Large Filing Separator Sheet

Case Number : 00-1786-EL-CRS

File Date : 9/2/2008

Section : 2 of 2

Number of Pages : 128

Description of Document :
Application

The actuarial assumptions used may differ materially from period to period due to changing market and economic conditions. These differences may result in a significant impact to the amount of pension and other postretirement benefit expense, assets and liabilities recorded. If changes were to occur for the following assumptions, the approximate effect on the financial statements of the total plan before allocations to affiliates would be as follows (in millions):

	Pension Plans		Other Postretirement Benefit Plans	
	+0.5%	-0.5%	+0.5%	-0.5%
Effect on December 31, 2007, benefit obligations:				
Discount rate	$ (35)	$ 39	$ (13)	$ 15
Effect on 2007 periodic benefit cost:				
Discount rate	(2)	1	(1)	1
Expected return on assets	(3)	3	(1)	1

A variety of factors, including the plan funding practices of MidAmerican Energy, have an affect on the funded status of the plans. The Pension Protection Act of 2006 imposed generally more stringent funding requirements for defined benefit pension plans, particularly for those significantly underfunded, and allowed for greater tax deductible contributions to such plans than previous rules permitted under the Employee Retirement Income Security Act. As a result of the Pension Protection Act of 2006, MidAmerican Energy does not anticipate any significant changes to the amount of funding previously anticipated through 2008; however, depending upon a variety of factors that impact the funded status of the plan, including actual asset returns, discount rates and plan changes, it may be required to accelerate contributions to its pension plans for periods after 2008, and there may be more volatility in annual contributions than historically experienced, which could have a material impact on financial results.

Income Taxes

In determining MidAmerican Funding's and MidAmerican Energy's tax liabilities, management is required to interpret complex tax laws and regulations. MidAmerican Funding and MidAmerican Energy are subject to continuous examinations by federal, state and local tax authorities that may give rise to different interpretations of these complex laws and regulations. Due to the nature of the examination process, it generally takes years before these examinations are completed and these matters are resolved. The U. S. Internal Revenue Service has closed examination of the MidAmerican Energy Holdings consolidated income tax returns through 2003, including components related to MidAmerican Funding and MidAmerican Energy. In addition, open tax years related to a number of state jurisdictions remain subject to examination. Although the ultimate resolution of their federal and state tax examinations is uncertain, each company believes it has made adequate provisions for its tax positions and that the aggregate amount of additional tax liabilities that may result from these examinations, if any, will not have a material adverse affect on its financial results.

MidAmerican Energy is required to pass income tax benefits related to certain accelerated tax depreciation and other property-related basis differences on to its customers in Iowa. These amounts were recognized as regulatory assets, which totaled $183 million and $165 million as of December 31, 2007 and 2006, respectively, and will be included in rates when the temporary differences reverse. Management believes the existing regulatory assets are probable of recovery. If it becomes no longer probable that these costs will be recovered, the assets would be written-off and recognized in earnings.

MidAmerican Funding and MidAmerican Energy recognize deferred tax assets and liabilities based on differences between the financial statement and tax bases of assets and liabilities using estimated tax rates in effect for the year in which the differences are expected to reverse.

Revenue Recognition - Unbilled Revenue

Revenue from electric customers is recognized as electricity is delivered to customers and includes amounts for services rendered. Revenue from the sale, transportation and distribution of natural gas is recognized when either the service is provided or the product is delivered.

For MidAmerican Energy, the determination of sales to individual customers is based on the reading of their meters, which is performed on a systematic basis throughout the month. At the end of each month, MidAmerican Energy records unbilled revenues representing an estimate of the amount customers will be billed for energy provided between the meter-reading dates and the end of that month. This estimate is reversed in the following month and actual revenue is recorded based on subsequent meter readings.

The monthly unbilled revenues of MidAmerican Energy are determined by the estimation of unbilled energy provided during the period, the assignment of unbilled energy provided to customer classes and the average rate per customer class. Factors that can impact the estimate of unbilled energy provided include, but are not limited to, seasonal weather patterns, historical trends, line losses, economic impacts and composition of customer classes. Unbilled revenues were $142 million as of December 31, 2007.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

MidAmerican Energy's Consolidated Balance Sheets include assets and liabilities whose fair values are subject to market risks. MidAmerican Energy's significant market risks are primarily associated with commodity prices and interest rates. The following sections address the significant market risks associated with MidAmerican Energy's business activities. MidAmerican Energy has also established guidelines for credit risk management. Refer to Notes 2 and 11 of Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K for additional information regarding MidAmerican Energy's accounting for derivative contracts.

<u>Commodity Price Risk</u>

MidAmerican Energy is subject to significant commodity risk. Exposures include variations in the price of wholesale electricity that is purchased and sold, fuel costs to generate electricity, and natural gas supply for regulated retail gas customers. Electricity and natural gas prices are subject to wide price swings as demand responds to, among many other items, changing weather, limited storage, transmission and transportation constraints, and lack of alternative supplies from other areas. To mitigate a portion of the risk, MidAmerican Energy uses derivative instruments, including forwards, futures, options and other over-the-counter agreements, to effectively secure future supply or sell future production at fixed prices. The settled cost of these contracts is generally recovered from customers in regulated rates. Accordingly, the net unrealized gains and losses associated with interim price movements on contracts that are accounted for as derivatives, and amounts that are probable of recovery in retail rates, are recorded as regulatory net assets or liabilities. Financial results may be negatively impacted if the costs of wholesale electricity, fuel and or natural gas are higher than what is permitted to be recovered in regulated retail rates.

MidAmerican Energy also uses futures, options and swap agreements to economically hedge gas and electric commodity prices for physical delivery to nonregulated customers. MidAmerican Energy does not engage in a material amount of proprietary trading activities.

The table that follows summarizes MidAmerican Energy's commodity risk on energy derivative contracts as of December 31, 2007, and shows the effects of a hypothetical 10% increase and 10% decrease in forward market prices by the expected volumes for these contracts as of that date. The selected hypothetical change does not reflect what could be considered the best or worst case scenarios (in millions):

	Fair Value – Asset (Liability)	Hypothetical Price Change	Estimated Fair Value after Hypothetical Change in Price
As of December 31, 2007	$ (16)	10% increase	$ (19)
		10% decrease	(12)

Interest Rate Risk

MidAmerican Energy –

As of December 31, 2007, MidAmerican Energy had fixed-rate long-term debt totaling $2.35 billion with a total fair value of $2.40 billion. Because of their fixed interest rates, these instruments 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 $114 million if interest rates were to increase by 10% from their levels at December 31, 2007. Comparatively, as of December 31, 2006, MidAmerican Energy had fixed-rate long-term debt totaling $1.71 billion with a total fair value of $1.72 billion. The fair value of these instruments would have decreased by approximately $101 million if interest rates had increased by 10% from their levels at December 31, 2006. 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.

As of December 31, 2007 and 2006, MidAmerican Energy had long-term floating rate obligations totaling $120 million, and as of December 31, 2007, short-term floating rate obligations totaling $86 million, that expose MidAmerican Energy to the risk of increased interest expense in the event of increases in short-term interest rates. This market risk is not hedged; however, if the floating interest rates were to increase by 10% from December 31 levels, it would not have a material effect on MidAmerican Energy's interest expense for either year. The carrying value of the floating rate obligations as of December 31, 2007, approximated fair value.

MidAmerican Funding –

As of December 31, 2007, MidAmerican Funding had fixed-rate long-term debt totaling $700 million with a fair value of $756 million. Because of their fixed interest rates, these instruments do not expose MidAmerican Funding to the risk of earnings loss due to changes in market interest rates. However, the fair value of these instruments would decrease by approximately $28 million if interest rates were to increase by 10% from their levels at December 31, 2007. Comparatively, as of December 31, 2006, MidAmerican Funding had fixed-rate long-term debt totaling $700 million with a fair value of $754 million. The fair value of these instruments would have decreased by approximately $30 million if interest rates had increased by 10% from their levels at December 31, 2006. In general, such a decrease in fair value would impact earnings and cash flows only if MidAmerican Funding were to reacquire all or a portion of these instruments prior to their maturity.

Credit Risk

MidAmerican Energy extends unsecured credit to other utilities, energy marketers, financial institutions and other market participants in conjunction with wholesale energy supply and marketing activities. MidAmerican Energy analyzes the financial condition of each wholesale counterparty before entering into any transactions, establishes limits on the amount of unsecured credit that may be extended to each counterparty, and evaluates the appropriateness of unsecured credit limits on an ongoing basis. Credit exposures relative to approved limits are monitored daily and exceptions to approved limits are reported to senior management. MidAmerican Energy defines credit exposure as the potential loss in value in the event of non-payment or non-performance by a counterparty, which includes not only accounts receivable, but also the replacement, or mark-to-market value of contracts for future performance. MidAmerican Energy seeks to negotiate contractual arrangements with wholesale counterparties to provide for net settlement of monthly accounts receivable and accounts payable and net settlement of contracts for future performance in the event of default. Accounts payable are deducted from calculations of credit exposure for counterparties with whom such contractual arrangements exist. MidAmerican Energy also seeks to negotiate contractual arrangements that provide for the exchange of collateral in the event that credit exposure to a particular counterparty (1) exceeds a specified threshold or (2) in the event of a material adverse change in such counterparty's financial condition or downgrade in its credit ratings to below "investment grade" by a nationally recognized statistical rating organization such as Moody's or Standard & Poor's. MidAmerican Energy periodically requests and receives collateral, typically in the form of cash or letters of credit, from counterparties with credit exposure in excess of established limits. As of December 31, 2007, 91% of MidAmerican Energy's credit exposure, net of collateral, relating to wholesale energy supply and marketing activities was with counterparties having "investment grade" credit ratings from Moody's or Standard & Poor's, while an additional 8% of MidAmerican Energy's credit exposure, net of collateral, from wholesale operations was with counterparties having financial characteristics deemed equivalent to "investment grade" by MidAmerican Energy based on internal review. MidAmerican Energy had credit exposure to a single counterparty of 31% of aggregate credit exposure, net of collateral, to all wholesale counterparties as of December 31, 2007. The counterparty has investment grade credit ratings from both Moody's and Standard & Poor's, and MidAmerican Energy is not aware of any factors that would likely result in a downgrade of the counterparty's credit ratings to below investment grade over the remaining term of transactions outstanding as of December 31, 2007.

MidAmerican Energy's credit exposure with respect to wholesale natural gas, electricity, and derivatives transactions is summarized below as of December 31, 2007 (dollars in millions).

Credit Rating Equivalent (Standard & Poor's/Moody's)	Credit Exposure	Collateral Held	Credit Exposure, Net of Collateral	% of Credit Exposure, Net of Collateral
AA-/Aa3 and above	$ 19	$ -	$ 19	48%
A-/A3 to A+/A1	8	-	8	20
BBB-/Baa3 to BBB+/Baa1	9	-	9	23
BB-/Ba3 to BB+/Ba1	-	-	-	-
B+/B1 or lower	2	5	-	-
Unrated	4	-	4	9
Total credit exposure	$ 42	$ 5	$ 40	100%

Item 8. Financial Statements and Supplementary Data

MidAmerican Energy Company and Subsidiary

MidAmerican Funding, LLC and Subsidiaries

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the 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 subsidiary (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of operations, comprehensive income, cash flows and retained earnings for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 subsidiary as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, 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.

As discussed in Note 16 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)," as of December 31, 2006.

/s/ Deloitte & Touche LLP

Des Moines, Iowa
February 27, 2008

MIDAMERICAN ENERGY COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(In millions)

	As of December 31, 2007	As of December 31, 2006
ASSETS		
Utility Plant, Net		
Electric	$ 7,473	$ 6,366
Gas	1,086	1,031
	8,559	7,397
Accumulated depreciation and amortization	(3,237)	(3,261)
	5,322	4,136
Construction work in progress	386	867
	5,708	5,003
Current Assets		
Cash and cash equivalents	11	9
Short-term investments	-	15
Receivables, less allowances of $9 and $10, respectively	485	394
Inventories	133	113
Other	39	163
	668	694
Other Assets		
Investments and nonregulated property, net	478	410
Regulatory assets	268	273
Other	129	130
	875	813
Total Assets	$ 7,251	$ 6,510
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareholder's equity	$ 2,288	$ 1,951
MidAmerican Energy preferred securities	30	30
Long-term debt, excluding current portion	2,470	1,819
	4,788	3,800
Current Liabilities		
Notes payable	86	-
Current portion of long-term debt	1	2
Accounts payable	408	498
Taxes accrued	85	99
Interest accrued	41	33
Other	76	171
	697	803
Other Liabilities		
Deferred income taxes	517	471
Investment tax credits	38	41
Asset retirement obligations	182	173
Regulatory liabilities	793	989
Other	236	233
	1,766	1,907
Total Capitalization and Liabilities	$ 7,251	$ 6,510

The accompanying notes are an integral part of these financial statements.

MIDAMERICAN ENERGY COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions)

	Years Ended December 31, 2007	2006	2005
Operating Revenues			
Regulated electric	$ 1,934	$ 1,779	$ 1,513
Regulated gas	1,174	1,112	1,323
Nonregulated	1,150	557	324
	4,258	3,448	3,160
Operating Expenses			
Regulated:			
Cost of fuel, energy and capacity	741	672	477
Cost of gas sold	937	888	1,098
Other operating expenses	419	402	381
Maintenance	201	156	151
Depreciation and amortization	268	274	267
Property and other taxes	98	97	95
	2,664	2,489	2,469
Nonregulated:			
Cost of sales	1,061	522	291
Other	20	16	19
	1,081	538	310
Total operating expenses	3,745	3,027	2,779
Operating Income	513	421	381
Non-Operating Income			
Interest and dividend income	9	9	6
Allowance for equity funds	41	37	24
Other income	9	9	7
Other expense	(3)	(3)	(4)
	56	52	33
Fixed Charges			
Interest on long-term debt	122	93	80
Other interest expense	9	12	9
Allowance for borrowed funds	(18)	(16)	(11)
	113	89	78
Income Before Income Taxes	456	384	336
Income Taxes	130	118	115
Net Income	326	266	221
Preferred Dividends	1	1	1
Earnings on Common Stock	$ 325	$ 265	$ 220

The accompanying notes are an integral part of these financial statements.

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MIDAMERICAN ENERGY COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Years Ended December 31,		
	2007	**2006**	**2005**
Earnings on Common Stock	$ 325	$ 265	$ 220
Other Comprehensive Income (Loss)			
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) during period-			
Before income taxes	20	(22)	-
Income tax benefit	(8)	9	-
	12	(13)	-
Less realized gains (losses) reflected in net income during period-			
Before income taxes	(1)	(2)	-
Income tax (expense) benefit	-	1	-
	(1)	(1)	-
Net unrealized gains (losses)	13	(12)	-
Minimum pension liability adjustment:			
Before income taxes	-	-	(5)
Income tax (expense) benefit	-	-	2
	-	-	(3)
Other comprehensive income (loss)	13	(12)	(3)
Comprehensive Income	$ 338	$ 253	$ 217

The accompanying notes are an integral part of these financial statements.

MIDAMERICAN ENERGY COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Years Ended December 31, 2007	2006	2005
Net Cash Flows From Operating Activities			
Net income	$ 326	$ 266	$ 221
Adjustments to reconcile net income to net cash provided:			
Depreciation and amortization	269	275	269
Deferred income taxes and investment tax credit, net	23	(2)	(1)
Amortization of other assets and liabilities	28	26	28
Impact of changes in working capital-			
Receivables, net	(91)	60	(117)
Inventories	(20)	(28)	5
Accounts payable	95	(76)	91
Taxes accrued	(1)	16	(6)
Other current assets and liabilities	1	34	(8)
Other, net	(31)	(11)	(19)
Net cash provided by operating activities	599	560	463
Net Cash Flows From Investing Activities			
Utility construction expenditures	(1,298)	(757)	(699)
Purchases of available-for-sale securities	(432)	(853)	(563)
Proceeds from sales of available-for-sale securities	395	851	564
Other, net	9	8	9
Net cash used in investing activities	(1,326)	(751)	(689)
Net Cash Flows From Financing Activities			
Dividends paid	(1)	(51)	(1)
Issuance of long-term debt, net	646	346	297
Retirement of long-term debt	(2)	(161)	(91)
Net increase in notes payable	86	-	-
Other, net	-	(5)	4
Net cash provided by financing activities	729	129	209
Net Increase (Decrease) in Cash and Cash Equivalents	2	(62)	(17)
Cash and Cash Equivalents at Beginning of Year	9	71	88
Cash and Cash Equivalents at End of Year	$ 11	$ 9	$ 71
Supplemental Disclosure:			
Interest paid, net of amounts capitalized	$ 97	$ 58	$ 66
Income taxes paid	$ 111	$ 107	$ 126

The accompanying notes are an integral part of these financial statements.

MIDAMERICAN ENERGY COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CAPITALIZATION
(In millions, except share amounts)

	As of December 31,			
	2007		2006	
Common Shareholder's Equity				
Common shares, no par; 350,000,000 shares authorized; 70,980,203 shares outstanding	$ 561		$ 561	
Retained earnings	1,726		1,402	
Accumulated other comprehensive income:				
Unrealized gain (loss) on cash flow hedges	1		(12)	
	2,288	47.8%	1,951	51.3%
Preferred Securities (100,000,000 shares authorized)				
Cumulative shares outstanding; not subject to mandatory redemption:				
$3.30 Series, 49,451 shares	5		5	
$3.75 Series, 38,305 shares	4		4	
$3.90 Series, 32,630 shares	3		3	
$4.20 Series, 47,362 shares	5		5	
$4.35 Series, 49,945 shares	5		5	
$4.40 Series, 35,697 shares	3		3	
$4.80 Series, 49,898 shares	5		5	
	30	0.6%	30	0.8%
Long-Term Debt, Excluding Current Portion				
Pollution control revenue obligations:				
5.95% Series, due 2023 (general mortgage bond-secured)	29		29	
Variable rate series (2007- 3.51%, 2006- 3.97%) -				
Due 2016 and 2017	37		37	
Due 2023 (general mortgage bond-secured)	28		28	
Due 2023	7		7	
Due 2024	35		35	
Due 2025	13		13	
Notes:				
5.65% Series, due 2012	400		-	
5.125% Series, due 2013	275		275	
4.65% Series, due 2014	350		350	
5.95% Series, due 2017	250		-	
6.75% Series, due 2031	400		400	
5.75% Series, due 2035	300		300	
5.8% Series, due 2036	350		350	
Obligation under capital lease	2		1	
Unamortized debt premium and discount, net	(6)		(6)	
	2,470	51.6%	1,819	47.9%
Total Capitalization	$ 4,788	100.0%	$ 3,800	100.0%

The accompanying notes are an integral part of these financial statements.

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MIDAMERICAN ENERGY COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(In millions)

	Years Ended December 31,		
	2007	2006	2005
Beginning of Year	$ 1,402	$ 1,187	$ 967
Adoption of FASB Interpretation No. 48	(1)	-	-
Net Income	326	266	221
Deduct:			
Dividends declared on preferred shares	1	1	1
Dividends declared on common shares	-	50	-
	1	51	1
End of Year	$ 1,726	$ 1,402	$ 1,187

The accompanying notes are an integral part of these financial statements.

MIDAMERICAN ENERGY COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Company Organization

MidAmerican Energy Company ("MidAmerican Energy") is a public utility with electric and natural gas operations and is the principal subsidiary of MHC Inc. ("MHC"). MHC is a holding company that conducts no business other than the ownership of its subsidiaries, which include the following nonregulated subsidiaries: InterCoast Capital Company, MidAmerican Services Company, Midwest Capital Group, Inc. and MEC Construction Services Co. MHC is the direct wholly owned subsidiary of MidAmerican Funding, LLC, ("MidAmerican Funding"), which is an Iowa limited liability company with MidAmerican Energy Holdings Company ("MidAmerican Energy Holdings") as its sole member. MidAmerican Energy Holdings is a consolidated subsidiary of Berkshire Hathaway Inc. ("Berkshire Hathaway").

(2) Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of MidAmerican Energy and the subsidiary in which it holds a controlling financial interest. In accordance with accounting principles generally accepted in the United States of America ("GAAP"), the subsidiary, which is less than 100% owned but greater than 50% owned, is consolidated with a minority interest. All intercompany accounts and transactions have been eliminated, other than those between rate-regulated operations.

Use of Estimates in Preparation of Financial Statements

The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. These estimates include, but are not limited to, unbilled receivables, asset retirement obligations, valuation of energy contracts, the effects of regulation, the accounting for contingencies, including income tax, environmental and regulatory matters, and certain assumptions made in accounting for pension and other postretirement benefits. Actual results may differ from the estimates used in preparing the Consolidated Financial Statements.

Accounting for the Effects of Certain Types of Regulation

MidAmerican Energy's utility operations are subject to the regulation of the Iowa Utilities Board ("IUB"); the Illinois Commerce Commission ("ICC"); the South Dakota Public Utilities Commission, and the Federal Energy Regulatory Commission ("FERC"). MidAmerican Energy's accounting policies and the accompanying consolidated financial statements conform to GAAP applicable to rate-regulated enterprises and reflect the effects of the ratemaking process.

MidAmerican Energy prepares its financial statements in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS No. 71"), which differs in certain respects from the application of GAAP by nonregulated businesses. In general, SFAS No. 71 recognizes that accounting for rate-regulated enterprises should reflect the economic effects of regulation. As a result, a regulated entity is required to defer the recognition of expenses or income if it is probable that, through the ratemaking process, there will be a corresponding increase or decrease in future rates. Accordingly, MidAmerican Energy has deferred certain expenses and income that will be recognized in earnings over various future periods.

Management continually evaluates the applicability of SFAS No. 71 and assesses whether its regulatory assets are probable of future recovery by considering factors such as a change in the regulator's approach to setting rates from cost-based ratemaking to another form of regulation, other regulatory actions or the impact of competition, which could limit MidAmerican Energy's ability to recover its costs. Based upon this continual assessment, management believes the application of SFAS No. 71 continues to be appropriate and its existing regulatory assets are probable of recovery. The assessment reflects the current political and regulatory climate at both the state and federal levels and is subject to change in the future. If it becomes no longer probable that these costs will be recovered, the regulatory assets and regulatory liabilities would be written off and recognized in operating income.

Cash Equivalents

Cash equivalents consist of funds invested in commercial paper, money market securities and in other investments with a maturity of three months or less when purchased.

Short-term Investments

Short-term investments as of December 31, 2006, consist of auction rate securities. Auction rate securities are accounted for as available-for-sale securities and unrealized gains and losses are reported as a component of accumulated other comprehensive income (loss) in shareholders' equity. As of December 31, 2007 and 2006, the carrying value of these securities approximates fair market value and there were no unrealized gains or losses associated with these investments. With the liquidity issues experienced in global credit and capital markets, recent auctions have failed as the amount of securities submitted for sale in the market has exceeded the amount of purchase orders. Given the recently failed auctions, it is uncertain if the Company's auction rate securities will be sold within the next twelve months. Accordingly, the entire amount of such remaining balance has been classified as non-current assets and included in investments and non-regulated property, net on the Company's December 31, 2007 Balance Sheet. Refer to Note 5 for additional discussion of MidAmerican Energy's investment in auction rate securities.

Investments

MidAmerican Energy's management determines the appropriate classification of investments in debt and equity securities at the acquisition date and re-evaluates the classifications at each balance sheet date. Substantially all of MidAmerican Energy's investments in debt and equity securities recorded on the Consolidated Balance Sheets are held in nuclear decommissioning trusts for the Quad Cities Station. Realized and unrealized gains and losses on funds held by the Quad Cities Station nuclear decommissioning trusts are recorded as regulatory liabilities because MidAmerican Energy expects any difference between actual decommissioning costs and the funds available in the trusts to be reflected in future regulated rates. Refer to Note 5 for additional discussion of MidAmerican Energy's investments.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is based on MidAmerican Energy's assessment of the collectibility of payments from its customers. This assessment requires judgment regarding the ability of customers to pay the amounts owed to MidAmerican Energy and the outcome of pending disputes and arbitrations.

Derivatives

MidAmerican Energy employs a number of different derivative instruments in connection with its electric and natural gas and interest rate risk management activities, including forward purchases and sales, futures, swaps and options. Derivative instruments are recorded in the Consolidated Balance Sheets at fair value as either assets or liabilities unless they are designated as, and qualify for, the normal purchases and normal sales exemptions afforded by GAAP. Contracts that qualify as normal purchases or normal sales are not marked to market. Derivative contracts for commodities used in MidAmerican Energy's normal business operations that are settled by physical delivery, among other criteria, are eligible for and may be designated as normal purchases and normal sales pursuant to the exemptions. Recognition of these contracts in operating revenue or cost of sales in the Consolidated Statements of Operations occurs when the contracts settle.

For contracts designated as hedge relationships ("hedge contracts"), MidAmerican Energy formally assesses, at inception and on a quarterly basis, whether the hedge contracts are highly effective in offsetting changes in cash flows of the hedged items. MidAmerican Energy documents hedging activity by transaction type and risk management strategy.

Changes in the fair value of a derivative designated and qualified as a cash flow hedge, to the extent effective, are included in the Consolidated Balance Sheets and the Consolidated Statements of Capitalization as a component of common shareholder's equity, until the hedged item is recognized in income. MidAmerican Energy discontinues hedge accounting prospectively when it has determined that a derivative no longer qualifies as an effective hedge, or when it is no longer probable that the hedged forecasted transaction will occur. When hedge accounting is discontinued because the derivative no longer qualifies as an effective hedge, future changes in the value of the derivative are charged to earnings. Gains and losses related to discontinued hedges that were previously recorded in accumulated other comprehensive income ("AOCI") will remain there until the hedged item is realized, unless it is probable that the hedged forecasted transaction will not occur, at which time associated deferred amounts in AOCI are immediately recognized in current earnings.

Certain derivative electric and gas contracts utilized by the regulated operations of MidAmerican Energy are recoverable through rates. Accordingly, unrealized changes in fair value of these contracts are deferred as regulatory assets or liabilities pursuant to SFAS No. 71.

When available, quoted market prices or prices obtained through external sources are used to measure a contract's fair value. For contracts without available quoted market prices, fair value is determined based on internally developed modeled prices. The fair value of these instruments are a function of underlying current and forward commodity prices, interest rates, currency rates, related volatility, counterparty creditworthiness and duration of the contracts.

Inventories

Inventories are valued at the lower of average cost or market, except for natural gas in storage, which is valued at the lower of last-in-first-out or market. Refer to Note 4 for detail of inventories as of December 31, 2007 and 2006.

Utility Plant, Net

General

Utility plant is recorded at historical cost. MidAmerican Energy capitalizes all construction related material, direct labor costs and contract services, as well as indirect construction costs, which include an allowance for funds used during construction, as discussed below. The cost of major additions and betterments are capitalized, while costs for replacements, maintenance, and repairs that do not improve or extend the lives of the respective assets are charged to maintenance expense. Additionally, MidAmerican Energy has regulatory arrangements in Iowa in which the carrying cost of certain utility plant is reduced for amounts associated with electric returns on equity exceeding threshold levels. Refer to Note 14 for discussion of MidAmerican Energy's revenue sharing arrangements.

Generally, when MidAmerican Energy retires or sells utility plant, it charges the original cost to accumulated depreciation. Any net cost of removal is charged against the cost of removal regulatory liability that was established through depreciation rates. Net salvage is recorded in the related accumulated depreciation and amortization accounts and the residual gain or loss is deferred and subsequently amortized through future depreciation expense. Any gain or loss on disposals of nonregulated assets is recorded in income or expense.

MidAmerican Energy records an allowance for funds used during construction ("AFUDC"), which represents the estimated debt and equity costs of capital funds necessary to finance the construction of regulated facilities. AFUDC is computed based on guidelines set forth by the FERC and capitalized as a component of utility plant cost, with offsetting credits to earnings. After construction is completed, MidAmerican Energy is permitted to earn a return on these costs by their inclusion in rate base, as well as recover these costs through depreciation expense over the useful life of the related assets.

Depreciation and amortization for MidAmerican Energy's utility operations are based on straight-line composite rates. Periodic depreciation studies are performed to determine the appropriate group lives, net salvage and group depreciation rates. The average depreciation and amortization rates applied to depreciable utility plant for the years ended December 31 were as follows:

	2007	2006	2005
Electric	3.4%	3.7%	3.8%
Gas	3.2%	3.3%	3.4%

Depreciation and amortization expense for 2007, 2006 and 2005 also includes $17 million, $42 million and $41 million, respectively, for a regulatory charge pursuant to the terms of a series of electric rate settlement agreements in Iowa. Refer to Note 14 for further discussion. Additionally, depreciation expense for each year presented includes an $8 million charge, which for 2006 and 2005 was equal to the level of MidAmerican Energy's annual funding into external trusts for the estimated decommissioning costs of the Quad Cities Station. Beginning in 2007, MidAmerican Energy reduced its funding into the trusts to $2 million annually. Refer to Note 14 for a discussion of the rate treatment for the decrease in funding.

Asset Retirement Obligations

MidAmerican Energy recognizes legal asset retirement obligations ("ARO"), mainly related to the decommissioning of nuclear generation assets. The fair value of a liability for a legal ARO is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset, which is then depreciated over the remaining useful life of the asset. Subsequent to the initial recognition, the liability is adjusted for any revisions to the expected value of the retirement obligation (with corresponding adjustments to utility plant) and for accretion of the liability due to the passage of time. The difference between the ARO liability, the corresponding ARO asset included in utility plant and amounts recovered in rates to satisfy such liabilities is recorded as a regulatory asset or liability. Estimated removal costs that MidAmerican Energy recovers through approved depreciation rates but that do not meet the requirements of a legal ARO are accumulated in asset retirement removal costs within regulatory liabilities in the Consolidated Balance Sheets.

Impairment

MidAmerican Energy evaluates long-lived assets for impairment, including utility plant, when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable or the assets meet the criteria of held for sale. Upon the occurrence of a triggering event, the asset is reviewed to assess whether the estimated undiscounted cash flows expected from the use of the asset plus residual value from the ultimate disposal exceeds the carrying value of the asset. If the carrying value exceeds the estimated recoverable amounts, the asset is written down to the estimated discounted present value of the expected future cash flows from using the asset. For regulated assets, any impairment charge is offset by the establishment of a regulatory asset to the extent recovery in rates is probable. For all other assets, any resulting impairment loss is reflected in the Consolidated Statements of Operations. The impacts of regulation are considered when evaluating the carrying value of regulated assets.

Revenue Recognition

Revenue from electric customers is recognized as electricity is delivered to customers and includes amounts for services rendered. Revenue from the sale, transportation and distribution of natural gas is recognized when either the service is provided or the product is delivered. Amounts recognized include unbilled as well as billed amounts.

Unbilled revenues are an estimate of the 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 $142 million and $94 million at December 31, 2007 and 2006, respectively, and are included in receivables on the Consolidated Balance Sheets.

All of MidAmerican Energy's regulated retail gas sales are subject to energy adjustment clauses. MidAmerican Energy also has costs that are recovered, at least in part, through bill riders, including energy efficiency costs. The clauses and riders allow MidAmerican Energy to adjust the amounts charged for electric and gas service as the related costs change. The costs recovered in revenues through use of the adjustment clauses and bill riders are charged to expense in the same period the related revenues are recognized. At any given time, these costs may be over or under collected from customers. The total under collection included in receivables at December 31, 2007 and 2006, was $48 million and $34 million, respectively.

In 2006, MidAmerican Energy changed its management strategy with regard to certain nonregulated end-use gas contracts. This change resulted in recording prospectively the related revenues and cost of sales on a gross, rather than net, basis in accordance with Emerging Issues Task Force Issues No. 02-3, "Recognition and Reporting of Gains and Losses on Energy Trading Contracts Under Issues No. 98-10 and 00-17." Cost of sales netted in revenues for such end-use gas contracts totaled $289 million for 2005.

Sales and Excise Tax

MidAmerican Energy collects from its customers sales and excise taxes assessed by governmental authorities on transactions with customers and later remits the collected taxes to the appropriate authority. If the obligation to pay a particular tax resides with the customer, MidAmerican Energy reports such taxes collected on a net basis and, accordingly, they do not affect the Consolidated Statement of Operations. Taxes for which the obligation resides with MidAmerican Energy are reported on a gross basis in operating revenues and operating expenses. The amounts reported on a gross basis are not material.

Unamortized Debt Premiums, Discounts and Financing Costs

Premium, discounts and financing costs incurred during the issuance of long-term debt are amortized over the term of the related financing, using the effective interest method.

Income Taxes

Berkshire Hathaway commenced including MidAmerican Energy Holdings and subsidiaries in its consolidated U.S. federal income tax return in 2006 as a result converting its convertible preferred stock of MidAmerican Energy Holdings into shares of MidAmerican Energy Holdings common stock on February 9, 2006. MidAmerican Funding's and MidAmerican Energy's provision for income taxes has been computed on a stand-alone basis, and substantially all of their respective currently payable income taxes are remitted to MidAmerican Energy Holdings. Prior to the conversion, MidAmerican Energy Holdings filed consolidated U.S. federal income tax returns.

Deferred tax assets and liabilities are based on differences between the financial statements and tax bases of assets and liabilities using the estimated rates in effect for the year in which the differences are expected to reverse. Changes in deferred income tax assets and liabilities that are associated with components of other comprehensive income are charged or credited directly to other comprehensive income. Changes in deferred income tax assets and liabilities that are associated with income tax benefits related to certain property-related basis differences and other various differences that MidAmerican Energy is required to pass on to its customers in Iowa are charged or credited directly to a regulatory asset or regulatory liability. These amounts were recognized as a net regulatory asset totaling $183 million and $165 million as of December 31, 2007 and 2006, respectively, and will be included in rates when the temporary differences reverse. Other changes in deferred income tax assets and liabilities are included as a component of income tax expense.

Investment tax credits are generally deferred and amortized over the estimated useful lives of the related properties.

In determining MidAmerican Funding's and MidAmerican Energy's tax liabilities, management is required to interpret complex tax laws and regulations. In preparing tax returns, MidAmerican Funding and MidAmerican Energy are subject to continuous examinations by federal, state and local tax authorities that may give rise to different interpretations of these complex laws and regulations. Due to the nature of the examination process, it generally takes years before these examinations are completed and these matters are resolved. The U.S. Internal Revenue Service has closed examination of the MidAmerican Energy Holdings consolidated income tax returns through 2003, including components related to MidAmerican Funding and MidAmerican Energy. In addition, open tax years related to a number of state jurisdictions remain subject to examination. Although the ultimate resolution of their federal and state tax examinations is uncertain, each company believes it has made adequate provisions for its tax positions and that the aggregate amount of additional tax liabilities that may result from these examinations, if any, will not have a material adverse affect on its financial results. MidAmerican Funding's and MidAmerican Energy's unrecognized tax benefits are included in taxes accrued and other long-term liabilities, as appropriate, in their respective Consolidated Balance Sheets. Each company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense in the Consolidated Statements of Operations.

New Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"). MidAmerican Energy adopted the provisions of FIN 48 effective January 1, 2007. Under FIN 48, tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement. Unrecognized tax benefits are tax benefits claimed in MidAmerican Energy's tax returns that do not meet these recognition and measurement standards. Refer to Note 12 for additional discussion.

In December 2007, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 141(R), "Business Combinations" ("SFAS No. 141(R)"). SFAS No. 141(R) applies to all transactions or other events in which an entity obtains control of one or more businesses. SFAS No. 141(R) establishes how the acquirer of a business should recognize, measure and disclose in its financial statements the identifiable assets and goodwill acquired, the liabilities assumed and any noncontrolling interest in the acquired business. SFAS No. 141(R) is applied prospectively for all business combinations with an acquisition date on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, with early application prohibited. SFAS No. 141(R) will not have an impact on MidAmerican Energy's historical Consolidated Financial Statements and will be applied to business combinations completed, if any, on or after to January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51" ("SFAS No. 160"). SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 requires entities to report noncontrolling interests as a separate component of shareholders' equity in the consolidated financial statements. The amount of earnings attributable to the parent and to the noncontrolling interests should be clearly identified and presented on the face of the consolidated statements of operations. Additionally, SFAS No. 160 requires any changes in a parent's ownership interest of its subsidiary, while retaining its control, to be accounted for as equity transactions. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008 and interim periods within those fiscal years. MidAmerican Energy is currently evaluating the impact of adopting SFAS No. 160 on its consolidated financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – including an amendment of FASB Statement No. 115" ("SFAS No. 159"). SFAS No. 159 permits entities to elect to measure many financial instruments and certain other items at fair value. Upon adoption of SFAS No. 159, an entity may elect the fair value option for eligible items that exist at the adoption date. Subsequent to the initial adoption, the election of the fair value option may only be made at initial recognition of the asset or liability or upon a re-measurement event that gives rise to new-basis accounting. The decision about whether to elect the fair value option is applied on an instrument-by-instrument basis, is irrevocable and is applied only to an entire instrument and not only to specified risks, cash flows or portions of that instrument. SFAS No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value nor does it eliminate disclosure requirements included in other accounting standards. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. MidAmerican Funding and MidAmerican Energy do not anticipate electing the fair value option for any existing eligible items. However, each will continue to evaluate items on a case-by-case basis for consideration of the fair value option.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 does not impose fair value measurements on items not already accounted for at fair value; rather it applies, with certain exceptions, to other accounting pronouncements that either require or permit fair value measurements. Under SFAS No. 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market. The standard clarifies that fair value should be based on the assumptions market participants would use when pricing the asset or liability. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. MidAmerican Funding and MidAmerican Energy are currently evaluating the impact of adopting SFAS No. 157 on their respective consolidated financial position and results of operations.

(3) Jointly Owned Utility Plant

Under joint ownership agreements with other utilities, MidAmerican Energy, as a tenant in common, has undivided interests in jointly owned generation and transmission facilities. MidAmerican Energy accounts for its proportional share of each facility, and each joint owner has provided financing for its share of each generating plant or transmission line. Operating costs of each facility are assigned to joint owners based on ownership percentage or energy purchased, depending on the nature of the cost. Operating expenses on the Consolidated Statements of Operations include MidAmerican Energy's share of the expenses of these facilities.

The amounts shown in the table below represent MidAmerican Energy's share in each jointly owned facility as of December 31, 2007 (dollars in millions).

	Company Share	Plant in Service [(1)]	Accumulated Depreciation	Construction Work in Progress
Walter Scott, Jr. Unit No. 4	59.7%	$ 634	$ 10	$ -
Louisa Unit No. 1	88.0	750	352	1
Walter Scott, Jr. Unit No. 3	79.1	345	227	86
Quad Cities Unit Nos. 1 & 2	25.0	320	149	9
Ottumwa Unit No. 1	52.0	264	147	3
George Neal Unit No. 4	40.6	169	123	-
George Neal Unit No. 3	72.0	142	105	2
Transmission facilities [(2)]	Various	169	46	-
Total		$ 2,793	$ 1,159	$ 101

(1) Plant in Service amounts are net of credits applied under the Iowa revenue sharing arrangements. Refer to Note 14 for a discussion of MidAmerican Energy's revenue sharing arrangements.

(2) Transmission facilities include 345 and 161 kilovolt transmission lines.

In 2007, MidAmerican Energy implemented a practice of retiring fully amortized spent nuclear fuel two years after it is removed from a Quad Cities Station reactor. Accordingly, electric utility plant and accumulated depreciation and amortization were each reduced by $227 million, the original cost of the qualifying spent nuclear fuel. The adjustment did not affect net utility plant, net income or cost of service.

Walter Scott Energy Center ("WSEC") Unit 4, a 790-megawatt ("MW") (summer accredited capacity) supercritical, coal-fired generating plant, began commercial operation on June 1, 2007. In conjunction with WSEC Unit 4 being placed in service, certain Consolidated Balance Sheet classifications were impacted, the most significant of which was the transfer of $710 million from construction work in progress to electric utility plant. Additionally, as discussed in Note 14, $264 million was transferred from the revenue sharing regulatory liability to electric utility plant in accordance with the related Iowa regulatory settlement agreements.

During the construction of WSEC Unit 4, MidAmerican Energy was allowed to defer payments for up to $200 million of billed construction costs through the end of the project. A $200 million liability is reflected in Accounts Payable on the Consolidated Balance Sheet as of December 31, 2006, for the deferred payments. Additionally, a $79 million asset representing the other owners' share of the deferred payments is reflected on the Consolidated Balance Sheets in Current Assets - Other as of December 31, 2006. The liability and asset were settled in June 2007 with MidAmerican Energy's payment to the contractor and receipt of cash from the other owners of WSEC Unit 4 for their share of the costs.

(4) Inventories

Inventories includes the following amounts as of December 31 (in millions):

	2007	2006
Materials and supplies, at average cost	$ 62	$ 49
Coal stocks, at average cost	41	26
Natural gas in storage, at LIFO cost	25	33
Fuel oil, at average cost	4	4
Emission allowances, at average cost	1	1
Total	$ 133	$ 113

The current cost of natural gas in storage at December 31, 2007 and 2006 prices was $98 million and $110 million, respectively.

(5) Investments and Nonregulated Property, Net

Investments and nonregulated property, net includes the following amounts as of December 31 (in millions):

	2007	2006
Nuclear decommissioning trusts	$ 276	$ 259
Rabbi trusts	136	124
Auction rate securities	40	-
Non-utility property, net of accumulated depreciation of $6 and $5, respectively	16	17
Coal transportation property, net of accumulated depreciation of $3 and $3, respectively	9	9
Other	1	1
Total	$ 478	$ 410

General

Investments held by the nuclear decommissioning trusts for the Quad Cities Station units are classified as available-for-sale and are reported at fair value. An amount equal to the net unrealized gains and losses on those investments is recorded as an adjustment to regulatory liabilities on the Consolidated Balance Sheets. Funds are invested in the trusts in accordance with applicable federal investment guidelines and are restricted for use as reimbursement for costs of decommissioning Quad Cities Station.

The investment in rabbi trusts represents the cash surrender value of corporate-owned life insurance policies on certain key executives and the fair value of other related investments. The rabbi trusts were established to hold investments used to fund the obligations of various nonqualified executive and director compensation plans and to pay the costs of the trusts.

MidAmerican Energy has invested in AAA-rated interest bearing auction rate securities with remaining maturities of 9 to 28 years. These auction rate securities normally provide liquidity via an auction process that resets the applicable interest rate at predetermined calendar intervals, usually every 28 days or less. Interest on these securities has been paid on the scheduled auction dates. During the third and fourth quarters of 2007, auctions for the $40 million of MidAmerican Energy's investments in auction rate securities failed. The failures resulted in the interest rate on these investments resetting at higher levels. Although there is no current liquid market for the auction rate securities, MidAmerican Energy believes the underlying creditworthiness of the repayment sources for these securities' principal and interest, has not materially deteriorated. Therefore, the fair value of these investments approximates the carrying amount as of December 31, 2007. Historically, given the liquidity created by the auctions, auction rate securities were presented in current assets as short-term investments on the Consolidated Balance Sheet. Given the failed auctions, it is uncertain if MidAmerican Energy's auction rate securities will be sold within the next twelve months. Accordingly, the entire amount of such remaining balance has been classified as investments and nonregulated property, net on the Consolidated Balance Sheet as of December 31, 2007.

Non-utility property includes computer software, land and other assets not recoverable for regulated utility purposes. In 2006, MidAmerican Energy constructed $9 million of currently non-recoverable utility transmission assets, which are being depreciated over 55 years. Other depreciable property consists primarily of computer software, which is amortized on a straight-line basis over five years.

The coal transportation property is owned and operated by CBEC Railway Inc., a subsidiary of MidAmerican Energy. The property is depreciated on a straight-line basis over 37 years.

Investments in Debt and Equity Securities

MidAmerican Energy's investments in debt and equity securities, other than auction rate securities, consist of the investments in the Quad Cities Station nuclear decommissioning trusts. The amortized cost, gross unrealized gains and losses and estimated fair value of these investments as of December 31 were as follows (in millions):

	2007			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 91	$ 63	$ (4)	$ 150
Municipal bonds	27	1	-	28
U. S. Government securities	59	3	-	62
Corporate securities	35	1	-	36
	$ 212	$ 68	$ (4)	$ 276

	2006			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 89	$ 57	$ (1)	$ 145
Municipal bonds	24	-	-	24
U. S. Government securities	54	-	-	54
Corporate securities	34	1	-	35
Cash equivalents	1	-	-	1
	$ 202	$ 58	$ (1)	$ 259

As of December 31, 2007, the debt securities held by the Quad Cities Station nuclear decommissioning trusts had the following maturities (in millions):

	Available-For-Sale	
	Amortized Cost	Fair Value
Within 1 year	$ 3	$ 3
1 through 5 years	44	45
5 through 10 years	30	32
Over 10 years	44	46

The proceeds and gross realized gains and losses on the disposition of available-for-sale securities in the Quad Cities Station nuclear decommissioning trusts are shown in the following table for the years ended December 31 (in millions). Realized and unrealized gains and losses in the trusts are recorded in the regulatory liability related to the Quad Cities Station asset retirement obligation and do not impact earnings. Realized gains and losses are determined by specific identification.

	2007	2006	2005
Proceeds from sales	$ 128	$ 159	$ 90
Gross realized gains	4	4	3
Gross realized losses	(2)	(2)	(2)

(6) Regulatory Assets and Liabilities

Regulatory assets represent costs that are expected to be recovered in future charges to utility customers. Of the regulatory assets listed below, only the nuclear generation assets are included in rate base and earn a return. Recovery of the assets is estimated to be over the periods shown. MidAmerican Energy's regulatory assets reflected on the Consolidated Balance Sheets consist of the following as of December 31 (in millions):

	Average Remaining Life	2007	2006
Deferred income taxes, net [1]	27 years	$ 183	$ 165
Employee benefit plans [2]	16 years	32	46
Unrealized loss on regulated derivatives	1 year	20	36
Debt refinancing costs	8 years	9	10
Asset retirement obligations	9 years	8	7
Nuclear generation assets	13 years	6	6
Other	Various	10	3
Total		$ 268	$ 273

(1) Amounts represent income tax benefits related to state accelerated tax depreciation and certain property-related basis differences that were previously flowed through to customers and will be included in rates when the differences reverse.

(2) Amount represents unrecognized components of benefit plan funded status that are recoverable in rates when recognized in net periodic benefit costs.

Regulatory liabilities represent income to be recognized or returned to customers in future periods. MidAmerican Energy's regulatory liabilities reflected on the Consolidated Balance Sheets consist of the following as of December 31 (in millions):

	Average Remaining Life	2007	2006
Cost of removal accrual [1]	27 years	$ 491	$ 466
Employee benefit plans [2]	16 years	148	122
Asset retirement obligations	30 years	126	118
Iowa electric settlement accrual [3]	1 year	17	259
Nuclear outage reserve	1 year	9	-
Unrealized gain on regulated derivatives	-	-	22
Nuclear insurance reserve	46 years	2	2
Total		$ 793	$ 989

(1) Amounts represent the remaining cost of removing (exclusive of ARO liabilities) electric and gas assets and have been accrued through depreciation rates, in accordance with generally accepted regulatory practices.

(2) Amount represents unrecognized components of benefit plan funded status that are recoverable in rates when recognized in net periodic benefit costs.

(3) Refer to Note 14 for a discussion of the disposition of Iowa electric settlement accruals.

(7) Preferred Securities

The total outstanding cumulative preferred securities of MidAmerican Energy are not subject to mandatory redemption requirements and may be redeemed at the option of MidAmerican Energy at prices which, in the aggregate, total $31 million. The aggregate total the holders of all preferred securities outstanding at December 31, 2007, are entitled to upon involuntary bankruptcy is $30 million plus accrued dividends. Annual dividend requirements for all preferred securities outstanding at December 31, 2007, total $1 million.

(8) Long-Term Debt

MidAmerican Energy's annual sinking fund requirements and maturities of long-term debt for the next five years are $1 million for 2008, $- for 2009 through 2011 and $400 million for 2012. Refer to MidAmerican Energy's Consolidated Statements of Capitalization for detail of long-term debt.

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 floating or fixed rate alternatives. The interest rates shown in the Consolidated Statements of Capitalization are the weighted average interest rates as of December 31, 2007 and 2006. MidAmerican Energy maintains a revolving credit facility agreement to provide liquidity for holders of these issues.

The indenture pertaining to MidAmerican Energy's unsecured senior notes provides that if MidAmerican Energy were to issue secured debt in the future, then such unsecured senior notes, as may then be existing, would equally and ratably be secured thereby. As of December 31, 2007, MidAmerican Energy was in compliance with all of its applicable long-term debt covenants.

On June 29, 2007, MidAmerican Energy issued $400 million of 5.65% Senior Notes due July 15, 2012, and $250 million of 5.95% Senior Notes due July 15, 2017. The proceeds were used by MidAmerican Energy to pay construction costs of its interest in WSEC Unit 4 and its wind projects in Iowa, to repay short-term indebtedness and for general corporate purposes.

(9) Short-Term Borrowings

Interim financing of working capital needs and the construction program is obtained from unaffiliated parties through the sale of commercial paper or short-term borrowing from banks.

MidAmerican Energy has a $500 million unsecured revolving credit facility expiring in July 2012, which supports its $380 million commercial paper program and its variable rate pollution control revenue obligations. The credit facility has a variable interest rate based on the London Interbank Offered Rate ("LIBOR") plus 0.115%, that varies based on MidAmerican Energy's credit ratings for its senior unsecured long-term debt securities. The related credit agreement requires that MidAmerican Energy's ratio of consolidated debt to total capitalization, including current maturities, not exceed 0.65 to 1.0 as of the last day of any quarter. In addition, MidAmerican Energy has a $5 million line of credit, which expires in June 2008, and has a variable interest rate based on LIBOR plus 0.25%. As of December 31, 2007, MidAmerican Energy had $86 million of commercial paper outstanding at a weighted average interest rate of 4.46%. The remaining amount of the revolving credit facility and the full amount of the line of credit was available. As of December 31, 2007, MidAmerican Energy was in compliance with all covenants related to its short-term borrowings. MidAmerican Energy has authority from the FERC to issue through April 14, 2009, short-term debt in the form of commercial paper and bank notes aggregating $800 million.

(10) Asset Retirement Obligations

MidAmerican Energy records an asset retirement obligation ("ARO") for legal obligations related to the retirement of long-lived physical assets. MidAmerican Energy estimates its ARO liabilities based upon detailed engineering calculations of the amount and timing of the future cash spending for a third party to perform the required work.

Spending estimates are escalated for inflation and discounted at a credit-adjusted, risk-free rate. MidAmerican Energy then records an ARO asset associated with the liability. The ARO assets are depreciated over their expected lives, and the ARO liabilities are accreted to the projected spending date. Changes in estimates could occur due to plan revisions, changes in estimated costs of nuclear decommissioning and other costs and changes in timing of the performance of removal activities.

On December 31, 2005, MidAmerican Energy adopted FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143" ("FIN 47"). FIN 47 clarifies that the term *conditional asset retirement obligation* as used in SFAS No. 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Accordingly, MidAmerican Energy is required to recognize a liability for the fair value of a conditional ARO if the fair value of the liability can be reasonably estimated. Uncertainty about the timing or method of settlement of a conditional ARO should be factored into the measurement of the liability when sufficient information exists.

In conjunction with the adoption of FIN 47, MidAmerican Energy recorded as of December 31, 2005, $11 million of ARO liabilities related to conditional ARO's and an $11 million reduction of regulatory liabilities. Adoption of FIN 47 did not impact net income. The total ARO liability, computed on a pro forma basis as if FIN 47 had been applied during each of the periods presented in the consolidated financial statements, would have been $177 million as of January 1, 2005.

The change in the balance of the total ARO liability is summarized as follows (in millions):

	2007	2006
Balance as of January 1	$ 173	$ 191
Revision to nuclear decommissioning ARO liability	-	(30)
Other revisions, net	(1)	1
Accretion	10	11
Balance as of December 31	$ 182	$ 173

As of December 31, 2007, $150 million of the total ARO liability pertained to the decommissioning of Quad Cities Station, and $276 million of assets reflected in investments and nonregulated property, net, were restricted for satisfying the Quad Cities Station ARO liability. The 2006 revision to the nuclear decommissioning ARO liability is a result of a new valuation that was conducted by the operator of Quad Cities Station, consistent with its practice of periodically performing such studies. The revision increased regulatory liabilities and did not impact net income.

In addition to the ARO liabilities, MidAmerican Energy has accrued for the cost of removing other electric and gas assets through its depreciation rates, in accordance with accepted regulatory practices. These accruals are reflected as regulatory liabilities and totaled $491 million and $466 million at December 31, 2007 and 2006, respectively.

(11) Risk Management

MidAmerican Energy is exposed to the impact of market fluctuations in commodity prices, principally natural gas and electricity. Interest rate risk exists on variable rate debt, commercial paper and future debt issuances. MidAmerican Energy employs established policies and procedures to manage its risks associated with these market fluctuations using various commodity and financial derivative instruments, including forward contracts, futures, options, swaps and other over-the-counter agreements. The risk management process established by each business platform is designed to identify, assess, monitor, report, manage, and mitigate each of the various types of risk involved in its business. MidAmerican Energy does not engage in a material amount of proprietary trading activities.

The following table summarizes the various derivative mark-to-market positions included in the Consolidated Balance Sheet as of December 31, 2007 (in millions):

	Derivative Net Assets (Liabilities)			Regulatory Net Assets (Liabilities)	Accumulated Other Comprehensive (Income) Loss [1]
	Assets	Liabilities	Net		
Regulated electric	$ 6	$ (9)	$ (3)	$ 3	$ -
Regulated gas	5	(19)	(14)	17	-
Nonregulated	13	(12)	1	-	(1)
Total	$ 24	$ (40)	$ (16)	$ 20	$ (1)
Current	$ 22	$ (38)	$ (16)		
Non-current	2	(2)	-		
Total	$ 24	$ (40)	$ (16)		

(1) Before income taxes.

The following table summarizes the various derivative mark-to-market positions included in the Consolidated Balance Sheet as of December 31, 2006 (in millions):

	Derivative Net Assets (Liabilities)			Regulatory Net Assets (Liabilities)	Accumulated Other Comprehensive (Income) Loss [1]
	Assets	Liabilities	Net		
Regulated electric	$ 36	$ (14)	$ 22	$ (22)	$ -
Regulated gas	2	(45)	(43)	36	-
Nonregulated	35	(56)	(21)	-	20
Total	$ 73	$ (115)	$ (42)	$ 14	$ 20
Current	$ 67	$ (109)	$ (42)		
Non-current	6	(6)	-		
Total	$ 73	$ (115)	$ (42)		

(1) Before income taxes.

Commodity Price Risk

MidAmerican Energy is subject to significant commodity risk. Exposures include variations in the price of wholesale electricity that is purchased and sold, fuel costs to generate electricity, and natural gas supply for regulated retail gas customers. Electricity and natural gas prices are subject to wide price swings as demand responds to, among many other items, changing weather, limited storage, transmission and transportation constraints, and lack of alternative supplies from other areas. To mitigate a portion of the risk, MidAmerican Energy uses derivative instruments, including forwards, futures, options, swap and other over-the-counter agreements, to effectively secure future supply or sell future production at fixed prices. The settled cost of these contracts is generally recovered from customers in regulated rates. Accordingly, the net unrealized gains and losses associated with interim price movements on contracts that are accounted for as derivatives, that are probable of recovery in rates, are recorded as regulatory net assets or liabilities.

MidAmerican Energy also uses futures, options and swap agreements to economically hedge gas commodity prices for physical delivery to nonregulated customers. MidAmerican Energy also enters into forward physical supply contracts and swap agreements to economically hedge electricity commodity prices for physical delivery to nonregulated customers. Nonregulated retail physical electricity contracts are considered normal purchases or sales and gains and losses on such contracts are recognized when settled. All other nonregulated gas and electric contracts are recorded at fair value.

Realized gains and losses on all hedges and hedge ineffectiveness are recognized in income as operating revenue, cost of sales or operating expenses depending upon the nature of the item being hedged. Net unrealized gains and losses on hedges utilized for regulated purposes are generally recorded as regulatory assets and liabilities. For the year ended December 31, 2007, hedge ineffectiveness was insignificant. As of December 31, 2007, $1 million of pre-tax net unrealized gains are forecasted to be reclassified from AOCI into earnings over the next twelve months as contracts settle.

(12) Income Taxes

MidAmerican Energy's income tax expense (benefit) includes the following for the years ended December 31 (in millions):

	2007	2006	2005
Current:			
Federal	$ 86	$ 91	$ 91
State	21	29	24
	107	120	115
Deferred:			
Federal	33	12	7
State	(7)	(11)	(3)
	26	1	4
Investment tax credit, net	(3)	(3)	(4)
Total	$ 130	$ 118	$ 115

A reconciliation of the federal statutory income tax rate and the effective federal and state income tax rate indicated by the Consolidated Statements of Operations for the years ended December 31:

	2007	2006	2005
Federal statutory income tax rate	35%	35%	35%
Amortization of investment tax credit	(1)	(1)	(1)
State income tax, net of federal income tax benefit	4	5	5
Renewable electricity production tax credits	(7)	(6)	(3)
Effects of ratemaking	(2)	(2)	(2)
Other	(1)	-	-
Effective federal and state income tax rate	28%	31%	34%

The Consolidated Balance Sheets included the following deferred income taxes as of December 31 (in millions):

	2007	2006
Deferred tax assets related to:		
Regulatory liabilities	$ 144	$ 136
Revenue sharing	8	110
Employee benefits	48	51
Nuclear reserves and decommissioning	24	23
Unrealized losses, net	8	14
Fuel cost recoveries	8	5
Uncertain tax benefits	11	-
Other	27	21
	278	360
Deferred tax liabilities related to:		
Depreciable property	(533)	(577)
Regulatory assets	(239)	(233)
Reacquired debt	(2)	(3)
Other	(10)	(10)
	(784)	(823)
Net deferred income tax liability	$ (506)	$ (463)

The net deferred income tax liability was reflected as follows on the Consolidated Balance Sheets as of December 31, (in millions).

	2007	2006
Current assets - other	$ 11	$ 8
Deferred income taxes	(517)	(471)
Net deferred income tax liability	$ (506)	$ (463)

MidAmerican Energy adopted FIN 48 effective January 1, 2007, and had $25 million of net unrecognized tax benefits. Of this amount, MidAmerican Energy recognized a net increase in the liability for unrecognized tax benefits of $11 million as a cumulative effect of adopting FIN 48, which was offset by reductions in beginning retained earnings of $1 million and deferred income tax liabilities of $9 million and an increase in regulatory assets of $1 million in the Consolidated Balance Sheet. The remaining $14 million had been previously accrued under SFAS No. 5, "Accounting for Contingencies," or SFAS No. 109, "Accounting for Income Taxes." Unrecognized tax benefits are included in other liabilities – other in the Consolidated Balance Sheet as of December 31, 2007.

As of December 31, 2007, net unrecognized tax benefits totaled $37 million, which included $19 million of tax positions that, if recognized, would have an impact on the effective tax rate. The remaining unrecognized tax benefits relate to tax positions for which ultimate deductibility is highly certain but for which there is uncertainty as to the timing of such deductibility. Recognition of these tax benefits, other than applicable interest and penalties, would not affect MidAmerican Energy's effective tax rate.

(13) Non-Operating Other Income and Expense

Non-operating income - other income, as shown on the Consolidated Statements of Operations, includes primarily corporate-owned life insurance income totaling $7 million, $7 million and $5 million for 2007, 2006 and 2005, respectively.

Non-operating income - other expense consists primarily of items not recoverable from MidAmerican Energy's regulated utility customers.

(14) Rate Matters

The IUB has approved a series of settlement agreements between MidAmerican Energy, the Iowa Office of Consumer Advocate ("OCA") and other intervenors, under which MidAmerican Energy has agreed not to seek a general increase in electric base rates to become effective prior to January 1, 2014, unless its Iowa jurisdictional electric return on equity for any year covered by the applicable agreement falls below 10%, computed as prescribed in each respective agreement. Prior to filing for a general increase in electric rates, MidAmerican Energy is required to conduct 30 days of good faith negotiations with the signatories to the settlement agreements to attempt to avoid a general increase in such rates. As a party to the settlement agreements, the OCA has agreed not to request or support any decrease in MidAmerican Energy's Iowa electric base rates to become effective prior to January 1, 2014. The settlement agreements specifically allow the IUB to approve or order electric rate design or cost of service rate changes that could result in changes to rates for specific customers as long as such changes do not result in an overall increase in revenues for MidAmerican Energy.

The settlement agreements also each provide that revenues associated with Iowa retail electric returns on equity within specified ranges will be shared with customers and that the portion assigned to customers will be recorded as a regulatory liability.

The following table summarizes the ranges of Iowa electric returns on equity subject to revenue sharing under each settlement agreement, the percent of revenues within those ranges to be assigned to customers, and the method by which the liability to customers will be settled.

Date Approved by the IUB	Years Covered	Range of Iowa Electric Return on Equity Subject to Sharing	Customers' Share of Revenues Within Range	Method to be Used to Settle Liability to Customers
December 21, 2001	2001 - 2005	12% - 14%	50%	Credits against the cost of new generation plant in Iowa
		Above 14%	83.33%	
October 17, 2003	2006 - 2010	11.75% - 13%	40%	Credits against the cost of new generation plant in Iowa
		13% - 14%	50%	
		Above 14%	83.3%	
January 31, 2005	2011	Same as 2006 -2010		Credits to customer bills in 2012
April 18, 2006	2012	Same as 2006 -2010		Credits to customer bills in 2013
July 27, 2007	2013	Same as 2006 -2010 (1)		Credits against the cost of wind-powered generation projects covered by this agreement

(1) If a rate case is filed pursuant to the 10% threshold, as discussed above, the revenue sharing arrangement for 2013 is changed such that the amount to be shared with customers will be 83.3% of revenues associated with Iowa electric operating income in excess of returns on equity allowed by the IUB as a result of the rate case.

Under the 2007 settlement agreement, effective January 1, 2007, through December 31, 2013 (or December 31, 2012, in the event there is a rate increase in 2013), MidAmerican Energy has reduced its funding into the Quad Cities Station's decommissioning trusts from the 2006 level of $8 million annually to a new level of $2 million annually. The difference will be used to reduce electric base rates in 2008 and 2009 for MidAmerican Energy's residential customers in eastern and southern Iowa service territories previously served by two of MidAmerican Energy's predecessor companies. To the extent the reduction in funding exceeds the annual amount needed to implement these rate reductions, as approved by the IUB, the excess will be used during the period 2007 through 2013 (or 2007 through 2012 in the event there is a rate increase in 2013), to reduce MidAmerican Energy's investment in WSEC Unit 4.

The regulatory liabilities created by the settlement agreements have been and are currently recorded as a regulatory charge in depreciation and amortization expense when the liability is accrued. As a result of the credits applied to generating plant balances when the related plant is placed in service, depreciation expense is reduced over the life of the plant. On June 1, 2007, WSEC Unit 4 was placed in service. Accordingly, the January 1, 2007 balance of the revenue sharing liability, plus the related interest accrued in 2007, was applied against the cost of WSEC Unit 4 in utility plant in service.

The change in the balance of the regulatory liability is summarized as follows (in millions):

	2007	2006
Balance January 1	$ 259	$ 213
Current year revenue sharing	17	42
Interest costs	5	10
Amounts applied to utility plant in service	(264)	(6)
Balance December 31	$ 17	$ 259

(15) Commitments and Contingencies

Environmental Matters

MidAmerican Energy is subject to numerous environmental laws, including the federal Clean Air Act, related air quality standards promulgated by the United States Environmental Protection Agency ("EPA") and various state air quality laws; the Endangered Species Act, particularly as it relates to certain endangered species of fish; the Comprehensive Environmental Response, Compensation and Liability Act and similar state laws relating to environmental cleanups; the Resource Conservation and Recovery Act and similar state laws relating to the storage and handling of hazardous materials; and the Clean Water Act and similar state laws relating to water quality. These laws have the potential for impacting MidAmerican Energy's operations. Specifically, the Clean Air Act will likely continue to impact the operation of MidAmerican Energy's generating facilities and will likely require MidAmerican Energy to reduce emissions from those facilities through the installation of additional or improved emission controls, the purchase of additional emission allowances, or some combination thereof. MidAmerican Energy believes it is in material compliance with current environmental requirements.

The EPA's regulation of certain pollutants under the Clean Air Act, and its failure to regulate other pollutants, is being challenged by various lawsuits brought by both individual state attorney generals and environmental groups. To the extent that these actions may be successful in imposing additional and/or more stringent regulation of emissions on fossil-fueled facilities in general and MidAmerican Energy's facilities in particular, such actions could significantly impact MidAmerican Energy's fossil-fueled facilities and, therefore, its financial results.

Unconditional Purchase Obligations

MidAmerican Energy had the following unconditional purchase obligations as of December 31, 2007 (in millions):

	Minimum payments required for						
Contract type	2008	2009	2010	2011	2012	After 2012	Total
Coal and natural gas for generation	$ 132	$ 80	$ 62	$ 15	$ 14	$ -	$ 303
Electric capacity	36	28	9	9	10	147	239
Pipeline transportation for gas operations	67	59	50	46	28	13	263
Operating leases, easements and maintenance contracts	16	11	10	9	6	98	150
	$ 251	$ 178	$ 131	$ 79	$ 58	$ 258	$ 955

Coal, Electric Capacity and Pipeline Transportation Commitments

MidAmerican Energy has coal supply and related transportation contracts for its coal-fired generating stations. The contracts have expiration dates ranging from 2008 to 2012. MidAmerican Energy expects to supplement these coal contracts with additional contracts and spot market purchases to fulfill its future coal supply needs. Additionally, MidAmerican Energy has a natural gas transportation contract, which expires in 2012, for a natural gas-fired generating plant.

MidAmerican Energy has contracts to purchase electric capacity to meet its electric system energy requirements. The contracts have expiration dates ranging from 2008 to 2028.

MidAmerican Energy also has various natural gas supply and transportation contracts for its gas operations that have expiration dates ranging from 2008 to 2017.

Operating Leases, Easements and Maintenance Contracts

MidAmerican Energy has non-cancelable operating leases with expiration dates from 2008 to 2015 primarily for computer equipment, office space and rail cars. MidAmerican Energy also has non-cancelable easements for land in Iowa on which its wind-farm turbines are located, as well as non-cancelable maintenance contracts for the turbines. The easements have expiration dates from 2034 to 2057, and the maintenance contracts have expiration dates from 2008 to 2012. Payments on non-cancelable operating leases, easements and maintenance contracts totaled $15 million for 2007, $12 million for 2006 and $10 million for 2005.

Guarantees

MidAmerican Energy is the lessee on operating leases for coal railcars that contain guarantees of the residual value of such equipment throughout the term of the leases. Events triggering the residual guarantees include termination of the lease, loss of the equipment or purchase of the equipment. Lease terms are for five years with provisions for extensions. As of December 31, 2007, the maximum amount of such guarantees specified in these leases totaled $28 million. These guarantees are not reflected on the Consolidated Balance Sheets.

Other Commitments and Contingencies

MidAmerican Energy is involved in a number of 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 MidAmerican Energy's financial results.

(16) Employee Benefit Plans

MidAmerican Energy sponsors a noncontributory defined benefit pension plan covering substantially all employees of MidAmerican Energy Holdings and its domestic energy subsidiaries, other than PacifiCorp. Benefit obligations under the plan are based on a cash balance arrangement for salaried employees and certain union employees and final average pay formulas for most union employees. Salaried employees hired on or after January 1, 2008 are not eligible to participate in the pension plan. These salaried employees will be eligible to receive enhanced benefits under MidAmerican Energy's defined contribution plan. MidAmerican Energy also maintains noncontributory, nonqualified defined benefit supplemental executive retirement plans ("SERP") for certain active and retired participants.

MidAmerican Energy also sponsors certain postretirement health care and life insurance benefits covering substantially all retired employees of MidAmerican Energy Holdings and its domestic energy subsidiaries, other than PacifiCorp. Under the plans, substantially all employees of the participating companies may become eligible for these benefits if they reach retirement age while working at their respective companies. The other postretirement benefit plan was amended for non-union employees on July 1, 2004, and substantially all union participants on July 1, 2006. As a result, non-union employees hired after June 30, 2004, and union employees hired after June 30, 2006, are not eligible for postretirement benefits other than pensions. The plan, as amended, provides retiree medical accounts for participants to which MidAmerican Energy makes fixed contributions until the employee's retirement. Participants will use such accounts to pay a portion of their medical premiums during retirement. MidAmerican Energy retains the right to change these benefits anytime, subject to the provisions in its collective bargaining agreements. MidAmerican Energy has been allowed to recover accrued pension and other postretirement benefit costs in its electric and gas service rates.

MidAmerican Energy adopted the provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – *an amendment of FASB Statements No. 87, 88, 106, and 132(R)*" ("SFAS No. 158"), as of December 31, 2006. Adoption of SFAS No. 158 resulted in the full recognition on the MidAmerican Energy's Consolidated Balance Sheets of the funded status of its pension and postretirement plans.

MidAmerican Energy bills to and is reimbursed currently for affiliates' share of the net periodic benefit costs from all plans in which such affiliates participate. In 2007, 2006 and 2005, MidAmerican Energy's share of pension cost was $16 million, $18 million and $17 million, respectively. MidAmerican Energy's share of other postretirement cost in 2007, 2006 and 2005 totaled $8 million, $14 million and $13 million, respectively. For purposes of calculating the expected return on pension plan assets, a market-related value is used. Market-related value is equal to fair value except for gains and losses on equity investments, which are amortized into market-related value on a straight-line basis over five years.

Net periodic benefit cost for the pension, including SERP, and other postretirement benefits plans of MidAmerican Energy and the aforementioned affiliates included the following components for the years ended December 31 (in millions):

	Pension			Other Postretirement		
	2007	2006	2005	2007	2006	2005
Service cost	$ 27	$ 25	$ 26	$ 6	$ 7	$ 7
Interest cost	39	38	36	14	15	13
Expected return on plan assets	(43)	(38)	(38)	(14)	(10)	(10)
Net amortization	4	4	4	2	4	4
Net periodic benefit cost	$ 27	$ 29	$ 28	$ 8	$ 16	$ 14

The following table is a reconciliation of the fair value of plan assets as of December 31 (in millions):

	Pension		Other Postretirement	
	2007	2006	2007	2006
Plan assets at fair value, beginning of year	$ 664	$ 613	$ 214	$ 191
Employer contributions	6	6	12	18
Participant contributions	-	-	9	9
Actual return on plan assets	57	82	10	16
Benefits paid and other	(52)	(37)	(20)	(20)
Plan assets at fair value, end of year	$ 675	$ 664	$ 225	$ 214

The SERP has no plan assets; however, MidAmerican Energy and MidAmerican Energy Holdings have Rabbi trusts that hold corporate-owned life insurance and other investments to provide funding for the future cash requirements of the SERP. The cash surrender value of all of the policies included in the Rabbi trusts, net of amounts borrowed against the cash surrender value, plus the fair market value of other Rabbi trust investments, was $119 million and $109 million as of December 31, 2007 and 2006, respectively, of which $80 million and $74 million was held by MidAmerican Energy as of December 31, 2007 and 2006, respectively, with the remainder held by MidAmerican Energy Holdings. These assets are not included in the plan assets in the above table. The portion of the pension projected benefit obligation, included in the table below, related to the SERP was $103 million and $107 million as of December 31, 2007 and 2006, respectively.

The following table is a reconciliation of the benefit obligation as of December 31 (in millions):

	Pension		Other Postretirement	
	2007	2006	2007	2006
Benefit obligation, beginning of year	$ 704	$ 678	$ 258	$ 250
Service cost	27	25	6	7
Interest cost	39	38	14	15
Participant contributions	-	-	9	9
Plan change	-	4	-	(16)
Actuarial (gain) loss	(17)	(4)	(10)	13
Benefits paid and other	(52)	(37)	(20)	(20)
Benefit obligation, end of year	$ 701	$ 704	$ 257	$ 258
Accumulated benefit obligation, end of year	$ 641	$ 643		

The SERP accumulated benefit obligation totaled $100 million and $103 million as of December 31, 2007 and 2006, respectively.

The funded status of the plans and the amounts recognized in the Consolidated Balance Sheets as of December 31 are as follows (in millions):

	Pension		Other Postretirement	
	2007	2006	2007	2006
Plan assets at fair value, end of year	$ 675	$ 664	$ 225	$ 214
Less - Benefit obligation, end of year	701	704	257	258
Funded status	$ (26)	$ (40)	$ (32)	$ (44)
Amounts recognized in the Consolidated Balance Sheets:				
Other current liabilities	$ (7)	$ (7)	$ -	$ -
Other assets	77	67	-	-
Other liabilities	(96)	(100)	(32)	(44)
Amounts recognized	$ (26)	$ (40)	$ (32)	$ (44)

MidAmerican Energy sponsors pension and other postretirement plans on behalf of certain of its affiliates in addition to itself, and therefore, the portion of the funded status of the respective plans that has not yet been recognized in net periodic cost is attributable to multiple entities. Additionally, substantially all of MidAmerican Energy's portion of such amounts is either refundable to or recoverable from its customers and is reflected as regulatory liabilities and regulatory assets. The portion of the funded status of the plans not yet recognized in net periodic cost as of December 31 is as follows (in millions):

	Pension		Other Postretirement	
	2007	2006	2007	2006
Amounts not yet recognized as components of net periodic benefit cost:				
Net loss (gain)	$ (133)	$ (100)	$ 27	$ 35
Prior service cost	8	10	(4)	(4)
Net transition obligation	-	-	3	3
Total	$ (125)	$ (90)	$ 26	$ 34

A reconciliation of amounts not yet recognized as components of net periodic benefit cost for the year ended December 31, 2007 is as follows (in millions):

	Regulatory Assets	Regulatory Liabilities	Receivables (Payables) with Affiliates	Total
Pension				
Balance, beginning of year	$ 18	$ (122)	$ 14	$ (90)
Net gain during the year	(2)	(26)	(3)	(31)
Net amortization	(2)	-	(2)	(4)
Total	(4)	(26)	(5)	(35)
Balance, end of year	$ 14	$ (148)	$ 9	$ (125)

	Regulatory Assets	Receivables (Payables) with Affiliates	Deferred Income Taxes	Total
Other Postretirement				
Balance, beginning of year	$ 27	$ (17)	$ 24	$ 34
Net loss (gain) during the year	(7)	2	(1)	(6)
Net amortization	(2)	-	-	(2)
Total	(9)	2	(1)	(8)
Balance, end of year	$ 18	$ (15)	$ 23	$ 26

The net (gain) loss, prior service cost (credit) and transition obligation that will be amortized in 2008 into net periodic benefit cost are estimated to be as follows (in millions):

	Net (Gain) Loss	Prior Service Cost (Credit)	Net Transition Obligation	Total
Pension	$ (2)	$ 3	$ -	$ 1
Other postretirement	1	(1)	1	1

Plan Assumptions

Assumptions used to determine benefit obligations as of December 31 and net benefit cost for the years ended December 31 were as follows:

	Pension			Other Postretirement		
	2007	2006	2005	2007	2006	2005
Benefit obligations as of December 31:						
Discount rate	6.00%	5.75%	5.75%	6.00%	5.75%	5.75%
Rate of compensation increase	4.50%	4.50%	5.00%	N/A	N/A	N/A
Net benefit cost for the years ended December 31:						
Discount rate	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%
Expected return on plan assets (1)	7.50%	7.00%	7.00%	7.50%	7.00%	7.00%
Rate of compensation increase	4.50%	5.00%	5.00%	N/A	N/A	N/A

(1) Amounts reflected are pre-tax values. Assumed after-tax returns for a taxable, non-union other postretirement plan were 6.19% for 2007 and 4.27% for 2006 and 2005.

	2007	2006
Assumed health care cost trend rates as of December 31:		
Health care cost trend rate assumed for next year	9.00%	8.00%
Rate that the cost trend rate gradually declines to	5.00%	5.00%
Year that the rate reaches the rate it is assumed to remain at	2016	2010

A one-percentage-point change in assumed health care cost trend rates would have the following effects (in millions):

	Increase (Decrease)	
	One Percentage-Point Increase	One Percentage-Point Decrease
Effect on total service and interest cost	$ 1	$ (1)
Effect on other postretirement benefit obligation	17	(15)

Contributions and Benefit Payments

Employer contributions to the pension and other postretirement plans are expected to be $7 million and $14 million, respectively, for 2008. MidAmerican Energy's policy is to contribute the minimum required amount to the pension plan and the net periodic cost to its other postretirement plans. Funding to the established pension trust is based upon the actuarially determined costs of the plan and the requirements of the Internal Revenue Code, the Employee Retirement Income Security Act and the Pension Protection Act of 2006. The Pension Protection Act of 2006 changes funding rules beginning in 2008 and may have the effect of making minimum pension funding requirements more volatile than they have been historically. Accordingly, MidAmerican Energy continually evaluates its funding strategies.

Net periodic benefit costs assigned to MidAmerican Energy affiliates are reimbursed currently in accordance with its intercompany administrative services agreements. MidAmerican Energy's expected benefit payments to participants from its pension and other postretirement plans for 2008 through 2012 and for the five years thereafter are summarized below (in millions):

	Projected Benefit Payments			
		Other Postretirement		
	Pension	Gross	Medicare Subsidy	Net of Subsidy
2008	$ 50	$ 16	$ 3	$ 13
2009	53	18	3	15
2010	42	19	3	16
2011	45	21	3	18
2012	49	22	4	18
2013-17	293	132	22	110

Investment Policy and Asset Allocation

MidAmerican Energy's investment policy for its pension and other postretirement plans is to balance risk and return through a diversified portfolio of equity securities, fixed income securities and other alternative investments. Asset allocation for the pension and other postretirement plans are as indicated in the tables below. Maturities for fixed income securities are managed to targets consistent with prudent risk tolerances. Sufficient liquidity is maintained to meet near-term benefit payment obligations. The plans retain outside investment advisors to manage plan investments within the parameters outlined by the MidAmerican Energy Pension and Employee Benefits Plans Administrative Committee ("Administrative Committee"). The weighted average return on assets assumption is based on historical performance for the types of assets in which the plans invest.

MidAmerican Energy's pension plan asset allocation as of December 31, was as follows:

	Percentage of Plan Assets		
	2007	2006	Target Range
Equity securities	69%	70%	65-75%
Debt securities	24	24	20-30
Real estate	5	5	0-10
Other	2	1	0-5
Total	100%	100%	

MidAmerican Energy's other postretirement benefit plan asset allocation as of December 31, was as follows:

	Percentage of Plan Assets		
	2007	2006	Target Range
Equity securities	52%	52%	60-80%
Debt securities	46	47	25-35
Other	2	1	0-5
Total	100%	100%	

New target ranges for MidAmerican Energy's other postretirement benefit plan assets were approved by the Administrative Committee in December 2007. No rebalancing took place before December 31, 2007.

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 MidAmerican Energy contributions were $10 million, $10 million and $9 million for 2007, 2006 and 2005, respectively.

(17) Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, notes payable and short-term investments approximates fair value because of the short-term maturity or frequent remarketing of these instruments. Quad Cities Station nuclear decommissioning trust funds are carried at fair value, most of which are based on quoted market prices of the investments held by the fund.

The fair value of MidAmerican Energy's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to MidAmerican Energy for debt of the same remaining maturities. The following table presents the carrying amount and estimated fair value of MidAmerican Energy's long-term debt, including the current portion, as of December 31 (in millions):

	2007	2006
Carrying amount	$ 2,471	$ 1,821
Estimated fair value	2,519	1,835

(18) Segment Information

MidAmerican Energy has identified three reportable operating segments: regulated electric, regulated gas and nonregulated energy. The regulated electric segment derives most of its revenue from regulated retail sales of electricity to residential, commercial, and industrial customers and from wholesale sales to other utilities. The regulated gas segment derives most of its revenue from regulated retail sales of natural gas to residential, commercial, and industrial customers and also obtains significant revenues by transporting gas owned by others through its distribution system. Pricing for regulated electric and gas sales are established separately by regulatory agencies; therefore, management also reviews each segment separately to make decisions regarding allocation of resources and in evaluating performance. Due to growth in revenue from nonregulated retail electric sales in 2007, a nonregulated energy business segment has been established. No change to previously reported amounts for the regulated electric and regulated gas segments resulted from the addition of the nonregulated energy segment. The nonregulated energy segment derives most of its revenue from nonregulated retail electric and gas activities. Common operating costs, interest income, interest expense and income tax expense are allocated to each segment based on MidAmerican Energy allocators most related to the nature of the cost.

The following tables provide information on an operating segment basis (in millions):

	Years Ended December 31,		
	2007	2006	2005
Segment Profit Information			
Operating revenues:			
Regulated electric	$ 1,934	$ 1,779	$ 1,513
Regulated gas	1,174	1,112	1,323
Nonregulated energy	1,150	557	324
Total	$ 4,258	$ 3,448	$ 3,160
Depreciation and amortization expense:			
Regulated electric	$ 236	$ 243	$ 237
Regulated gas	32	31	30
Nonregulated energy (a)	1	1	2
Total	$ 269	$ 275	$ 269
Operating income:			
Regulated electric	$ 398	$ 372	$ 334
Regulated gas	53	36	39
Nonregulated energy	62	13	8
Total	$ 513	$ 421	$ 381
Interest and dividend income:			
Regulated electric	$ 8	$ 7	$ 5
Regulated gas	1	2	1
Total	$ 9	$ 9	$ 6
Fixed charges and preferred dividends:			
Regulated electric	$ 98	$ 77	$ 69
Regulated gas	16	13	10
Total	$ 114	$ 90	$ 79
Income taxes:			
Regulated electric	$ 91	$ 105	$ 101
Regulated gas	16	10	11
Nonregulated energy	23	3	3
Total	$ 130	$ 118	$ 115
Earnings on common stock:			
Regulated electric	$ 263	$ 238	$ 194
Regulated gas	25	18	22
Nonregulated energy	37	9	4
Total	$ 325	$ 265	$ 220

	As of December 31,		
	2007	2006	2005
Segment Asset Information			
Capital expenditures:			
Regulated electric	$ 1,159	$ 770	$ 714
Regulated gas	61	49	52
Nonregulated energy	1	-	2
Total	$ 1,221	$ 819	$ 768
Total assets:			
Regulated electric	$ 6,110	$ 5,485	$ 4,699
Regulated gas	938	923	1,053
Nonregulated energy	203	102	112
Total	$ 7,251	$ 6,510	$ 5,864

(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 Operations.

(19) Related Party Transactions

The companies identified as affiliates of MidAmerican Energy are Berkshire Hathaway and its subsidiaries, including MidAmerican Energy Holdings and its subsidiaries. The basis for the following transactions is provided for in service agreements between MidAmerican Energy and the affiliates.

MidAmerican Energy was reimbursed for charges incurred on behalf of its affiliates. The majority of these reimbursed expenses were for employee wages and benefits, insurance, building rent, computer costs, administrative services, travel expense, and general and administrative expense; including treasury, legal and accounting functions. The amount of such reimbursements was $63 million, $71 million and $52 million for 2007, 2006 and 2005, respectively.

MidAmerican Energy reimbursed MidAmerican Energy Holdings in the amount of $12 million, $9 million and $16 million in 2007, 2006 and 2005, respectively, for its share of corporate expenses.

Northern Natural Gas Company ("NNG"), a wholly owned subsidiary of MidAmerican Energy Holdings, is one of MidAmerican Energy's suppliers of natural gas transportation and storage capacity. MidAmerican Energy's net purchases of natural gas transportation and storage capacity from NNG totaled $51 million in 2007, $52 million in 2006 and $53 million in 2005.

MidAmerican Energy had accounts receivable from affiliates of $6 million and $11 million as of December 31, 2007 and 2006, respectively, that are included in receivables on the Consolidated Balance Sheets. MidAmerican Energy also had accounts payable to affiliates of $8 million and $9 million as of December 31, 2007 and 2006, respectively, that are included in accounts payable on the Consolidated Balance Sheets.

MidAmerican Energy paid common dividends totaling $50 million to MHC in 2006.

On December 31, 2006, MidAmerican Energy adopted SFAS No. 158 and recognized the full amount of the funded status for its pension and postretirement plans. The funded status of such plans attributable to MidAmerican Energy's affiliates that had not previously been recognized through income was recognized as an intercompany balance with such affiliates. MidAmerican Energy adjusts these balances when changes to the funded status of the respective plans are recognized and does not intend to settle the balances currently. Amounts receivable from affiliates attributable to the funded status of employee benefit plans totaled $12 million and $16 million as of

December 31, 2007 and 2006, respectively, and similar amounts payable to affiliates totaled $19 million as of both December 31, 2007 and 2006. See Note 16 for further information pertaining to pension and postretirement accounting.

(20) Unaudited Quarterly Operating Results

	2007			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In millions)			
Operating revenues	$ 1,236	$ 969	$ 982	$ 1,071
Operating income	145	113	171	84
Net income	92	74	110	50
Earnings on common stock	92	73	110	50

	2006			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In millions)			
Operating revenues	$ 1,041	$ 760	$ 766	$ 881
Operating income	135	79	129	78
Net income	87	46	84	49
Earnings on common stock	87	45	84	49

Quarterly data reflect seasonal variations common to a Midwest utility.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Managers and Member
MidAmerican Funding, LLC
Des Moines, Iowa

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of MidAmerican Funding, LLC and subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of operations, comprehensive income, cash flows and retained earnings for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Funding, LLC and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, 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.

As discussed in Note 16 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)," as of December 31, 2006.

/s/ Deloitte & Touche LLP

Des Moines, Iowa
February 27, 2008

MIDAMERICAN FUNDING, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions)

	As of December 31, 2007	As of December 31, 2006
ASSETS		
Utility Plant, Net		
Electric	$ 7,473	$ 6,366
Gas	1,086	1,031
	8,559	7,397
Accumulated depreciation and amortization	(3,237)	(3,261)
	5,322	4,136
Construction work in progress	386	867
	5,708	5,003
Current Assets		
Cash and cash equivalents	12	9
Short-term investments	-	15
Receivables, less allowances of $9 and $10, respectively	490	391
Inventories	133	113
Other	40	163
	675	691
Other Assets		
Investments and nonregulated property, net	494	427
Goodwill	1,270	1,270
Regulatory assets	268	273
Other	129	130
	2,161	2,100
Total Assets	$ 8,544	$ 7,794
CAPITALIZATION AND LIABILITIES		
Capitalization		
Member's equity	$ 2,825	$ 2,514
MidAmerican Energy preferred securities	30	30
Long-term debt, excluding current portion	3,170	2,519
	6,025	5,063
Current Liabilities		
Notes payable	86	-
Note payable to affiliate	33	3
Current portion of long-term debt	1	2
Accounts payable	408	493
Taxes accrued	86	98
Interest accrued	57	48
Other	76	172
	747	816
Other Liabilities		
Deferred income taxes	509	468
Investment tax credits	38	41
Asset retirement obligations	182	173
Regulatory liabilities	793	989
Other	250	244
	1,772	1,915
Total Capitalization and Liabilities	$ 8,544	$ 7,794

The accompanying notes are an integral part of these financial statements.

MIDAMERICAN FUNDING, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions)

	Years Ended December 31, 2007	2006	2005
Operating Revenues			
Regulated electric	$ 1,934	$ 1,779	$ 1,513
Regulated gas	1,174	1,112	1,323
Nonregulated	1,159	562	330
	4,267	3,453	3,166
Operating Expenses			
Regulated:			
Cost of fuel, energy and capacity	741	672	477
Cost of gas sold	937	888	1,098
Other operating expenses	419	402	381
Maintenance	201	156	151
Depreciation and amortization	268	274	267
Property and other taxes	98	97	95
	2,664	2,489	2,469
Nonregulated:			
Cost of sales	1,063	523	293
Other	26	20	23
	1,089	543	316
Total operating expenses	3,753	3,032	2,785
Operating Income	514	421	381
Non-Operating Income			
Interest and dividend income	10	10	6
Allowance for equity funds	41	37	24
Other income	11	63	23
Other expense	(3)	(8)	(20)
	59	102	33
Fixed Charges			
Interest on long-term debt	169	141	128
Other interest expense	10	14	10
Preferred dividends of subsidiaries	1	1	1
Allowance for borrowed funds	(18)	(16)	(11)
	162	140	128
Income Before Income Taxes	411	383	286
Income Taxes	111	95	91
Net Income	$ 300	$ 288	$ 195

The accompanying notes are an integral part of these financial statements.

MIDAMERICAN FUNDING, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Years Ended December 31,		
	2007	2006	2005
Net Income	$ 300	$ 288	$ 195
Other Comprehensive Income (Loss)			
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) during period-			
Before income taxes	-	32	1
Income tax (expense) benefit	-	(11)	-
	-	21	1
Less realized gains (losses) reflected in net income during period-			
Before income taxes	-	32	1
Income tax (expense) benefit	-	(11)	-
	-	21	1
Net unrealized gains (losses)	-	-	-
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) during period-			
Before income taxes	20	(22)	-
Income tax benefit	(8)	9	-
	12	(13)	-
Less realized gains (losses) reflected in net income during period-			
Before income taxes	(1)	(2)	-
Income tax (expense) benefit	-	1	-
	(1)	(1)	-
Net unrealized gains (losses)	13	(12)	-
Minimum pension liability adjustment:			
Before income taxes	-	-	(5)
Income tax (expense) benefit	-	-	2
	-	-	(3)
Other comprehensive income (loss)	13	(12)	(3)
Comprehensive Income	$ 313	$ 276	$ 192

The accompanying notes are an integral part of these financial statements.

MIDAMERICAN FUNDING, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Years Ended December 31, 2007	2006	2005
Net Cash Flows From Operating Activities			
Net income	$ 300	$ 288	$ 195
Adjustments to reconcile net income to net cash provided:			
Depreciation and amortization	269	275	269
Deferred income taxes and investment tax credit, net	23	(3)	(16)
Amortization of other assets and liabilities	28	21	26
Gain on sale of securities, assets and other investments	-	(43)	(14)
Loss from impairment of assets and other investments	-	-	16
Impact of changes in working capital-			
Receivables, net	(99)	68	(118)
Inventories	(20)	(28)	5
Accounts payable	99	(81)	91
Taxes accrued	-	(7)	(7)
Other current assets and liabilities	1	34	(8)
Other, net	(31)	(8)	(15)
Net cash provided by operating activities	570	516	424
Net Cash Flows From Investing Activities			
Utility construction expenditures	(1,298)	(758)	(699)
Proceeds from sale of assets and other investments	-	17	15
Purchases of available-for-sale securities	(432)	(853)	(563)
Proceeds from sales of available-for-sale securities	395	878	566
Other, net	8	9	7
Net cash used in investing activities	(1,327)	(707)	(674)
Net Cash Flows From Financing Activities			
Issuance of long-term debt, net	646	346	297
Retirement of long-term debt	(2)	(161)	(91)
Note payable to affiliate	30	(51)	23
Net increase in notes payable	86	-	-
Other, net	-	(5)	4
Net cash provided by financing activities	760	129	233
Net Increase (Decrease) in Cash and Cash Equivalents	3	(62)	(17)
Cash and Cash Equivalents at Beginning of Year	9	71	88
Cash and Cash Equivalents at End of Year	$ 12	$ 9	$ 71
Supplemental Disclosure:			
Interest paid, net of amounts capitalized	$ 145	$ 107	$ 115
Income taxes paid	$ 92	$ 107	$ 118

The accompanying notes are an integral part of these financial statements.

MIDAMERICAN FUNDING, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CAPITALIZATION
(In millions, except share amounts)

	As of December 31,			
	2007		2006	
Member's Equity				
Paid-in capital	$ 1,670		$ 1,670	
Retained earnings	1,154		856	
Accumulated other comprehensive income, net:				
Unrealized gain (loss) on cash flow hedges	1		(12)	
	2,825	46.9%	2,514	49.6%
MidAmerican Energy Preferred Securities (100,000,000 shares authorized)				
Cumulative shares outstanding; not subject to mandatory redemption:				
$3.30 Series, 49,451 shares	5		5	
$3.75 Series, 38,305 shares	4		4	
$3.90 Series, 32,630 shares	3		3	
$4.20 Series, 47,362 shares	5		5	
$4.35 Series, 49,945 shares	5		5	
$4.40 Series, 35,697 shares	3		3	
$4.80 Series, 49,898 shares	5		5	
	30	0.5%	30	0.6%
Long-Term Debt, Excluding Current Portion				
MidAmerican Energy:				
Pollution control revenue obligations -				
5.95% Series, due 2023 (general mortgage bond-secured)	29		29	
Variable rate series (2007- 3.51%, 2006- 3.97%) -				
Due 2016 and 2017	37		37	
Due 2023 (general mortgage bond-secured)	28		28	
Due 2023	7		7	
Due 2024	35		35	
Due 2025	13		13	
Notes -				
5.65% Series, due 2012	400		-	
5.125% Series, due 2013	275		275	
4.65% Series, due 2014	350		350	
5.95% Series, due 2017	250		-	
6.75% Series, due 2031	400		400	
5.75% Series, due 2035	300		300	
5.8% Series, due 2036	350		350	
Obligation under capital leases	2		1	
Unamortized debt premium and discount, net	(6)		(6)	
Total MidAmerican Energy	2,470	41.0%	1,819	36.0%
MidAmerican Funding parent:				
6.339% Senior secured notes due 2009	175		175	
6.75% Senior secured notes due 2011	200		200	
6.927% Senior secured notes due 2029	325		325	
Total MidAmerican Funding parent	700	11.6%	700	13.8%
	3,170	52.6%	2,519	49.8%
Total Capitalization	$ 6,025	100.0%	$ 5,063	100.0%

The accompanying notes are an integral part of these financial statements.

MIDAMERICAN FUNDING, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(In millions)

	Years Ended December 31, 2007	2006	2005
Beginning of Year	$ 856	$ 568	$ 373
Adoption of FASB Interpretation No. 48	(2)	-	-
Net Income	300	288	195
End of Year	$ 1,154	$ 856	$ 568

The accompanying notes are an integral part of these financial statements.

MIDAMERICAN FUNDING, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Company Organization

MidAmerican Funding, LLC ("MidAmerican Funding") is an Iowa limited liability company with MidAmerican Energy Holdings Company ("MidAmerican Energy Holdings") as its sole member. MidAmerican Energy Holdings is a consolidated subsidiary of Berkshire Hathaway Inc. ("Berkshire Hathaway"). MidAmerican Funding's direct wholly owned subsidiary is MHC Inc. ("MHC"), which constitutes substantially all of MidAmerican Funding's assets, liabilities and business activities except those related to MidAmerican Funding's long-term debt securities. MHC's principal subsidiary is MidAmerican Energy Company ("MidAmerican Energy"), a public utility with electric and natural gas operations. Direct, wholly owned nonregulated subsidiaries of MHC are InterCoast Capital Company ("InterCoast Capital"), Midwest Capital Group, Inc., MidAmerican Services Company and MEC Construction Services Co.

(2) Summary of Significant Accounting Policies

In addition to the following significant accounting policies, refer to Note 2 of MidAmerican Energy's Notes to Consolidated Financial Statements for significant accounting policies of MidAmerican Funding.

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of MidAmerican Funding and the subsidiaries in which it holds a controlling financial interest. All intercompany accounts and transactions have been eliminated, other than those between rate-regulated operations.

Goodwill

Goodwill represents the difference between the purchase cost and the fair value of the net assets acquired when MidAmerican Funding purchased MHC. Goodwill is allocated to each reporting unit and is tested for impairment using a variety of methods, principally discounted projected future net cash flows, at least annually and impairments, if any, are charged to earnings. MidAmerican Funding completed its annual review as of October 31, 2007. Key assumptions used in the testing include, but are not limited to, the use of an appropriate discount rate and estimated future cash flows. In estimating cash flows, MidAmerican Funding incorporates current market information as well as historical factors.

MidAmerican Funding records goodwill adjustments for changes in the estimates of or the settlement of tax bases of acquired assets, liabilities and carry-forwards and items relating to acquired entities' prior income tax returns.

(3) Jointly Owned Utility Plant

Refer to Note 3 of MidAmerican Energy's Notes to Consolidated Financial Statements.

(4) Inventories

Refer to Note 4 of MidAmerican Energy's Notes to Consolidated Financial Statements.

(5) Investments and Nonregulated Property, Net

Investments and nonregulated property, net includes the following amounts as of December 31 (in millions):

	2007	2006
Nuclear decommissioning trusts	$ 276	$ 259
Rabbi trusts	141	129
Auction rate securities	40	-
MidAmerican Energy non-utility property, net of accumulated depreciation of $6 and $5, respectively	16	17
Coal transportation property, net of accumulated depreciation of $3 and $3, respectively	9	9
Equipment leases	5	6
Real estate, net of accumulated depreciation of $1 and $1, respectively	4	5
Other	3	2
Total	$ 494	$ 427

General

Investments held by the nuclear decommissioning trusts for the Quad Cities Station units are classified as available-for-sale and are reported at fair value. An amount equal to the net unrealized gains and losses on those investments is recorded as an adjustment to regulatory liabilities 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 Quad Cities Station.

The investment in rabbi trusts represents the cash surrender value of corporate-owned life insurance policies on certain key executives and the fair value of other related investments. The rabbi trusts were established to hold investments used to fund the obligations of various nonqualified executive and director compensation plans and to pay the costs of the trusts.

MidAmerican Energy has invested in AAA-rated interest bearing auction rate securities with remaining maturities of 9 to 28 years. These auction rate securities normally provide liquidity via an auction process that resets the applicable interest rate at predetermined calendar intervals, usually every 28 days or less. Interest on these securities has been paid on the scheduled auction dates. During the third and fourth quarters of 2007, auctions for the $40 million of MidAmerican Energy's investments in auction rate securities failed. The failures resulted in the interest rate on these investments resetting at higher levels. Although there is no current liquid market for the auction rate securities, MidAmerican Energy believes the underlying creditworthiness of the repayment sources for these securities' principal and interest, has not materially deteriorated. Therefore, the fair value of these investments approximates the carrying amount as of December 31, 2007. Historically, given the liquidity created by the auctions, auction rate securities were presented in current assets as short-term investments on the Consolidated Balance Sheet. Given the failed auctions, it is uncertain if MidAmerican Energy's auction rate securities will be sold within the next twelve months. Accordingly, the entire amount of such remaining balance has been classified as investments and nonregulated property, net on the Consolidated Balance Sheet as of December 31, 2007.

MidAmerican Energy non-utility property includes computer software, land and other assets not recoverable for regulated utility purposes. In 2006, MidAmerican Energy constructed $9 million of currently non-recoverable utility transmission assets, which are being depreciated over 55 years. Other depreciable property consists primarily of computer software, which is amortized on a straight-line basis over five years.

The coal transportation property is owned and operated by CBEC Railway Inc., a subsidiary of MidAmerican Energy. The property is depreciated on a straight-line basis over 37 years.

Equipment leases as of December 31, 2007, which are accounted for as leveraged leases and held by InterCoast Capital, consist primarily of a 7% undivided interest in an electric generating station leased to a utility located in Arizona. That lease terminates in 2015 and had a carrying pre-tax value of $5 million as of December 31, 2007 and 2006. The investment is exposed to the credit risk of the lessee.

The investment in real estate includes primarily Dakota Dunes, a 1,920 acre planned residential and commercial development community located in the southeast corner of South Dakota. As of December 31, 2007, 57% of the development available for sale had been sold.

Investments in Debt and Equity Securities

Substantially all of MidAmerican Funding's investments in debt and equity securities, other than auction rate securities, consist of the investments in the Quad Cities Station nuclear decommissioning trusts. Refer to Note 17 of MidAmerican Energy's Notes to Consolidated Financial Statements for additional discussion of the nuclear decommissioning trusts. The amortized cost, gross unrealized gains and losses and estimated fair value of MidAmerican Funding's investments in debt and equity securities as of December 31 were as follows (in millions):

	2007			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 91	$ 63	$ (4)	$ 150
Municipal bonds	27	1	-	28
U. S. Government securities	59	3	-	62
Corporate securities	35	1	-	36
	$ 212	$ 68	$ (4)	$ 276

	2006			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 89	$ 57	$ (1)	$ 145
Municipal bonds	24	-	-	24
U. S. Government securities	54	-	-	54
Corporate securities	34	1	-	35
Cash equivalents	1	-	-	1
	$ 202	$ 58	$ (1)	$ 259

As of December 31, 2007, the debt securities held by the Quad Cities Station nuclear decommissioning trusts had the following maturities (in millions):

	Available-For-Sale	
	Amortized Cost	Fair Value
Within 1 year	$ 3	$ 3
1 through 5 years	44	45
5 through 10 years	30	32
Over 10 years	44	46

The proceeds and gross realized gains and losses on the disposition of available-for-sale securities are shown in the following table (in thousands). Realized gains and losses in the Quad Cities Station nuclear decommissioning trusts are recorded in the regulatory liability related to the Quad Cities Station asset retirement obligation and do not impact earnings. Realized gains and losses are determined by specific identification. Refer to Note 13 for a discussion of the sale of marketable securities in 2006 resulting in a $28 million gain.

	Years Ended December 31,		
	2007	2006	2005
Proceeds from sales	$ 128	$ 187	$ 92
Gross realized gains	4	32	3
Gross realized losses	(2)	(2)	(2)

(6) Regulatory Assets and Liabilities

Refer to Note 6 of MidAmerican Energy's Notes to Consolidated Financial Statements.

(7) Preferred Securities

Refer to Note 7 of MidAmerican Energy's Notes to Consolidated Financial Statements.

(8) Long-Term Debt

MidAmerican Funding's annual sinking fund requirements and maturities of long-term debt for the next five years are $1 million for 2008, $175 million for 2009, $- for 2010, $200 million for 2011 and $400 million for 2012. Refer to MidAmerican Funding's Consolidated Statements of Capitalization for detail of long-term debt.

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 floating or fixed rate alternatives. The interest rates shown in the Consolidated Statements of Capitalization are the weighted average interest rates as of December 31, 2007 and 2006. MidAmerican Energy maintains a revolving credit facility agreement to provide liquidity for holders of these issues.

On June 29, 2007, MidAmerican Energy issued $400 million of 5.65% Senior Notes due July 15, 2012, and $250 million of 5.95% Senior Notes due July 15, 2017. The proceeds were used by MidAmerican Energy to pay construction costs of its interest in WSEC Unit 4 and its wind projects in Iowa, to repay short-term indebtedness and for general corporate purposes.

The indenture pertaining to MidAmerican Energy's unsecured senior notes provides that if MidAmerican Energy were to issue secured debt in the future, then such unsecured senior notes, as may then be existing, would equally and ratably be secured thereby. As of December 31, 2007, MidAmerican Energy was in compliance with all of its applicable long-term debt covenants.

MidAmerican Funding parent company long-term debt is secured by a pledge of the common stock of MHC. See Item 15(c) for the Consolidated Financial Statements of MHC Inc. and subsidiaries. The notes and bonds:

- are the direct senior secured obligations of MidAmerican Funding;
- rank on an equal basis with all of MidAmerican Funding's other existing and future senior obligations;
- rank senior to all of MidAmerican Funding's existing and future subordinated indebtedness; and
- effectively rank junior to all indebtedness and other liabilities, including preferred stock, of the direct and indirect subsidiaries of MidAmerican Funding, to the extent of the assets of these subsidiaries.

MidAmerican Funding may redeem any series of the notes and bonds in whole or in part at any time at a redemption price equal to the sum of:

- the greater of the following:
  (1) 100% of the principal amount of the series being redeemed; and
  (2) the sum of the present values of the remaining scheduled payments of principal and interest on the series being redeemed, discounted to the date of redemption on a semiannual basis at the treasury yield plus (x) 15 basis points in the case of the 2009 notes (y) 20 basis points in the case of the 2011 notes , or (z) 25 basis points in the case of the 2029 Bonds; plus

- accrued and unpaid interest on the securities being redeemed to the date of redemption.

Subsidiaries of MidAmerican Funding must make payments on their own indebtedness before making distributions to MidAmerican Funding. The distributions are also subject to utility regulatory restrictions agreed to by MidAmerican Energy in March 1999. At that time, MidAmerican Energy committed to the IUB to use commercially reasonable efforts to maintain an investment grade rating on its long-term debt and to maintain its common equity level above 42% of total capitalization unless circumstances beyond its control result in the common equity level decreasing to below 39% of total capitalization. MidAmerican Energy must seek the approval from the IUB of a reasonable utility capital structure if MidAmerican Energy's common equity level decreases below 42% of total capitalization, unless the decrease is beyond the control of MidAmerican Energy. MidAmerican Energy is also required to seek the approval of the IUB if MidAmerican Energy's equity level decreases to below 39%, even if the decrease is due to circumstances beyond the control of MidAmerican Energy. As of December 31, 2007, MidAmerican Energy's common equity ratio was 50% computed on a basis consistent with its commitment.

As of December 31, 2007, MidAmerican Funding was in compliance with all of its applicable long-term debt covenants.

Each of MidAmerican Funding's direct or indirect subsidiaries is organized as a legal entity separate and apart from MidAmerican Funding and its other subsidiaries. It should not be assumed that any asset of any subsidiary of MidAmerican Funding will be available to satisfy the obligations of MidAmerican Funding or any of its other subsidiaries; provided, however, that unrestricted cash or other assets which are available for distribution may, subject to applicable law and the terms of financing arrangements of such parties, be advanced, loaned, paid as dividends or otherwise distributed or contributed to MidAmerican Funding, one of its subsidiaries or affiliates thereof.

(9) Short-Term Borrowings

Interim financing of working capital needs and the construction program may be obtained with unaffiliated parties from the sale of commercial paper or short-term borrowing from banks.

MidAmerican Energy has a $500 million revolving credit facility expiring in July 2012, which supports its $380 million commercial paper program and its variable rate pollution control revenue obligations. The credit facility has a variable interest rate based on the London Interbank Offered Rate ("LIBOR") plus 0.115% that varies based on MidAmerican Energy's credit ratings for its senior unsecured long-term debt securities. The related credit agreement requires that MidAmerican Energy's ratio of consolidated debt to total capitalization, including current maturities, not exceed 0.65 to 1.0 as of the last day of any quarter. In addition, MidAmerican Energy has a $5 million line of credit, which expires in June 2008 and has a variable interest rate based on LIBOR plus 0.25%. As of December 31, 2007, MidAmerican Energy had $86 million of commercial paper outstanding at a weighted average interest rate of 4.46%. The remaining amount of the revolving credit facility and the full amount of the line of credit was available. MHC has a $4 million line of credit, expiring in June 2008, under which zero was outstanding at December 31, 2007. As of December 31, 2007, MidAmerican Funding and its subsidiaries were in compliance with all covenants related to their respective short-term borrowings. MidAmerican Energy has authority from the FERC to issue through April 14, 2009, short-term debt in the form of commercial paper and bank notes aggregating $800 million.

(10) Asset Retirement Obligations

Refer to Note 10 of MidAmerican Energy's Notes to Consolidated Financial Statements.

(11) Risk Management

Refer to Note 11 of MidAmerican Energy's Notes to Consolidated Financial Statements.

(12) Income Taxes

MidAmerican Funding's income tax expense (benefit) includes the following for the years ended December 31 (in millions):

	2007	2006	2005
Current:			
Federal	$ 73	$ 91	$ 87
State	15	7	20
	88	98	107
Deferred:			
Federal	33	10	(9)
State	(7)	(10)	(3)
	26	-	(12)
Investment tax credit, net	(3)	(3)	(4)
Total	$ 111	$ 95	$ 91

A reconciliation of the federal statutory income tax rate and the effective federal and state income tax rate indicated by the Consolidated Statements of Operations for the years ended December 31:

	2007	2006	2005
Federal statutory income tax rate	35%	35%	35%
Amortization of investment tax credit	(1)	(1)	(1)
State income tax, net of federal income tax benefit	5	5	5
Renewable electricity production tax credits	(7)	(6)	(4)
Effects of ratemaking	(3)	(2)	(2)
Resolution of potential tax matter	-	(5)	-
Other	(2)	(1)	(1)
Effective federal and state income tax rate	27%	25%	32%

The Consolidated Balance Sheets included the following deferred income taxes as of December 31 (in millions):

	2007	2006
Deferred tax assets related to:		
Regulatory liabilities	$ 144	$ 136
Revenue sharing	8	110
Employee benefits	48	51
Nuclear reserves and decommissioning	24	23
Unrealized losses, net	17	23
Fuel cost recoveries	8	5
Uncertain tax benefits	14	-
Other	34	29
	297	377
Deferred tax liabilities related to:		
Depreciable property	(544)	(590)
Regulatory assets	(239)	(233)
Reacquired debt	(2)	(3)
Other	(10)	(10)
	(795)	(836)
Net deferred income tax liability	$ (498)	$ (459)

The net deferred income tax liability was reflected as follows on the Consolidated Balance Sheets as of December 31, (in millions).

	2007	2006
Current assets – other	$ 11	$ 9
Deferred income taxes	(509)	(468)
Net deferred income tax liability	$ (498)	$ (459)

MidAmerican Funding adopted FIN 48 effective January 1, 2007, and had $33 million of net unrecognized tax benefits. Of this amount, MidAmerican Funding recognized a net increase in the liability for unrecognized tax benefits of $16 million as a cumulative effect of adopting FIN 48, which was offset by reductions in beginning retained earnings of $2 million and deferred income tax liabilities of $13 million and an increase in regulatory assets of $1 million in the Consolidated Balance Sheet. The remaining $17 million had been previously accrued under Statement of Financial Accounting Standards ("SFAS") No. 5, "Accounting for Contingencies," or SFAS No. 109, "Accounting for Income Taxes." Unrecognized tax benefits are included in other liabilities – other in the Consolidated Balance Sheet.

As of December 31, 2007, net unrecognized tax benefits totaled $44 million, which included $24 million of tax positions that, if recognized, would have an impact on the effective tax rate. The remaining unrecognized tax benefits relate to tax positions for which ultimate deductibility is highly certain but for which there is uncertainty as to the timing of such deductibility. Recognition of these tax benefits, other than applicable interest and penalties, would not affect MidAmerican Funding's effective tax rate.

(13) Non-Operating Other Income and Expense

Non-operating income - other income and other expense as shown on the Consolidated Statements of Operations include the following for the years ended December 31 (in millions):

	2007	2006	2005
Other income:			
Marketable securities gains	$ -	$ 32	$ 4
Gains on sales of assets and other investments	-	15	10
Corporate-owned life insurance income	7	7	5
Income from energy projects and venture capital investments	-	5	1
Other	4	4	3
Total	$ 11	$ 63	$ 23

Marketable securities gains includes gains of $28 million in 2006 and $3 million in 2005 from the sale of the common shares MidAmerican Funding held of an electronic energy and metals trading exchange. Additionally, 2006 includes $4 million for a gain recognized when MidAmerican Funding donated its remaining shares in the company to a charitable foundation. An offsetting other expense, shown below, was also recognized for the donation.

Gains on the sales of assets and other investments, net in 2006 includes an $8 million gain on the sale of MidAmerican Funding's non-controlling interest in a nonregulated gas-fired cogeneration plant and a $7 million gain on the sale of a commercial passenger aircraft. Gains on sales of assets and other investments, net in 2005 reflects gains on the sales of two nonstrategic, passive investments.

Income from energy projects and venture capital investments for 2006 is due to changes in a financing arrangement related to a nonstrategic investment in a hydroelectric generating plant.

	2007	2006	2005
Other expense:			
Donation of investment in marketable securities	$ -	$ 4	$ -
Write-down of impaired airplane leases	-	-	16
Other - primarily items not recoverable from MidAmerican Energy's regulated utility customers	3	4	4
Total	$ 3	$ 8	$ 20

The write-downs of impaired airplane leases relate to MidAmerican Funding's previous investments in commercial passenger aircraft leased to major domestic airlines. During 2005, the airline industry continued to deteriorate and two major airline carriers filed for bankruptcy. MidAmerican Funding evaluated its investments in commercial passenger aircraft and recognized the losses for other-than-temporary impairments of those investments.

(14) Rate Matters

Refer to Note 14 of MidAmerican Energy's Notes to Consolidated Financial Statements.

(15) Commitments and Contingencies

Refer to Note 15 of MidAmerican Energy's Notes to Consolidated Financial Statements.

Other Commitments and Contingencies

MidAmerican Funding is involved in a number of 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 MidAmerican Funding's financial results.

(16) Employee Benefit Plans

Refer to Note 16 of MidAmerican Energy's Notes to Consolidated Financial Statements for additional information regarding MidAmerican Funding's pension, supplemental retirement and postretirement benefit plans.

Pension and postretirement costs allocated by MidAmerican Funding to its parent and other affiliates in each of the years ended December 31, were as follows (in millions):

	2007	2006	2005
Pension costs	$ 11	$ 11	$ 11
Other postretirement costs	-	2	2

(17) Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, notes payable and short-term investments approximates fair value because of the short-term maturity or frequent remarketing of these instruments. Quad Cities Station nuclear decommissioning trust funds and other marketable securities are carried at fair value, most of which are based on quoted market prices.

The fair value of equity investments carried at cost is based on an estimate of MidAmerican Funding's share of partnership equity, offers from unrelated third parties or the discounted value of the future cash flows expected to be received from these investments. The fair value of MidAmerican Funding's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to MidAmerican Energy for debt of the same remaining maturities. The following table presents the carrying amount and estimated fair value of the named financial instruments as of December 31 (in millions):

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial instruments owned:				
Equity investments carried at cost	$ 2	$ 3	$ 1	$ 1
Financial instruments issued:				
Long-term debt, including current portion	$ 3,171	$ 3,274	$ 2,521	$ 2,589

(18) Segment Information

MidAmerican Funding has identified three reportable operating segments: regulated electric, regulated gas and nonregulated energy. The regulated electric segment derives most of its revenue from regulated retail sales of electricity to residential, commercial, and industrial customers and from wholesale sales to other utilities. The regulated gas segment derives most of its revenue from regulated retail sales of natural gas to residential, commercial, and industrial customers and also obtains significant revenues by transporting gas owned by others through its distribution system. Pricing for regulated electric and gas sales are established separately by regulatory agencies; therefore, management also reviews each segment separately to make decisions regarding allocation of resources and in evaluating performance. Due to growth in revenue from nonregulated retail electric sales in 2007, a nonregulated energy business segment has been established. No change to previously reported amounts for the regulated electric and regulated gas segments resulted from the addition of the nonregulated energy segment. The nonregulated energy segment derives most of its revenue from nonregulated retail electric and gas activities. Common operating costs, interest income, interest expense and income tax expense are allocated to each segment based on MidAmerican Funding allocators most related to the nature of the cost. "Other" in the tables below consists of the nonregulated subsidiaries of MidAmerican Funding not engaged in the energy business and parent company interest expense.

The following tables provide information on an operating segment basis (in millions):

Segment Profit Information	Years Ended December 31, 2007	2006	2005
Operating revenues:			
Regulated electric	$ 1,934	$ 1,779	$ 1,513
Regulated gas	1,174	1,112	1,323
Nonregulated energy	1,150	557	324
Other	9	5	6
Total	$ 4,267	$ 3,453	$ 3,166
Depreciation and amortization expense:			
Regulated electric	$ 236	$ 243	$ 237
Regulated gas	32	31	30
Nonregulated energy(a)	1	1	2
Total	$ 269	$ 275	$ 269
Operating income:			
Regulated electric	$ 398	$ 372	$ 334
Regulated gas	53	36	39
Nonregulated energy	62	13	8
Other	1	-	-
Total	$ 514	$ 421	$ 381
Interest and dividend income:			
Regulated electric	$ 8	$ 7	$ 5
Regulated gas	1	2	1
Other	3	3	1
Total	12	12	7
Eliminations	(2)	(2)	(1)
Consolidated	$ 10	$ 10	$ 6
Fixed charges:			
Regulated electric	$ 98	$ 77	$ 69
Regulated gas	16	13	10
Other	51	52	50
Total	165	142	129
Eliminations	(3)	(2)	(1)
Consolidated	$ 162	$ 140	$ 128
Income taxes:			
Regulated electric	$ 91	$ 105	$ 101
Regulated gas	16	10	11
Nonregulated energy	23	3	3
Other	(19)	(23)	(24)
Total	$ 111	$ 95	$ 91
Net income:			
Regulated electric	$ 263	$ 238	$ 194
Regulated gas	25	18	22
Nonregulated energy	37	9	4
Other	(25)	23	(25)
Total	$ 300	$ 288	$ 195

Segment Asset Information	As of December 31, 2007	2006	2005
Capital expenditures:			
Regulated electric	$ 1,159	$ 770	$ 714
Regulated gas	61	49	52
Nonregulated energy	1	-	2
Other	1	1	-
Total	$ 1,222	$ 820	$ 768
Total assets:			
Regulated electric	$ 7,301	$ 6,676	$ 5,887
Regulated gas	1,017	1,002	1,131
Nonregulated energy	203	102	112
Other	23	14	27
Total	$ 8,544	$ 7,794	$ 7,157

(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 Operations.

Goodwill resulting from past business combinations is not amortized. Periodically, such balances are evaluated for possible impairment. Based on MidAmerican Funding's annual goodwill impairment test completed as of October 31, 2007, no impairment was indicated for goodwill. In 2006, MidAmerican Funding adjusted goodwill for a change in related deferred income taxes due to resolution of tax issues existing at the time of purchase.

The following table shows the change in the carrying amount of goodwill by reportable segment for the years ended December 31, 2007 and 2006 (in millions):

	Regulated Electric	Regulated Gas	Total
Balance at January 1, 2006	$ 1,188	$ 78	$ 1,266
Income tax adjustment	3	1	4
Balance at December 31, 2006 and 2007	$ 1,191	$ 79	$ 1,270

(19) Related Party Transactions

The companies identified as affiliates of MidAmerican Funding are Berkshire Hathaway and its subsidiaries, including MidAmerican Energy Holdings and its subsidiaries. The basis for the following transaction is provided for in service agreements between MidAmerican Funding and the affiliates.

MidAmerican Funding was reimbursed for charges incurred on behalf of its affiliates. The majority of these reimbursed expenses were for allocated employee wages and benefits, insurance, computer costs, administrative services, travel expenses and general and administrative expenses: including treasury, legal and accounting functions. The amount of such reimbursements was $56 million, $62 million and $49 million for 2007, 2006 and 2005, respectively.

MidAmerican Energy reimbursed MidAmerican Energy Holdings in the amount of $12 million, $9 million and $16 million in 2007, 2006 and 2005, respectively, for its allocated share of corporate expenses.

Northern Natural Gas Company ("NNG"), a subsidiary of MidAmerican Energy Holdings, is one of MidAmerican Energy's suppliers of natural gas transportation and storage capacity. MidAmerican Energy had net purchases of natural gas transportation and storage capacity from NNG totaling $51 million in 2007, $52 million in 2006 and $53 million in 2005.

MHC has a $200 million revolving credit arrangement carrying interest at the 30-day LIBOR rate plus 25 basis points to borrow from MidAmerican Energy Holdings. Outstanding balances are unsecured and due on demand. The outstanding balance was $33 million at an interest rate of 5.496% as of December 31, 2007, and $3 million at an interest rate of 5.60% as of December 31, 2006, and is reflected as note payable to affiliate on the Consolidated Balance Sheet.

MidAmerican Energy Holdings has a $100 million revolving credit arrangement, carrying interest at the 30-day LIBOR rate plus 25 basis points, to borrow from MHC. Outstanding balances are unsecured and due on demand. The outstanding balance was zero throughout 2007 and 2006.

MidAmerican Funding had accounts receivable from affiliates of $10 million as of December 31, 2007 and 2006, included in receivables on the Consolidated Balance Sheets. MidAmerican Funding also had accounts payable to affiliates of $7 million as of December 31, 2007 and 2006, included in accounts payable on the Consolidated Balance Sheets.

In 2006, MHC received dividends totaling $50 million from MidAmerican Energy.

On December 31, 2006, MidAmerican Funding adopted SFAS No. 158 and recognized the full amount of the funded status for its pension and postretirement plans. The funded status of such plans attributable to MidAmerican Funding's affiliates that had not previously been recognized through income was recognized as an intercompany balance with such affiliates. MidAmerican Funding will adjust these balances when changes to the funded status of the respective plans are recognized and does not intend to settle the balances currently. Amounts receivable from affiliates attributable to the funded status of employee benefit plans totaled $12 million and $16 million as of December 31, 2007 and 2006, respectively, and similar amounts payable to affiliates totaled $19 million as of December 31, 2007 and 2006. See Note 16 for further information pertaining to pension and postretirement accounting.

The indenture pertaining to MidAmerican Funding's long-term debt restricts MidAmerican Funding from paying a distribution on its equity securities, unless after making such distribution either its debt to total capital ratio does not exceed 0.67:1 and its interest coverage ratio is not less than 2.2:1 or its senior secured long term-debt rating is at least BBB or its equivalent. MidAmerican Funding may seek a release from this restriction upon delivery to the indenture trustee of written confirmation from the ratings agencies that without this restriction MidAmerican Funding's senior secured long-term debt would be rated at least BBB+.

(20) Unaudited Quarterly Operating Results

	2007			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In millions)			
Operating revenues	$ 1,237	$ 971	$ 985	$ 1,074
Operating income	145	113	171	85
Net income	85	66	104	45

	2006			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In millions)			
Operating revenues	$ 1,042	$ 761	$ 767	$ 883
Operating income	134	79	130	78
Net income	87	57	79	65

Quarterly data reflect seasonal variations common to a Midwest utility.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A(T). Controls and Procedures

Disclosure Controls and Procedures

At the end of the period covered by this Annual Report on Form 10-K, MidAmerican Energy and MidAmerican Funding each carried out an evaluation, under the supervision and with the participation of their respective management, including the Chief Executive Officer (principal executive officer) and the Chief Financial Officer (principal financial officer), of the effectiveness of the design and operation of their respective disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended). Based upon that evaluation, each company's management, including the Chief Executive Officer (principal executive officer) and the Chief Financial Officer (principal financial officer), concluded that their respective disclosure controls and procedures are effective in timely alerting them to material information relating to MidAmerican Funding or MidAmerican Energy, respectively, required to be included in their respective periodic SEC filings. There has been no change in MidAmerican Funding's or MidAmerican Energy's internal control over financial reporting during the quarter ended December 31, 2007, that has materially affected, or is reasonably likely to materially affect, their respective internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management of the Company (MidAmerican Energy or MidAmerican Funding, as applicable) is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Under the supervision and with the participation of the Company's management, including the Chief Executive Officer (principal executive officer) and the Chief Financial Officer (principal financial officer), the Company's management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2007 as required by the Securities Exchange Act of 1934 Rule 13a-15(c). In making this assessment, the Company's management used the criteria set forth in the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring organizations of the Treadway Commission. Based on the evaluation conducted under the framework in "Internal Control – Integrated Framework," the Company's management concluded that the Company's internal control over financial reporting was effective as of December 31, 2007.

This report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this Annual Report on Form 10-K.

MidAmerican Energy Company	MidAmerican Funding, LLC
February 21, 2008	February 21, 2008

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

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

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 and Related Stockholder Matters

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, and Director Independence

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

Item 14. Principal Accountant Fees and Services

The following table shows MidAmerican Funding's (consolidated) and MidAmerican Energy's fees paid or accrued for audit or audit-related services and fees paid for tax and all other services rendered by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, the "Deloitte Entities") for each of the last two years (in millions):

	MidAmerican Funding		MidAmerican Energy	
	2007	2006	2007	2006
Audit fees (1)	$ 0.9	$ 0.9	$ 0.8	$ 0.7
Audit-related fees (2)	0.1	0.1	0.1	0.1
Tax fees (3)	0.3	0.3	0.3	0.3
All other fees	-	-	-	-
Total aggregate fees billed	$ 1.3	$ 1.3	$ 1.2	$ 1.1

(1) Audit fees include fees for the audit of MidAmerican Funding's and MidAmerican Energy's consolidated financial statements and interim reviews of their quarterly financial statements, audit services provided in connection with required statutory audits, and comfort letters, consents and other services related to SEC matters.

(2) Audit-related fees primarily include fees for assurance and related services for any other statutory or regulatory requirements, audits of certain employee benefit plans and consultations on various accounting and reporting matters.

(3) Tax fees include fees for services relating to tax compliance, tax planning and tax advice. These services include assistance regarding federal and state tax compliance, tax return preparation and tax audits.

The audit committee of MidAmerican Energy Holdings reviewed and approved the services rendered by the Deloitte Entities in and for fiscal 2007 as set forth in the above table and concluded that the non-audit services were compatible with maintaining the principal accountant's independence. Under the Sarbanes-Oxley Act of 2002, all audit and non-audit services performed by the principal accountant require approval in advance by the audit committee in order to assure that such services do not impair the principal accountant's independence from MidAmerican Funding and MidAmerican Energy. Accordingly, the audit committee has an Audit and Non-Audit Services Pre-Approval Policy (the "Policy") that sets forth the procedures and the conditions pursuant to which services to be performed by the principal accountant are to be pre-approved. Pursuant to the Policy, certain services described in detail in the Policy may be pre-approved on an annual basis together with pre-approved maximum fee levels for such services. The services eligible for annual pre-approval consist of services that would be included under the categories of Audit Fees, Audit-Related Fees and Tax Fees. If not pre-approved on an annual basis, proposed services must otherwise be separately approved prior to being performed by the principal accountant. In addition, any services that receive annual pre-approval but exceed the pre-approved maximum fee level also will require separate approval by the audit committee prior to being performed. The Policy does not delegate to management the audit committee's responsibilities to pre-approve services performed by the principal accountant.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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Item 15 (c) MHC Inc. Consolidated Financial Statements

The accompanying consolidated financial statements of MHC Inc., the direct wholly owned subsidiary of MidAmerican Funding, are being provided pursuant to Rule 3-16 of the Securities and Exchange Commission's Regulation S-X. The purpose of these financial statements is to provide information about the assets and equity interests that collateralize MidAmerican Funding's long-term debt and that, upon the occurrence of any triggering event under the collateral agreement, would be available to satisfy the applicable debt obligations.

<u>MHC Inc. and Subsidiaries</u>

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder
MHC Inc.
Des Moines, Iowa

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of MHC Inc. and subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of operations, comprehensive income, cash flows and retained earnings for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 MHC Inc. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)," as of December 31, 2006.

/s/ Deloitte & Touche LLP

Des Moines, Iowa
February 27, 2008

MHC INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions)

	As of December 31,	
	2007	**2006**
ASSETS		
Utility Plant, Net		
Electric	$ 7,473	$ 6,366
Gas	1,086	1,031
	8,559	7,397
Accumulated depreciation and amortization	(3,237)	(3,261)
	5,322	4,136
Construction work in progress	386	867
	5,708	5,003
Current Assets		
Cash and cash equivalents	12	9
Short-term investments	-	15
Receivables, less allowances of $9 and $10, respectively	485	387
Inventories	133	113
Other	40	163
	670	687
Other Assets		
Receivable from affiliate	248	219
Investments and nonregulated property, net	494	427
Goodwill	1,270	1,270
Regulatory assets	268	273
Other	129	130
	2,409	2,319
Total Assets	$ 8,787	$ 8,009
CAPITALIZATION AND LIABILITIES		
Capitalization		
Shareholder's equity	$ 3,777	$ 3,438
MidAmerican Energy preferred securities	30	30
Long-term debt, excluding current portion	2,470	1,819
	6,277	5,287
Current Liabilities		
Notes payable	86	-
Note payable to affiliate	33	3
Current portion of long-term debt	1	2
Accounts payable	416	498
Taxes accrued	86	100
Interest accrued	41	32
Other	76	172
	739	807
Other Liabilities		
Deferred income taxes	509	468
Investment tax credits	38	41
Asset retirement obligations	182	173
Regulatory liabilities	793	989
Other	249	244
	1,771	1,915
Total Capitalization and Liabilities	$ 8,787	$ 8,009

The accompanying notes are an integral part of these financial statements.

MHC INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions)

	Years Ended December 31, 2007	2006	2005
Operating Revenues			
Regulated electric	$ 1,934	$ 1,779	$ 1,513
Regulated gas	1,174	1,112	1,323
Nonregulated	1,159	562	330
	4,267	3,453	3,166
Operating Expenses			
Regulated:			
Cost of fuel, energy and capacity	741	672	477
Cost of gas sold	937	888	1,098
Other operating expenses	419	402	381
Maintenance	201	156	151
Depreciation and amortization	268	274	267
Property and other taxes	98	97	95
	2,664	2,489	2,469
Nonregulated:			
Cost of sales	1,063	523	293
Other	26	20	23
	1,089	543	316
Total operating expenses	3,753	3,032	2,785
Operating Income	514	421	381
Non-Operating Income			
Interest and dividend income	10	10	6
Allowance for equity funds	41	37	24
Other income	11	63	23
Other expense	(3)	(8)	(20)
	59	102	33
Fixed Charges			
Interest on long-term debt	122	93	80
Other interest expense	10	15	11
Preferred dividends of subsidiaries	1	1	1
Allowance for borrowed funds	(18)	(16)	(11)
	115	93	81
Income Before Income Taxes	458	430	333
Income Taxes	130	114	111
Net Income	$ 328	$ 316	$ 222

The accompanying notes are an integral part of these financial statements.

MHC INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Years Ended December 31, 2007	2006	2005
Net Income	$ 328	$ 316	$ 222
Other Comprehensive Income (Loss)			
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) during period-			
Before income taxes	-	32	1
Income tax (expense) benefit	-	(11)	-
	-	21	1
Less realized gains (losses) reflected in net income during period-			
Before income taxes	-	32	1
Income tax (expense) benefit	-	(11)	-
	-	21	1
Net unrealized gains (losses)	-	-	-
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) during period-			
Before income taxes	20	(22)	-
Income tax benefit	(8)	9	-
	12	(13)	-
Less realized gains (losses) reflected in net income during period-			
Before income taxes	(1)	(2)	-
Income tax (expense) benefit	-	1	-
	(1)	(1)	-
Net unrealized gains (losses)	13	(12)	-
Minimum pension liability adjustment:			
Before income taxes	-	-	(5)
Income tax (expense) benefit	-	-	2
	-	-	(3)
Other comprehensive income (loss)	13	(12)	(3)
Comprehensive Income	$ 341	$ 304	$ 219

The accompanying notes are an integral part of these financial statements.

MHC INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Years Ended December 31, 2007	2006	2005
Net Cash Flows From Operating Activities			
Net income	$ 328	$ 316	$ 222
Adjustments to reconcile net income to net cash provided:			
Depreciation and amortization	269	275	269
Deferred income taxes and investment tax credit, net	23	(3)	(16)
Amortization of other assets and liabilities	28	21	26
Gain on sale of securities, assets and other investments	-	(43)	(14)
Loss from impairment of assets and other investments	-	-	16
Impact of changes in working capital-			
Receivables, net	(99)	67	(117)
Inventories	(20)	(28)	5
Accounts payable	99	(81)	90
Taxes accrued	(2)	(5)	(6)
Other current assets and liabilities	1	34	(8)
Other, net	(31)	(9)	(15)
Net cash provided by operating activities	596	544	452
Net Cash Flows From Investing Activities			
Utility construction expenditures	(1,298)	(758)	(699)
Proceeds from sale of assets and other investments	-	17	15
Purchases of available-for-sale securities	(432)	(853)	(563)
Proceeds from sales of available-for-sale securities	395	878	566
Other, net	8	9	7
Net cash used in investing activities	(1,327)	(707)	(674)
Net Cash Flows From Financing Activities			
Issuance of long-term debt, net	646	346	297
Retirement of long-term debt	(2)	(161)	(91)
Amounts receivable from affiliates	4	(79)	(5)
Net increase in notes payable	86	-	-
Other, net	-	(5)	4
Net cash provided by financing activities	734	101	205
Net Increase (Decrease) in Cash and Cash Equivalents	3	(62)	(17)
Cash and Cash Equivalents at Beginning of Year	9	71	88
Cash and Cash Equivalents at End of Year	$ 12	$ 9	$ 71
Supplemental Disclosure:			
Interest paid, net of amounts capitalized	$ 98	$ 60	$ 68
Income taxes paid	$ 113	$ 125	$ 138

The accompanying notes are an integral part of these financial statements.

MHC INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CAPITALIZATION
(In millions, except share amounts)

	As of December 31,			
	2007		2006	
Shareholder's Equity				
Common shares, no par; 1,000 shares authorized, 1,000 shares outstanding	$ 2,421		$ 2,421	
Retained earnings	1,355		1,029	
Accumulated other comprehensive income, net:				
Unrealized gain (loss) on cash flow hedges	1		(12)	
	3,777	60.2%	3,438	65.0%
MidAmerican Energy Preferred Securities (100,000,000 shares authorized)				
Cumulative shares outstanding; not subject to mandatory redemption:				
$3.30 Series, 49,451 shares	5		5	
$3.75 Series, 38,305 shares	4		4	
$3.90 Series, 32,630 shares	3		3	
$4.20 Series, 47,362 shares	5		5	
$4.35 Series, 49,945 shares	5		5	
$4.40 Series, 35,697 shares	3		3	
$4.80 Series, 49,898 shares	5		5	
	30	0.5%	30	0.6%
Long-Term Debt, Excluding Current Portion				
MidAmerican Energy:				
Pollution control revenue obligations -				
5.95% Series, due 2023 (general mortgage bond-secured)	29		29	
Variable rate series (2007- 3.51%, 2005- 3.97%) -				
Due 2016 and 2017	37		37	
Due 2023 (general mortgage bond-secured)	28		28	
Due 2023	7		7	
Due 2024	35		35	
Due 2025	13		13	
Notes -				
5.65% Series, due 2012	400		-	
5.125% Series, due 2013	275		275	
4.65% Series, due 2014	350		350	
5.95% Series, due 2017	250		-	
6.75% Series, due 2031	400		400	
5.75% Series, due 2035	300		300	
5.8% Series, due 2036	350		350	
Obligation under capital lease	2		1	
Unamortized debt premium and discount, net	(6)		(6)	
Total	2,470	39.3%	1,819	34.4%
Total Capitalization	$ 6,277	100.0%	$ 5,287	100.0%

The accompanying notes are an integral part of these financial statements.

MHC INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(In millions)

	Years Ended December 31,		
	2007	**2006**	**2005**
Beginning of Year	$ 1,029	$ 713	$ 491
Adoption of FASB Interpretation No. 48	(2)	-	-
Net Income	328	316	222
End of Year	$ 1,355	$ 1,029	$ 713

The accompanying notes are an integral part of these financial statements.

MHC INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Company Organization

MHC Inc. ("MHC") is an Iowa corporation with MidAmerican Funding, LLC ("MidAmerican Funding") as its sole shareholder. MidAmerican Funding is an Iowa limited liability company with MidAmerican Energy Holdings Company ("MidAmerican Energy Holdings") as its sole member. MidAmerican Energy Holdings is a consolidated subsidiary of Berkshire Hathaway Inc. ("Berkshire Hathaway"). MHC constitutes substantially all of MidAmerican Funding's assets, liabilities and business activities except those related to MidAmerican Funding's long-term debt securities. MHC's principal subsidiary is MidAmerican Energy Company ("MidAmerican Energy"), a public utility with electric and natural gas operations. Direct wholly owned nonregulated subsidiaries of MHC are InterCoast Capital Company ("InterCoast Capital"), Midwest Capital Group, Inc., MidAmerican Services Company and MEC Construction Services Co.

(2) Summary of Significant Accounting Policies

In addition to the following significant accounting policies, refer to Note 2 of MidAmerican Energy's Notes to Consolidated Financial Statements in Item 8 of this Form 10-K for significant accounting policies of MHC.

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of MHC and the subsidiaries in which it holds a controlling financial interest. All intercompany accounts and transactions have been eliminated, other than those between rate-regulated operations.

Goodwill

Goodwill represents the difference between the purchase cost and the fair value of the net assets acquired when MidAmerican Funding purchased MHC. Goodwill is allocated to each reporting unit and is tested for impairment using a variety of methods, principally discounted projected future net cash flows, at least annually and impairments, if any, are charged to earnings. MHC completed its annual review as of October 31, 2007. Key assumptions used in the testing include, but are not limited to, the use of an appropriate discount rate and estimated future cash flows. In estimating cash flows, MHC incorporates current market information as well as historical factors.

MHC records goodwill adjustments for changes in the estimates of or the settlement of tax bases of acquired assets, liabilities and carry-forwards and items relating to acquired entities' prior income tax returns.

(3) Jointly Owned Utility Plant

Refer to Note 3 of MidAmerican Energy's Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

(4) Inventories

Refer to Note 4 of MidAmerican Energy's Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

(5) Investments and Nonregulated Property, Net

Investments and nonregulated property, net includes the following amounts as of December 31 (in millions):

	2007	2006
Nuclear decommissioning trusts	$ 276	$ 259
Rabbi trusts	141	129
Auction rate securities	40	-
MidAmerican Energy non-utility property, net of accumulated depreciation of $6 and $5, respectively	16	17
Coal transportation property, net of accumulated depreciation of $3 and $3, respectively	9	9
Equipment leases	5	6
Real estate, net of accumulated depreciation of $1 and $1, respectively	4	5
Other	3	2
Total	$ 494	$ 427

General

Investments held by the nuclear decommissioning trusts for the Quad Cities Station units are classified as available-for-sale and are reported at fair value. An amount equal to the net unrealized gains and losses on those investments is recorded as an adjustment to regulatory liabilities 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 Quad Cities Station.

The investment in rabbi trusts represents the cash surrender value of corporate-owned life insurance policies on certain key executives and the fair value of other related investments. The rabbi trusts were established to hold investments used to fund the obligations of various nonqualified executive and director compensation plans and to pay the costs of the trusts.

MidAmerican Energy has invested in AAA-rated interest bearing auction rate securities with remaining maturities of 9 to 28 years. These auction rate securities normally provide liquidity via an auction process that resets the applicable interest rate at predetermined calendar intervals, usually every 28 days or less. Interest on these securities has been paid on the scheduled auction dates. During the third and fourth quarters of 2007, auctions for the $40 million of MidAmerican Energy's investments in auction rate securities failed. The failures resulted in the interest rate on these investments resetting at higher levels. Although there is no current liquid market for the auction rate securities, MidAmerican Energy believes the underlying creditworthiness of the repayment sources for these securities' principal and interest, has not materially deteriorated. Therefore, the fair value of these investments approximates the carrying amount as of December 31, 2007. Historically, given the liquidity created by the auctions, auction rate securities were presented in current assets as short-term investments on the Consolidated Balance Sheet. Given the failed auctions, it is uncertain if MidAmerican Energy's auction rate securities will be sold within the next twelve months. Accordingly, the entire amount of such remaining balance has been classified as investments and nonregulated property, net on the Consolidated Balance Sheet as of December 31, 2007.

MidAmerican Energy non-utility property includes computer software, land and other assets not recoverable for regulated utility purposes. In 2006, MidAmerican Energy constructed $9 million of currently non-recoverable utility transmission assets, which are being depreciated over 55 years. Other depreciable property consists primarily of computer software, which is amortized on a straight-line basis over five years.

The coal transportation property is owned and operated by CBEC Railway Inc., a subsidiary of MidAmerican Energy. The property is depreciated on a straight-line basis over 37 years.

Equipment leases as of December 31, 2007, which are accounted for as leveraged leases and held by InterCoast Capital, consist primarily of a 7% undivided interest in an electric generating station leased to a utility located in Arizona. That lease terminates in 2015 and had a carrying pre-tax value of $5 million as of December 31, 2007 and 2006. The investment is exposed to the credit risk of the lessee.

The investment in real estate includes primarily Dakota Dunes, a 1,920 acre planned residential and commercial development community located in the southeast corner of South Dakota. As of December 31, 2007, 57% of the development available for sale had been sold.

Investments in Debt and Equity Securities

Substantially all of MHC's investments in debt and equity securities, other than auction rate securities, consist of the investments in the Quad Cities Station nuclear decommissioning trusts. Refer to Note 17 of MidAmerican Energy's Notes to Consolidated Financial Statements in Item 8 of this Form 10-K. The amortized cost, gross unrealized gains and losses and estimated fair value of MHC's investments in debt and equity securities as of December 31 were as follows (in millions):

2007	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 91	$ 63	$ (4)	$ 150
Municipal bonds	27	1	-	28
U. S. Government securities	59	3	-	62
Corporate securities	35	1	-	36
	$ 212	$ 68	$ (4)	$ 276

2006	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 89	$ 57	$ (1)	$ 145
Municipal bonds	24	-	-	24
U. S. Government securities	54	-	-	54
Corporate securities	34	1	-	35
Cash equivalents	1	-	-	1
	$ 202	$ 58	$ (1)	$ 259

As of December 31, 2006, the debt securities held by the Quad Cities Station nuclear decommissioning trusts had the following maturities (in millions):

	Available-For-Sale	
	Amortized Cost	Fair Value
Within 1 year	$ 3	$ 3
1 through 5 years	44	45
5 through 10 years	30	32
Over 10 years	44	46

The proceeds and gross realized gains and losses on the disposition of available-for-sale securities are shown in the following table (in thousands). Realized gains and losses in the Quad Cities Station nuclear decommissioning trusts are recorded in the regulatory liability related to the Quad Cities Station asset retirement obligation and do not impact earnings. Realized gains and losses are determined by specific identification. Refer to Note 13 for a discussion of the sale of marketable securities in 2006 resulting in a $28 million gain.

	Years Ended December 31,		
	2007	2006	2005
Proceeds from sales	$ 128	$ 187	$ 92
Gross realized gains	4	32	3
Gross realized losses	(2)	(2)	(2)

(6) Regulatory Assets and Liabilities

Refer to Note 6 of MidAmerican Energy's Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

(7) Preferred Securities

Refer to Note 7 of MidAmerican Energy's Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

(8) Long-Term Debt

Refer to Note 8 of MidAmerican Energy's Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

(9) Short-Term Borrowings

Interim financing of working capital needs and the construction program may be obtained with unaffiliated parties from the sale of commercial paper or short-term borrowing from banks.

MidAmerican Energy has a $500 million revolving credit facility expiring in July 2012, which supports its $380 million commercial paper program and its variable rate pollution control revenue obligations. The credit facility has a variable interest rate based on the London Interbank Offered Rate ("LIBOR") plus 0.115% that varies based on MidAmerican Energy's credit ratings for its senior unsecured long-term debt securities. The related credit agreement requires that MidAmerican Energy's ratio of consolidated debt to total capitalization, including current maturities, not exceed 0.65 to 1.0 as of the last day of any quarter. In addition, MidAmerican Energy has a $5 million line of credit, which expires in June 2008 and has a variable interest rate based on LIBOR plus 0.25%. As of December 31, 2007 and 2006, MidAmerican Energy had $86 million of commercial paper outstanding at a weighted average interest rate of 4.46%. The remaining amount of the revolving credit facility and and the full amount of the line of credit was available. MHC has a $4 million line of credit, expiring in June 2008, under which zero was outstanding at December 31, 2007. As of December 31, 2007, MHC and its subsidiaries were in

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compliance with all covenants related to their respective short-term borrowings. MidAmerican Energy has authority from the FERC to issue through April 14, 2009, short-term debt in the form of commercial paper and bank notes aggregating $800 million.

(10) Asset Retirement Obligations

Refer to Note 10 of MidAmerican Energy's Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

(11) Risk Management

Refer to Note 11 of MidAmerican Energy's Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

(12) Income Taxes

MHC's income tax expense (benefit) includes the following for the years ended December 31 (in millions):

	2007	2006	2005
Current:			
Federal	$ 87	$ 106	$ 102
State	20	11	25
	107	117	127
Deferred:			
Federal	33	10	(9)
State	(7)	(10)	(3)
	26	-	(12)
Investment tax credit, net	(3)	(3)	(4)
Total	$ 130	$ 114	$ 111

A reconciliation of the federal statutory income tax rate and the effective federal and state income tax rate indicated by the Consolidated Statements of Operations for the years ended December 31:

	2007	2006	2005
Federal statutory income tax rate	35%	35%	35%
Amortization of investment tax credit	(1)	(1)	(1)
State income tax, net of federal income tax benefit	5	5	5
Renewable electricity production tax credits	(7)	(5)	(3)
Effects of ratemaking	(2)	(2)	(2)
Resolution of potential tax matter	-	(4)	-
Other	(2)	(2)	(1)
Effective federal and state income tax rate	28%	26%	33%

The Consolidated Balance Sheets included the following deferred income taxes as of December 31 (in millions):

	2007	2006
Deferred tax assets related to:		
Regulatory liabilities	$ 144	$ 136
Revenue sharing	8	110
Employee benefits	48	51
Nuclear reserves and decommissioning	24	23
Unrealized losses, net	17	23
Fuel cost recoveries	8	5
Uncertain tax benefits	14	-
Other	34	29
	297	377
Deferred tax liabilities related to:		
Depreciable property	(544)	(590)
Regulatory assets	(239)	(233)
Reacquired debt	(2)	(3)
Other	(10)	(10)
	(795)	(836)
Net deferred income tax liability	$ (498)	$ (459)

The net deferred income tax liability was reflected as follows on the Consolidated Balance Sheets as of December 31, (in millions).

	2007	2006
Current assets – other	$ 11	$ 9
Deferred income taxes	(509)	(468)
Net deferred income tax liability	$ (498)	$ (459)

MHC adopted FIN 48 effective January 1, 2007, and had $33 million of net unrecognized tax benefits. Of this amount, MHC recognized a net increase in the liability for unrecognized tax benefits of $16 million as a cumulative effect of adopting FIN 48, which was offset by reductions in beginning retained earnings of $2 million and deferred income tax liabilities of $13 million and an increase in regulatory assets of $1 million in the Consolidated Balance Sheet. The remaining $17 million had been previously accrued under Statement of Financial Accounting Standards ("SFAS") No. 5, "Accounting for Contingencies," or SFAS No. 109, "Accounting for Income Taxes." Unrecognized tax benefits are included in other liabilities – other in the Consolidated Balance Sheet.

As of December 31, 2007, net unrecognized tax benefits totaled $44 million, which included $24 million of unrecognized tax positions that, if recognized, would have an impact on the effective tax rate. The remaining unrecognized tax benefits relate to tax positions for which ultimate deductibility is highly certain but for which there is uncertainty as to the timing of such deductibility. Recognition of these tax benefits, other than applicable interest and penalties, would not affect MHC's effective tax rate.

(13) Non-Operating Other Income and Expense

Non-operating income - other income and other expense as shown on the Consolidated Statements of Operations include the following for the years ended December 31 (in millions):

	2007	2006	2005
Other income:			
Marketable securities gains	$ -	$ 32	$ 4
Gains on sales of assets and other investments	-	15	10
Corporate-owned life insurance income	7	7	5
Income from energy projects and venture capital investments	-	5	1
Other	4	4	3
Total	$ 11	$ 63	$ 23

Marketable securities gains includes gains of $28 million in 2006 and $3 million in 2005 from the sale of the common shares MHC held of an electronic energy and metals trading exchange. Additionally, 2006 includes $4 million for a gain recognized when MHC donated its remaining shares in the company to a charitable foundation. An offsetting other expense, shown below, was also recognized for the donation.

Gains on the sales of assets and other investments, net in 2006 includes an $8 million gain on the sale of MHC's non-controlling interest in a nonregulated gas-fired cogeneration plant and a $7 million gain on the sale of a commercial passenger aircraft. Gains on sales of assets and other investments, net in 2005 reflects gains on the sales of two nonstrategic, passive investments.

Income from energy projects and venture capital investments for 2006 is due to changes in a financing arrangement related to a nonstrategic investment in a hydroelectric generating plant.

	2007	2006	2005
Other expense:			
Donation of investment in marketable securities	$ -	$ 4	$ -
Write-down of impaired airplane leases	-	-	16
Other - primarily items not recoverable from MidAmerican Energy's regulated utility customers	3	4	4
Total	$ 3	$ 8	$ 20

The write-downs of impaired airplane leases relate to MHC's previous investments in commercial passenger aircraft leased to major domestic airlines. During 2005, the airline industry continued to deteriorate and two major airline carriers filed for bankruptcy. MHC evaluated its investments in commercial passenger aircraft and recognized the losses for other-than-temporary impairments of those investments.

(14) Rate Matters

Refer to Note 14 of MidAmerican Energy's Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

(15) Commitments and Contingencies

Refer to Note 15 of MidAmerican Energy's Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

Other Commitments and Contingencies

MHC is involved in a number of 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 MHC's financial results.

(16) Employee Benefit Plans

Refer to Note 16 of MidAmerican Energy's Notes to Consolidated Financial Statements in Item 8 of this Form 10-K for additional information regarding MHC's pension, supplemental retirement and postretirement benefit plans.

Pension and postretirement costs allocated by MHC to its parent and other affiliates in each of the years ended December 31, were as follows (in millions):

	2007	2006	2005
Pension costs	$ 11	$ 11	$ 11
Other postretirement costs	-	2	2

(17) Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, notes payable and short-term investments approximates fair value because of the short-term maturity or frequent remarketing of these instruments. Quad Cities Station nuclear decommissioning trust funds and other marketable securities are carried at fair value, most of which are based on quoted market prices.

The fair value of equity investments carried at cost is based on an estimate of MHC's share of partnership equity, offers from unrelated third parties or the discounted value of the future cash flows expected to be received from these investments. The fair value of MHC's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to MidAmerican Energy for debt of the same remaining maturities. The following table presents the carrying amount and estimated fair value of the named financial instruments as of December 31 (in millions):

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial instruments owned:				
Equity investments carried at cost	$ 2	$ 3	$ 1	$ 1
Financial instruments issued:				
Long-term debt, including current portion	$ 2,471	$ 2,519	$ 1,821	$ 1,835

(18) Segment Information

MHC has identified three reportable operating segments: regulated electric, regulated gas and nonregulated energy. The regulated electric segment derives most of its revenue from regulated retail sales of electricity to residential, commercial, and industrial customers and from wholesale sales to other utilities. The regulated gas segment derives most of its revenue from regulated retail sales of natural gas to residential, commercial, and industrial customers and also obtains significant revenues by transporting gas owned by others through its distribution system. Pricing for regulated electric and gas sales are established separately by regulatory agencies; therefore, management also reviews each segment separately to make decisions regarding allocation of resources and in evaluating performance. Due to growth in revenue from nonregulated retail electric sales in 2007, a nonregulated energy business segment has been established. No change to previously reported amounts for the regulated electric and regulated gas segments resulted from the addition of the nonregulated energy segment. The nonregulated energy segment derives most of its revenue from nonregulated retail electric and gas activities. Common operating costs, interest income, interest expense and income tax expense are allocated to each segment based on MHC allocators most related to the nature of the cost. "Other" in the tables below consists principally of the nonregulated subsidiaries of MHC not engaged in the energy business.

The following tables provide information on an operating segment basis (in millions):

Segment Profit Information	2007	2006	2005
	Years Ended December 31,		
Operating revenues:			
Regulated electric	$ 1,934	$ 1,779	$ 1,513
Regulated gas	1,174	1,112	1,323
Nonregulated energy	1,150	557	324
Other	9	5	6
Total	$ 4,267	$ 3,453	$ 3,166
Depreciation and amortization expense:			
Regulated electric	$ 236	$ 243	$ 237
Regulated gas	32	31	30
Nonregulated energy (a)	1	1	2
Total	$ 269	$ 275	$ 269
Operating income:			
Regulated electric	$ 398	$ 372	$ 334
Regulated gas	53	36	39
Nonregulated energy	62	13	8
Other	1	-	-
Total	$ 514	$ 421	$ 381
Interest and dividend income:			
Regulated electric	$ 8	$ 7	$ 5
Regulated gas	1	2	1
Other	3	3	1
Total	12	12	7
Eliminations	(2)	(2)	(1)
Consolidated	$ 10	$ 10	$ 6
Fixed charges:			
Regulated electric	$ 98	$ 77	$ 69
Regulated gas	16	13	10
Other	4	5	3
Total	118	95	82
Eliminations	(3)	(2)	(1)
Consolidated	$ 115	$ 93	$ 81
Income taxes:			
Regulated electric	$ 91	$ 105	$ 101
Regulated gas	16	10	11
Nonregulated energy	23	3	3
Other	-	(4)	(4)
Total	$ 130	$ 114	$ 111
Net Income:			
Regulated electric	$ 263	$ 238	$ 194
Regulated gas	25	18	22
Nonregulated energy	37	9	4
Other	3	51	2
Total	$ 328	$ 316	$ 222

Segment Asset Information	As of December 31, 2007	2006	2005
Capital expenditures:			
Regulated electric	$ 1,159	$ 770	$ 714
Regulated gas	61	49	52
Nonregulated energy	1	-	2
Other	1	1	-
Total	$ 1,222	$ 820	$ 768
Total assets:			
Regulated electric	$ 7,301	$ 6,676	$ 5,887
Regulated gas	1,017	1,002	1,131
Nonregulated energy	203	102	112
Other	266	229	211
Total	$ 8,787	$ 8,009	$ 7,341

(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 Operations.

Goodwill resulting from past business combinations is not amortized. Periodically, such balances are evaluated for possible impairment. Based on MHC's annual goodwill impairment test completed as of October 31, 2007, no impairment was indicated for goodwill. In 2006, MHC adjusted goodwill for a change in related deferred income taxes due to resolution of tax issues existing at the time of purchase.

The following table shows the change in the carrying amount of goodwill by reportable segment for the years ended December 31, 2007 and 2006 (in millions):

	Regulated Electric	Regulated Gas	Total
Balance at January 1, 2006	$ 1,188	$ 78	$ 1,266
Income tax adjustment	3	1	4
Balance at December 31, 2006 and 2007	$ 1,191	$ 79	$ 1,270

(19) Related Party Transactions

The companies identified as affiliates of MHC are Berkshire Hathaway and its subsidiaries, including MidAmerican Energy Holdings and its subsidiaries. The basis for the following transactions is provided for in service agreements between MHC and the affiliates.

MHC was reimbursed for charges incurred on behalf of its affiliates. The majority of these reimbursed expenses were for allocated employee wages and benefits, insurance, computer costs, administrative services, travel expenses and general and administrative expenses: including treasury, legal and accounting functions. The amount of such reimbursements was $56 million, $62 million and $49 million for 2007, 2006 and 2005, respectively.

MidAmerican Energy reimbursed MidAmerican Energy Holdings in the amount of $12 million, $9 million and $16 million in 2007, 2006 and 2005, respectively, for its allocated share of corporate expenses.

Northern Natural Gas Company ("NNG"), a subsidiary of MidAmerican Energy Holdings, is one of MidAmerican Energy's suppliers of natural gas transportation and storage capacity. MidAmerican Energy had net purchases of natural gas transportation and storage capacity from NNG totaling $51 million in 2007, $52 million in 2006 and $53 million in 2005.

MHC has a $200 million revolving credit arrangement carrying interest at the 30-day LIBOR rate plus 25 basis points to borrow from MidAmerican Energy Holdings. Outstanding balances are unsecured and due on demand. The outstanding balance was $33 million at an interest rate of 5.496% as of December 31, 2007, and $3 million at an interest rate of 5.60% as of December 31, 2006, and is reflected as note payable to affiliate on the Consolidated Balance Sheet.

MidAmerican Energy Holdings has a $100 million revolving credit arrangement, carrying interest at the 30-day LIBOR rate plus 25 basis points, to borrow from MHC. Outstanding balances are unsecured and due on demand. The outstanding balance was zero throughout 2007 and 2006.

MHC settles all obligations of MidAmerican Funding including primarily interest costs on MidAmerican Funding's long-term debt. Net amounts paid by MHC on behalf of MidAmerican Funding totaled $26 million, $29 million and $28 million for 2007, 2006 and 2005, respectively.

MHC had accounts receivable from affiliates of $253 million and $224 million as of December 31, 2007 and 2006, respectively, reflected in receivables and receivable from affiliate on the Consolidated Balance Sheets. MHC also had accounts payable to affiliates of $15 million and $12 million as of December 31, 2007 and 2006, respectively, included in accounts payable on the Consolidated Balance Sheets.

In 2006, MHC received dividends totaling $50 million from MidAmerican Energy.

On December 31, 2006, MHC adopted SFAS No. 158 and recognized the full amount of the funded status for its pension and postretirement plans. The funded status of such plans attributable to MHC's affiliates that had not previously been recognized through income was recognized as an intercompany balance with such affiliates. MHC adjusts these balances when changes to the funded status of the respective plans are recognized and does not intend to settle the balances currently. Amounts receivable from affiliates attributable to the funded status of employee benefit plans totaled $12 million and $16 million as of December 31, 2007 and 2006, respectively, and similar amounts payable to affiliates totaled $19 million and $19 million, as of December 31, 2007 and 2006, respectively. See Note 16 for further information pertaining to pension and postretirement accounting.

Item 15 (a)(2) Financial Statement Schedules

SCHEDULE I
Page 1 of 2

MIDAMERICAN FUNDING, LLC
PARENT COMPANY ONLY
CONDENSED BALANCE SHEETS
(In millions)

	As of December 31,	
	2007	2006
ASSETS		
Current Assets		
Receivables from affiliates	$ 13	$ 10
Taxes receivable	-	1
Investments in and Advances to Subsidiaries	3,777	3,438
Total Assets	$ 3,790	$ 3,449
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Interest accrued	$ 16	$ 16
Payable to Affiliate	248	219
Long-Term Debt	700	700
Other	1	-
Total liabilities	965	935
Member's Equity		
Paid-in capital	1,670	1,670
Retained earnings	1,154	856
Other comprehensive loss, net	1	(12)
Total member's equity	2,825	2,514
Total Liabilities and Member's Equity	$ 3,790	$ 3,449

The notes to MidAmerican Funding, LLC consolidated financial statements are an integral part of this financial statement schedule.

MIDAMERICAN FUNDING, LLC
PARENT COMPANY ONLY
CONDENSED STATEMENTS OF OPERATIONS
(In millions)

	Years Ended December 31,		
	2007	2006	2005
Equity in Undistributed Earnings of Subsidiaries	$ 328	$ 316	$ 222
Interest on Long-Term Debt	47	47	47
Income Before Income Taxes	281	269	175
Income Tax Benefit	(19)	(19)	(20)
Net Income	$ 300	$ 288	$ 195

The notes to MidAmerican Funding, LLC consolidated financial statements are an integral part of this financial statement schedule.

MIDAMERICAN FUNDING, LLC
PARENT COMPANY ONLY
CONDENSED STATEMENTS OF CASH FLOWS
(In millions)

	Years Ended December 31,		
	2007	2006	2005
Cash Flows From Operating Activities	$ (26)	$ (29)	$ (28)
Cash Flows From Investing Activities	-	-	-
Cash Flows From Financing Activities	26	29	28
Net Change in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents at Beginning of Year	-	-	-
Cash and Cash Equivalents at End of Year	$ -	$ -	$ -

The notes to MidAmerican Funding, LLC consolidated financial statements are an integral part of this financial statement schedule.

SCHEDULE II

MIDAMERICAN ENERGY COMPANY AND SUBSIDIARY
CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
FOR THE THREE YEARS ENDED DECEMBER 31, 2007
(In millions)

Column A Description	Column B Balance at Beginning of Year	Column C Additions Charged to Income	Column D Deductions	Column E Balance at End of Year
Reserves Deducted From Assets To Which They Apply:				
Reserve for uncollectible accounts receivable:				
Year ended 2007	$ 10	$ 10	$ (11)	$ 9
Year ended 2006	$ 11	$ 9	$ (10)	$ 10
Year ended 2005	$ 9	$ 11	$ (9)	$ 11
Reserves Not Deducted From Assets [1]:				
Year ended 2007	$ 11	$ 4	$ (3)	$ 12
Year ended 2006	$ 11	$ 3	$ (3)	$ 11
Year ended 2005	$ 9	$ 4	$ (2)	$ 11

(1) Reserves not deducted from assets include estimated liabilities for losses retained by MidAmerican Energy for workers compensation, public liability and property damage claims.

SCHEDULE II

MIDAMERICAN FUNDING, LLC AND SUBSIDIARIES
CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
FOR THE THREE YEARS ENDED DECEMBER 31, 2007
(In millions)

Column A Description	Column B Balance at Beginning of Year	Column C Additions Charged to Income	Column D Deductions	Column E Balance at End of Year
Reserves Deducted From Assets To Which They Apply:				
Reserve for uncollectible accounts receivable:				
Year ended 2007	$ 10	$ 10	$ (11)	$ 9
Year ended 2006	$ 11	$ 9	$ (10)	$ 10
Year ended 2005	$ 9	$ 11	$ (9)	$ 11
Reserves Not Deducted From Assets [(1)]:				
Year ended 2007	$ 12	$ 3	$ (3)	$ 12
Year ended 2006	$ 12	$ 3	$ (3)	$ 12
Year ended 2005	$ 11	$ 4	$ (3)	$ 12

(1) Reserves not deducted from assets include primarily estimated liabilities for losses retained by MHC for workers compensation, public liability and property damage claims.

SIGNATURES

MIDAMERICAN ENERGY

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MIDAMERICAN ENERGY COMPANY
Registrant

Date: February 29, 2008

/s/ William J. Fehrman
William J. Fehrman
President
(principal executive officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

Signatures	Title	Date
/s/ William J. Fehrman William J. Fehrman	President and Director (principal executive officer)	February 29, 2008
/s/ Thomas B. Specketer Thomas B. Specketer	Vice President and Controller (principal financial and accounting officer)	February 29, 2008
/s/ Brian K. Hankel Brian K. Hankel	Vice President and Director	February 29, 2008
/s/ Steven R. Weiss Steven R. Weiss	Senior Vice President and Director	February 29, 2008

MIDAMERICAN FUNDING, LLC

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MIDAMERICAN FUNDING, LLC
Registrant

Date: February 29, 2008

/s/ Gregory E. Abel
Gregory E. Abel
President
(principal executive officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

Signatures	Title	Date
/s/ Gregory E. Abel Gregory E. Abel	President (principal executive officer)	February 29, 2008
/s/ Thomas B. Specketer Thomas B. Specketer	Vice President and Controller (principal financial and accounting officer)	February 29, 2008
/s/ Patrick J. Goodman Patrick J. Goodman	Manager	February 29, 2008
/s/ Ronald W. Roskens Ronald W. Roskens	Manager	February 29, 2008
/s/ Douglas L. Anderson Douglas L. Anderson	Manager	February 29, 2008

EXHIBIT INDEX

Exhibits Filed Herewith

MidAmerican Energy

23 Consent of Deloitte & Touche LLP

31.1 Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

MidAmerican Funding

31.3 Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.4 Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.3 Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.4 Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibits Incorporated by Reference

MidAmerican Energy

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.)

14 Code of Ethics for Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. (Filed as Exhibit 14.1 to MidAmerican Energy's Annual Report on Form 10-K for the year ended December 31, 2003, Commission File No. 1-11505.)

MidAmerican Funding

3.1 Articles of Organization of MidAmerican Funding, LLC (Filed as Exhibit 3.1 to MidAmerican Funding's Registration Statement on Form S-4, Registration No. 333-90553.)

3.2 Operating Agreement of MidAmerican Funding, LLC (Filed as Exhibit 3.2 to MidAmerican Funding's Registration Statement on Form S-4, Registration No. 333-90553.)

4.1 Indenture, dated as of March 11, 1999, by and between MidAmerican Funding, LLC and IBJ Whitehall Bank & Trust Company, as Trustee (Filed as Exhibit 4.1 to MidAmerican Funding's Registration Statement on Form S-4, Registration No. 333-90553.)

4.2 First Supplemental Indenture, dated as of March 11, 1999, by and between MidAmerican Funding, LLC and IBJ Whitehall Bank & Trust Company, as Trustee (Filed as Exhibit 4.2 to MidAmerican Funding's Registration Statement on Form S-4, Registration No. 333-90553.)

4.3 Second Supplemental Indenture, dated as of March 1, 2001, by and between MidAmerican Funding, LLC and The Bank of New York, as Trustee (Filed as Exhibit 4.4 to MidAmerican Funding's Registration Statement on Form S-3, Registration No. 333-56624.)

4.4 Registration Rights Agreement, dated March 9, 1999, by and among MidAmerican Funding, LLC, Credit Suisse First Boston Corporation, Lehman Brothers, Inc., Goldman Sachs & Co. and Merrill Lynch & Co. (Filed as Exhibit 4.2 to MidAmerican Funding's Registration Statement on Form S-4, Registration No. 333-90553.)

14 Code of Ethics for Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. (Filed as Exhibit 14.2 to MidAmerican Funding's Annual Report on Form 10-K for the year ended December 31, 2003, Commission File No. 333-90553.)

MidAmerican Energy and MidAmerican Funding

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 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.)

4.8 Indenture dated as of December 1, 1996, between MidAmerican Energy and The First National Bank of Chicago, as Trustee. (Filed as Exhibit 4(l) to MidAmerican Energy's Registration Statement on Form S-3, Registration No. 333-15387.)

4.9 First Supplemental Indenture, dated as of February 8, 2002, by and between MidAmerican Energy Company and The Bank of New York, as Trustee. (Filed as Exhibit 4.3 to MidAmerican Energy's Annual Report on Form 10-K for the year ended December 31, 2004, Commission File No. 333-15387.)

4.10 Second Supplemental Indenture, dated as of January 14, 2003, by and between MidAmerican Energy Company and The Bank of New York, as Trustee. (Filed as Exhibit 4.2 to MidAmerican Energy's Annual Report on Form 10-K for the year ended December 31, 2004, Commission File No. 333-15387.)

4.11 Third Supplemental Indenture, dated as of October 1, 2004, by and between MidAmerican Energy Company and The Bank of New York, as Trustee. (Filed as Exhibit 4.1 to MidAmerican Energy's Annual Report on Form 10-K for the year ended December 31, 2004, Commission File No. 333-15387.)

4.12 Fourth Supplemental Indenture, dated November 1, 2005, by and between MidAmerican Energy Company and the Bank of New York Trust Company, NA, as Trustee. (Filed as Exhibit 4.1 to MidAmerican Energy's Annual Report on Form 10-K for the year ended December 31, 2005, Commission File No. 333-15387.)

4.13 Indenture, dated as of October 1, 2006 - Senior Debt Securities between MidAmerican Energy Company and The Bank of New York Trust Company, N.A., as Trustee (Filed as Exhibit 4.1 to MidAmerican Energy's Quarterly Report on Form 10-Q dated September 30, 2006, Commission File No. 333-15387.)

4.14 First Supplemental Indenture, dated as of October 6, 2006 - 5.800% Notes due 2036 between MidAmerican Energy Company and The Bank of New York Trust Company, N.A., as Trustee (Filed as Exhibit 4.2 to MidAmerican Energy's Quarterly Report on Form 10-Q dated September 30, 2006, Commission File No. 333-15387.)

4.15 Second Supplemental Indenture, dated as of June 29, 2007 - 5.65% Notes due 2012 and 5.95% Notes due 2017, between MidAmerican Energy Company and The Bank of New York Trust Company, N.A., as Trustee (Filed as Exhibit 4.1 to MidAmerican Energy's Current Report on Form 8-K dated June 29, 2007, Commission File No. 1-11505.)

10.1 Iowa Utilities Board Order Approving Settlement With Modifications, issued December 21, 2001, in regards to MidAmerican Energy Company (Filed as Exhibit 10.7 to MidAmerican Energy's Annual Report on Form 10-K dated December 31, 2001, Commission File No. 1-11505.)

10.2 Stipulation and Agreement in Regard to MidAmerican Energy Company Ratemaking Principles for Wind Energy Investment, approved by the Iowa Utilities Board on October 17, 2003 (Filed as Exhibit 10 to MidAmerican Funding's and MidAmerican Energy's joint Form 10-Q for the quarter ended September 30, 2003; Commission File Nos. 333-90553 and 1-11505, respectively.)

10.3 Credit Agreement among MidAmerican Energy Company, the Lending Institutions Party Hereto, as Banks, Union Bank of California, N.A., as Syndication Agent, and JPMorgan Chase Bank, N.A., as Administrative Agent, dated as of November 18, 2004 Union Bank of California, N.A. and J.P. Morgan Securities, Inc. Co-Lead Arrangers and Co-Book Runners. (Filed as Exhibit 10.1 to MidAmerican Energy's Annual Report on Form 10-K dated December 31, 2005, Commission File No. 333-15387.)

10.4 Amended and Restated Credit Agreement among MidAmerican Energy Company, the lending institutions party hereto, as banks, JPMorgan Chase Bank, N.A., as Administrative Agent, Union Bank of California, N.A., as Syndication Agent, and The Royal Bank of Scotland plc, ABN Amro Bank N.V. and BNP Paribas, as Co-Documentation Agents, dated as of July 6, 2006. (Filed as Exhibit 10.1 to MidAmerican Energy's Quarterly Report on Form 10-Q dated June 30, 2006, Commission File No. 333-15387.)

10.5 Stipulation and Agreement Dated December 20, 2004, in Regard to MidAmerican Energy Company Ratemaking Principles for the 2005 Wind Expansion Project, approved by the Iowa Utilities Board on January 31, 2005. (Filed as Exhibit 10.2 to MidAmerican Energy's Quarterly Report on Form 10-Q dated June 30, 2006, Commission File No. 333-15387.)

10.6 Stipulation and Agreement Dated December 14, 2005, in Regard to MidAmerican Energy Company Ratemaking Principles for the 2006-2007 Wind Expansion Project, approved by the Iowa Utilities Board on April 18, 2006. (Filed as Exhibit 10.3 to MidAmerican Energy's Quarterly Report on Form 10-Q dated June 30, 2006, Commission File No. 333-15387.)

10.7 Stipulation and Agreement Dated March 23, 2007, in Regard to MidAmerican Energy Company Ratemaking Principles for "Wind IV Iowa Projects", approved by the Iowa Utilities Board on July 27, 2007. (Filed as Exhibit 10.1 to MidAmerican Funding's and MidAmerican Energy's joint Quarterly Report on Form 10-Q dated June 30, 2007, Commission File Nos. 333-90553 and 333-15387, respectively.)

Note: Pursuant to (b) (4) (iii) (A) of Item 601 of Regulation S-K, MidAmerican Energy 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 there under does not exceed 10% of total assets of MidAmerican Energy, but hereby agrees to furnish to the Commission on request any such instruments.

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-142663 on Form S-3 of our report dated February 27, 2008 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the adoption of Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)," as of December 31, 2006), relating to the financial statements and the financial statement schedule of MidAmerican Energy Company, appearing in this Annual Report on Form 10-K of MidAmerican Energy Company for the year ended December 31, 2007.

/s/ Deloitte & Touche LLP

Des Moines, Iowa
February 27, 2008

EXHIBIT C-2

"SEC Filings"
EXHIBIT 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, William J. Fehrman, certify that:

1. I have reviewed this annual report on Form 10-K of MidAmerican Energy Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2008

/s/ William J. Fehrman
William J. Fehrman
President
(principal executive officer)

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Thomas B. Specketer, certify that:

1. I have reviewed this annual report on Form 10-K of MidAmerican Energy Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2008

/s/ Thomas B. Specketer
Thomas B. Specketer
Vice President and Controller
(principal financial officer)

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Gregory E. Abel, certify that:

1. I have reviewed this annual report on Form 10-K of MidAmerican Funding, LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2008

/s/ Gregory E. Abel
Gregory E. Abel
President
(principal executive officer)

CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Thomas B. Specketer, certify that:

1. I have reviewed this annual report on Form 10-K of MidAmerican Funding, LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2008

/s/ Thomas B. Specketer
Thomas B. Specketer
Vice President and Controller
(principal financial officer)

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

I, William J. Fehrman, President of MidAmerican Energy Company (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of my knowledge:

(1) the Annual Report on Form 10-K of the Company for the annual period ended December 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: February 29, 2008

/s/ William J. Fehrman
William J. Fehrman
President
(principal executive officer)

EXHIBIT C-2

"SEC Filings"
EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Thomas B. Specketer, Vice President and Controller of MidAmerican Energy Company (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of my knowledge:

(1) the Annual Report on Form 10-K of the Company for the annual period ended December 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: February 29, 2008

/s/ Thomas B. Specketer
Thomas B. Specketer
Vice President and Controller
(principal financial officer)

EXHIBIT 32.3

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Gregory E. Abel, President of MidAmerican Funding, LLC (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of my knowledge:

(1) the Annual Report on Form 10-K of the Company for the annual period ended December 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: February 29, 2008

/s/ Gregory E. Abel
Gregory E. Abel
President
(principal executive officer)

EXHIBIT 32.4

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Thomas B. Specketer, Vice President and Controller of MidAmerican Funding, LLC (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of my knowledge:

(1) the Annual Report on Form 10-K of the Company for the annual period ended December 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: February 29, 2008

/s/ Thomas B. Specketer
Thomas B. Specketer
Vice President and Controller
(principal financial officer)

The most recent two years of audited financial statements has been provided in Exhibit C-2, "SEC Filings" within the 10-K Reports.

EXHIBIT C-4

"Financial Arrangements"

MidAmerican Energy Company has not entered into any special or alternative financial arrangements for the purpose of conducting CRES activities within the State of Ohio.

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.

EXHIBIT C-6

"Credit Rating"

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 : A2 **Standard & Poors: A-**

Dun & Bradstreet

Business Information Report

For: RON STEPIEN, PRES
DUN & BRADSTREET

September 21, 2000
5:27 pm

This report should not be reproduced or redistributed

BUSINESS SUMMARY

MIDAMERICAN ENERGY COMPANY (INC)	DUNS: 88-471-8768	RATING	--
(SUBSIDIARY OF MIDAMERICAN ENERGY HOLDINGS COMPANY, DES MOINES, IA)	ELECTRIC & GAS UTILITY	STARTED	1996
		SALES F	$1,791,036,000
		WORTH F	$1,239,614,000
	SIC NOS.	EMPLOYS	3,460(300 HERE)
PO BOX 9244	4911 4924	HISTORY	CLEAR
DES MOINES IA 50306		FINANCIAL CONDITION	GOOD
666 GRAND AVENUE			
AND BRANCH(ES) OR DIVISION(S)		STATEMENT DATE	JUN 30 2000
DES MOINES IA 50309			
TEL: 515 242-4300			

CHIEF EXECUTIVE: DAVID L SOKOL, COB-CEO

CUSTOMER SERVICE

If you have questions about this report, please call our Customer Service Center at 1-800-333-0505 from anywhere within the U.S. If you are outside the U.S., contact your local D&B office.

*** Additional Decision Support Available ***

Additional D&B products, credit recommendations and specialized investigations are available to help you evaluate this company or its industry. Call Dun & Bradstreet's Solution Center at 1-800-362-3425 from anywhere within the U.S.

SUMMARY ANALYSIS

The Summary Analysis section reflects information in D&B's file as of September 18, 2000.

RATING SUMMARY . . . .

The Rating was changed on April 24, 2000 because the parent company's Rating was lowered. It is D&B's practice to rate a subsidiary no higher than its parent company. The absence of a Rating (--) indicates that the information available to D&B does not permit us to assign a Rating to this business. In this case, no Rating was assigned because the parent company is rated "--". It is D&B's policy not to rate a subsidiary higher than its parent. Therefore, this company is also rated "--".

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For: RON STEPIEN, PRES
DUN & BRADSTREET

September 21, 2000
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SUMMARY ANALYSIS (continued)

Below is an overview of the company's D&B Rating(s) since 07/22/95:

RATING	DATE APPLIED
--	04/24/00
5A4	03/27/00
5A2	02/18/97
--	02/13/97
5A2	03/07/96
--	07/22/95

PAYMENT SUMMARY

The Payment Summary section reflects payment information in D&B's file as of the date of this report.

The PAYDEX for this company is 73.

This PAYDEX score indicates that payments to suppliers average 11 days beyond terms, weighted by dollar amounts. When dollar amounts are not considered, approximately 83% of the company's payments are within terms.

Below is an overview of the company's dollar-weighted payments, segmented by its suppliers' primary industries:

	TOTAL RCV'D	TOTAL DOLLAR AMOUNTS	LARGEST HIGH CREDIT	% W/IN TERMS	DAYS SLOW <31	31-60	61-90	91+
	#	$	$	%	%	%	%	%
Total in D&B's file	280	4,938,600	1,000,000					
Top 10 Industries:								
1 Whol electrical equip	14	115,050	30,000	99	1	-	-	-
2 Mfg computers	6	1,135,000	1,000,000	54	-	44	2	-
3 Whol metal	6	132,850	65,000	100	-	-	-	-
4 Short-trm busn credit	4	200,800	200,000	50	50	-	-	-
5 Petroleum refining	3	900,100	800,000	100	-	-	-	-
6 Whol computers/softwr	3	130,100	95,000	63	37	-	-	-
7 Mfg structural metal	2	175,000	100,000	100	-	-	-	-
8 Electric services	1	500,000	500,000	100	-	-	-	-
9 Mfg electric wire dev	1	300,000	300,000	100	-	-	-	-
10 Mfg plastic pipe	1	200,000	200,000	100	-	-	-	-
11 OTHER INDUSTRIES	224	1,115,850	90,000	77	15	2	3	3

Other Payment Categories:

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PAYMENT SUMMARY (continued)

Cash experiences	1	0	0
Payment record unknown	14	33,850	7,500
Unfavorable comments	0	0	0
Placed for collection			
with D&B	0	0	
other	0	N/A	

The highest "Now Owes" on file is $200,000
The highest "Past Due" on file is $40,000

Dun & Bradstreet has 280 payment experiences in its file for this company. For your convenience, we have displayed 80 representative experiences in the PAYMENTS section.

PAYMENTS

Antic - Anticipated (Payments received prior to date of invoice)
Disc - Discounted (Payments received within trade discount period)
Ppt - Prompt (Payments received within terms granted)

REPORTED	PAYING RECORD	HIGH CREDIT	NOW OWES	PAST DUE	SELLING TERMS	LAST SALE WITHIN
09/00	Ppt	55000	-0-	-0-	N30	1 Mo
	Ppt	5000	-0-	-0-	1 10 N30	1 Mo
	Ppt	2500	-0-	-0-	N30	6-12 Mos
	Ppt	1000	-0-	-0-	1 10 N30	1 Mo
	Ppt	1000	-0-	-0-	1 10 N30	2-3 Mos
	Ppt	50	-0-	-0-		6-12 Mos
	Ppt-Slow 30	250	100	-0-	1 10 N30	1 Mo
	Ppt-Slow 60	2500	1000	1000	N30	2-3 Mos
	Ppt-Slow 90	1000	250	250	N30	2-3 Mos
	Slow 10	1000	-0-	-0-	N30	6-12 Mos
	Slow 60	1000	-0-	-0-	N30	4-5 Mos
	Slow 60	100	-0-	-0-	N30	6-12 Mos
08/00	Disc	5000	-0-	-0-		4-5 Mos
	Ppt	500000	-0-	-0-		4-5 Mos
	Ppt	200000	200000	5000		1 Mo
	Ppt	85000	85000	-0-	N10	1 Mo
	Ppt	40000	-0-	-0-		2-3 Mos
	Ppt	35000	-0-	-0-		1 Mo
	Ppt	25000	100	-0-	N30	1 Mo
	Ppt	20000	5000	-0-		1 Mo
	Ppt	10000	-0-	-0-		2-3 Mos
	Ppt	10000	5000	-0-	N30	1 Mo
	Ppt	10000	1000	-0-	2 10 N30	1 Mo
	Ppt	5000	250	-0-	N30	1 Mo
	Ppt	5000	750	-0-	N30	1 Mo
	Ppt	5000	5000	-0-		
	Ppt	5000	2500	1000	N30	1 Mo

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PAYMENTS (continued)

Ppt	2500	2500	-0-		
Ppt	2500	-0-	-0-	N30	2-3 Mos
Ppt	2500	-0-	-0-		6-12 Mos
Ppt	2500	-0-	-0-		6-12 Mos
Ppt	2500	50	-0-	N30	1 Mo
Ppt	2500	750	-0-		1 Mo
Ppt	2500	-0-	-0-		1 Mo
Ppt	2500	1000	-0-		
Ppt	2500	-0-	-0-	N30	1 Mo
Ppt	1000	1000	-0-	N10	1 Mo
Ppt	1000	-0-	-0-	N30	6-12 Mos
Ppt	1000	1000	-0-	N30	1 Mo
Ppt	1000	1000	-0-	N30	1 Mo
Ppt	1000	750	-0-		
Ppt	1000	-0-	-0-	N30	2-3 Mos
Ppt	1000	500	-0-	N30	1 Mo
Ppt	750	-0-	-0-	N30	4-5 Mos
Ppt	750	250	-0-		1 Mo
Ppt	750	-0-	-0-		4-5 Mos
Ppt	500	-0-	-0-	N30	4-5 Mos
Ppt	500	-0-	-0-		4-5 Mos
Ppt	500	-0-	-0-	N30	4-5 Mos
Ppt	500	-0-	-0-		6-12 Mos
Ppt	250	-0-	-0-	N30	4-5 Mos
Ppt	250	-0-	-0-	N30	1 Mo
Ppt	250	-0-	-0-		4-5 Mos
Ppt	250	-0-	-0-		2-3 Mos
Ppt	250	-0-	-0-		2-3 Mos
Ppt	250	250	-0-	N30	1 Mo
Ppt	250	-0-	-0-	N30	1 Mo
Ppt	250	-0-	-0-	N30	4-5 Mos
Ppt	250	-0-	-0-		6-12 Mos
Ppt	250	-0-	-0-	N30	2-3 Mos
Ppt	100	100	-0-		1 Mo
Ppt	100	-0-	-0-	N30	1 Mo
Ppt	100	-0-	-0-	N30	4-5 Mos
Ppt	50	50	-0-		1 Mo
Ppt		-0-	-0-		4-5 Mos
Ppt-Slow 30	95000	95000	40000	N30	1 Mo
Ppt-Slow 30	1000	-0-	-0-	N30	4-5 Mos
Ppt-Slow 30	750	250	250	N30	2-3 Mos
Ppt-Slow 30	250	100	100		1 Mo
Ppt-Slow 30	50	-0-	-0-	N15	6-12 Mos
Ppt-Slow 40	500	500	250		1 Mo
Ppt-Slow 60	10000	5000			6-12 Mos
Ppt-Slow 90+	60000	500	-0-	N30	1 Mo
Slow 5	100	-0-	-0-		1 Mo
Slow 10	10000	2500	-0-		

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PAYMENTS (continued)

Slow 10	100	-0-	-0-		6-12 Mos
Slow 30	5000	-0-	-0-	1 10 N30	4-5 Mos
Slow 60	2500	-0-	-0-		6-12 Mos
Slow 30-90	750	750	750		6-12 Mos
Slow 120	500	500	500		6-12 Mos

* Payment experiences reflect how bills are met in relation to the terms granted. In some instances payment beyond terms can be the result of disputes over merchandise, skipped invoices etc.

* Each experience shown represents a separate account reported by a supplier. Updated trade experiences replace those previously reported. Amounts may be rounded to nearest figure in prescribed ranges.

UPDATE

08/18/00 The previously reported financial information is the most applicable for rating purposes at this time and will therefore continue to be utilized.

Interim Consolidated statement dated JUN 30 2000:

Cash	$ 4,474,000	Accts Pay	$ 125,288,000
Inventory	39,138,000	Notes Pay	214,711,000
Receivables	185,416,000	Accruals	10,045,000
Prepaid	22,889,000	Taxes	88,521,000
Other Curr Assets	8,981,000	L.T. Liab-(1yr)	1,517,000
		Current Portion Of Power Purchase	15,767,000
		Other Curr Liabs	31,206,000
	---------------		---------------
Curr Assets	260,898,000	Curr Liabs	487,055,000
Fixt & Equip	2,879,191,000	Power Purchase Contract	52,281,000
Power Purchase Contract	102,164,000	Deferred Income Taxes	558,244,000
Regulatory Assets	255,320,000	L.T. Liab-Other	392,924,000
Other Assets	57,110,000	PREFERRED STOCK	181,759,000
		COMMON STOCK	1,124,052,000
		LONG-TERM DEBT	758,368,000
	---------------		---------------
Total Assets	3,554,583,000	Total	3,554,583,000

From JAN 01 2000 to JUN 30 2000 sales $983,914,000; cost of goods sold $422,626,000. Gross profit $561,288,000; operating expenses $404,244,000. Operating income $157,044,000; other income (38,587,000); other expenses $1,475,000; net income before taxes

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MidAmerican Energy Company

EXHIBIT C-7

"Credit Report"

For: RON STEPIEN, PRES
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UPDATE (continued)

$116,882,000; Federal income tax $48,208,000; net income $68,674,000.
Statement received by mail AUG 10 2000. Statement obtained in outside quarters. Prepared from statement(s) by Accountant: Deloitte & Touche, LLP.
ACCOUNTANTS OPINION: "The financial statements were reviewed by the accountant.".

--0--

Fixed assets shown net less $2,627,548 depreciation. Balance Sheet Explanation:-Other L/T Liabilities Consists Of Investment Tax Credit And Other. Income Statement Explanation:- Other Income Consists Of Fixed Charges. Other Expense Consists Of Non-Operating Income.

FINANCE

05/12/00	Fiscal Consolidated Dec 31 1997	Fiscal Consolidated Dec 31 1998	Fiscal Consolidated Dec 31 1999
Curr Assets	283,943,000	299,005,000	310,046,000
Curr Liabs	524,374,000	596,582,000	617,628,000
Current Ratio	0.54	0.5	0.5
Working Capital	(240,431,000)	(297,577,000)	(307,582,000)
Other Assets		311,200,000	3,282,511,000
Worth	1,217,307,000	1,154,037,000	1,239,614,000
Sales	1,662,606,000	1,707,189,000	1,791,036,000
Long Term Liab		557,455,000	1,735,315,000
Net Profit (Loss)	119,453,000	115,593,000	127,331,000

Fiscal Consolidated statement dated DEC 31 1999:

Cash	$ 5,167,000	Accts Pay	$ 131,186,000
[illegible]	[illegible]	[illegible]	[illegible]
Receivables	190,986,000	Power Purchase Contract-Curr. Port	15,767,000
Other Curr Assets	33,244,000	Accruals	125,588,000
		L.T. Liab-(1yr)	110,861,000
		Other Curr Liabs	30,226,000
	---------------		---------------
Curr Assets	310,046,000	Curr Liabs	617,628,000
Fixt & Equip	2,643,431,000	Long-Term Debt-Net	759,638,000
Power Purchase Contract	106,481,000	Other Liabilities	975,677,000
Investments-Other	228,105,000	PREFERRED STOCK	181,759,000
Regulatory Assets	278,757,000	COMMON SHAREHOLDER'S EQUITY	1,057,855,000
Other Assets	25,737,000		
	---------------		---------------
Total Assets	3,592,557,000	Total	3,592,557,000

From JAN 01 1999 to DEC 31 1999 sales $1,791,036,000; cost of goods sold $646,436,000. Gross profit $1,144,600,000; operating expenses $844,536,000. Operating income $300,064,000; other income $3,040,000; other expenses $87,320,000; net income before taxes $215,784,000; Federal income tax $88,453,000. Net income

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FINANCE (continued)

$127,331,000. Retained earnings at start $426,228,000. Net income $119,453,000; dividends $120,500,000; retained earnings at end $425,181,000.

Prepared from statement(s) by Accountant: Deloitte & Touche LLP.
ACCOUNTANTS OPINION: A Review Of The Accountant's Opinion Indicated That The Financial Statement Meets Generally Accepted Accounting Principles And The Audit Contains No Qualifications.

--0--

Fixed assets shown net less $2,548,160,000 depreciation.
Statement item explanations were not provided.
On May 10, 2000, attempts to contact the management of this business have been unsuccessful. Inside sources confirmed operation and location.

Dun & Bradstreet's usual practice is not to Rate a Subsidiary higher than its Parent. The Tangible Net Worth and financial condition of the Parent have been used as one factor in Rating this business. A copy of the report on the Parent is available if further information is required.

PUBLIC FILINGS

The following data is for information purposes only and is not the official record. Certified copies can only be obtained from the official source.

* * * JUDGMENT(S) * * *

DOCKET NO.:	SC97476		
JDGMT TYPE:	Judgment	STATUS:	Unsatisfied
AGAINST:	$879-MID AMERICAN ENERGY, DAVENPORT, IA	DATE STATUS ATTAINED:	01/13/1998
		DATE ENTERED:	01/13/1998
IN FAVOR OF:	ROBIN LAWSON	LATEST INFO RECEIVED:	02/19/1998
WHERE FILED:	SCOTT COUNTY SMALL CLAIMS COURT DAVENPORT, IA		

If it is indicated that there are defendants other than the report subject, the lawsuit may be an action to clear title to property and does not necessarily imply a claim for money against the subject.

* * * SUIT(S) * * *

DOCKET NO.:	SCSC105172		
PLAINTIFF:	$4,000-JAMIE MEASE	STATUS:	Pending
DEFENDANT:	MID AMERICAN ENERGY CO, CEDAR RAPIDS, IA	DATE STATUS ATTAINED:	07/01/1998
		DATE FILED:	07/01/1998
WHERE FILED:	LINN COUNTY SMALL CLAIMS COURT,	LATEST INFO RECEIVED:	08/07/1998

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PUBLIC FILINGS (continued)

CEDAR RAPIDS, IA

DOCKET NO.: 97L045
PLAINTIFF: $30,000-JARED HARDER
DEFENDANT: MID AMERICAN ENERGY, MOLINE, IL and OTHERS
WHERE FILED: ROCK ISLAND COUNTY CIRCUIT COURT, ROCK ISLAND, IL

STATUS: Pending
DATE STATUS ATTAINED: 02/24/1997
DATE FILED: 02/24/1997
LATEST INFO RECEIVED: 03/28/1997

DOCKET NO.: 90123
PLAINTIFF: MICHEL HAULK
DEFENDANT: MIDAMERICAN ENERGY CO, DAVENPORT, IA
WHERE FILED: SCOTT COUNTY DISTRICT COURT, DAVENPORT, IA

STATUS: Pending
DATE STATUS ATTAINED: 10/24/1996
DATE FILED: 10/24/1996
LATEST INFO RECEIVED: 12/06/1996

DOCKET NO.: 493 CV 80748
PLAINTIFF: HARRISON SHAN DAVIS, DES MOINES IA
DEFENDANT: MIDWEST GAS CO, DES MOINES, IA and OTHERS
WHERE FILED: U S DISTRICT COURT, DES MOINES, IA

STATUS: Pending
DATE STATUS ATTAINED: 11/15/1993
DATE FILED: 11/15/1993
LATEST INFO COLLECTED: 02/22/1994

DOCKET NO.: CL-53353
PLAINTIFF: ORVILLE NABER
DEFENDANT: MIDWEST GAS CO, DES MOINES, IA and OTHERS
CAUSE: Negligence
Personal injury - non-death
WHERE FILED: POLK COUNTY DISTRICT COURT, DES MOINES, IA

STATUS: Pending
DATE STATUS ATTAINED: 06/04/1991
DATE FILED: 06/04/1991
LATEST INFO COLLECTED: 09/01/1992

DOCKET NO.: CL51769
PLAINTIFF: NELLIE ANN DUNBLAZIER
DEFENDANT: MIDWEST GAS CO
CAUSE: Negligence
Motor vehicle injury
WHERE FILED: POLK COUNTY DISTRICT COURT, DES MOINES, IA

STATUS: Dismissal with prejudice
DATE STATUS ATTAINED: 12/07/1990
DATE FILED: 12/07/1990
LATEST INFO RECEIVED: 03/26/1991

DOCKET NO.: sc196224
SUIT AMOUNT: $577
PLAINTIFF: LYNDA K SHIELDS, ANKENY, IA
DEFENDANT: MIDWEST GAS CO
CAUSE: Specific performance
WHERE FILED: POLK COUNTY SMALL CLAIMS COURT, DES MOINES, IA

STATUS: Judgment for plaintiff
DATE STATUS ATTAINED: 07/19/1990
DATE FILED: 07/19/1990
LATEST INFO RECEIVED: 10/22/1990

DOCKET NO.: 195001
SUIT AMOUNT: $430
PLAINTIFF: RICHARD BROICH, IA

STATUS: Judgment for plaintiff
DATE STATUS ATTAINED: 08/13/1990

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PUBLIC FILINGS (continued)

DEFENDANT: MIDWEST GAS CO
CAUSE: Property damages
WHERE FILED: POLK COUNTY SMALL CLAIMS COURT, DES MOINES, IA
DATE FILED: 06/19/1990
LATEST INFO COLLECTED: 09/09/1991

* * * UCC FILING(S) * * *

COLLATERAL: Inventory and proceeds - Machinery and proceeds - Equipment and proceeds - Leased Computer equipment and proceeds
FILING NO: 003529677
TYPE: Original
SEC. PARTY: LASALLE EQUIPMENT LTD PARTNERSHIP, NORTHBROOK, IL
DEBTOR: MIDAMERICAN ENERGY CO, SIOUX CITY, IA
DATE FILED: 04/15/1996
LATEST INFO RECEIVED: 04/22/1996
FILED WITH: SECRETARY OF STATE/UCC DIVISION, IL

FILING NO: 000474373
TYPE: Termination
SEC. PARTY: LASALLE EQUIPMENT LTD PARTNERSHIP, NORTHBROOK, IL
DEBTOR: MIDAMERICAN ENERGY CO, SIOUX CITY, IA
DATE FILED: 01/04/2000
LATEST INFO RECEIVED: 01/10/2000
ORIG. UCC FILED: 04/15/1996
ORIG. FILING NO: 003529677
FILED WITH: SECRETARY OF STATE/UCC DIVISION, IL

COLLATERAL: Inventory and proceeds - Machinery and proceeds - Equipment and proceeds - Leased Computer equipment and proceeds
FILING NO: K717976
TYPE: Original
ASSIGNEE: LASALLE EQUIPMENT LIMITED PARTNERSHIP, NORTHBROOK, IL
DEBTOR: MIDAMERICAN ENERGY COMPANY, SIOUX CITY, IA
DATE FILED: 03/08/1996
LATEST INFO RECEIVED: 04/02/1996
FILED WITH: SECRETARY OF STATE/UCC DIVISION, IA

FILING NO: P075969
TYPE: Assignment
ASSIGNEE: PULLMAN BANK AND TRUST COMPANY, CHICAGO, IL
DEBTOR: MIDAMERICAN ENERGY COMPANY, SIOUX CITY, IA
DATE FILED: 01/24/2000
LATEST INFO RECEIVED: 02/10/2000
ORIG. UCC FILED: 01/24/2000
ORIG. FILING NO: K717975
FILED WITH: SECRETARY OF STATE/UCC DIVISION, IA

COLLATERAL: Leased Inventory and proceeds - Leased Computer equipment and proceeds - Leased Machinery and proceeds - Leased Equipment and proceeds
FILING NO: P070903
TYPE: Original
ASSIGNEE: PULLMAN BANK AND TRUST CO., CHICAGO, IL
DEBTOR: MIDAMERICAN ENERGY COMPANY, SIOUX CITY, IA
DATE FILED: 01/06/2000
LATEST INFO RECEIVED: 01/13/2000
FILED WITH: SECRETARY OF STATE/UCC DIVISION, IA

FILING NO: P075064
DATE FILED: 01/20/2000

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PUBLIC FILINGS (continued)

TYPE: Assignment
ASSIGNEE: PULLMAN BANK AND TRUST CO., CHICAGO, IL
DEBTOR: MIDAMERICAN ENERGY COMPANY, SIOUX CITY, IA
LATEST INFO RECEIVED: 01/27/2000
ORIG. UCC FILED: 01/20/2000
ORIG. FILING NO: P070903
FILED WITH: SECRETARY OF STATE/UCC DIVISION, IA

COLLATERAL: Leased Inventory and proceeds - Leased Machinery and proceeds - Leased Equipment and proceeds - Leased Computer equipment and proceeds
FILING NO: K952482
TYPE: Original
ASSIGNEE: PULLMAN BANK AND TRUST COMPANY, CHICAGO, IL
DEBTOR: MIDAMERICAN ENERGY COMPANY, SIOUX CITY, IA
DATE FILED: 10/05/1998
LATEST INFO RECEIVED: 10/23/1998
FILED WITH: SECRETARY OF STATE/UCC DIVISION, IA

FILING NO: K956162
TYPE: Assignment
ASSIGNEE: PULLMAN BANK AND TRUST COMPANY, CHICAGO, IL
DEBTOR: MIDAMERICAN ENERGY COMPANY, SIOUX CITY, IA
DATE FILED: 10/19/1998
LATEST INFO RECEIVED: 10/28/1998
ORIG. UCC FILED: 10/05/1998
ORIG. FILING NO: K952482
FILED WITH: SECRETARY OF STATE/UCC DIVISION, IA

COLLATERAL: Account(s) and proceeds - Computer equipment and proceeds - General intangibles(s) and proceeds - Chattel paper and proceeds
FILING NO: 973360902858
TYPE: Original
SEC. PARTY: FIRST NATIONAL BANK OF CHICAGO, CHICAGO, IL
DEBTOR: MIDAMERICAN ENERGY FUNDING CORPORATION, DES MOINES, IA
DATE FILED: 12/02/1997
LATEST INFO RECEIVED: 01/21/1998
FILED WITH: SECRETARY OF STATE/UCC DIVISION, SD

COLLATERAL: Account(s) and proceeds - Computer equipment and proceeds - General intangibles(s) and proceeds - Chattel paper and proceeds
FILING NO: 973360902857
TYPE: Original
SEC. PARTY: MIDAMERICAN ENERGY FUNDING, DES MOINES, IA
FIRST NATIONAL BANK OF CHICAGO, CHICAGO, IL
DEBTOR: MIDAMERICAN ENERGY COMPANY, DES MOINES, IA
DATE FILED: 12/02/1997
LATEST INFO RECEIVED: 01/21/1998
FILED WITH: SECRETARY OF STATE/UCC DIVISION, SD

COLLATERAL: Account(s) and proceeds - Computer equipment and proceeds - General intangibles(s) and proceeds - Chattel paper and proceeds
FILING NO: 003769351
TYPE: Original
SEC. PARTY: THE FIRST NATIONAL BANK AGENT, CHICAGO, IL
DEBTOR: MIDAMERICAN ENERGY CO, DES
DATE FILED: 12/02/1997
LATEST INFO RECEIVED: 12/31/1997
FILED WITH: SECRETARY OF STATE/UCC DIVISION, IL

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PUBLIC FILINGS (continued)

MOINES, IA

COLLATERAL: Account(s) and proceeds - Computer equipment and proceeds - General intangibles(s) and proceeds - Chattel paper and proceeds
FILING NO: K878525
DATE FILED: 12/02/1997
TYPE: Original
LATEST INFO RECEIVED: 12/24/1997
SEC. PARTY: THE FIRST NATIONAL BANK OF CHICAGO AS AGENT, CHICAGO, IL
FILED WITH: SECRETARY OF STATE/UCC DIVISION, IA
DEBTOR: MIDAMERICAN ENERGY FUNDING CORPORATION

COLLATERAL: Equipment including proceeds and products
FILING NO: P015401
DATE FILED: 05/12/1999
TYPE: Original
LATEST INFO RECEIVED: 05/19/1999
SEC. PARTY: CATERPILLAR FINANCIAL SERVICES CORPORATION, LISLE, IL
FILED WITH: SECRETARY OF STATE/UCC DIVISION, IA
DEBTOR: MIDAMERICAN ENERGY, COUNCIL BLUFFS, IA

COLLATERAL: Equipment and proceeds
FILING NO: P079720
DATE FILED: 02/04/2000
TYPE: Original
LATEST INFO RECEIVED: 02/10/2000
SEC. PARTY: CATERPILLAR FINANCIAL SERVICES CORPORATION, LISLE, IL
FILED WITH: SECRETARY OF STATE/UCC DIVISION, IA
DEBTOR: MIDAMERICAN ENERGY, COUNCIL BLUFFS, IA

There are additional UCC's in D&B's file on this company available by contacting 1-800-234-3867.

The public record items contained in this report may have been paid, terminated, vacated or released prior to the date this report was printed.

HISTORY

08/02/00

DAVID L SOKOL, COB-CEO RON STEPIEN, PRES
DIRECTOR(S): The officers identified by (+) and John Aalfs, Russell Christiansen, Ross Christensen, John Colloton, Frank Cottrell, Jack Eugster, Mel Foster Jr, Nolden Gentry, James Hoak Jr, Richard Lawson, Robert Peterson, Nancy Seifert, W Scott Tinsman and Leonard Woodruff.

Incorporated Jul 18 1994 in the State of Iowa.

Present control succeeded Dec 1 1996. 100% of capital stock is owned by the parent company.

The business was formed by the merger on Jul 3 1995 of Midwest Resources Inc and Iowa-Illinois Gas and Electric Company.

The merger agreement called for stockholders of Midwest Resources Inc to receive one share of MidAmerican Energy Company stock for each

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For: RON STEPIEN. PRES
DUN & BRADSTREET

September 21, 2000
5:27 pm

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HISTORY (continued)

share of Midwest Resourses Inc stock owned and owners of Iowa-Illinois Gas and Electric Company stock to receive 1.47 shares of MidAmerican Energy Company stock for each share of Iowa-Illinois Gas and Electric Company stock owned.

On Dec 1 1996 the company became a subsidiary of MidAmerican Energy Holdings Co.

..............MANAGEMENT BACKGROUND..........

DAVID L SOKOL. Antecedents not available.

RON STEPIEN. Antecedents not available.

OPERATION

08/02/00 Subsidiary of MIDAMERICAN ENERGY HOLDINGS COMPANY, DES MOINES, IA started 1996 which operates as Electric and gas utility. Parent company owns 100% of capital stock.

As noted, this company is a subsidiary of MidAmerican energy Holdings Company, DUNS number 963008388, and reference is made to that report for background information on the parent company and its management.

Operates as an electric and gas utility company.

Terms are net 30 days. Sells to residentail, commercial and industrial concerns. Had 647,700 electric and 618,000 gas customers at Dec 31 1997. Territory : Iowa, Illinois and South Dakota.

EMPLOYEES: 3,460 which includes officer(s). 300 employed here. Employees here represents employees of parent company only at captioned address.

FACILITIES: Leases 14,000 sq. ft. on 29th floor of a 36 story steel and glass building.

LOCATION: Central business section on main street.

BRANCHES: This business has multiple branches, detailed branch/division information is available in Dun & Bradstreet's linkage or family tree products.

SUBSIDIARIES: Subject has numerous subsidiaries.

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-- END OF REPORT --

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EXHIBIT C-8

"Bankruptcy Information"

There have been no bankruptcy filings made by MidAmerican Energy Company or its' parent organization within the most recent two years.

MidAmerican Energy Company

EXHIBIT C-9

"Merger Information"

Case No. 00-1786-EL-CRS

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.

EXHIBIT D-1

"Operations"

MidAmerican Energy Company ("MidAmerican") is a regulated electric utility with service territory in Illinois, Iowa, and South Dakota. Residential and non-residential customers in our Illinois Service territory have the choice to select an alternative retail electric supplier. MidAmerican currently either owns, leases, and purchases generation supply to service its regulated electric customer load. MidAmerican operates a large portion of the generation that they own. Acting as the control area operator, MidAmerican forecasts, schedules, and dispatches generation to meet the needs of it regulated customers.

MidAmerican through its Unregulated Retail Services provides electric energy supply to customers who have chosen MidAmerican as their unregulated electric supplier in Illinois, Ohio, Michigan, Maryland, Delaware and the District of Columbia. Electric energy is procured from third party suppliers by the Unregulated Retail Services Trading group.

Unregulated Retail Services is responsible for forecasting and scheduling its electric energy load in each service territory separately. Additionally, the retail group is responsible for reserving and arranging transmission service, calculating and supplying energy losses, procuring ancillary transmission services, and settling with incumbent utilities the difference between scheduled and actual customer usage.

MidAmerican will continue to purchase electric energy supply in order to meet its unregulated customers' load. Electric energy forecasting and scheduling will continue to be performed by MidAmerican for its customers.

MidAmerican has extensive operational experience serving retail energy customers:

Procurement Process

Upon the execution of an agreement with MidAmerican, the operations team will acquire firm supply through our internal trading desk. MidAmerican partners with a variety of wholesale supply sources to serve retail load in Ohio. Through our internal trading desk, we will purchase wholesale supply from the supplier(s) that can provide the optimal solution of price and service for our customers.

Risk Management

MidAmerican Risk Management Department has established and oversees a set of policies and procedures to govern the Unregulated Retail Services' transaction activities. The intent of the policy is to define and specify the controls and management responsibility associated with such activities; and to provide a framework in which business unit management can maintain a portfolio of products, services and other transactions within pre-defined risk parameters. The policy and associated procedures are designed to protect both MidAmerican Energy and the customers MidAmerican Energy serves.

Operational practices specifically designed to reduce risk exposure for customers include:

- Electronic interfaces with the utility for usage and invoicing data to ensure accuracy and timeliness contributing to MidAmerican's bill accuracy rate of over 98%.
- Mark to market and VAR positions are reviewed daily validating all operations are within defined risk management procedures therefore minimizing exposure to wholesale market risk.
- Monthly evaluation of scheduling and balancing procedures to validate and refine the prediction of future forecasts. MidAmerican will identify key swings in usage patterns and work with individual customers as appropriate to meet new load requirements.

Customer Service

Customer Satisfaction:	95% of our current customers would recommend MidAmerican Energy
Billing Services:	MidAmerican maintains a 98% bill accuracy rating and 98% of our invoices are produced within two days of receiving usage data.
Leadership and Experience:	MidAmerican Energy has been serving customers as a regulated utility for over 140 years and retail customers since 1999. Backed by Berkshire Hathaway and its AAA credit rating, MidAmerican focuses and invests in long-term opportunities that contribute to the future strength of our company.

Based on MidAmerican's cumulative 2008 customer survey results and service level performance.

General Questions, Certification, Registration Issues
Barbara Hawbaker
Balancing & Settlement
515-242-4230

Overall Operational Issues
Sunny Jansen
Supervisor – Unregulated Retail Services Electric Operations
515-252-6451

Trading Related Issues
Melinda Ruperto
Director – Unregulated Retail Services Trading
515-281-2615

Electric Product Related Issues
Vu Nguyen
Director - Energy Products
515-281-2633

Customer Contracting Issues
John Straley
Manager - Contracts
515-281-2940

Customer Complaint, Billing
Kay Twigg
Director - Unregulated Services
563-333-8598

EDI and Enrollment Issues
Karen Thode
Business Analyst
563/333-8592

MidAmerican is authorized to make market-based sales of electricity under MidAmerican's Rate Schedule for Power Sales, FERC Electric Tariff, Original Volume No. 5 as approved in FERC Docket No. ER96-719-000 and amended in FERC Docket No. ER00-2051-000.