Construction Expenditures -

MidAmerican Energy's primary need for capital is utility construction expenditures. For the year ended December 31, 2001, utility construction expenditures totaled \$250 million, including allowance for funds used during construction, or capitalized financing costs, and Quad Cities Station nuclear fuel purchases. All such expenditures were met with cash generated from utility operations, net of dividends.

Forecasted utility construction expenditures, including allowance for funds used during construction are \$332 million for 2002 and \$1.614 billion for 2003 through 2006. Capital expenditure needs are reviewed regularly by management and may change significantly as a result of such reviews. Through 2007, MidAmerican Energy plans to develop and construct two electric generating plants in Iowa, requiring an investment of approximately \$1.8 billion. Participation by others in a portion of the second plant is being discussed. The two plants will provide approximately 1,400 megawatts of generating capacity. The first project is a 540-megawatt natural gas-fired combined cycle unit with an estimated cost of \$416 million. MidAmerican Energy expects to begin construction on the first project in Spring 2002 following receipt of all regulatory approvals. It is anticipated that the first phase of the project will be completed in 2003 with the remainder being completed in 2005. MidAmerican Energy presently expects that all utility construction expenditures for the next five years will be met with the issuance of long-term debt and cash generated from utility operations, net of dividends. The actual level of cash generated from utility operations is affected by, among other things, economic conditions in the utility service territory, weather and federal and state regulatory actions.

Nuclear Decommissioning -

Each licensee of a nuclear facility is required to provide financial assurance for the cost of decommissioning its licensed nuclear facility. In general, decommissioning of a nuclear facility means to safely remove the facility from service and restore the property to a condition allowing unrestricted use by the operator. Based on information presently available, MidAmerican Energy expects to contribute approximately \$41 million during the period 2002 through 2006 to external trusts established for the investment of funds for decommissioning Quad Cities Station. Approximately 60% of the fair value of the trusts' funds is now invested in domestic corporate debt and common equity securities. The remainder is invested in investment grade municipal and U.S. Treasury bonds. Funding for Quad Cities Station nuclear decommissioning is reflected in Depreciation and Amortization in the Consolidated Statements of Income.

Based on information presently available and assuming a September 2004 shutdown of Cooper, MidAmerican Energy expects to accrue approximately \$54 million for Cooper decommissioning during the period 2002 through 2004. Amounts related to Cooper decommissioning are reflected in Other Operating Expenses in the Consolidated Statements of Income. MidAmerican Energy's obligation, if any,

for Cooper decommissioning will be affected by the actual plant shutdown date. In July 1997, the Nebraska Public Power District filed a lawsuit in United States District Court for the District of Nebraska naming MidAmerican Energy as the defendant and seeking a declaration of MidAmerican Energy's rights and obligations in connection with Cooper nuclear decommissioning funding. Refer to Note (4)(g) of Notes to Consolidated Financial Statements in Part IV, Item 14 of this Form 10-K for further discussion of the litigation.

Cooper and Quad Cities Station decommissioning costs charged to Iowa customers are included in base rates, and recovery of increases in those amounts must be sought through the normal ratemaking process. Cooper decommissioning costs charged to Illinois customers are recovered through a rate rider on customer billings.

Contractual Obligations and Commercial Commitments –

MidAmerican Energy has various contractual obligations and commercial commitments. Following is a table summarizing, as of December 31, 2001, the material cash obligations of MidAmerican Energy (in millions).

	<u>Total</u>	<u>Period Payments are Due</u>			
		<u>2002</u>	<u>2003 - 2004</u>	<u>2005 - 2006</u>	<u>After 2006</u>
<u>Type of Obligation:</u>					
Long-term debt, excluding unamortized debt premium and discount, net	\$ 821.6	\$163.9	\$161.3	\$251.0	\$245.4
Mandatorily redeemable preferred securities	26.7	6.7	13.3	6.7	-
Mandatorily redeemable preferred securities of subsidiary trust (1)	100.0	-	-	-	100.0
Operating leases (2)	12.9	5.5	5.7	1.2	0.5
Power purchase contract	25.9	17.4	8.5	-	-
Coal, electricity and natural gas contract commitments (2)	<u>531.2</u>	<u>182.2</u>	<u>240.8</u>	<u>67.9</u>	<u>40.3</u>
Total	<u>\$1,518.3</u>	<u>\$375.7</u>	<u>\$429.6</u>	<u>\$326.8</u>	<u>\$386.2</u>

- (1) The mandatorily redeemable preferred securities of subsidiary trust were redeemed on March 11, 2002.
- (2) The operating leases and fuel and energy commitments are not reflected on the Consolidated Balance Sheets. Refer to Note (4)(h) in Notes to Consolidated Financial Statements for a discussion of these commitments.

The above table includes MidAmerican Energy's unconditional purchase obligations. MidAmerican Energy has other types of commitments that are subject to change and relate primarily to the following:

- Construction expenditures (see Note (4)(a) in Notes to Consolidated Financial Statements)
- Manufactured gas plant facilities (see Note (4)(b) in Notes to Consolidated Financial Statements)
- Nuclear decommissioning costs (see Note (4)(e) in Notes to Consolidated Financial Statements)

FINANCING ACTIVITIES, PLANS AND AVAILABILITY

Debt Authorizations and Credit Facilities –

MidAmerican Energy currently has authority from the Federal Energy Regulatory Commission to issue short-term debt in the form of commercial paper and bank notes aggregating \$500 million. MidAmerican Energy currently has in place a \$370.4 million revolving credit facility which supports its \$250 million commercial paper program and its variable rate pollution control revenue obligations. In addition, MidAmerican Energy has a \$5 million line of credit.

On February 8, 2002, MidAmerican Energy issued \$400 million of 6.75% medium-term notes due in 2031. The proceeds will be used to refinance existing debt and preferred securities and for other corporate purposes. On March 11, 2002, MidAmerican Energy redeemed all of its MidAmerican-obligated preferred securities of subsidiary trust at 100% of the principal amount plus accrued interest.

MidAmerican Energy has on file with the Securities and Exchange Commission a registration statement for \$500 million in various forms of senior and subordinated, unsecured long-term debt and preferred securities, \$100 million of which remains available following the issuance of the \$400 million of medium-term notes discussed above.

MidAmerican Energy has authorization from the Federal Energy Regulatory Commission to issue up to an additional \$100 million in various forms of long-term debt following the issuance of the \$400 million of medium-term notes discussed above. MidAmerican Energy will also need authorization from the Illinois Commerce Commission prior to issuing any securities. If 90% or more of the proceeds from a securities issuance are used for refinancing purposes, MidAmerican Energy need only provide the Illinois Commerce Commission with an "informational statement" prior to the issuance which sets forth the type, amount and use of the proceeds of the securities to be issued. If less than 90% of the proceeds are used for refinancing, MidAmerican must file a comprehensive application seeking authorization prior to issuance. The Illinois Commerce Commission is required to hold a hearing before issuing its authorization.

Accounts Receivable Sold –

In 1997, MidAmerican Energy entered into a revolving agreement, which expires in October 2002, to sell all of its right, title and interest in the majority of its billed accounts receivable to MidAmerican Energy Funding Corporation, a special purpose entity established to purchase accounts receivable from MidAmerican Energy. MidAmerican Energy Funding Corporation in turn sells receivable interests to outside investors. In consideration for the sale, MidAmerican Energy received cash and a subordinated note, bearing interest at 8%, from MidAmerican Energy Funding Corporation. As of December 31, 2001, the revolving cash balance was \$44 million, down \$26 million from December 31, 2000, and the amount outstanding under the subordinated note was \$28.7 million. The agreement is structured as a true sale, under which the creditors of MidAmerican Energy Funding Corporation will be entitled to be satisfied out of the assets of MidAmerican Energy Funding Corporation prior to any value being returned to MidAmerican Energy or its creditors. Therefore, the accounts receivable sold are not reflected on MidAmerican Energy's Consolidated Balance Sheets. As of December 31, 2001, \$71.5 million of accounts receivable, net of reserves, was sold under the agreement.

OPERATING ACTIVITIES AND OTHER MATTERS

Legislative and Regulatory Evolution -

In December 1997, the Governor of Illinois signed into law a bill to restructure Illinois' electric utility industry and transition it to a competitive market. Under the law, larger non-residential customers in Illinois and 33% of the remaining non-residential Illinois customers were allowed to select their provider of electric supply services beginning October 1, 1999. Starting December 31, 2000, all other non-residential customers were allowed supplier choice. Residential customers all receive the opportunity to select their electric supplier beginning May 1, 2002.

The law also provides for Illinois earnings above a computed level of return on common equity to be shared equally between customers and MidAmerican Energy. MidAmerican Energy's computed level of return on common equity is based on a rolling two-year average of the 30-year Treasury Bond rates plus a premium of 5.5% for 1998 and 1999 and a premium of 8.5% for 2000 through 2004. The two-year average above which sharing must occur for 2001 was 14.34%. The law allows MidAmerican Energy to mitigate the sharing of earnings above the threshold return on common equity through accelerated recovery of regulatory assets.

The energy crisis and related events in California has heightened concerns nationally about deregulation of the electric utility industry. Accordingly, the pace of deregulation in Iowa and elsewhere has slowed considerably. MidAmerican Energy will continue to work with regulators and legislators on deregulation issues.

In December 1999, the Federal Energy Regulatory Commission (FERC) issued Order No. 2000 establishing, among other things, minimum characteristics and functions for regional transmission organizations. Public utilities that were not a member of an independent system operator at the time of the order were required to submit a plan by which its transmission facilities would be transferred to a regional transmission organization. On September 28, 2001, MidAmerican Energy and five other electric utilities filed with the FERC a plan to create TRANSLink Transmission Company LLC and to integrate their electric transmission systems into a single, coordinated system operating as a for-profit independent transmission company in conjunction with a FERC-approved regional transmission organization. FERC approval of the plan is pending. Transferring the operation and control of MidAmerican Energy's transmission assets to other entities could increase costs for MidAmerican Energy; however, the actual impact of TRANSLink on MidAmerican Energy's future transmission costs is not yet known.

Critical Accounting Policies -

Accounting for Regulatory Entities

MidAmerican Energy's significant accounting policies are described in Note (1) of Notes to Consolidated Financial Statements. MidAmerican Energy's most critical accounting policy is the application of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation."

A possible consequence of deregulation in the utility industry is that SFAS No. 71 may no longer apply. SFAS No. 71 sets forth accounting principles for operations that are regulated and meet the stated criteria. For operations that meet the criteria, SFAS No. 71 allows, among other things, the deferral of expense or income that would otherwise be recognized when incurred. MidAmerican Energy's electric and gas utility operations currently meet the criteria required by SFAS No. 71, but its applicability is

periodically reexamined. If portions of its utility operations no longer meet the criteria of SFAS No. 71, MidAmerican Energy could be required to write off the related regulatory assets and liabilities from its balance sheet, and thus, a material adjustment to earnings in that period could result if regulatory assets are not recovered in transition provisions of any deregulation legislation. As of December 31, 2001, MidAmerican Energy had \$221.1 million of regulatory assets and \$62.4 million of regulatory liabilities on its Consolidated Balance Sheet.

Other accounting policies that MidAmerican Energy believes are critical include the following:

Revenue Recognition

Revenues are recorded as services are rendered to customers. MidAmerican Energy records unbilled revenues representing the estimated amount customers will be billed for services rendered between the meter-reading dates in a particular month and the end of that month.

Accounting for Derivatives and Energy Trading Activities

MidAmerican Energy accounts for its energy trading activities in accordance with Emerging Issues Task Force (EITF) Issue No. 98-10 and SFAS No. 133, as amended and interpreted, which require certain energy trading and energy derivative contracts to be accounted for at fair value.

EITF 98-10 also allows two methods of recognizing energy trading contracts in the income statement. The "gross" method provides that energy trading contracts are recorded at their full value in revenues and expenses. The other method is the "net" method in which revenues and expenses are netted and only the trading margin is reflected in revenues. MidAmerican Energy uses the gross method for those energy trading contracts for which they have a choice.

Accounting for derivatives continues to evolve through guidance issued by the Derivatives Implementation Group (DIG) of the Financial Accounting Standards Board (FASB). To the extent that changes by the DIG modify current guidance, including the normal purchases and normal sales determination, the accounting treatment for derivatives may change.

See Note (1)(i) in Notes to Consolidated Financial Statements for further discussion related to accounting for derivatives.

Contingent Liabilities

MidAmerican Energy establishes reserves for estimated loss contingencies when it is management's assessment that a loss is probable and the amount of the loss can be reasonably estimated. Revisions to contingent liabilities are reflected in income in the period in which different facts or information become known or circumstances change that affect the previous assumptions with respect to the likelihood or amount of loss. Reserves for contingent liabilities are based upon management's assumptions and estimates, advice of legal counsel or other third parties regarding the probable outcomes of the matter. Should the outcome differ from the assumptions and estimates, revisions to the estimated reserves for contingent liabilities would be required.

New Accounting Pronouncements -

In July 2001, the FASB issued SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets" which establish accounting and reporting for business

combinations. SFAS No. 141 requires all business combinations entered into subsequent to June 30, 2001, to be accounted for using the purchase method of accounting. SFAS No. 142 provides that goodwill and other intangible assets with indefinite lives will not be amortized but will be tested for impairment on an annual basis. These standards were effective for MidAmerican Energy beginning on January 1, 2002. MidAmerican Energy does not anticipate any impact on its results of operations, cash flows or financial condition as a result of these standards.

In August 2001, the FASB issued SFAS No. 143, "Accounting For Asset Retirement Obligations." SFAS No. 143 requires recognition on the balance sheet of legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal operation of such assets. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. MidAmerican Energy is evaluating the impact of this pronouncement on its balance sheet, but does not believe adoption will have a material impact on its results of operations.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses the financial accounting and reporting for the impairment or disposal of long-lived assets. This standard was effective for MidAmerican Energy on January 1, 2002. MidAmerican Energy does not anticipate any impact on its results of operations, cash flows or financial condition as a result of implementing this standard.

Rate Matters -

In 1997, pursuant to a rate proceeding before the Iowa Utilities Board, MidAmerican Energy, the Office of Consumer Advocate and other parties entered into a pricing plan settlement agreement establishing MidAmerican Energy's Iowa retail electric rates. That settlement agreement expired on December 31, 2000.

On March 14, 2001, the Office of the Consumer Advocate filed a petition with the Iowa Utilities Board to reduce Iowa retail electric rates by approximately \$77 million annually. On June 11, 2001, MidAmerican Energy responded to that petition by filing a request with the Iowa Utilities Board to increase MidAmerican Energy's Iowa retail electric rates by \$51 million annually. On December 21, 2001, the Iowa Utilities Board approved a settlement agreement that freezes the rates in effect on December 31, 2000, through December 31, 2005, and, with modifications, reinstates the revenue sharing provisions of the 1997 pricing plan settlement agreement. Under the 2001 settlement agreement, an amount equal to 50% of revenues associated with returns on equity between 12% and 14%, and 83.33% of revenues associated with returns on equity above 14%, in each year will be recorded as a regulatory liability to be used to offset a portion of the cost of future generating plant investments. An amount equal to the regulatory liability will be recorded as depreciation expense. As of December 31, 2001, MidAmerican Energy has recorded a \$47.1 million regulatory liability that is reflected in Regulatory Liabilities on the Consolidated Balance Sheet.

On September 21, 2001, MidAmerican Energy filed a petition with the South Dakota Public Utilities Commission (SDPUC) to increase its South Dakota natural gas rates. On February 20, 2002, the SDPUC approved a settlement agreement allowing increased rates of \$3.1 million annually.

On October 19, 2001, MidAmerican Energy filed a petition with the Illinois Commerce Commission to increase its Illinois natural gas rates by \$3.2 million annually. A final decision on the petition is required within eleven months of the date of filing.

On March 15, 2002, MidAmerican Energy made a filing with the Iowa Utilities Board requesting an increase in rates of approximately \$26.6 million for its Iowa retail natural gas customers. As part of the filing, MidAmerican Energy requested an interim rate increase of approximately \$20.4 million annually. The Iowa Utilities Board may adjust the requested interim amount and delay its implementation for up to ninety days. MidAmerican Energy expects the final rates, which may differ from the requested amount, to be implemented in the fourth quarter of 2002.

Environmental Matters -

The U.S. Environmental Protection Agency, or EPA, and state environmental agencies have determined that contaminated wastes remaining at decommissioned manufactured gas plant facilities may pose a threat to the public health or the environment if these contaminants are in sufficient quantities and at sufficient concentrations as to warrant remedial action.

MidAmerican Energy has evaluated or is evaluating 27 properties that were, at one time, sites of gas manufacturing plants in which it may be a potentially responsible party. The purpose of these evaluations is to determine whether waste materials are present, whether the materials constitute an environmental or health risk, and whether MidAmerican Energy has any responsibility for remedial action. MidAmerican Energy's estimate of the probable costs for these sites as of December 31, 2001, was \$22 million. This estimate has been recorded as a liability and a regulatory asset for future recovery through the regulatory process. Refer to Note (4)(b) of Notes to Consolidated Financial Statements for further discussion of MidAmerican Energy's environmental activities related to manufactured gas plant sites and cost recovery.

Although the timing of potential incurred costs and recovery of costs in rates may affect the results of operations in individual periods, management believes that the outcome of these issues will not have a material adverse effect on MidAmerican Energy's financial position or results of operations.

In July 1997, the EPA adopted revisions to the National Ambient Air Quality Standards for ozone and a new standard for fine particulate matter. In February 2001, the United States Supreme Court upheld the constitutionality of the standards, though remanding the issue of implementation of the ozone standard to the EPA. The impact of the new standards on MidAmerican Energy is currently unknown. MidAmerican Energy could incur increased costs and a decrease in wholesale electric revenues if its generating stations are located in nonattainment areas. Refer to Note (4)(c) of Notes to Consolidated Financial Statements for further discussion of this issue.

Generating Capability

MidAmerican Energy is interconnected with Iowa and neighboring utilities and is involved in an electric power pooling agreement known as Mid-Continent Area Power Pool (MAPP). Each MAPP participant is required to maintain for emergency purposes a net generating capability reserve of at least 15% above its system peak demand.

MidAmerican Energy believes it has adequate electric capacity reserve through 2003 and continues to manage its generating resources to ensure an adequate reserve in the future. MidAmerican Energy has announced plans to add a 540-megawatt natural gas-fired combined cycle unit to be completed in two phases between 2003 and 2005. An additional 900 megawatts of coal-fired generation is expected to be operational later this decade. However, significantly higher-than-normal temperatures during the cooling season could cause MidAmerican Energy's reserve to fall below the 15% minimum. If

MidAmerican Energy fails to maintain the appropriate reserve, significant penalties could be contractually imposed by MAPP.

MidAmerican Energy is financially exposed to movements in energy prices since it no longer recovers fluctuations in its energy costs through an energy adjustment clause in Iowa. Although MidAmerican Energy believes it has sufficient generation under typical operating conditions for its retail electric needs, a loss of adequate generation by MidAmerican Energy requiring the purchase of replacement power at a time of high market prices could subject MidAmerican Energy to losses on its energy sales.

MidAmerican Energy has been able to maintain its capacity reserve requirement and has not been adversely affected by seasonal price variations in the wholesale market.

Cooper Nuclear Station

Under a long-term power purchase contract with the Nebraska Public Power District, MidAmerican Energy purchases one-half of the output of Cooper. The Nuclear Regulatory Commission (NRC) has notified the Nebraska Public Power District that, effective April 1, 2002, it will place Cooper in its "Multiple Repetitive Degraded Cornerstone" category of the NRC's Reactor Oversight Process Action Matrix. As a result, the NRC will conduct extensive diagnostic inspections at Cooper, which are currently anticipated to be completed during the month of June 2002. MidAmerican Energy cannot, at this time, predict the outcome of the NRC inspections and their impact on the operation of Cooper. The Nebraska Public Power District has informed MidAmerican Energy that it is currently developing an improvement plan which it believes will address the issues that caused Cooper to be placed into this category.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

MidAmerican Energy is exposed to market risk, including changes in the market price of certain commodities and interest rates. To manage the price volatility relating to these exposures, MidAmerican Energy enters into various financial derivative instruments. Senior management provides the overall direction, structure, conduct and control of MidAmerican Energy's risk management activities, including the use of financial derivative instruments, authorization and communication of risk management policies and procedures, strategic hedging program guidelines, appropriate market and credit risk limits, and appropriate systems for recording, monitoring and reporting the results of transactional and risk management activities. MidAmerican Energy regularly performs sensitivity analysis of its outstanding positions and adheres to strict value-at-risk parameters. MidAmerican Energy uses hedge accounting for derivative instruments pertaining to its natural gas purchasing, wholesale electricity activities and financing activities. Refer to Note (1)(i) in Notes to Consolidated Financial Statements for further discussion of price risk and the accounting for derivative instruments.

Energy Trading Activities -

MidAmerican Energy's net assets associated with energy trading activities outstanding at December 31, 2001, totaled \$1.8 million. Of the open positions at December 31, 2001, 96% are scheduled to be realized within twelve months. Refer to Note (1)(i) in Notes to Consolidated Financial Statements for a discussion of derivatives, including derivative instruments used for trading purposes.

MIDAMERICAN ENERGY COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(In thousands)

	Years Ended December 31,		
	2001	2000	1999
Operating Revenues			
Regulated electric	\$1,318,129	\$1,212,411	\$1,178,702
Regulated gas	869,132	929,555	559,957
Nonregulated.....	<u>543,812</u>	<u>390,393</u>	<u>121,615</u>
	<u>2,731,073</u>	<u>2,532,359</u>	<u>1,860,274</u>
Operating Expenses			
Regulated:			
Cost of fuel, energy and capacity.....	275,904	249,045	223,215
Cost of gas sold	674,883	721,395	364,112
Other operating expenses.....	449,328	434,125	460,883
Maintenance	138,343	127,076	116,089
Depreciation and amortization.....	250,315	197,144	190,547
Property and other taxes	<u>71,705</u>	<u>74,778</u>	<u>77,017</u>
	<u>1,860,478</u>	<u>1,803,563</u>	<u>1,431,863</u>
Nonregulated:			
Cost of sales.....	518,272	369,005	110,782
Other.....	<u>18,749</u>	<u>21,035</u>	<u>17,565</u>
	<u>537,021</u>	<u>390,040</u>	<u>128,347</u>
Total operating expenses	<u>2,397,499</u>	<u>2,193,603</u>	<u>1,560,210</u>
Operating Income	<u>333,574</u>	<u>338,756</u>	<u>300,064</u>
Non-Operating Income			
Interest and dividend income	13,069	15,499	3,040
Other, net	<u>(5,813)</u>	<u>(1,455)</u>	<u>(3,699)</u>
	<u>7,256</u>	<u>14,044</u>	<u>(659)</u>
Fixed Charges			
Interest on long-term debt.....	60,880	61,120	65,649
Other interest expense.....	8,401	9,056	11,249
Preferred dividends of subsidiary trust	7,980	7,980	7,980
Allowance for borrowed funds.....	<u>(1,661)</u>	<u>(1,273)</u>	<u>(1,257)</u>
	<u>75,600</u>	<u>76,883</u>	<u>83,621</u>
Income Before Income Taxes	265,230	275,917	215,784
Income Taxes	<u>112,452</u>	<u>110,461</u>	<u>88,453</u>
Net Income	152,778	165,456	127,331
Preferred Dividends	<u>4,544</u>	<u>4,955</u>	<u>4,955</u>
Earnings on Common Stock	<u>\$ 148,234</u>	<u>\$ 160,501</u>	<u>\$ 122,376</u>

The accompanying notes are an integral part of these statements.

MIDAMERICAN ENERGY COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Years Ended December 31,		
	2001	2000	1999
Earnings on Common Stock	<u>\$148,234</u>	<u>\$160,501</u>	<u>\$122,376</u>
Other Comprehensive Income (Loss), Net			
Unrealized gains (losses) on cash flow hedges:			
Unrealized net gains during period-			
Before income taxes	7,690	-	-
Income tax expense, net	<u>(3,197)</u>	<u>-</u>	<u>-</u>
	<u>4,493</u>	<u>-</u>	<u>-</u>
Less reclassification adjustment for realized net gains			
reflected in net income during period-			
Before income taxes	1,757	-	-
Income tax expense, net	<u>(731)</u>	<u>-</u>	<u>-</u>
	<u>1,026</u>	<u>-</u>	<u>-</u>
Net unrealized gains	<u>3,467</u>	<u>-</u>	<u>-</u>
Minimum pension liability adjustment:			
Before income tax benefit.....	(8,295)	(4,087)	-
Income tax benefit.....	<u>3,448</u>	<u>1,699</u>	<u>-</u>
	<u>(4,847)</u>	<u>(2,388)</u>	<u>-</u>
Other comprehensive income (loss), net	<u>(1,380)</u>	<u>(2,388)</u>	<u>-</u>
Comprehensive Income	<u>\$146,854</u>	<u>\$158,113</u>	<u>\$122,376</u>

The accompanying notes are an integral part of these statements.

MIDAMERICAN ENERGY COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands)

	As of December 31,	
	2001	2000
Assets		
Utility Plant		
Electric.....	\$4,598,372	\$4,471,839
Gas	867,277	831,203
	<u>5,465,649</u>	<u>5,303,042</u>
Less accumulated depreciation and amortization.....	<u>2,847,979</u>	<u>2,680,420</u>
	2,617,670	2,622,622
Construction work in progress	80,276	38,584
	<u>2,697,946</u>	<u>2,661,206</u>
Power Purchase Contract	<u>48,185</u>	<u>82,231</u>
Current Assets		
Cash and cash equivalents.....	20,020	9,677
Receivables, less reserves of \$627 and \$102, respectively	119,740	422,661
Inventories	83,339	69,130
Prepaid taxes	23,956	22,889
Other	<u>10,962</u>	<u>9,789</u>
	<u>258,017</u>	<u>534,146</u>
Investments and Nonregulated Property, Net	272,230	256,053
Regulatory Assets	221,120	240,934
Other Assets	<u>80,394</u>	<u>48,996</u>
Total Assets	<u>\$3,577,892</u>	<u>\$3,823,566</u>
Capitalization and Liabilities		
Capitalization		
Common shareholder's equity	\$1,219,057	\$1,161,968
MidAmerican Energy preferred securities, not subject to mandatory redemption.....	31,759	31,759
Preferred securities, subject to mandatory redemption:		
MidAmerican Energy preferred securities.....	26,680	50,000
MidAmerican Energy-obligated preferred securities of subsidiary trust holding solely MidAmerican Energy junior subordinated debentures	100,000	100,000
Long-term debt (excluding current portion).....	<u>656,740</u>	<u>820,082</u>
	<u>2,034,236</u>	<u>2,163,809</u>
Current Liabilities		
Notes payable.....	89,350	81,600
Current portion of long-term debt.....	163,854	101,600
Current portion of power purchase contract.....	17,398	16,554
Accounts payable.....	171,535	308,784
Taxes accrued	54,175	124,493
Interest accrued	11,709	12,016
Other	<u>43,184</u>	<u>34,667</u>
	<u>551,205</u>	<u>679,714</u>
Other Liabilities		
Power purchase contract	8,469	35,728
Deferred income taxes	513,978	540,608
Investment tax credit.....	61,292	66,209
Quad Cities Station decommissioning	158,349	153,100
Regulatory liabilities.....	62,378	9,787
Other	<u>187,985</u>	<u>174,611</u>
	<u>992,451</u>	<u>980,043</u>
Total Capitalization and Liabilities	<u>\$3,577,892</u>	<u>\$3,823,566</u>

The accompanying notes are an integral part of these statements.

MIDAMERICAN ENERGY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,		
	2001	2000	1999
Net Cash Flows From Operating Activities			
Net income.....	\$ 152,778	\$ 165,456	\$ 127,331
Adjustments to reconcile net income to net cash provided:			
Depreciation and amortization	251,099	197,438	190,112
Deferred income taxes and investment tax credit, net	(32,550)	(27,743)	(37,067)
Amortization of other assets	44,963	48,650	61,036
Net change in accrued customer rate credits	(21,531)	6,724	13,559
Cash inflows (outflows) of accounts receivable securitization	(26,000)	12,877	(2,877)
Impact of changes in working capital	113,115	(39,507)	(16,688)
Other	(5,392)	(4,468)	(5,377)
Net cash provided	<u>476,482</u>	<u>359,427</u>	<u>330,029</u>
Net Cash Flows From Investing Activities			
Utility construction expenditures	(250,073)	(215,727)	(203,575)
Quad Cities Station decommissioning trust fund	(8,299)	(8,302)	(10,370)
Nonregulated capital expenditures	(2,221)	(1,075)	(540)
Other investing activities, net	6,168	1,411	(10,968)
Net cash used	<u>(254,425)</u>	<u>(223,693)</u>	<u>(225,453)</u>
Net Cash Flows From Financing Activities			
Dividends paid	(94,544)	(58,955)	(41,661)
Issuance of long-term debt, net of issuance cost	-	160,992	-
Retirement of long-term debt, including reacquisition cost	(101,600)	(110,861)	(60,897)
Reacquisition of preferred shares	(23,320)	-	-
Net increase (decrease) in notes payable	7,750	(122,400)	(2,221)
Net cash used	<u>(211,714)</u>	<u>(131,224)</u>	<u>(104,779)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	10,343	4,510	(203)
Cash and Cash Equivalents at Beginning of Year	9,677	5,167	5,370
Cash and Cash Equivalents at End of Year	<u>\$ 20,020</u>	<u>\$ 9,677</u>	<u>\$ 5,167</u>
Additional Cash Flow Information:			
Interest paid, net of amounts capitalized	<u>\$ 61,344</u>	<u>\$ 63,420</u>	<u>\$ 69,412</u>
Income taxes paid	<u>\$ 217,140</u>	<u>\$ 133,176</u>	<u>\$ 96,711</u>

The accompanying notes are an integral part of these statements.

MIDAMERICAN ENERGY COMPANY
CONSOLIDATED STATEMENTS OF CAPITALIZATION
(In thousands, except share amounts)

	As of December 31,			
	2001		2000	
Common Shareholder's Equity				
Common shares, no par; 350,000,000 shares authorized; 70,980,203 shares outstanding	\$ 560,798		\$ 560,563	
Retained earnings.....	662,027		603,793	
Accumulated other comprehensive (income) loss, net:				
Unrealized gain on cash flow hedges.....	3,467		-	
Minimum pension liability adjustment	(7,235)		(2,388)	
	<u>1,219,057</u>	<u>59.9%</u>	<u>1,161,968</u>	<u>53.7%</u>
Preferred Securities (100,000,000 shares authorized)				
Cumulative shares outstanding; not subject to mandatory redemption:				
\$3.30 Series, 49,451 shares	4,945		4,945	
\$3.75 Series, 38,305 shares	3,831		3,831	
\$3.90 Series, 32,630 shares	3,263		3,263	
\$4.20 Series, 47,362 shares	4,736		4,736	
\$4.35 Series, 49,945 shares	4,994		4,994	
\$4.40 Series, 50,000 shares	5,000		5,000	
\$4.80 Series, 49,898 shares	4,990		4,990	
	<u>31,759</u>	<u>1.6%</u>	<u>31,759</u>	<u>1.5%</u>
Cumulative shares outstanding; subject to mandatory redemption:				
\$5.25 Series, zero and 100,000 shares, respectively.....	-		10,000	
\$7.80 Series, 266,800 and 400,000 shares, respectively	26,680		40,000	
	<u>26,680</u>	<u>1.3%</u>	<u>50,000</u>	<u>2.3%</u>
MidAmerican Energy-Obligated Preferred Securities				
MidAmerican Energy-obligated mandatorily redeemable cumulative preferred securities of subsidiary trust holding solely MidAmerican Energy junior subordinated debentures:				
7.98% series, 4,000,000 shares outstanding.....	100,000	4.9%	100,000	4.6%
Long-Term Debt				
Mortgage bonds:				
7.125% Series, due 2003	100,000		100,000	
7.70% Series, due 2004	55,630		55,630	
7% Series, due 2005	90,500		90,500	
7.375% Series, due 2008	75,000		75,000	
7.45% Series, due 2023	6,940		6,940	
6.95% Series, due 2025	12,500		12,500	
Pollution control revenue obligations:				
5.75% Series, due periodically through 2003	4,320		5,760	
6.7 % Series due 2003	1,000		1,000	
6.1% Series due 2007	1,000		1,000	
5.95% Series, due 2023 (secured by general mortgage bonds)	29,030		29,030	

The accompanying notes are an integral part of these statements.

MIDAMERICAN ENERGY COMPANY
CONSOLIDATED STATEMENTS OF CAPITALIZATION (CONTINUED)
(In thousands, except share amounts)

	<u>As of December 31,</u>	
	<u>2001</u>	<u>2000</u>
Long-Term Debt (Continued)		
Variable rate series -		
Due 2016 and 2017, 1.77% and 4.56%, respectively.....	\$ 37,600	\$ 37,600
Due 2023 (secured by general mortgage bond)		
1.77% and 4.56%, respectively	28,295	28,295
Due 2023, 1.77% and 4.56%, respectively	6,850	6,850
Due 2024, 1.77% and 4.56%, respectively	34,900	34,900
Due 2025, 1.77% and 4.56%, respectively	12,750	12,750
Notes:		
8.75% Series, due 2002	-	240
7.375% Series, due 2002	-	162,000
6.375% Series, due 2006	160,000	160,000
Obligation under capital lease	1,364	1,538
Unamortized debt premium and discount, net.....	(939)	(1,451)
	<u>656,740</u> 32.3%	<u>820,082</u> 37.9%
Total Capitalization	<u>\$2,034,236</u> 100.0%	<u>\$2,163,809</u> 100.0%

MIDAMERICAN ENERGY COMPANY
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(In thousands)

	<u>Years Ended December 31,</u>		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Beginning of Year	<u>\$ 603,793</u>	<u>\$ 497,292</u>	<u>\$ 411,622</u>
Net Income	<u>152,778</u>	<u>165,456</u>	<u>127,331</u>
Deduct:			
Loss on reacquisition of preferred shares.....	235	-	-
Dividends declared on preferred shares	4,309	4,955	4,955
Dividends declared on common shares	<u>90,000</u>	<u>54,000</u>	<u>36,706</u>
	<u>94,544</u>	<u>58,955</u>	<u>41,661</u>
End of Year	<u>\$ 662,027</u>	<u>\$ 603,793</u>	<u>\$ 497,292</u>

The accompanying notes are an integral part of these statements.

MIDAMERICAN ENERGY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Company Structure:

MidAmerican Energy Company is a public utility with electric and natural gas operations and is the principal subsidiary of MHC Inc. MHC has the following nonregulated subsidiaries: MidAmerican Capital Company, MidAmerican Services Company, Midwest Capital Group, Inc. and MEC Construction Services Co. MHC is a wholly owned subsidiary of MidAmerican Funding, LLC, whose sole member is MidAmerican Energy Holdings Company.

The current corporate structure is the result of the merger transaction completed on March 12, 1999, involving MHC (formerly MidAmerican Energy Holdings Company) and CalEnergy Company, Inc. CalEnergy was reincorporated as an Iowa corporation and changed its name to MidAmerican Energy Holdings Company. MHC, MidAmerican Funding and MidAmerican Energy Holdings are exempt public utility holding companies headquartered in Des Moines, Iowa.

(b) Consolidation Policy and Preparation of Financial Statements:

The accompanying Consolidated Financial Statements include MidAmerican Energy and subsidiaries under its control. All significant intercompany transactions have been eliminated. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Certain classifications of amounts for 2001 are different than that of prior years. Accordingly, historical amounts have been reclassified.

(c) Regulation:

MidAmerican Energy's utility operations are subject to the regulation of the Iowa Utilities Board, the Illinois Commerce Commission, the South Dakota Public Utilities Commission, and the Federal Energy Regulatory Commission. MidAmerican Energy's accounting policies and the accompanying Consolidated Financial Statements conform to generally accepted accounting principles applicable to rate-regulated enterprises and reflect the effects of the ratemaking process.

A possible consequence of deregulation in the utility industry is that Statement of Financial Accounting Standards (SFAS) No. 71 may no longer apply. SFAS No. 71 sets forth accounting principles for operations that are regulated and meet the stated criteria. For operations that meet the criteria, SFAS No. 71 allows, among other things, the deferral of expense or income that would otherwise be recognized when incurred. MidAmerican Energy's electric and gas utility operations currently meet the criteria of SFAS No. 71, but its applicability is periodically reexamined. If portions of its utility operations no longer meet the criteria of SFAS No. 71, MidAmerican Energy could be required to write off the related regulatory assets and liabilities from its balance sheet, and thus, a material adjustment to earnings in that period could result if regulatory assets are not recovered in transition provisions of any deregulation legislation. The following regulatory assets represent costs that are expected to be recovered in future charges to utility customers. The regulatory liabilities represent income to be recognized or returned to customers in future periods.

	Weighted Average Future Recovery Period	As of December 31,	
		2001	2000
(In thousands)			
<u>Regulatory Assets</u>			
Deferred income taxes, net	13 years	\$ 145,271	\$ 143,287
Debt refinancing costs	5 years	24,252	29,416
Environmental costs	10 years	21,878	24,001
Energy efficiency costs	-	200	22,846
Nuclear generation assets	4 years	10,284	14,675
Enrichment facilities decommissioning....	4 years	1,687	1,930
Other.....	Various	17,548	4,779
Total.....		<u>\$ 221,120</u>	<u>\$ 240,934</u>
<u>Regulatory Liabilities</u>			
Environmental insurance recovery	10 years	\$ 8,850	\$ 9,787
Iowa electric settlement reserve.....	5 years	47,125	-
Energy efficiency.....	4 years	3,883	-
Coal contracts	1 year	2,520	-
		<u>\$ 62,378</u>	<u>\$ 9,787</u>

A return is generally not earned on the regulatory assets in setting rates due to the fact that a cash outlay was not required for amounts listed as income taxes, environmental costs and enrichment facilities decommissioning. The amortization of the assets is recoverable over periods shown above.

For a discussion of the Iowa electric settlement reserve, refer to Note (7) – Rate Matters.

(d) Revenue Recognition:

Revenues are recorded as services are rendered to customers. MidAmerican Energy records unbilled revenues representing the estimated amount customers will be billed for services rendered between the meter-reading dates in a particular month and the end of that month. Accrued unbilled revenues were \$16.6 million and \$191.8 million at December 31, 2001 and 2000, respectively, and are included in Receivables on the Consolidated Balance Sheets.

Electric operating revenues for 2000 and 1999 include provisions for rate refunds related to a revenue sharing arrangement in Iowa that terminated December 31, 2000. The provisions reduced revenues for 2000 and 1999 by \$21.6 million and \$16.5 million, respectively. Under the current revenue sharing arrangement in Iowa, the provision related to revenue sharing is charged to depreciation expense. Refer to Note (7) – Rate Matters for further discussion.

MidAmerican Energy's Illinois and South Dakota jurisdictional sales, or approximately 11% of total retail electric sales, and all of its retail gas sales are subject to adjustment clauses. These clauses allow MidAmerican Energy to adjust the amounts charged for electric and gas service as the costs of gas, fuel for generation or purchased power change. The costs recovered in revenues through use of the adjustment clauses are charged to expense in the same period.

(e) Depreciation and Amortization:

MidAmerican Energy's provisions for depreciation and amortization for its utility operations are based on straight-line composite rates. The average depreciation and amortization rates for the years ended December 31 were as follows:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Electric	4.2%	4.0%	4.0%
Gas	3.5%	3.5%	3.5%

Utility plant is stated at original cost which includes overhead costs, administrative costs and an allowance for funds used during construction.

The cost of repairs and minor replacements is charged to maintenance expense. Property additions and major property replacements are charged to plant accounts. The cost of depreciable units of utility plant retired or disposed of in the normal course of business are eliminated from the utility plant accounts and such cost, plus net removal cost, is charged to accumulated depreciation.

Depreciation and amortization expense for 2001 includes a \$47.1 million regulatory charge pursuant to the terms of an electric rate settlement in Iowa. Refer to Note (7)-Rate Matters for a discussion of the settlement.

An allowance for the estimated annual decommissioning costs of the Quad Cities Generating Station equal to the level of funding is included in depreciation expense. See Note 4(e) for additional information regarding decommissioning costs.

(f) Investments and Nonregulated Property, Net:

Investments and Nonregulated Property, Net includes the following amounts as of December 31 (in thousands):

	<u>2001</u>	<u>2000</u>
Nuclear decommissioning trust fund	\$158,349	\$153,100
Corporate-owned life insurance.....	85,958	77,029
Coal transportation property, net of accumulated depreciation of \$1,396 and \$1,097, respectively ..	10,523	10,824
Other, net of accumulated depreciation of \$1,087 and \$602, respectively	<u>17,400</u>	<u>15,100</u>
Total	<u>\$272,230</u>	<u>\$256,053</u>

Investments held by the nuclear decommissioning trust fund for the Quad Cities Station units are classified as available-for-sale and are reported at fair value with net unrealized gains and losses reported as adjustments to the accumulated provision for nuclear decommissioning, which is reflected in Other Liabilities - Quad Cities Station Decommissioning on the Consolidated Balance Sheets. Funds are invested in accordance with applicable federal investment guidelines and are restricted for use as reimbursement for costs of decommissioning MidAmerican Energy's Quad Cities Station. The investment in corporate-owned life insurance represents the cash value of life insurance policies on certain key executives and other related investments.

(g) Consolidated Statements of Cash Flows:

MidAmerican Energy considers all cash and highly liquid debt instruments purchased with a remaining maturity of three months or less to be cash and cash equivalents for purposes of the Consolidated Statements of Cash Flows.

Net cash provided (used) from changes in working capital was as follows (in thousands):

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Receivables.....	\$ 328,921	\$(244,552)	\$(19,345)
Inventories	(14,209)	11,519	12,096
Prepaid taxes	(1,067)	-	-
Other current assets	(1,173)	566	(1,118)
Accounts payable.....	(137,249)	177,598	(28,234)
Taxes accrued.....	(70,318)	11,830	21,637
Interest accrued.....	(307)	(909)	(548)
Other current liabilities.....	<u>8,517</u>	<u>4,441</u>	<u>(1,176)</u>
Total.....	<u>\$ 113,115</u>	<u>\$ (39,507)</u>	<u>\$(16,688)</u>

(h) Accounting for Long-Term Power Purchase Contract:

Under a long-term power purchase contract with Nebraska Public Power District, expiring in 2004, MidAmerican Energy purchases one-half of the output of the Cooper Nuclear Station, a 776-megawatt nuclear power plant, based on the maximum capability rating for the November 2001 through October 2002 period. The Consolidated Balance Sheets include a liability for MidAmerican Energy's fixed obligation to pay 50% of Nebraska Public Power District's Nuclear Facility Revenue Bonds and other fixed liabilities. A like amount representing MidAmerican Energy's right to purchase power is shown as an asset.

Cooper capital improvement costs prior to 1997, including carrying costs, were deferred in accordance with then applicable rate regulation, and are being amortized and recovered in rates over either a five-year period or the remaining term of the power purchase contract. Beginning July 11, 1997, the Iowa portion of capital improvement costs is recovered currently from customers and is expensed as incurred. For jurisdictions other than Iowa, MidAmerican Energy began charging Cooper capital improvement costs to expense, as incurred in January 1997.

The fuel cost portion of the power purchase contract is included in Cost of Fuel, Energy and Capacity on the Consolidated Statements of Income. All other costs MidAmerican Energy incurs in relation to its long-term power purchase contract with Nebraska Public Power District are included in Other Operating Expenses on the Consolidated Statements of Income.

See Notes 4(d), 4(e), 4(f) and 4(g) for additional information regarding the power purchase contract.

(i) Accounting for Derivatives:

MidAmerican Energy is exposed to market risk, including changes in the market price of certain commodities and interest rates. To manage the price volatility relating to these exposures, MidAmerican Energy enters into various financial derivative instruments. Senior management provides the overall direction, structure, conduct and control of MidAmerican Energy's risk management activities, including the use of financial derivative instruments, authorization and communication of risk management policies and procedures, strategic hedging

program guidelines, appropriate market and credit risk limits, and appropriate systems for recording, monitoring and reporting the results of transactional and risk management activities.

MidAmerican Energy uses hedge accounting for derivative instruments pertaining to its natural gas purchasing, wholesale electricity activities and financing activities.

On January 1, 2001, MidAmerican Energy adopted SFAS Nos. 133 and 138 pertaining to the accounting for derivative instruments and hedging activities. SFAS Nos. 133/138 requires an entity to recognize all of its derivatives as either assets or liabilities in its statement of financial position and measure those instruments at fair value. If the conditions specified in SFAS Nos. 133/138 are met, those instruments may be designated as hedges. Changes in the value of hedge instruments would not impact earnings, except to the extent that the instrument is not perfectly effective as a hedge. At January 1, 2001, MidAmerican Energy recognized \$21.8 million and \$4.9 million of energy-related assets and liabilities, respectively, as being subject to fair value accounting pursuant to SFAS Nos. 133/138, all of which were accounted for as hedges. Due to the relative immateriality of the adoption of SFAS Nos. 133/138, a cumulative-effect presentation is not reflected in the Consolidated Statement of Income or the Consolidated Statement of Comprehensive Income for 2001.

Commodity Price Risk –

Under the current regulatory framework, MidAmerican Energy is allowed to recover in revenues the cost of gas sold from all of its regulated gas customers through a purchased gas adjustment clause. Because the majority of MidAmerican Energy's firm natural gas supply contracts contain pricing provisions based on a daily or monthly market index, MidAmerican Energy's regulated gas customers, although ensured of the availability of gas supplies, retain the risk associated with market price volatility.

MidAmerican Energy enters into natural gas futures and swap agreements to mitigate a portion of the market risk retained by its regulated gas customers through the purchased gas adjustment clause. These financial derivative activities are recorded as hedge accounting transactions, with net amounts exchanged or accrued under swap agreements and realized gains or losses on futures contracts included in the cost of gas sold and recovered in revenues from regulated gas customers.

MidAmerican Energy also derives revenues from nonregulated sales of natural gas. Pricing provisions are individually negotiated with these customers and may include fixed prices or prices based on a daily or monthly market index. MidAmerican Energy enters into natural gas futures and swap agreements to offset the financial impact of variations in natural gas commodity prices for physical delivery to nonregulated customers. These financial derivative activities are also recorded as hedge accounting transactions.

MidAmerican Energy uses natural gas derivative instruments for trading purposes pursuant to EITF 98-10 under strict value-at-risk guidelines outlined by senior management. Derivative instruments held for trading purposes are recorded at fair value and any unrealized gains or losses are reported in earnings. Trading revenues and costs are reported gross on the Consolidated Statements of Income.

MidAmerican Energy is exposed to variations in the price of fuel for generation and the price of purchased power in its Iowa jurisdiction comprising 89% of 2001 electric operating revenues. Fuel price risk is mitigated through forward contracts. Under typical operating conditions, MidAmerican Energy has sufficient generation to supply its retail electric needs. A loss of such generation at a time of high market prices could subject MidAmerican Energy to losses on its energy sales. MidAmerican Energy uses electricity forward contracts to hedge anticipated sales of wholesale electric power.

MidAmerican Energy and its customers are exposed to the effect of variations in weather conditions on sales and purchases, respectively, of electricity and natural gas. For the 2001-2002 heating season, MidAmerican Energy entered into several degree day swaps to offset a portion of the financial impact of those variations on MidAmerican Energy and its customers.

MidAmerican Energy had the following financial derivative instruments for its natural gas and electric operations as of December 31:

Derivative instruments used for other than trading purposes-

	<u>2001</u>	<u>2000</u>
Natural Gas Futures Contracts - NYMEX:		
Net Contract Volumes - Long (Short)	(600,000) MMBtu	1,460,000 MMBtu
Unrealized Gain, in thousands	\$40	\$7,554
Weighted Average Settlement Price	\$(6.77)	\$9.42
Natural Gas Swap Contracts:		
Contract Volumes - Pay Fixed	7,853,052 MMBtu	13,496,239 MMBtu
Contract Volumes - Receive Fixed	900,000 MMBtu	10,610,741 MMBtu
Unrealized Gain (Loss), in thousands	\$(7,643)	\$8,055
Weighted Average Pay Fixed Price	\$(0.97)	\$0.89
Weighted Average Receive Fixed Price	\$0.04	\$(0.37)
Natural Gas Options:		
Contract Volumes - Long	2,300,000 MMBtu	1,790,280 MMBtu
Unrealized Gain (Loss), in thousands	\$(1,212)	\$953
Degree Day Swap Contracts:		
Contract Volumes	20,000 \$/Degree day	- \$/Degree Day
Unrealized (Loss), in thousands	\$(3,486)	\$ -
Electric Forward Contracts:		
Contract Volumes - (Short)	(728,800) MWh	(139,200) MWh
Unrealized Gain (Loss), in thousands	\$6,313	\$(4,731)

A \$1.00 decrease in underlying natural gas prices would decrease unrealized gains on the futures contracts held at December 31, 2001, by approximately \$0.6 million and would increase unrealized losses on the above swap contracts by approximately \$7.0 million. A \$5.00 increase in underlying electricity prices would decrease unrealized gains on the forward contracts held at December 31, 2001, by approximately \$3.6 million. The weighted average maturity for all derivative instruments used for hedging purposes is under one year.

Unrealized gains and losses on cash flow hedges of future transactions are recorded in other comprehensive income. Only hedges that are highly effective in offsetting the risk of variability in future cash flows are accounted for in this manner. Future transactions include purchases of gas for resale to regulated and nonregulated customers, purchases of gas for storage, and purchases and sales of wholesale electric energy. When the associated hedged future transaction occurs or if a hedging relationship is no longer appropriate, the unrealized gains and losses are reversed from other comprehensive income and recognized in net income. Realized gains on cash flow hedges are recorded in Cost of Gas Sold, Regulated Cost of Fuel, Energy and Capacity or Nonregulated Operating Revenues, depending upon the nature of the physical transaction being hedged.

For 2001, a net loss of \$408,000 and a net gain of \$36,000, representing the ineffectiveness of cash flow hedges, are reflected in Cost of Gas Sold and Regulated Cost of Fuel, Energy and Capacity, respectively. During the twelve months beginning January 1, 2002, it is anticipated that \$3.4 million of the \$3.5 million after-tax, net unrealized gains on cash flow hedges presently recorded as accumulated other comprehensive income will be realized and recorded in earnings. MidAmerican Energy has hedged a portion of its exposure to the variability of cash flows for future transactions through December 2003.

Unrealized gains and losses on fair value hedges are recognized in income as either Nonregulated Operating Revenues or Cost of Gas Sold depending upon the nature of the item being hedged. Purchase and sales commitments hedged by fair value hedges are recorded at fair value, with the changes in values also recognized in income and substantially offsetting the impact of the hedges on earnings. For 2001, a net pre-tax gain of \$18,000, representing the ineffectiveness of fair value hedges, is included in Nonregulated Operating Revenues.

Derivative instruments used for trading purposes -

	2001	2000
Natural Gas Futures Contracts - NYMEX:		
Net Contract Volumes - Long (Short)	120,000 MMBtu	(20,000) MMBtu
Unrealized (Loss), in thousands	\$(224)	\$(79)
Weighted Average Settlement Price	\$1.69	\$(15.92)
Natural Gas Swap Contracts:		
Contract Volumes - Pay Fixed	17,519,581 MMBtu	1,000,000 MMBtu
Contract Volumes - Receive Fixed	17,850,372 MMBtu	1,010,000 MMBtu
Unrealized Gain (Loss), in thousands	\$2,045	\$(261)
Weighted Average Pay Fixed Price	\$(0.99)	\$0.92
Weighted Average Receive Fixed Price	\$1.09	\$(1.17)

A change in underlying natural gas prices would not materially affect unrealized losses on the above future and swap contracts.

Interest Rate Risk -

At December 31, 2001, MidAmerican Energy had fixed-rate long-term debt and mandatorily redeemable preferred securities and preferred securities of subsidiary trust totaling \$826 million with a fair value of \$850 million. These instruments are fixed-rate and therefore do not expose MidAmerican Energy to the risk of earnings loss due to changes in market interest rates. However, the fair value of these instruments would decrease by approximately \$24 million if interest rates were to increase by 10% from their levels at December 31, 2001. In general, such a decrease in fair value would impact earnings and cash flows only if MidAmerican Energy were to reacquire all or a portion of these instruments prior to their maturity.

At December 31, 2001, MidAmerican Energy had long-term floating rate obligations totaling \$120 million and short-term floating rate obligations totaling \$89 million which expose MidAmerican Energy to risk of increased interest expense in the event of increases in short-term interest rates. This market risk is not hedged. The carrying value of the long-term and short-term floating rate obligations at December 31, 2001, approximated fair value. If the floating interest rates were to increase by 10% from December 31, 2001, levels, MidAmerican Energy's interest expense for the floating rate obligations would increase by approximately \$0.4 million annually based on December 31, 2001, principal balances.

MidAmerican Energy has entered into a two-year, \$162 million fixed-to-floating interest rate swap agreement in conjunction with its \$162 million, 7.375% series of medium-term notes due August 1, 2002. The floating rate of the swap is based on a three-month LIBOR rate. As of December 31, 2001, the fair value of this swap was \$9.1 million.

(2) LONG-TERM DEBT:

MidAmerican Energy's sinking fund requirements and maturities of long-term debt for 2002 through 2006 are \$164 million, \$106 million, \$56 million, \$91 million and \$160 million, respectively.

MidAmerican Energy's Variable Rate Pollution Control Revenue Obligations bear interest at rates that are periodically established through remarketing of the bonds in the short-term tax-exempt market. MidAmerican Energy, at its option, may change the mode of interest calculation for these bonds by selecting from among several alternative floating or fixed rate modes. The interest rates shown in the Consolidated Statements of Capitalization are the weighted average interest rates as of December 31, 2001 and 2000. MidAmerican Energy maintains revolving credit facility agreements or renewable lines of credit to provide liquidity for holders of these issues.

Substantially all of the former Iowa-Illinois Gas and Electric Company, a predecessor company, utility property and franchises and substantially all of the former Midwest Power Systems Inc., a predecessor company, electric utility property in Iowa, or approximately 79% of gross utility property, is pledged to secure mortgage bonds.

(3) JOINTLY OWNED UTILITY PLANT:

Under joint plant ownership agreements with other utilities, MidAmerican Energy had undivided interests at December 31, 2001, in jointly owned generating plants as shown in the table below.

The dollar amounts below represent MidAmerican Energy's share in each jointly owned unit. Each participant has provided financing for its share of each unit. Operating Expenses on the Consolidated Statements of Income include MidAmerican Energy's share of the expenses of these units (dollars in millions).

	Nuclear	Coal fired				
	Quad Cities	Council		Neal	Ottumwa	Louisa
	Units	Unit	Bluffs	Unit	Unit	Unit
	No. 1 & 2	No. 3	No. 3	No. 4	No. 1	No. 1
In service date.....	1972	1975	1978	1979	1981	1983
Utility plant in service	\$227	\$143	\$295	\$175	\$210	\$539
Accumulated depreciation .	\$103	\$ 95	\$199	\$112	\$127	\$303
Unit capacity-MW (100%)	1,541	515	675	644	715	700
Percent ownership	25.0%	72.0%	79.1%	40.6%	52.0%	88.0%

(4) COMMITMENTS AND CONTINGENCIES:

(a) Capital Expenditures:

MidAmerican Energy's construction expenditures for 2002 are estimated to be \$332 million, including \$116 million for the recently announced Greater Des Moines Energy Center, a 540-megawatt natural gas-fired combined cycle unit.

(b) Manufactured Gas Plant Facilities:

The United States Environmental Protection Agency and the state environmental agencies have determined that contaminated wastes remaining at decommissioned manufactured gas plant facilities may pose a threat to the public health or the environment if such contaminants are in sufficient quantities and at such concentrations as to warrant remedial action.

MidAmerican Energy has evaluated or is evaluating 27 properties that were, at one time, sites of gas manufacturing plants in which it may be a potentially responsible party. The purpose of these evaluations is to determine whether waste materials are present, whether the materials constitute an environmental or health risk, and whether MidAmerican Energy has any responsibility for remedial action. MidAmerican Energy is currently conducting field investigations at eighteen sites and has conducted interim removal actions at six of the eighteen sites. In addition, MidAmerican Energy has completed investigations and removals at four sites. MidAmerican Energy is continuing to evaluate several of the sites to determine the future liability, if any, for conducting site investigations or other site activity.

MidAmerican Energy estimates the range of possible costs for investigation, remediation and monitoring for the sites discussed above to be \$22 million to \$68 million. MidAmerican Energy's estimate of the probable cost for these sites as of December 31, 2001 was \$22 million. The estimate consists of \$2 million for investigation costs, \$7 million for remediation costs, \$11 million for ground water treatment and monitoring costs and \$2 million for closure and administrative costs. This estimate has been recorded as a liability and a regulatory asset for future recovery. MidAmerican Energy projects that these amounts will be paid or incurred over the next 10 years.

The estimate of probable remediation costs is established on a site-specific basis. The costs are accumulated in a three-step process. First, a determination is made as to whether MidAmerican Energy has potential legal liability for the site and whether information exists to indicate that contaminated wastes remain at the site. If so, the costs of performing a preliminary investigation and the costs of removing known contaminated soil are accrued. As the investigation is performed and if it is determined remedial action is required, the best estimate of remedial costs is accrued. If necessary, the estimate is revised when a consent order is issued. The estimated recorded liabilities for these properties include incremental direct costs of the remediation effort, costs for future monitoring at sites and costs of compensation to employees for time expected to be spent directly on the remediation effort. The estimated recorded liabilities for these properties are based upon preliminary data. Thus, actual costs could vary significantly from the estimates. The estimate could change materially based on facts and circumstances derived from site investigations, changes in required remedial action and changes in technology relating to remedial alternatives. Insurance recoveries have been received for some of the sites under investigation. Those recoveries are intended to be used principally for accelerated remediation, as specified by the Iowa Utilities Board, and are recorded as a regulatory liability.

The Illinois Commerce Commission has approved the use of a tariff rider that permits recovery of the actual costs of litigation, investigation and remediation relating to former manufactured gas plant sites. MidAmerican Energy's present rates in Iowa provide for a fixed annual recovery of manufactured gas plant costs.

MidAmerican Energy intends to pursue recovery of the remediation costs from other potentially responsible parties and its insurance carriers.

Although the timing of potential incurred costs and recovery of such costs in rates may affect the results of operations in individual periods, management believes that the outcome of these issues will not have a material adverse effect on MidAmerican Energy's financial position or results of operations.

(c) Air Quality:

Essentially all of MidAmerican Energy's generating units are subject to the Clean Air Acts Amendments of 1990. Currently, MidAmerican Energy's generating units meet all requirements under Title IV of the Clean Air Act Amendments of 1990, which sets forth requirements for the emission of sulfur dioxide and nitrogen oxides at electric utility generating stations.

In July 1997, the Environmental Protection Agency adopted revisions to the National Ambient Air Quality Standards for ozone and a new standard for fine particulate matter. Based on data to be obtained from monitors located throughout each state, the Environmental Protection Agency will determine which states have areas that do not meet the air quality standards (i.e., areas that are classified as nonattainment). The standards were subjected to legal proceedings, and in February 2001, the United States Supreme Court upheld the constitutionality of the standards, though remanding the issue of implementation of the ozone standard to the Environmental Protection Agency. The Environmental Protection Agency is moving forward with analyzing existing monitored data and determining attainment status.

The impact of the new standards on MidAmerican Energy is currently unknown. MidAmerican Energy's fossil fuel generating stations may be subject to emission reductions if the stations are located in nonattainment areas. As part of an overall state plan to achieve attainment of the standards, MidAmerican Energy could be required to install control equipment on its fossil fuel generating stations or decrease the number of hours during which these stations operate. The degree to which MidAmerican Energy may be required to install control equipment or decrease operating hours under a nonattainment scenario will be determined by the state's assessment of MidAmerican Energy's relative contribution, along with other emission sources, to the nonattainment status. The installation of control equipment would result in increased costs to MidAmerican Energy. A decrease in the number of hours during which the affected stations operate would increase operating costs and decrease wholesale electric revenues of MidAmerican Energy.

(d) Long-Term Power Purchase Contract:

Payments to the Nebraska Public Power District cover one-half of the fixed and operating costs of Cooper (excluding depreciation but including debt service) and MidAmerican Energy's share of nuclear fuel cost (including DOE disposal fees) based on energy delivered. The debt service portion is approximately \$1.5 million per month for 2002 and is not contingent upon the plant being in service. In addition, prior to December 2000, MidAmerican Energy contributed toward payment of one-half of Cooper's projected decommissioning costs based on an assumed September 2004 shutdown of Cooper.

The debt amortization and Department of Energy enrichment plant decontamination and decommissioning component of MidAmerican Energy's payments to the Nebraska Public Power District were \$16.6 million, \$15.8 million and \$15.1 million and the net interest component, which is included in Other Operating Expenses in the Consolidated Statements of Income, was \$1.5 million, \$1.6 million and \$2.5 million each for the years 2001, 2000 and 1999, respectively.

MidAmerican Energy's payments for the debt principal portion of the power purchase contract obligation and the Department of Energy enrichment plant decontamination and decommissioning payments are \$17.4 million, \$8.5 million and zero for 2002 through 2004, respectively.

(e) Nuclear Decommissioning Costs:

Expected decommissioning costs for Quad Cities Station and Cooper have been developed based on site-specific decommissioning studies that include decontamination, dismantling, site restoration, dry fuel storage cost and assumed shutdown dates. In Illinois, Cooper nuclear decommissioning costs are recovered through a rate rider on customer billings that permits annual adjustments. Quad Cities Station and Cooper decommissioning costs are reflected as base rates in Iowa tariffs.

MidAmerican Energy's share of expected decommissioning costs for Quad Cities Station, in 2001 dollars, is \$278 million. MidAmerican Energy has established external trusts for the investment of funds for decommissioning the Quad Cities Station. The total accrued balance as of December 31, 2001, was \$158.3 million and is included in Other Liabilities - Quad Cities Station Decommissioning, and a like amount is reflected in Investments and Nonregulated Property, Net and represents the fair value of the assets held in the trusts.

MidAmerican Energy's depreciation expense included costs for Quad Cities Station nuclear decommissioning of \$8.3 million, \$8.3 million, and \$10.4 million for 2001, 2000 and 1999, respectively. The provision charged to depreciation expense is equal to the funding that is being collected in rates. The decommissioning funding component of MidAmerican Energy's Illinois and Iowa tariffs assumes decommissioning costs, related to the Quad Cities Station, will escalate at an annual rate of 4.5% and the assumed annual return on funds in the trust is 6.9%. Realized income (loss), net of investment fees, on the assets in the trust fund was \$(0.6) million, \$1.9 million and \$1.9 million for 2001, 2000 and 1999, respectively.

MidAmerican Energy's contributions toward payment of Cooper's projected decommissioning costs have been based on the Nebraska Public Power District decommissioning funding plan for Cooper. Total expected decommissioning costs for Cooper, in 2001 dollars, are \$577 million. For purposes of developing a decommissioning funding plan for Cooper, the Nebraska Public Power District assumes that decommissioning costs will escalate at an annual rate of 4.0%. Although Cooper's operating license expires in 2014, the funding plan assumes decommissioning will start in 2004, the anticipated plant shutdown date.

As of December 31, 2001, funds set aside in the internal and external accounts for Cooper decommissioning that are maintained by the Nebraska Public Power District totaled \$291.3 million. In addition, the funding plan for Cooper also assumes various funds and reserves currently held to satisfy the Nebraska Public Power District bond resolution requirements will be available for plant decommissioning, which is to begin with the assumed plant shutdown in September 2004. The funding schedule assumes a long-term return on funds in the trust of 6.75% annually. Certain funds will be required to be invested on a short-term basis when decommissioning begins and are assumed to earn at a rate of 4.0% annually. Earnings from the internal account and external trust fund, which are recognized by the Nebraska Public Power District as the owner of the plant, are tax exempt and serve to reduce future funding requirements.

Beginning in December 2000, MidAmerican Energy ceased contributing to the accounts maintained by the Nebraska Public Power District and began contributing funds to a separate MidAmerican Energy bank account based on the Nebraska Public Power District decommissioning funding plan for Cooper. A liability equal to the amount of funds contributed, plus the earnings on those funds, is reflected in Other Liabilities on the Consolidated Balance Sheets. MidAmerican Energy records expense equal to the funds contributed to the separate account, plus investment manager fees paid to the Nebraska Public Power District for funds in the accounts they maintain. MidAmerican Energy's expense for Cooper decommissioning was \$11.6 million, \$11.5 million and \$11.3 million

for the years 2001, 2000 and 1999, respectively, and is included in Other Operating Expenses in the Consolidated Statements of Income.

MidAmerican Energy is currently involved in litigation with Nebraska Public Power District in part related to the determination of MidAmerican Energy's obligation, if any, for costs of decommissioning Cooper. Refer to Note (4)(g) for a discussion of the proceedings.

(f) Nuclear Insurance:

MidAmerican Energy maintains financial protection against catastrophic loss associated with its interest in Quad Cities Station and Cooper through a combination of insurance purchased by the Nebraska Public Power District (the owner and operator of Cooper) and Exelon Generation Company, LLC (the operator and joint owner of Quad Cities Station), insurance purchased directly by MidAmerican Energy, and the mandatory industry-wide loss funding mechanism afforded under the Price-Anderson Amendments Act of 1988. The general types of coverage are: nuclear liability, property coverage and nuclear worker liability.

The Nebraska Public Power District and Exelon Generation each purchase nuclear liability insurance for Cooper and Quad Cities Station, respectively, in the maximum available amount of \$200 million. In accordance with the Price-Anderson Amendments Act of 1988, excess liability protection above that amount is provided by a mandatory industry-wide program under which the licensees of nuclear generating facilities could be assessed for liability incurred due to a serious nuclear incident at any commercial nuclear reactor in the United States. Currently, MidAmerican Energy's aggregate maximum potential share of an assessment for Cooper and Quad Cities Station combined is \$88.1 million per incident, payable in installments not to exceed \$10 million annually.

The property coverage provides for property damage, stabilization and decontamination of the facility, disposal of the decontaminated material and premature decommissioning. For Quad Cities Station, Exelon Generation purchases primary and excess property insurance protection for the combined interests in Quad Cities Station, with coverage limits totaling \$2.1 billion. For Cooper, MidAmerican Energy and the Nebraska Public Power District separately purchase primary and excess property insurance protection for their respective obligations, with coverage limits of \$1.375 billion each. This structure provides that both MidAmerican Energy and the Nebraska Public Power District are covered for their respective 50% obligation in the event of a loss totaling up to \$2.75 billion. MidAmerican Energy also directly purchases extra expense/business interruption coverage for its share of replacement power and/or other extra expenses in the event of a covered accidental outage at Cooper or Quad Cities Station. The coverages purchased directly by MidAmerican Energy, and the property coverages purchased by Exelon Generation, which includes the interests of MidAmerican Energy, are underwritten by an industry mutual insurance company and contain provisions for retrospective premium assessments should two or more full policy-limit losses occur in one policy year. Currently, the maximum retrospective amounts that could be assessed against MidAmerican Energy from industry mutual policies for its obligations associated with Cooper and Quad Cities Station combined, total \$20.5 million.

The master nuclear worker liability coverage, which is purchased by the Nebraska Public Power District and Exelon Generation for Cooper and Quad Cities Station, respectively, is an industry-wide guaranteed-cost policy with an aggregate limit of \$200 million for the nuclear industry as a whole, which is in effect to cover tort claims in nuclear-related industries.

(g) Cooper Litigation:

On July 23, 1997, the Nebraska Public Power District filed a complaint, in the United States District Court for the District of Nebraska, naming MidAmerican Energy as the defendant and seeking declaratory judgment as to

three issues under the parties' long-term power purchase agreement for Cooper capacity and energy. More specifically, the Nebraska Public Power District sought a declaratory judgment in the following respects:

- (1) that MidAmerican Energy is obligated to pay 50% of all costs and expenses associated with decommissioning Cooper, and that in the event the Nebraska Public Power District continues to operate Cooper after expiration of the power purchase agreement (September 2004), MidAmerican Energy is not entitled to reimbursement of any decommissioning funds it has paid to date or will pay in the future;
- (2) that the current method of allocating transition costs as a part of the decommissioning cost is proper under the power purchase agreement; and
- (3) that the current method of investing decommissioning funds is proper under the power purchase agreement.

MidAmerican Energy filed its answer and counterclaims. The counterclaims filed by MidAmerican Energy are generally as follows:

- (1) that MidAmerican Energy has no duty under the power purchase agreement to reimburse or pay 50% of the decommissioning costs unless conditions to reimbursement occur;
- (2) that the term "monthly power costs" as defined in the power purchase agreement does not include costs and expenses associated with decommissioning the plant;
- (3) that the Nebraska Public Power District violated MidAmerican Energy's directions for application of payments;
- (4) that transition costs are not included in any decommissioning costs and are not any kind of costs that MidAmerican Energy is obligated to pay;
- (5) that the Nebraska Public Power District has the duty to repay all amounts that MidAmerican Energy has prefunded for decommissioning in the event the Nebraska Public Power District operates the plant after the term of the power purchase agreement;
- (6) that the Nebraska Public Power District is equitably estopped from continuing to operate the plant after the term of the power purchase agreement so long as the Nebraska Public Power District does not repay all amounts MidAmerican Energy has prefunded for estimated decommissioning costs together with other amounts in certain funds and accounts and for so long as the Nebraska Public Power District fails to provide MidAmerican Energy with certain requested accountings and information;
- (7) that certain funds, accounts, and reserves are excessive and are required to be paid to MidAmerican Energy or credited to MidAmerican Energy's pre-2004 monthly power costs;
- (8) that MidAmerican Energy has no duty to pay for nuclear fuel, operations and maintenance projects or capital improvements that have useful lives after the term of the power purchase agreement;
- (9) that the Nebraska Public Power District has mismanaged the plant in numerous described transactions resulting in damage to MidAmerican Energy;

- (10) that the Nebraska Public Power District has breached its contractual and other duties to MidAmerican Energy by not joining certain litigation and by failing to credit or agree to credit MidAmerican Energy with any recovery for low-level radioactive waste; and
- (11) that the Nebraska Public Power District has breached its duty to MidAmerican Energy in making investments of decommissioning funds;

On October 6, 1999, the court rendered summary judgment for the Nebraska Public Power District on the above-mentioned issue concerning liability for decommissioning (issue one in the first paragraph above) and the related counterclaims filed by MidAmerican Energy (issues one and two in the second paragraph above). The court referred all remaining issues in the case to mediation, and cancelled the November 1999 trial date.

MidAmerican Energy appealed the court's summary judgment ruling. On December 12, 2000, the United States Court of Appeals for the Eighth Circuit reversed the ruling of the district court and granted summary judgment in favor of MidAmerican Energy on issues one and two in the second paragraph above, as well as issue one in the first paragraph above. Additionally, it remanded the case for trial on all other claims and counterclaims.

Since the remand to the District Court from the Eighth Circuit Court of Appeals, the Nebraska Public Power District has been granted permission, over MidAmerican Energy's objections, to file a second amended complaint. The second amended complaint asserts that even though the Eighth Circuit Court of Appeals held that MidAmerican Energy has no liability under the power purchase agreement to reimburse or pay the Nebraska Public Power District a 50% share of decommissioning costs unless certain conditions occur, MidAmerican Energy has unconditional liability for a 50% share based on agreements other than the power purchase agreement as originally written. The Nebraska Public Power District's post-remand contentions -- all strongly disputed by MEC -- are that MidAmerican Energy has unconditional liability for a 50% share of decommissioning based on any of the following alternative theories: (i) the parties without written amendment either modified the power purchase agreement or made a separate agreement that imposes unconditional liability on MidAmerican Energy for decommissioning costs; (ii) absent unconditional liability for a 50% share of decommissioning costs, MidAmerican Energy would be unjustly enriched; (iii) MidAmerican Energy has unconditional liability for a 50% share of decommissioning costs based on promissory estoppel; or (iv) the Nebraska Public Power District is entitled to have the power purchase agreement reformed to provide that MidAmerican Energy has unconditional liability for a 50% share of decommissioning costs. In response to the Nebraska Public Power District's second amended complaint, MidAmerican Energy filed its first amended answer and third amended counterclaims containing denials, several affirmative defenses, and the counterclaims summarized above. In the course of discovery, the Nebraska Public Power District has contended that MidAmerican Energy has some responsibility for some costs of storage of spent fuel resulting from the operation of the plant during the term of the power purchase agreement. MidAmerican Energy disputes this. MidAmerican Energy recently filed a mandamus petition with Eighth Circuit Court of Appeals seeking an order of that court directing the District Court not to permit the Nebraska Public Power District to pursue the above alternative theories at trial, since the above alternative theories appear to be contrary to the December 12, 2000 Eighth Circuit Court of Appeals decision. If such relief is not granted, MidAmerican Energy will strongly dispute at trial these contentions and theories put forth by the Nebraska Public Power District. Trial in these matters has been recently rescheduled to September 9, 2002.

(h) Fuel, Energy and Operating Lease Commitments:

MidAmerican Energy has supply and related transportation contracts for its fossil fueled generating stations. The contracts, with expiration dates ranging from 2002 to 2007, require minimum payments of \$80.3 million, \$70.6 million, \$36.2 million, \$34.0 million and \$2.6 million for the years 2002 through 2006, respectively, and \$2.6 million for the total of the years thereafter. MidAmerican Energy expects to supplement these coal contracts with additional contracts and spot market purchases to fulfill its future fossil fuel needs.

MidAmerican Energy has a contract with Cordova Energy Company LLC, a subsidiary of MidAmerican Energy Holdings, to purchase electric capacity and energy from a gas-fired combined cycle generation plant. The minimum payments under the contract, which terminates in May 2004, are \$18.3 million, \$24.1 million and \$9.4 million for 2002, 2003 and 2004, respectively. The minimum payments are based on MidAmerican Energy's 50% of the projected monthly net capacity ratings of the plant.

MidAmerican Energy also has contracts with non-affiliated companies to purchase electric capacity. The contracts, with expiration dates ranging from 2002 to 2011, require minimum payments of \$27.0 million, \$30.5 million, \$15.3 million, \$2.9 million and \$2.2 million for the years 2002 through 2006, respectively, and \$11.0 million for the total of the years thereafter.

MidAmerican Energy has various natural gas supply and transportation contracts for its gas operations. The minimum commitments under these contracts are \$56.6 million, \$41.3 million, \$13.4 million, \$13.2 million and \$13.0 million for the years 2002 through 2006, respectively, and \$26.7 million for the total of the years thereafter.

MidAmerican Energy has non-cancelable operating leases primarily for office space and rail cars. The minimum payments under these leases are \$5.5 million, \$3.8 million, \$1.9 million, \$0.9 million and \$0.3 million for the years 2002 through 2006, respectively, and \$0.5 million for the total of the years thereafter.

(i) Other Commitments and Contingencies:

MidAmerican Energy is involved in a number of other legal proceedings and claims. While management is unable to predict the ultimate outcome of these matters, it is not expected that their resolution will have a material adverse effect on the results of operations and financial condition.

(5) RETIREMENT PLANS:

MidAmerican Energy has primarily noncontributory cash balance defined benefit pension plans covering substantially all employees of MidAmerican Energy Holdings and its domestic subsidiaries. Benefit obligations under the plans are based on participants' compensation, years of service and age at retirement. Funding is based upon the actuarially determined costs of the plans and the requirements of the Internal Revenue Code and the Employee Retirement Income Security Act. MidAmerican Energy has been allowed to recover pension costs related to its employees in rates. MidAmerican Energy also maintains noncontributory, nonqualified supplemental executive retirement plans for active and retired participants.

MidAmerican Energy currently provides certain postretirement health care and life insurance benefits for retired employees of MidAmerican Energy Holdings and its domestic subsidiaries. Under the plans, substantially all of MidAmerican Energy's employees may become eligible for these benefits if they reach retirement age while working for MidAmerican Energy. However, MidAmerican Energy retains the right to change these benefits anytime at its discretion. MidAmerican Energy expenses postretirement benefit costs on an accrual basis and includes provisions for such costs in rates.

Net periodic pension, supplemental retirement and postretirement benefit costs included the following components for MidAmerican Energy and the aforementioned affiliates for the years ended December 31 (in thousands).

	Pension Cost			Postretirement Cost		
	2001	2000	1999	2001	2000	1999
Service cost.....	\$18,114	\$16,256	\$12,192	\$ 4,357	\$2,609	\$ 3,066
Interest cost.....	33,027	35,387	31,557	10,418	8,354	7,947
Expected return on plan assets.....	(36,326)	(48,132)	(46,265)	(4,032)	(4,931)	(4,380)
Amortization of net transition obligation.....	(2,591)	(2,591)	(2,591)	4,110	4,110	4,110
Amortization of prior service cost	2,729	2,885	1,428	425	425	216
Amortization of prior year (gain) loss.....	(3,894)	(4,119)	(2,703)	332	(873)	(181)
Curtailment loss.....	-	-	5,283	-	-	-
Net periodic (benefit) cost	<u>\$11,059</u>	<u>\$ (314)</u>	<u>\$(1,099)</u>	<u>\$15,610</u>	<u>\$ 9,694</u>	<u>\$10,778</u>

In 2001, MidAmerican Energy was allocated \$5.8 million of pension cost and \$14.6 million of postretirement cost.

The pension plan assets are in external trusts and are comprised of corporate equity securities, United States government debt, corporate bonds, and insurance contracts. The postretirement benefit plans assets are in external trusts and are comprised primarily of corporate equity securities, corporate bonds, money market investment accounts and municipal bonds.

Although the supplemental executive retirement plan had no assets as of December 31, 2001, MidAmerican Energy has Rabbi trusts which hold corporate-owned life insurance and other investments to provide funding for the future cash requirements. Because this plan is nonqualified, the fair value of these assets is not included in the following table. The fair value of the Rabbi trust investments was \$50.4 million and \$44.7 million at December 31, 2001 and 2000, respectively.

During 1999 certain participants in the supplemental executive retirement plan left MidAmerican Energy reducing the future service of active employees by 28%. As a result, a curtailment loss of \$5.3 million was recognized in 1999. Additionally, termination benefits provided to the participants, totaling \$3.5 million, were expensed in 1999.

The projected benefit obligation and accumulated benefit obligation for the supplemental executive retirement plans were \$91.2 million and \$88.2 million, respectively, as of December 31, 2001, and \$82.7 million and \$77.5 million, respectively, as of December 31, 2000.

The following table presents a reconciliation of the beginning and ending balances of the benefit obligation, fair value of plan assets and the funded status of the aforementioned plans to the net amounts recognized in the Consolidated Balance Sheets as of December 31 (dollars in thousands):

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Reconciliation of benefit obligation:				
Benefit obligation at beginning of year	\$472,349	\$447,170	\$131,822	\$107,744
Service cost.....	18,114	16,256	4,357	2,609
Interest cost.....	33,027	35,387	10,418	8,354
Participant contributions.....	-	74	3,059	2,395
Plan amendments.....	652	(132)	-	-
Actuarial (gain) loss	17,333	6,007	57,101	20,589
Benefits paid.....	<u>(23,267)</u>	<u>(32,413)</u>	<u>(11,840)</u>	<u>(9,869)</u>
Benefit obligation at end of year.....	<u>518,208</u>	<u>472,349</u>	<u>194,917</u>	<u>131,822</u>
Reconciliation of the fair value of plan assets:				
Fair value of plan assets at beginning of year...	555,208	605,059	75,090	72,622
Employer contributions	4,576	4,355	16,022	10,543
Participant contributions.....	-	74	3,059	2,395
Actual return on plan assets.....	(20,627)	(21,867)	(1,202)	(601)
Benefits paid.....	<u>(23,267)</u>	<u>(32,413)</u>	<u>(11,840)</u>	<u>(9,869)</u>
Fair value of plan assets at end of year	<u>515,890</u>	<u>555,208</u>	<u>81,129</u>	<u>75,090</u>
Funded status.....	(2,318)	82,859	(113,788)	(56,732)
Unrecognized net (gain) loss	(52,244)	(130,423)	63,328	1,326
Unrecognized prior service cost	22,885	24,962	4,264	4,689
Unrecognized net transition obligation (asset) .	<u>(5,974)</u>	<u>(8,566)</u>	<u>45,212</u>	<u>49,322</u>
Net amount recognized in the Consolidated Balance Sheets.....	<u>\$(37,651)</u>	<u>\$(31,168)</u>	<u>\$ (984)</u>	<u>\$ (1,395)</u>
Amounts recognized in the Consolidated Balance Sheets consist of:				
Prepaid benefit cost	\$15,381	\$16,773	\$ 1,493	\$1,493
Accrued benefit liability	(88,210)	(77,538)	(2,477)	(2,888)
Intangible assets.....	22,796	25,510	-	-
Accumulated other comprehensive income	<u>12,382</u>	<u>4,087</u>	<u>-</u>	<u>-</u>
Net amount recognized	<u>\$(37,651)</u>	<u>\$(31,168)</u>	<u>\$ (984)</u>	<u>\$(1,395)</u>

	Pension and Postretirement Assumptions		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Assumptions used were:			
Discount rate.....	6.50%	7.00%	7.75%
Rate of increase in compensation levels	5.00%	5.00%	5.00%
Weighted average expected long-term rate of return on assets	7.00%	9.00%	9.00%

For purposes of calculating the postretirement benefit obligation, it is assumed health care costs for covered individuals will increase by 11.25% in 2002 and that the rate of increase thereafter will decrease to an ultimate rate of 5.25% by the year 2006.

If the assumed health care trend rates used to measure the expected cost of benefits covered by the plans were increased by 1.0%, the total service and interest cost for 2001 would increase by \$3.0 million and the postretirement benefit obligation at December 31, 2001, would increase by \$30.6 million. If the assumed health care trend rates were to decrease by 1.0%, the total service and interest cost for 2001 would decrease by \$2.3 million and the postretirement benefit obligation at December 31, 2001, would decrease by \$24.2 million.

MidAmerican Energy sponsors defined contribution pension plans (401(k) plans) covering substantially all employees. MidAmerican Energy's contributions vary depending on the plan but are based primarily on each participant's level of contribution and cannot exceed the maximum allowable for tax purposes. Total contributions were \$7.2 million, \$7.4 million and \$6.2 million for 2001, 2000 and 1999, respectively.

(6) SHORT-TERM BORROWING:

Interim financing of working capital needs and the construction program may be obtained from the sale of commercial paper or short-term borrowing from banks. Information regarding short-term debt follows (dollars in thousands):

	<u>2001</u>	<u>2000</u>
Balance at year-end	\$89,350	\$ 81,600
Weighted average interest rate on year-end balance	1.9%	6.6%
Average daily amount outstanding during the year	\$25,921	\$109,213
Weighted average interest rate on average daily amount outstanding during the year	4.7%	6.2%

MidAmerican Energy has authority from the Federal Energy Regulatory Commission to issue short-term debt in the form of commercial paper and bank notes aggregating \$500 million. MidAmerican Energy currently has in place a \$370.4 million revolving credit facility which supports its \$250 million commercial paper program and its variable rate pollution control revenue obligations. In addition, MidAmerican Energy has a \$5 million line of credit.

(7) RATE MATTERS:

In 1997, pursuant to a rate proceeding before the Iowa Utilities Board, MidAmerican Energy, the Office of Consumer Advocate and other parties entered into a pricing plan settlement agreement establishing MidAmerican Energy's Iowa retail electric rates. That settlement agreement expired on December 31, 2000.

On March 14, 2001, the Office of the Consumer Advocate filed a petition with the Iowa Utilities Board to reduce Iowa retail electric rates by approximately \$77 million annually. On June 11, 2001, MidAmerican Energy responded to that petition by filing a request with the Iowa Utilities Board to increase MidAmerican Energy's Iowa retail electric rates by \$51 million annually. On December 21, 2001, the Iowa Utilities Board approved a settlement agreement that freezes the rates in effect on December 31, 2000, through December 31, 2005, and, with modifications, reinstates the revenue sharing provisions of the 1997 pricing plan settlement agreement. Under the 2001 settlement agreement, an amount equal to 50% of revenues associated with returns on equity between 12% and 14%, and 83.33% of revenues associated with returns on equity above 14%, in each year will be recorded as a regulatory liability to be used to offset a portion of the cost of future generating plant investments. An amount equal to the regulatory liability will be recorded as depreciation expense. As of December 31, 2001, MidAmerican Energy has recorded a \$47.1 million regulatory liability that is reflected in Regulatory Liabilities on the Consolidated Balance Sheet.

Under an Illinois restructuring law enacted in 1997, a sharing mechanism is in place for MidAmerican Energy's Illinois regulated retail electric operations whereby earnings above a computed threshold will be shared equally between customers and shareholders. A two-year average return on common equity greater than a two-year average benchmark will trigger an equal sharing of earnings on the excess. MidAmerican Energy's computed level of return on common equity is based on a rolling two-year average of the 30-year Treasury Bond rates plus a premium of 5.5% for 1998 and 1999 and a premium of 8.5% for 2000 through 2004. The two-year average above which sharing must occur for 2001 was 14.34%. The law allows MidAmerican Energy to mitigate the sharing of earnings above the threshold return on common equity through accelerated recovery of regulatory assets.

(8) CONCENTRATION OF CREDIT RISK:

MidAmerican Energy's regulated electric utility operations serve 586,000 customers in Iowa, 83,000 customers in western Illinois and 4,000 customers in southeastern South Dakota. MidAmerican Energy's regulated gas utility operations serve 512,000 customers in Iowa, 65,000 customers in western Illinois, 70,000 customers in southeastern South Dakota and 5,000 customers in northeastern Nebraska. The largest communities served by MidAmerican Energy are the Iowa and Illinois Quad-Cities; Des Moines, Sioux City, Cedar Rapids, Waterloo, Iowa City and Council Bluffs, Iowa; and Sioux Falls, South Dakota. MidAmerican Energy's utility operations grant unsecured credit to customers, substantially all of whom are local businesses and residents. As of December 31, 2001, billed receivables from MidAmerican Energy's utility customers, net of receivables sold, totaled \$4.5 million. As described in Note (15), billed receivables related to utility services have been sold to a wholly owned unconsolidated subsidiary.

MidAmerican Energy also extends unsecured credit to utility service customers, other utilities and marketers for nonregulated electric and gas transactions. Strict guidelines are established regarding the amount of unsecured credit extended to individual customers. MidAmerican Energy's credit exposure to any individual did not exceed 6% of the \$47.9 million of related receivables outstanding at December 31, 2001.

(9) PREFERRED SHARES:

The \$7.80 Series Preferred Shares have sinking fund requirements under which 66,600 shares will be redeemed at \$100 per share each May 1 through May 1, 2005. MidAmerican Energy has the option to redeem at \$100 per share an additional 66,600 shares through the sinking fund each May 1. Additionally, MidAmerican

Energy may redeem all of the remaining shares at \$103.90 per share prior to May 1, 2003, and \$101.95 per share thereafter, plus accrued dividends.

The 7.98% Series Preferred Shares were issued by a wholly owned statutory business trust of MidAmerican Energy whose sole assets are \$103.1 million of MidAmerican Energy 7.98% Series A Debentures due 2045. The preferred shares are mandatorily redeemable. Refer to Note (14) for additional information.

During 2001, MidAmerican Energy redeemed all 100,000 shares of the \$5.25 Series Preferred Shares at \$100 per share and 133,200 shares of the \$7.80 Series Preferred Shares at \$100 per share. A combined loss of \$0.2 million on the redemptions is reflected in Preferred Dividends on the Consolidated Statement of Income.

The total outstanding cumulative preferred securities of MidAmerican Energy not subject to mandatory redemption requirements may be redeemed at the option of MidAmerican Energy at prices which, in the aggregate, total \$32.6 million. The aggregate total the holders of all preferred securities outstanding at December 31, 2001, are entitled to upon involuntary bankruptcy is \$158.4 million plus accrued dividends. Annual dividend requirements for all preferred securities outstanding at December 31, 2001, total \$11.4 million.

(10) SEGMENT INFORMATION:

MidAmerican Energy has identified four reportable operating segments based principally on management structure. The generation segment derives most of its revenue from the sale of regulated wholesale electricity and nonregulated wholesale and retail natural gas. The energy delivery segment derives its revenue principally from the delivery of retail electricity and natural gas, while the transmission segment obtains most of its revenue from the sale of transmission capacity. The marketing and sales segment receives its revenue principally from nonregulated sales of natural gas and electricity. Common operating costs, interest income, interest expense, income tax expense and equity in the net income or loss of investees are allocated to each segment.

MidAmerican Energy's external revenues by product and services are displayed on the Consolidated Statements of Income.

The following tables provides information on an operating segment basis as of and for the years ended December 31 (in thousands):

	<u>2001</u>	<u>2000</u>	<u>1999</u>
<u>Segment Profit Information</u>			
Revenues:			
External revenues -			
Generation	\$ 910,510	\$ 724,500	\$ 354,568
Energy delivery	1,664,462	1,694,942	1,479,193
Transmission	22,852	17,276	10,662
Sales & marketing	<u>133,249</u>	<u>95,641</u>	<u>15,851</u>
Total	<u>2,731,073</u>	<u>2,532,359</u>	<u>1,860,274</u>
Intersegment revenues -			
Generation	606,164	588,862	548,633
Energy delivery	-	-	-
Transmission	55,086	58,220	71,110
Sales & marketing	<u>2,727</u>	<u>2,564</u>	<u>-</u>
Total	<u>663,977</u>	<u>649,646</u>	<u>619,743</u>
Intersegment eliminations	<u>(663,977)</u>	<u>(649,646)</u>	<u>(619,743)</u>
Consolidated	<u>\$2,731,073</u>	<u>\$2,532,359</u>	<u>\$1,860,274</u>
Depreciation and amortization expense (a):			
Generation	\$ 133,681	\$ 87,480	\$ 84,559
Energy delivery	106,496	101,295	92,572
Transmission	8,900	8,663	13,861
Sales & marketing	<u>2,022</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 251,099</u>	<u>\$ 197,438</u>	<u>\$ 190,992</u>
Interest and dividend income:			
Generation	\$ 5,450	\$ 7,935	\$ 1,240
Energy delivery	6,727	6,695	1,451
Transmission	822	855	349
Sales & marketing	<u>70</u>	<u>14</u>	<u>-</u>
Total	<u>\$ 13,069</u>	<u>\$ 15,499</u>	<u>\$ 3,040</u>
Fixed charges:			
Generation	\$ 31,726	\$ 31,799	\$ 34,612
Energy delivery	42,654	44,395	43,602
Transmission	5,401	5,630	10,362
Sales & marketing	<u>363</u>	<u>14</u>	<u>-</u>
Total	<u>80,144</u>	<u>81,838</u>	<u>88,576</u>
Preferred dividends	<u>(4,544)</u>	<u>(4,955)</u>	<u>(4,955)</u>
Consolidated	<u>\$ 75,600</u>	<u>\$ 76,883</u>	<u>\$ 83,621</u>

	<u>2001</u>	<u>2000</u>	<u>1999</u>
<u>Segment Profit Information (continued)</u>			
Income before income taxes:			
Generation	\$142,637	\$120,993	\$ 85,263
Energy delivery	84,334	124,680	115,883
Transmission	39,514	32,470	21,749
Sales & marketing	<u>(5,799)</u>	<u>(7,181)</u>	<u>(12,066)</u>
Total	260,686	270,962	210,829
Preferred dividends	4,544	4,955	4,955
Consolidated	<u>\$265,230</u>	<u>\$275,917</u>	<u>\$215,784</u>

Segment Asset Information

Capital expenditures:			
Generation	\$ 87,296	\$ 48,386	\$ 54,700
Energy delivery	159,302	120,919	119,613
Transmission	3,733	22,189	25,592
Sales & marketing	<u>1,963</u>	<u>25,308</u>	<u>4,210</u>
Total	<u>\$252,294</u>	<u>\$216,802</u>	<u>\$204,115</u>
Total Assets:			
Generation	\$1,282,677	\$1,333,253	\$1,347,855
Energy delivery	2,107,598	2,226,445	1,981,431
Transmission	226,251	247,641	358,647
Sales & marketing	<u>51,164</u>	<u>113,347</u>	<u>26,815</u>
Total	3,667,690	3,920,686	<u>\$3,714,748</u>
Reclassifications and intersegment eliminations (b)	<u>(89,798)</u>	<u>(97,120)</u>	
Consolidated	<u>\$3,577,892</u>	<u>\$3,823,566</u>	

- (a) Depreciation and amortization expense above includes depreciation related to nonregulated operations, which is included in Nonregulated Operating Expense – Other on the Consolidated Statements of Income.
- (b) Reclassifications and intersegment eliminations relate principally to the reclassification of income tax balances in accordance with generally accepted accounting principles and the elimination of intersegment accounts receivables and payables.

(11) FAIR VALUE OF FINANCIAL INSTRUMENTS:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments. Tariffs for MidAmerican Energy's utility services are established based on historical cost ratemaking. Therefore, the impact of any realized gains or losses related to financial instruments applicable to MidAmerican Energy's utility operations is dependent on the treatment authorized under future ratemaking proceedings.

Cash and cash equivalents – The carrying amount approximates fair value due to the short maturity of these instruments.

Quad Cities Station nuclear decommissioning trust fund – Fair value is based on quoted market prices of the investments held by the fund.

Notes payable – Fair value is estimated to be the carrying amount due to the short maturity of these issues.

Preferred securities – Fair value of preferred securities with mandatory redemption provision is estimated based on the quoted market prices for similar issues.

Long-term debt – Fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates available to MidAmerican Energy for debt of the same remaining maturities.

Gas futures contracts and swaps – Fair value of the futures contracts are based on quoted market prices and generally have maturities of one year or less. The fair value of the swaps is estimated based on quotes from the market makers of these instruments and represents the estimated amounts that would expect to be received or paid to terminate the agreements. See Note 1(i) for additional discussion of fair value.

The following table presents the carrying amount and estimated fair value of certain financial instruments as of December 31 (in thousands):

	2001		2000	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Instruments Issued by MidAmerican Energy:				
MidAmerican Energy preferred securities; subject to mandatory redemption.....	\$ 26,680	\$ 27,747	\$ 50,000	\$ 50,700
MidAmerican Energy-obligated preferred securities; subject to mandatory redemption.....	100,000	99,640	100,000	98,752
Long-term debt, including current portion	820,594	843,930	921,682	925,349

The amortized cost, gross unrealized gains and losses and estimated fair value of investments held in the Quad Cities Station nuclear decommissioning trust fund at December 31 are as follows (in thousands):

	2001			
	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Available-for-sale:				
Equity Securities.....	\$ 50,241	\$24,444	\$(316)	\$ 74,369
Municipal Bonds	27,842	1,315	(92)	29,065
U.S. Government Securities	26,725	1,910	(19)	28,616
Corporate Debt Securities.....	18,394	808	(23)	19,179
Cash equivalents.....	7,120	-	-	7,120
	<u>\$130,322</u>	<u>\$28,477</u>	<u>\$(450)</u>	<u>\$158,349</u>

	2000			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity Securities.....	\$ 48,124	\$ 30,714	\$ (1,942)	\$ 76,896
Municipal Bonds	27,758	1,071	(175)	28,654
U.S. Government Securities	26,284	1,163	-	27,447
Corporate Securities	14,709	48	(394)	14,363
Cash equivalents.....	5,740	-	-	5,740
	<u>\$122,615</u>	<u>\$ 32,996</u>	<u>\$ (2,511)</u>	<u>\$153,100</u>

At December 31, 2001, the debt securities, which include municipal bonds, U.S. Government securities and corporate securities, held in the Quad Cities Station nuclear decommissioning trust fund had the following maturities (in thousands):

	Available for Sale	
	Amortized Cost	Fair Value
Within 1 year.....	\$ 2,981	\$ 3,040
1 through 5 years	28,851	30,706
5 through 10 years	10,733	11,578
Over 10 years.....	30,396	31,536

The proceeds and gross realized gains and losses on the disposition of investments held in the Quad Cities Station nuclear decommissioning trust fund for the years ended December 31 are as follows (in thousands). For the purpose of computing realized gains and losses, the cost of investments is determined by specific identification.

	2001	2000	1999
Proceeds from sales	\$68,333	\$34,279	\$24,684
Gross realized gains.....	2,676	3,356	615
Gross realized losses.....	(7,314)	(4,515)	(2,704)

(12) INCOME TAX EXPENSE:

Income tax expense from continuing operations includes the following for the years ended December 31 (in thousands):

	2001	2000	1999
Current			
Federal.....	\$111,674	\$105,754	\$ 95,967
State.....	33,327	32,450	29,553
	<u>145,001</u>	<u>138,204</u>	<u>125,520</u>
Deferred			
Federal.....	(23,199)	(18,174)	(25,657)
State.....	(4,433)	(4,021)	(5,746)
	<u>(27,632)</u>	<u>(22,195)</u>	<u>(31,403)</u>
Investment tax credit, net	(4,917)	(5,548)	(5,664)
Total.....	<u>\$112,452</u>	<u>\$110,461</u>	<u>\$ 88,453</u>

Included in Deferred Income Taxes in the Consolidated Balance Sheets as of December 31 are deferred tax assets and deferred tax liabilities as follows (in thousands):

	<u>2001</u>	<u>2000</u>
Deferred tax assets related to:		
Investment tax credits	\$41,275	\$ 44,846
Pensions.....	27,955	17,820
Nuclear reserves and decommissioning.....	17,898	20,690
Revenue sharing	24,769	3,742
Accrued liabilities.....	2,413	5,422
Other.....	10	4,025
	<u>114,320</u>	<u>96,545</u>
Deferred tax liabilities related to:		
Depreciable property	412,773	421,481
Income taxes recoverable through future rates .	185,222	186,427
Energy efficiency.....	-	4,391
Reacquired debt.....	7,544	10,256
Fuel cost recoveries	20,272	14,598
Other.....	2,487	-
	<u>628,298</u>	<u>637,153</u>
Net deferred income tax liability	<u>\$513,978</u>	<u>\$540,608</u>

The following table is a reconciliation between the effective income tax rate indicated by the Consolidated Statements of Income and the statutory federal income tax rate for the years ended December 31:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Effective federal and state income tax rate	42%	40%	41%
Amortization of investment tax credit	2	2	3
State income tax, net of federal income tax benefit.....	(7)	(7)	(7)
Other.....	(2)	-	(2)
Statutory federal income tax rate	<u>35%</u>	<u>35%</u>	<u>35%</u>

(13) INVENTORIES:

Inventories include the following amounts as of December 31 (in thousands):

	<u>2001</u>	<u>2000</u>
Materials and supplies, at average cost.....	\$24,886	\$26,038
Coal stocks, at average cost.....	27,855	21,076
Gas in storage, at LIFO cost.....	27,609	18,413
Fuel oil, at average cost.....	1,892	2,506
Other	1,097	1,097
Total.....	<u>\$83,339</u>	<u>\$69,130</u>

At December 31, 2001 prices, the current cost of gas in storage was \$37.2 million.

(14) MIDAMERICAN ENERGY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF MIDAMERICAN ENERGY FINANCING I:

In December 1996, MidAmerican Energy Financing I, a wholly owned statutory business trust of MidAmerican Energy, issued 4,000,000 shares of 7.98% Series MidAmerican Energy-obligated Mandatorily Redeemable Preferred Securities. The sole assets of MidAmerican Energy Financing are \$103.1 million of MidAmerican Energy 7.98% Series A Debentures due 2045. There is a full and unconditional guarantee by MidAmerican Energy of the MidAmerican Energy Financing obligations under the Preferred Securities. MidAmerican Energy has the right to defer payments of interest on the Debentures by extending the interest payment period for up to 20 consecutive quarters. If interest payments on the Debentures are deferred, distributions on the Preferred Securities will also be deferred. During any deferral, distributions will continue to accrue with interest thereon, and MidAmerican Energy may not declare or pay any dividend or other distribution on, or redeem or purchase, any of its capital stock.

If the Debentures, or a portion thereof, are redeemed, MidAmerican Energy Financing must redeem a like amount of the Preferred Securities. If a termination of MidAmerican Energy Financing occurs, MidAmerican Energy Financing will distribute to the holders of the Preferred Securities a like amount of the Debentures unless such a distribution is determined not to be practicable. If such determination is made, the holders of the Preferred Securities will be entitled to receive, out of the assets of the trust after satisfaction of its liabilities, a liquidation amount of \$25 for each Preferred Security held plus accrued and unpaid distributions.

(15) SALE OF ACCOUNTS RECEIVABLE:

In 1997 MidAmerican Energy entered into a revolving agreement, which expires in October 2002, to sell all of its right, title and interest in the majority of its billed accounts receivable to MidAmerican Energy Funding Corporation, a special purpose entity established to purchase accounts receivable from MidAmerican Energy. MidAmerican Energy Funding Corporation in turn sells receivable interests to outside investors. In consideration of the sale, MidAmerican Energy received cash and a subordinated note, bearing interest at 8%, from MidAmerican Energy Funding Corporation. As of December 31, 2001, the revolving cash balance was \$44 million, down \$26 million from December 31, 2000, and the amount outstanding under the subordinated note was \$28.7 million. The agreement is structured as a true sale under which the creditors of MidAmerican Energy Funding Corporation will be entitled to be satisfied out of the assets of MidAmerican Energy Funding Corporation prior to any value being returned to MidAmerican Energy or its creditors. Therefore, the accounts receivable sold are not reflected on the Consolidated Balance Sheets. At December 31, 2001, \$71.5 million of accounts receivable, net of reserves, was sold under the agreement.

(16) AFFILIATED COMPANY TRANSACTIONS:

The companies identified as affiliates are MidAmerican Energy Holdings and its subsidiaries. The basis for these charges is provided for in service agreements between MidAmerican Energy and its affiliates.

MHC incurred charges which are of general benefit to all of its subsidiaries. These costs were for administrative and general salaries and expenses, outside services, director fees, pension, deferred compensation, and retirement costs, some of which originated at MidAmerican Energy. MHC reimbursed MidAmerican Energy for charges originating at MidAmerican Energy in the amount of \$0.4 million, \$1.9 million, and \$7.7 million for 2001, 2000 and 1999, respectively. MidAmerican Energy's allocated share of these costs and those which originated at MHC was \$1.0 million, \$(0.3) million, and \$7.7 million for 2001, 2000 and 1999, respectively.

MidAmerican Energy was also reimbursed for charges incurred on behalf of its affiliates. The majority of these reimbursed expenses was for employee wages and benefits, insurance, building rent, computer costs, administrative services, travel expense, and general and administrative expense; including treasury, legal, shareholder relations and accounting functions. The amount of such expenses was \$27.0 million, \$25.8 million, and \$11.7 million for 2001, 2000 and 1999, respectively.

In 2001, MidAmerican Energy acquired a gas turbine equipment purchase contract from MidAmerican Energy Holdings for \$22.0 million. MidAmerican Energy purchased a corporate jet from MidAmerican Energy Holdings for \$14.5 million in 1999. MidAmerican Energy also reimbursed MidAmerican Energy Holdings in the amount of \$8.8 million, \$9.5 million and \$5.0 million in 2001, 2000 and 1999, respectively, for its allocated share of corporate expenses.

MidAmerican Energy leases unit trains from an affiliate for the transportation of coal to MidAmerican Energy's generating stations. Unit train costs, including maintenance, were approximately \$0.1 million, \$0.4 million and \$1.0 million for 2001, 2000 and 1999, respectively. MidAmerican Energy purchased railcars from MidAmerican Rail Inc. in the amount of \$1.4 million in 1999.

MidAmerican Energy sold natural gas to AmGas, an affiliate, in the amount of \$11.6 million, \$32.0 million and \$42.3 million for 2001, 2000 and 1999, respectively. In 2000 and 1999, MidAmerican Energy also purchased natural gas from AmGas. MidAmerican Energy's cost of gas related to these transactions was \$1.3 million and \$4.0 million for 2000 and 1999, respectively.

MidAmerican Energy had accounts receivable from affiliates of \$5.0 million and \$3.7 million as of December 31, 2001 and 2000, respectively, that are included in Receivables on the Consolidated Balance Sheets. MidAmerican Energy also had accounts payable to affiliates of \$1.9 million and \$2.5 million as of December 31, 2001 and 2000, respectively, that are included in Accounts Payable on the Consolidated Balance Sheets.

MidAmerican Energy has an agreement with Cordova Energy Company LLC, a subsidiary of MidAmerican Energy Holdings, to purchase electric capacity and energy from a gas-fired combined cycle generation plant which started commercial operation in June 2001. The agreement, which terminates in May 2004, provides for MidAmerican Energy to purchase up to 50% of the net capacity of the plant and to supply the fuel stock required to generate the energy purchased. MidAmerican Energy's payment for monthly capacity charges totaled \$18.1 million for 2001.

(17) UNAUDITED QUARTERLY OPERATING RESULTS:

	2001			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In thousands)			
Operating revenues.....	\$958,786	\$639,061	\$580,244	\$552,982
Operating income	114,576	76,614	113,340	29,044
Income from continuing operations	55,789	32,636	56,564	7,789
Earnings on common stock.....	54,550	31,368	55,588	6,728

	2000			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In thousands)			
Operating revenues.....	\$556,593	\$523,482	\$612,306	\$839,978
Operating income	95,977	61,067	123,215	58,497
Income from continuing operations	44,799	23,875	64,431	32,351
Earnings on common stock.....	43,560	22,637	63,192	31,112

Quarterly data reflect seasonal variations common in the utility industry. The decrease in Earnings on Common Stock for the fourth quarter of 2001 compared to the fourth quarter of 2000 is due primarily to significantly warmer temperature conditions during the 2001 quarter.

(18) OTHER INFORMATION:

Non-Operating Income - Other, Net, as shown on the Consolidated Statements of Income includes the following for the years ended December 31 (in thousands):

	2001	2000	1999
Discount on sold receivables	\$(16,010)	\$(10,212)	\$(9,457)
Subservicer fee for sold receivables	2,864	1,905	1,515
Gain on sale of rail cars	1,387	-	5,357
Corporate-owned life insurance income	5,258	9,299	251
Merger investigation costs	(150)	(297)	(1,491)
Allowance for equity funds used during construction	1,571	-	-
Other	(733)	(2,150)	126
Total expense.....	<u>\$ (5,813)</u>	<u>\$ (1,455)</u>	<u>\$(3,699)</u>

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholder
MidAmerican Energy Company
Des Moines, Iowa

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of MidAmerican Energy Company and subsidiaries (Company) as of December 31, 2001 and 2000, and the related consolidated statements of income, comprehensive income, retained earnings, and cash flows for each of the three years in the period ended December 31, 2001. Our audits also included the financial statement schedule listed in the Index at Item 14. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of MidAmerican Energy Company and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

Des Moines, Iowa
January 17, 2002

SCHEDULE II

**MIDAMERICAN ENERGY COMPANY
CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
FOR THE THREE YEARS ENDED DECEMBER 31, 2001
(In thousands)**

Column A	Column B	Column C	Column D	Column E
<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Additions Charged to Income</u>	<u>Deductions</u>	<u>Balance at End of Year</u>
Reserves Deducted From Assets To Which They Apply:				
Reserve for uncollectible accounts:				
Year ended 2001	<u>\$ 102</u>	<u>\$15,266</u>	<u>\$(14,741)</u>	<u>\$ 627</u>
Year ended 2000	<u>\$ -</u>	<u>\$ 8,498</u>	<u>\$ (8,396)</u>	<u>\$ 102</u>
Year ended 1999	<u>\$ -</u>	<u>\$ 6,581</u>	<u>\$ (6,581)</u>	<u>\$ -</u>
Reserves Not Deducted From Assets (1):				
Year ended 2001	<u>\$8,146</u>	<u>\$ 2,766</u>	<u>\$(3,110)</u>	<u>\$7,802</u>
Year ended 2000	<u>\$8,051</u>	<u>\$ 3,316</u>	<u>\$(3,221)</u>	<u>\$8,146</u>
Year ended 1999	<u>\$4,688</u>	<u>\$ 4,906</u>	<u>\$(1,543)</u>	<u>\$8,051</u>

(1) Reserves not deducted from assets include estimated liabilities for losses retained by MidAmerican Energy for workers compensation, public liability and property damage claims.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report, as amended, to be signed on its behalf by the undersigned, thereunto duly authorized.

MIDAMERICAN ENERGY COMPANY
Registrant

Date: March 26, 2002

By /s/ Gregory E. Abel *
(Gregory E. Abel)
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report, as amended, has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ David L. Sokol</u> * (David L. Sokol)	Chairman and Director	March 26, 2002
<u>/s/ Gregory E. Abel</u> * (Gregory E. Abel)	President, Chief Executive Officer and Director	March 26, 2002
<u>/s/ Patrick J. Goodman</u> * (Patrick J. Goodman)	Senior Vice President, Chief Financial Officer and Director	March 26, 2002
<u>/s/ Douglas L. Anderson</u> * (Douglas L. Anderson)	Senior Vice President and Director	March 26, 2002
*By: <u>/s/ Paul J. Leighton</u> (Paul J. Leighton)	Attorney-in-fact	March 26, 2002

EXHIBIT INDEX

Exhibits Filed Herewith

- 10.17 Iowa Utilities Board Settlement Agreement, dated December 21, 2001
- 12 Computation of ratios of earnings to fixed charges and computation of ratios of earnings to fixed charges plus preferred dividend requirements
- 23 Consent of Deloitte & Touche LLP
- 24 Power of Attorney

Exhibits Incorporated by Reference

- 3.1 Restated Articles of Incorporation of MidAmerican Energy Company, as amended October 27, 1998. (Filed as Exhibit 3.3 to MidAmerican Energy's Quarterly Report on Form 10-Q for the period ended September 30, 1998, Commission File No. 1-11505.)
- 3.2 Restated Bylaws of MidAmerican Energy Company, as amended July 24, 1996. (Filed as Exhibit 3.1 to MidAmerican Energy's Quarterly Report on Form 10-Q for the period ended June 30, 1996, Commission File No. 1-11505.)
- 4.1 General Mortgage Indenture and Deed of Trust dated as of January 1, 1993, between Midwest Power Systems Inc. and Morgan Guaranty Trust Company of New York, Trustee. (Filed as Exhibit 4(b)-1 to Midwest Resources Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992, Commission File No. 1-10654.)
- 4.2 First Supplemental Indenture dated as of January 1, 1993, between Midwest Power Systems Inc. and Morgan Guaranty Trust Company of New York, Trustee. (Filed as Exhibit 4(b)-2 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1992, Commission File No. 1-10654.)
- 4.3 Second Supplemental Indenture dated as of January 15, 1993, between Midwest Power Systems Inc. and Morgan Guaranty Trust Company of New York, Trustee. (Filed as Exhibit 4(b)-3 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1992, Commission File No. 1-10654.)
- 4.4 Third Supplemental Indenture dated as of May 1, 1993, between Midwest Power Systems Inc. and Morgan Guaranty Trust Company of New York, Trustee. (Filed as Exhibit 4.4 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1993, Commission File No. 1-10654.)
- 4.5 Fourth Supplemental Indenture dated as of October 1, 1994, between Midwest Power Systems Inc. and Harris Trust and Savings Bank, Trustee. (Filed as Exhibit 4.5 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1994, Commission File No. 1-10654.)
- 4.6 Fifth Supplemental Indenture dated as of November 1, 1994, between Midwest Power Systems Inc. and Harris Trust and Savings Bank, Trustee. (Filed as Exhibit 4.6 to Midwest Resources'

Annual Report on Form 10-K for the year ended December 31, 1994, Commission File No. 1-10654.)

- 4.7 Indenture of Mortgage and Deed of Trust, dated as of March 1, 1947. (Filed by Iowa-Illinois as Exhibit 7B to Commission File No. 2-6922.)
- 4.8 Sixth Supplemental Indenture dated as of July 1, 1967. (Filed by Iowa-Illinois as Exhibit 2.08 to Commission File No. 2-28806.)
- 4.9 Twentieth Supplemental Indenture dated as of May 1, 1982. (Filed as Exhibit 4.B.23 to Iowa-Illinois' Quarterly Report on Form 10-Q for the period ended June 30, 1982, Commission File No. 1-3573.)
- 4.10 Resignation and Appointment of successor Individual Trustee. (Filed by Iowa-Illinois as Exhibit 4.B.30 to Commission File No. 33-39211.)
- 4.11 Twenty-Eighth Supplemental Indenture dated as of May 15, 1992. (Filed as Exhibit 4.31.B to Iowa-Illinois' Current Report on Form 8-K dated May 21, 1992, Commission File No. 1-3573.)
- 4.12 Twenty-Ninth Supplemental Indenture dated as of March 15, 1993. (Filed as Exhibit 4.32.A to Iowa-Illinois' Current Report on Form 8-K dated March 24, 1993, Commission File No. 1-3573.)
- 4.13 Thirtieth Supplemental Indenture dated as of October 1, 1993. (Filed as Exhibit 4.34.A to Iowa-Illinois' Current Report on Form 8-K dated October 7, 1993, Commission File No. 1-3573.)
- 4.14 Sixth Supplemental Indenture dated as of July 1, 1995, between Midwest Power Systems Inc. and Harris Trust and Savings Bank, Trustee. (Filed as Exhibit 4.15 to MidAmerican Energy's Annual Report on Form 10-K dated December 31, 1995, Commission File No. 1-11505.)
- 4.15 Thirty-First Supplemental Indenture dated as of July 1, 1995, between Iowa-Illinois Gas and Electric Company and Harris Trust and Savings Bank, Trustee. (Filed as Exhibit 4.16 to MidAmerican Energy's Annual Report on Form 10-K dated December 31, 1995, Commission File No. 1-11505.)
- 10.1 MidAmerican Energy Company Severance Plan For Specified Officers dated November 1, 1996. (Filed as Exhibit 10.1 to Holdings' and MidAmerican Energy's respective Annual Reports on the combined Form 10-K for the year ended December 31, 1996, Commission File Nos. 1-12459 and 1-11505, respectively.)
- 10.2 MidAmerican Energy Company Restated Executive Deferred Compensation Plan. (Filed as Exhibit 10.2 to MidAmerican Energy's Quarterly Report on Form 10-Q dated March 31, 1999, Commission File No. 1-11505.)
- 10.3 MidAmerican Energy Company Combined Midwest Resources/Iowa Resources Restated Deferred Compensation Plan for Board of Directors. (Filed as Exhibit 10.1 to MidAmerican Energy's Quarterly Report on Form 10-Q dated March 31, 1999, Commission File No. 1-11505.)
- 10.4 MidAmerican Energy Company Supplemental Retirement Plan for Designated Officers. (Filed as Exhibit 10.3 to MidAmerican Energy's Annual Report on Form 10-K dated December 31, 1995, Commission File No. 1-11505.)

- 10.5 Midwest Resources Inc. Supplemental Retirement Plan (formerly the Midwest Energy Company Supplemental Retirement Plan). (Filed as Exhibit 10.10 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1993, Commission File No. 1-10654.)
- 10.6 Power Sales Contract between Iowa Power Inc. and Nebraska Public Power District, dated September 22, 1967. (Filed as Exhibit 4-C-2 to Iowa Power Inc.'s (IPR) Registration Statement, Registration No. 2-27681.)
- 10.7 Amendments Nos. 1 and 2 to Power Sales Contract between Iowa Power Inc. and Nebraska Public Power District. (Filed as Exhibit 4-C-2a to IPR's Registration Statement, Registration No. 2-35624.)
- 10.8 Amendment No. 3 dated August 31, 1970, to the Power Sales Contract between Iowa Power Inc. and Nebraska Public Power District, dated September 22, 1967. (Filed as Exhibit 5-C-2-b to IPR's Registration Statement, Registration No. 2-42191.)
- 10.9 Amendment No. 4 dated March 28, 1974, to the Power Sales Contract between Iowa Power Inc. and Nebraska Public Power District, dated September 22, 1967. (Filed as Exhibit 5-C-2-c to IPR's Registration Statement, Registration No. 2-51540.)
- 10.10 Supplemental Retirement Plan for Principal Officers, as amended as of July 1, 1993. (Filed as Exhibit 10.K.2 to Iowa-Illinois' Annual Report on Form 10-K for the year ended December 31, 1993, Commission File No. 1-3573.)
- 10.11 Compensation Deferral Plan for Principal Officers, as amended as of July 1, 1993. (Filed as Exhibit 10.K.2 to Iowa-Illinois' Annual Report on Form 10-K for the year ended December 31, 1993, Commission File No. 1-3573.)
- 10.12 Board of Directors' Compensation Deferral Plan. (Filed as Exhibit 10.K.4 to Iowa-Illinois' Annual Report on Form 10-K for the year ended December 31, 1992, Commission File No. 1-3573.)
- 10.13 Amendment No. 1 to the Midwest Resources Inc. Supplemental Retirement Plan. (Filed as Exhibit 10.24 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1994, Commission File No. 1-10654.)
- 10.14 Form of Indemnity Agreement between MidAmerican Energy Company and its directors and officers. (Filed as Exhibit 10.37 to MidAmerican's Annual Report on Form 10-K dated December 31, 1995, Commission File No. 1-11505.)
- 10.15 Amendment No. 5 dated September 2, 1997, to the Power Sales contract between MidAmerican Energy Company and Nebraska Public Power District, dated September 22, 1967. (Filed as Exhibit 10.2 to Holdings' and MidAmerican Energy's respective Quarterly Reports on the combined Form 10-Q for the quarter ended September 30, 1997, Commission File Nos. 1-12459 and 1-11505, respectively.)

Note: Pursuant to (b) (4) (iii)(A) of Item 601 of Regulation S-K, the Company has not filed as an exhibit to this Form 10-K certain instruments with respect to long-term debt not registered in which the total amount of securities authorized thereunder does not exceed 10% of total assets of the Company, but hereby agrees to furnish to the Commission on request any such instruments.

The most recent two years of audited financial statements has been provided in Exhibit C-2, "SEC Filings" within the 10-K Reports.

MidAmerican Energy Company has not entered into any special or alternative financial arrangements for the purpose of conducting CRNGS activities within the State of Ohio.

CONFIDENTIAL**"Forecasted Financial Statements"**

The following Exhibit C-5 is deemed to be privileged, confidential, and proprietary information of MidAmerican Energy Company ("MidAmerican"). As such, MidAmerican requests that Exhibit C-5 remain confidential. MidAmerican has filed a motion for a protective order with the Public Utility Commission of Ohio for this exhibit pursuant to the Ohio Administrative Code Section 4901:1-1-24.

CONFIDENTIAL

Project : MidAmerican Energy Company
CONSOLIDATED BALANCE SHEET
PROPORTIONAL CONSOLIDATION (\$000's)

		Forecast 2001	Forecast 2002
ASSETS			
1	Cash and cash equivalents	5,104	5,103
2	Accounts receivable	52,550	52,550
3	Properties, plants, contracts and equipment, net	2,766,242	2,740,712
4	Investments and other assets	712,894	700,288
5	Total Assets	3,536,791	3,498,654
	LIABILITIES & STOCKHOLDERS' EQUITY		
	Liabilities:		
6	Accounts payable	80,256	80,256
7	Accrued interest and other liabilities	783,579	785,801
8	Subsidiary and project debt	841,173	836,807
9	Deferred income taxes	501,327	478,994
10	Total Liabilities	2,206,335	2,181,857
11	Deferred income		
12	Trust preferred securities	100,000	100,000
13	Preferred securities of subsidiary	75,100	68,441
	Stockholders' equity:		
14	Common stock	877,205	877,205
15	Additional paid in capital	22,389	22,389
16	Current period earnings	141,291	152,602
17	Retained Earnings / Partners Capital / Other	114,471	96,160
18	Total Stockholders' equity	1,155,356	1,148,356
19	Total liabilities and stockholders' equity	3,536,791	3,498,654

CONFIDENTIAL

Project : MidAmerican Energy Company
CONSOLIDATED STATEMENT OF OPERATIONS
PROPORTIONAL CONSOLIDATION (\$000's)

		Forecast 2001	Forecast 2002
	REVENUE:		
1	Operating Income	2,223,401	2,776,975
2	Total Revenues	2,223,401	2,776,975
	COSTS AND EXPENSES:		
3	Cost of sales	993,405	1,505,652
4	Utility operating expenses	704,532	729,191
5	Corporate administration	1,107	2,893
6	Depreciation and amortization	196,182	196,583
7	Interest expense	70,162	64,145
8	Less capitalized interest	(1,324)	(1,324)
9	Total costs and expenses	1,964,064	2,497,140
10	Income before tax	259,337	279,835
11	Provision for income taxes	105,376	115,082
12	Income before minority interest	153,961	164,753
13	Minority interest - dividends on trust preferred securities	7,980	7,980
14	Minority interest - other	4,691	4,171
15	Income before preferred dividends	141,291	152,602
16	Preferred dividends		
17	Income before extraordinary item	141,291	152,602
18	Extraordinary item		
19	Net income (loss) available to common stockholders	141,291	152,602

CONFIDENTIAL

Project : MidAmerican Energy Company
CONSOLIDATED STATEMENT OF CASH FLOWS
PROPORTIONAL CONSOLIDATION (\$000's)

	Forecast 2001	Forecast 2002
Cash flows from operating activities:		
1 Net income (loss)	141,291	152,602
Adj. to reconcile net cash flow from operating activities:		
2 Depreciation and amortization	196,182	196,583
3 Amortization of other Assets	21,971	21,141
4 Provision for deferred income taxes	(20,548)	(16,224)
5 Stock and WIP	30,111	11,983
6 Net cash flows from operating activities	369,006	366,086
Cash flows from investing activities:		
7 Capital expenditure relating to operating projects	(165,658)	(186,580)
8 Construction and development cost	(5,405)	(1,880)
9 Other	(7,500)	(7,000)
10 Net cash flows from investing activities	(178,563)	(195,460)
Cash flows from financing activities:		
11 Proceeds from subsidiary and project debt	120,000	
12 Repayment of subsidiary and project debt	(164,881)	(4,366)
13 Decrease (increase) in pref. securities of subsidiary	(6,659)	(6,659)
14 Distributions to parent	(138,904)	(159,602)
15 Net cash flows from financing activities	(190,444)	(170,627)
16 Net increase (decrease) in cash and investments	(1)	(1)
17 Cash and cash equivalents at the beginning of the period	5,105	5,104
18 Cash and cash equivalents at the end of the period	5,104	5,103

The credit rating for MidAmerican Energy Company as reported by two of the following organizations: Duff & Phelps, Dunn and Bradstreet Information Services, Fitch IBCA, Moody's Investors Service, Standard & Poors, or a similar organization is as follows.

Moody's : A3

Standard & Poors: A-

There have been no bankruptcy filings made by MidAmerican Energy Company or its' parent organization within the most recent two years.

MidAmerican Energy Company, the applicant, has not participated in a dissolution, merger, or acquisition within the two most recent years. MidAmerican Energy Company's parent corporation, MidAmerican Energy Holdings Company, merged with CalEnergy Company, Inc. in March 1999. The merged company retained the MidAmerican Energy Holdings Company name. On March 14, 2000, MidAmerican Energy Holdings Company was acquired by an investor group that includes Berkshire Hathaway Inc., Omaha, Nebraska businessman Walter Scott, Jr., MidAmerican's Chief Executive Officer, Greg Abel, and MidAmerican's Chairman, David L. Sokol.

Gas Management Program

Under MidAmerican Energy's Total Gas Management Program, the company will deliver 100% of the Customer's gas requirements and will normally perform the following services on behalf of the Customer.

- Provide enrollment services.
- Forecast natural gas requirements.
- Procure natural gas supply.
- Procure interstate pipeline transportation service.
- Provide nominations to the interstate pipeline and LDC.
- Provide pipeline-balancing services.
- Manage the daily allocation and coordination of natural gas deliveries from the wellhead to Customer's facility.
- Monitor Customer's usage and storage requirements.
- Reconcile gas nominations with actual delivered volumes.
- Provide consolidated bill service.
- Provide variable priced gas supply service with the option to fix.

Supply and Distribution Plan:

Presently, MidAmerican is providing retail natural gas energy supply service to customers in the Columbia of Ohio, Dominion East Ohio and CG&E territories. In order to provide these services, MidAmerican is performing the following functions:

- Pricing
- Sales and Service
- Contracting
- Enrollment
- Profiling and forecasting customer usage
- Arranging for natural gas supply and transportation service
- Scheduling
- Balancing and settling with the incumbent utilities
- Billing

To ensure that MidAmerican properly performs these actions, a team composed of the following individuals manages the daily operations.

Terry Slaughter

Senior Account Executive since 1996, Terry has been associated with the energy business for over 30 years holding positions in accounting, auditing, finance and sales. He has been active in the deregulated electric and natural gas sales area and maintains a customer base that includes schools, commercial, industrial and governmental facilities. Terry's provides a broad knowledge base when dealing with multiple state regulatory jurisdictions with his customer base located in Ohio, Iowa, South Dakota, Nebraska and Illinois.

Mike Sweeney

Manager Contract Administration since April 2000 where he is responsible for the management of customer and agency contracts including contract creation, negotiation, execution, and fulfillment. Mr. Sweeney was an Energy Consultant responsible for servicing large customer accounts from April 1997 to April 2000, and has held various management positions at MidAmerican Energy for more than five years prior to his current position.

Corey Jansen

Manager Gas Products since January 2001 where he is responsible for product life cycle management including pricing, arranging for the trading of electric and gas commodities including supply, transportation, and storage to support retail operations. Mr. Jansen was Manager, Transportation Operations from October 1999 through December 2000. From August 1997 through September 1999, he was Superintendent, LNG plant. He started with MidAmerican Energy Company in January 1996 as a Peak Plant Engineer.

Christopher Schneider

Director Trading since September 2001. Schneider is responsible for managing the unregulated wholesale natural gas business in support of Retail, Generation, and Trading activities. Prior to joining the Natural Gas Trading group. Mr. Schneider was Director of Short-term Trading for MidAmerican where he managed the short-term electric resource planning, marketing and trading.

Kay Twigg

Manager Customer Service since May 2001 where she is responsible for all service related activities including account maintenance, call center, billing, and credit and collections. Mrs. Twigg was Manager of Regulatory and Business Unit Accounting from December 1999 to May 2001 and held various accounting positions prior to that.